

Finances:

2001

We have prescribed a fitness and cost-cutting program for Infineon called Impact, which not only leads to quick, short-term effects, but ensures that the company will benefit from financial flexibility in the long run. At the end of the 2001 fiscal year, Infineon attained a significantly positive net cash position. This was due to the cost-cutting measures as well as to the proceeds derived from the capital increase implemented in July and the divestiture of several businesses.



In the middle of 2001, it became evident that the downturn in demand would continue. For this reason, we developed and initiated a cost reduction program called “Impact”. It was designed to bundle all energies in order to identify potential savings throughout the company of at least 1 billion Euro and to quickly implement the necessary measures to attain this goal. Beforehand, we had already taken steps designed to counteract the market downturn. For example, in April 2001, Infineon decided to reduce planned investments in the 2001 fiscal year by 500 million Euro and to cut investments in the 2002 fiscal year by an additional 1 billion Euro. In addition, starting in June 2001, Infineon imposed a hiring freeze to the greatest possible extent.

In order to maintain our cash flow at a stable level in the 2002 fiscal year, we took the additional step of further reducing planned capital expenditures by 600 million Euro to a current volume of 900 million Euro. Furthermore, we are planning to reduce research and development expenses. Nevertheless, it is our intention to continue investing in key strategic projects.

2.4 Billion Euro from Portfolio Optimization and Capital Increase

We restructured our operations portfolio in the 2001 fiscal year in order to more effectively concentrate on our core business, from which Infineon raised 900 million Euro. We received an additional 1.5 billion Euro in proceeds from the issuance of ordinary shares in July 2001. These measures led to a positive net cash position of 568 million Euro in the 2001 fiscal year. This resulted in a positive balance of accounts receivable less debt at the end of the 2001 fiscal year, which was higher than originally expected.

Equity Ratio at 71 Percent at Year's End

Total assets at September 30, 2001, increased during the 2001 fiscal year by 10 percent to over 9.7 billion Euro. Shareholders' equity rose to 6.9 billion Euro. Therefore, the equity ratio reached a level of 71 percent at the end of the 2001 fiscal year, 5 percentage points higher than the year before.

Furthermore, we concluded separate agreements for short-term and long-term credit lines with several financial institutions. From the existing credit lines, there were approximately 1.6 billion Euro available on September 30, 2001.

SOLID NET CASH POSITION.

Job Reductions Are Unavoidable

Unfortunately, the far-reaching cost-cutting program also entails unavoidable adjustments in the size of our workforce. The number of employees worldwide will be reduced by about 5,000. Moreover, staff at our production facilities in Regensburg and Munich will be working reduced hours from October 2001 to March 2002. Expansion of operations at Infineon's state-of-the-art 300mm production plant in Dresden is expected to create 200 new jobs, and our priority is to offer newly-created positions to current employees first. Full-time contracts are being converted to part-time contracts on a voluntary basis at some Infineon locations.

We maintain our ongoing support to employees impacted by the job cuts, in order to help them optimize opportunities in finding employment elsewhere. Our considerable assistance program includes training for job applications and interviews, along with setting up appointments at recruitment companies or with employment offices. In addition, employees have been granted permission to use PC technology to search for new jobs or write applications. Infineon employees who lose their job will continue to have access to the job markets of the entire Siemens Group.

Outstanding Risk and Opportunity Management System

We have initiated and implemented a risk and opportunity management system throughout the company, which was examined and checked by KPMG, our independent auditing company. It puts us in the position of identifying and evaluating market opportunities as well as the risks involved. In this regard, it serves as the basis to quickly and effectively respond to trends and take advantage of potential opportunities. The risk and opportunity management system we have developed has become a key element of our business operations. In the meantime, we have applied for a U.S. patent for the system and were even granted public recognition in September 2001, when the company officially won the "2001 European Risk Management Award".



Peter J. Fischl

Member of the Management Board, Chief Financial Officer (CFO) and Labor Director

- Born 1946.
- Married, 2 children.
- Industrial clerk.

EMPLOYEES BY REGION
AS OF SEPTEMBER 30, 2001

