

# Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2004, 2005 AND 2006 € IN MILLIONS

	Notes	2004	2005	2006
Net sales:				
Third parties	6	6,169	5,843	7,546
Related parties	29	1,026	916	383
<b>Total net sales</b>		<b>7,195</b>	<b>6,759</b>	<b>7,929</b>
Cost of goods sold	8	4,670	4,909	5,854
<b>Gross profit</b>		<b>2,525</b>	<b>1,850</b>	<b>2,075</b>
Research and development expenses		1,219	1,293	1,249
Selling, general and administrative expenses		718	655	751
Restructuring charges	9	17	78	23
Other operating expense, net	8	257	92	108
<b>Operating income (loss)</b>		<b>314</b>	<b>(268)</b>	<b>(56)</b>
Interest expense, net		(41)	(9)	(92)
Equity in earnings (losses) of associated companies, net	17	(14)	57	78
Gain on subsidiaries and associated company share issuance, net	17	2	–	19
Other non-operating (expense) income, net		(64)	26	(33)
Minority interests	24	18	2	(23)
<b>Income (loss) before income taxes</b>		<b>215</b>	<b>(192)</b>	<b>(107)</b>
Income tax expense	10	(154)	(120)	(161)
<b>Net income (loss)</b>		<b>61</b>	<b>(312)</b>	<b>(268)</b>
Basic and diluted income (loss) per share in €	11	0.08	(0.42)	(0.36)

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2005 AND 2006 € IN MILLIONS**

	Notes	2005	2006
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		1,148	2,040
Marketable securities	12	858	615
Trade accounts receivable, net	13	952	1,245
Inventories	14	1,022	1,202
Deferred income taxes	10	125	97
Other current assets	15	469	482
<b>Total current assets</b>		<b>4,574</b>	<b>5,681</b>
Property, plant and equipment, net	16	3,751	3,764
Long-term investments	17	779	659
Restricted cash		88	78
Deferred income taxes	10	550	627
Other assets	18	542	376
<b>Total assets</b>		<b>10,284</b>	<b>11,185</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term debt and current maturities	22	99	797
Trade accounts payable	19	1,069	1,245
Accrued liabilities	20	497	562
Deferred income taxes	10	17	26
Other current liabilities	21	700	675
<b>Total current liabilities</b>		<b>2,382</b>	<b>3,305</b>
Long-term debt	22	1,566	1,208
Deferred income taxes	10	65	60
Other liabilities	23	561	457
<b>Total liabilities</b>		<b>4,574</b>	<b>5,030</b>
<b>Minority interests</b>	24	<b>81</b>	<b>840</b>
Shareholders' equity:			
Ordinary share capital	25	1,495	1,495
Additional paid-in capital		5,800	5,828
Accumulated deficit		(1,512)	(1,780)
Accumulated other comprehensive loss	27	(154)	(228)
<b>Total shareholders' equity</b>		<b>5,629</b>	<b>5,315</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,284</b>	<b>11,185</b>

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2004, 2005 AND 2006** € IN MILLIONS, EXCEPT FOR SHARE DATA

	Notes	Issued Ordinary shares in shares	Issued Ordinary shares amount
<b>Balance as of October 1, 2003</b>		720,880,604	1,442
Net income		-	-
Other comprehensive income (loss)	27	-	-
Total comprehensive income			
Issuance of ordinary shares:			
Settlement of redeemable interest		26,679,255	53
Deferred compensation, net		-	-
<b>Balance as of September 30, 2004</b>		747,559,859	1,495
Net loss		-	-
Other comprehensive income (loss)	27	-	-
Total comprehensive loss			
Issuance of ordinary shares:			
Exercise of stock options	26	9,500	-
<b>Balance as of September 30, 2005</b>		747,569,359	1,495
Net loss		-	-
Other comprehensive income (loss)	27	-	-
Total comprehensive loss			
Issuance of ordinary shares:			
Exercise of stock options	26	39,935	-
Stock-based compensation	26	-	-
<b>Balance as of September 30, 2006</b>		747,609,294	1,495

See accompanying notes to the consolidated financial statements.

Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment	Additional minimum pension liability	Unrealized gain (loss) on securities	Unrealized gain (loss) on cash flow hedge	Total
5,573	(1,261)	(81)	(18)	11	—	5,666
—	61	—	—	—	—	61
—	—	(41)	18	(7)	1	(29)
						32
225	—	—	—	—	—	278
2	—	—	—	—	—	2
5,800	(1,200)	(122)	—	4	1	5,978
—	(312)	—	—	—	—	(312)
—	—	64	(84)	8	(25)	(37)
						(349)
—	—	—	—	—	—	—
5,800	(1,512)	(58)	(84)	12	(24)	5,629
—	(268)	—	—	—	—	(268)
—	—	(69)	(3)	(7)	5	(74)
						(342)
—	—	—	—	—	—	—
28	—	—	—	—	—	28
5,828	(1,780)	(127)	(87)	5	(19)	5,315

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2004, 2005 AND 2006 € IN MILLIONS

	Notes	2004	2005	2006
<b>Net income (loss)</b>		61	(312)	<b>(268)</b>
<b>Adjustments to reconcile net income (loss) to cash provided by operating activities:</b>				
Depreciation and amortization	16/18	1,320	1,316	<b>1,405</b>
Acquired in-process research and development	4	9	–	–
Deferred compensation		2	–	–
Provision for doubtful accounts	13	15	3	<b>23</b>
Gain on sale of marketable securities	12	(9)	(8)	<b>(3)</b>
Loss (gain) on sale of businesses and interests in subsidiaries	5	2	(39)	<b>10</b>
Gain on disposal of property, plant, and equipment		(5)	(8)	<b>(9)</b>
Equity in losses (earnings) of associated companies, net	17	14	(57)	<b>(78)</b>
Gain on subsidiaries and associated company share issuance, net	17	(2)	–	<b>(19)</b>
Minority interests	24	(18)	(2)	<b>23</b>
Impairment charges	16/17/18	136	134	<b>57</b>
Stock-based compensation	26	–	–	<b>28</b>
Deferred income taxes	10	96	88	<b>(6)</b>
<b>Changes in operating assets and liabilities:</b>				
Trade accounts receivable	13	(219)	119	<b>(334)</b>
Inventories	14	(40)	(25)	<b>(145)</b>
Other current assets	15	154	(2)	<b>31</b>
Trade accounts payable	19	228	(52)	<b>222</b>
Accrued liabilities	20	92	(114)	<b>89</b>
Other current liabilities	21	(22)	–	<b>48</b>
Other assets and liabilities	18/23	43	(2)	<b>(100)</b>
<b>Net cash provided by operating activities</b>		<b>1,857</b>	<b>1,039</b>	<b>974</b>

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2004, 2005 AND 2006 € IN MILLIONS**

	Notes	2004	2005	2006
<b>Cash flows from investing activities:</b>				
Purchases of marketable securities available for sale		(2,678)	(2,228)	(492)
Proceeds from sale of marketable securities available for sale		2,520	3,310	730
Proceeds from sale of businesses and interests in subsidiaries		9	101	72
Business interests, net of cash acquired		(29)	–	–
Investment in associated and related companies	17	(386)	(135)	(6)
Cash increase from initial consolidation of ALTIS	17	–	–	119
Dividends received from equity investments		–	51	29
Purchases of intangible assets	18	(125)	(27)	(44)
Purchases of property, plant and equipment	16	(1,163)	(1,368)	(1,253)
Proceeds from sales of property, plant and equipment	16	43	58	21
<b>Net cash used in investing activities</b>		<b>(1,809)</b>	<b>(238)</b>	<b>(824)</b>
<b>Cash flows from financing activities:</b>				
Net change in short-term debt	22	62	(20)	–
Net change in related party financial receivables and payables	29	75	18	7
Proceeds from issuance of long-term debt	22	–	192	400
Principal repayments of long-term debt	22	(549)	(500)	(56)
Change in restricted cash		(43)	21	10
Proceeds from issuance of shares to minority interest		53	23	–
Proceeds from issuance of shares of Qimonda	3	–	–	406
Capital distributions to minority interests		–	–	(5)
<b>Net cash (used in) provided by financing activities</b>		<b>(402)</b>	<b>(266)</b>	<b>762</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(7)	5	(20)
Net increase (decrease) in cash and cash equivalents		(361)	540	892
Cash and cash equivalents at beginning of year		969	608	1,148
<b>Cash and cash equivalents at end of year</b>		<b>608</b>	<b>1,148</b>	<b>2,040</b>

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