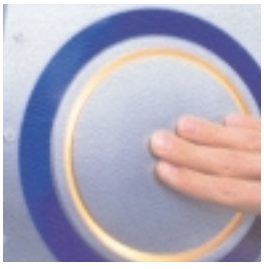
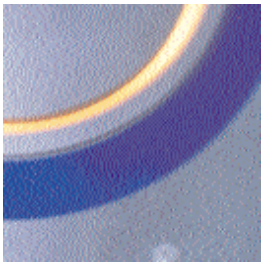
Convenience:

2001

Infineon is the world's second largest producer of chips for automotive electronics. By producing high-performance semiconductors, we are doing our share towards making cars even safer, more comfortable and more economical in terms of fuel consumption – and now, equipping them with more multimedia functions.





Infineon's Automotive and Industrial Electronics Business Group primarily manufactures microcontrollers, smart power ICs and complete modules for automotive and industrial applications. We are one of the few companies which is in a position to develop full systems solutions tailored to the individual requirements of the automobile industry, including steering, memory and sensory functions. This represents a major competitive edge in this market segment.

When it comes to industrial electronics, we focus on high-growth, standardized or application-specific product applications, such as drives, chargers for mobile devices and voltage converters in PC motherboards.

EBIT More Than Doubled

In the 2001 fiscal year, revenues in the Automotive and Industrial Electronics Business Group climbed 25 percent to 1.1 billion Euro. EBIT more than doubled from 69 million Euro last year to 145 million Euro. On the one hand, this can be attributed to the steady development of the automobile market in Europe and the USA. In addition, we managed to increase our market share on the Asian market for industrial electronics – accompanied by the strategic success of penetrating the Japanese market for Power ASIC/ASSP solutions.

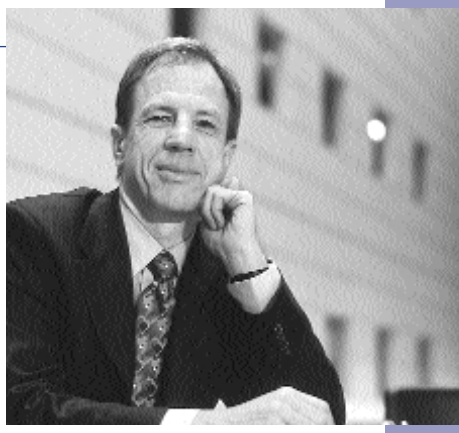
Participation in Formula 1 Races – With AUDO

Thanks to the successful market launch of new 32-bit TriCore microcontroller generations in the 2001 fiscal year, Infineon is in a favorable competitive position – and this in the face of an increasingly large variety of infotainment and navigations systems. These important new core products are now being used by many major suppliers of automotive electronics as a platform for the design of new systems, which will be built into future generations of automobiles.

Our sponsorship of Formula 1 racecars has resulted in a mutually beneficial partnership: we gain recognition while our partner is able to take advantage of Infineon's latest technological advances. The AUDO microcontroller is the core component of a sensor system which is still able to evaluate analog and digital signals such as pressure, temperature, position and number of engine revolutions, without interruption, even at speeds of up to 300 km/hour.

The highly valuable insights gained from our Formula 1 efforts are integrated into ongoing product development work for mass producers. We are in the pole position

TAKING POLE POSITION IN TELEMATICS.



Dr. Reinhard Ploss
Chief Executive Officer,
Automotive and Industrial
Electronics Business Group

- Born 1955.
- Married, 1 child.
- Studied process engineering.
- Doctorate in engineering.

with this new generation of 32-bit microcontrollers, an achievement which has been underlined by the "Innovation of the Year 2001" prize awarded to Infineon by the specialized international trade magazine "EDN".

More Volts for More Comfort and Lower Fuel Consumption

The focus of our current work is on developing electronic components for future 42-volt electrical systems, a project done in cooperation on with DaimlerChrysler. In the future, 42-volt electrical systems will be the prerequisite for automotive systems which require even more power and are based on semiconductor applications. Tapping a 3.5 times higher voltage than today's typical 12-volt solution opens up new perspectives – raising the performance limits for electrical systems such as air conditioning, electronic motor control and braking systems, further lowering fuel consumption and increasing driving comfort even more.

Automotive industry experts estimate that at least one million vehicles will be equipped with these 42-volt networking systems annually as of the year 2010. The resulting potential convergence of all kinds of high-tech solutions will make applications such as motor control, airbag sensors and distance warning devices available at lower prices than ever before, also enabling new applications such as electronic steering. These functions will be complemented by integrated active security systems, GPS information services and mobile office communications including Internet access.

These new electronic applications are not designed to distract drivers but to boost their attention span so that they can more intensively focus on what is happening on the roads. For this reason, voice control systems will play an increasing role in automotive electronics of the future. This means that key functions will be regulated by voice. At the same time, information will need to be conveyed to the driver in an unmistakable, clearly audible manner. As a consequence, two semiconductor segments – automotive and communications – are being linked together and converging simultaneously.

In conclusion, the information age has also penetrated the long-product cycle semiconductor market for automotive electronics. This means that an increasing number of new semiconductor products will have to be produced in large quantities in shorter intervals than ever before. Infineon has the necessary, state-of-the-art production capacities and technologies at its disposal, and thus is extremely well prepared for this market development.

AUTOMOTIVE AND INDUSTRIAL ELECTRONICS – IN EURO MILLIONS