



Dr. Eng. h.c. Volker Jung
Chairman of the Supervisory Board



Dear Shareholders,

The Management Board has informed the Supervisory Board in detail about the development of business and the financial situation of the company and its separate business units and about financial and investment planning at the respective meetings during the period under review. Additionally, it has submitted full quarterly reports to us and has also reported in writing about events of particular significance. Furthermore, the Chairman of the Supervisory Board has kept himself informed about important developments and decisions by the Management Board in individual meetings.

The discussions by the Supervisory Board have been dominated in particular by the situation in the semiconductor market, which has deteriorated during the course of the fiscal year. In addition to reductions in demand for PCs and mobile phones, the sudden and widespread unwillingness throughout the world to invest in communications infrastructure has put pressure on the business and the performance of almost all of Infineon's business units, particularly Memory Products.

As a reaction to this, the investment budget was reduced in the first months of the fiscal year in consultation with the Supervisory Board and was further adjusted as the year progressed. Additionally, the Management Board prepared an extensive cost reduction program placed before the Supervisory Board on July 25, 2001 and implemented it without delay. The main objective of this program is to make a rapid and noticeable improvement in the profits and liquidity position. At the same time, proper attention is also being given to the securing of the technological base as a foundation for the long-term successful development of the company. We received a progress report about the implementation of the program at an extraordinary meeting in September and confirmed that the Management Board should continue to bring all input factors rapidly and fully into line with the difficult market circumstances.

In order to finance the investment program, the Supervisory Board approved an increase in capital of 60 million shares, which brought in total proceeds of approximately 1.5 billion Euro for the company in July 2001.

Meetings of the Supervisory Board and of the Committees

Seven meetings of the Supervisory Board took place during the year under review. Resolutions were passed by the Supervisory Board both at the meetings and also by circulation of written proposals.

The Executive Committee did not need to meet during the year under review but it passed resolutions on changes to the articles of association by circulation of written proposals within the limits of the authority granted to it under the rules of procedure of the Supervisory Board.

The Investment and Finance Committee met five times during the year under review; furthermore, resolutions concerning transactions requiring approval were passed by circulation of written proposals. The main items at the meetings of the Committee were the preliminary examination of the financial statements, discussing the audit report with the auditor, ongoing monitoring of the investment planning and preparing for the Supervisory Board to approve the implementation of the increase in capital.

There was no occasion to convene the Mediation Committee formed pursuant to Section 27(3) of the German Codetermination Act (Mitbestimmungsgesetz).

Membership of the Supervisory Board

Mr Stefan Radloff's term of office on the Supervisory Board came to an end when he left the company on January 31, 2001. The Supervisory Board thanked him for his commendable work over many years for the company and on the Supervisory Board. Mr Michael Ruth was legally appointed in January as his successor as member of the Supervisory Board and representative of the executives of the company.

Financial Statements

The financial statements of Infineon Technologies AG to September 30, 2001, the consolidated financial statements of the group prepared in accordance with the provisions of U.S. GAAP applying the exemption provision of Section 292a of the German Commercial Code (HGB), and the combined report of Infineon Technologies AG and of the group have been audited by the auditors, KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main, and endorsed with an unqualified auditors' certificate. We have also examined these documents ourselves.

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KPMG's reports on the audit of the financial statements and of the consolidated financial statements of the group prepared in accordance with the provisions of U.S. GAAP were presented to all members of the Supervisory Board and were discussed in detail initially at the meeting of the Investment and Finance Committee on November 9, 2001 and at our meeting to approve the statements on November 30, 2001 in the presence of the auditors. At this meeting, the Management Board also reported in detail on the scope, main points and expenses of the audit of the statements. We found no grounds for objection and agree with the result of the audit. The Supervisory Board has approved the financial statements prepared by the Management Board and they are therefore final.

The report on relationships with affiliated companies prepared by the Management Board and examined by the auditors pursuant to Section 312 of the German Stock Corporation Act (Aktiengesetz) was granted an unqualified certificate by the auditors, confirming that the facts stated in the report are correct, that in the legal transactions mentioned in the report the company's performance was not misrepresented, and that any possible disadvantages were not offset, and that there is no reason to evaluate the measures outlined in the report in any other way than the way in which they have been evaluated by the Management Board. We have also examined the report ourselves and the final result of our examination is that we have no objections to the concluding statement of the Management Board and agree with the result of the auditors' examination.

The Supervisory Board would like to thank the Management Board and all employees of Infineon Technologies AG for their commitment and achievement during the 2001 fiscal year. The Supervisory Board would, furthermore, like to thank the works councils for their constructive contribution.

Munich, November 2001

On behalf of the Supervisory Board



Volker Jung

Chairman of the Supervisory Board