

Markets:

2001

All semiconductor market segments have been impacted by the current dramatic economic downturn. For this reason, we are increasingly focusing our sales and marketing efforts on securing sales volume with our major customers and further expanding our market share through accelerated offer procedures as well as price flexibility. With the help of database marketing campaigns and the focus on distributors, we were able to achieve a stronger presence in the mass market.

One of Infineon's top priorities was securing sales volume with its largest customers within the framework of the challenging business environment prevailing in the 2001 fiscal year. We succeeded in achieving this goal in all five Business Groups. The three top customers of the Automotive and Industrial Electronics Business Group accounted for 40 percent of its total revenues. A small number of quickly expanding customers significantly increased their relative importance within the major customer portfolio of the Security and Chip Card ICs Business Group. Both the Wireline Communications and Wireless Solutions Business Groups each did more than 50 percent of their business with their top 8 and top 3 customers, respectively. The same applied to the Memory Products Business Group, in which the 7 largest customers were responsible for 50 percent of total sales. Infineon's bit growth climbed by almost 70 percent compared to the previous fiscal year, achieving a growth rate which was once again higher than overall market growth.

Growing Sales Potential in Asia and North America

NAFTA (the North America free trade zone), the Asia-Pacific region and Japan now account for almost 50 percent of Infineon's total revenues. We succeeded in maintaining our market share in the NAFTA and Asia-Pacific regions, although demand for semiconductors cooled off earlier and declined more extensively in comparison to the European market. We are continuing to consider these geographical areas as having increased significance because of their very size and market potential.

In North America, we further intensified our customer relations with the manufacturers of PCs and servers. In the market segment for wireline communications, Infineon has positioned itself as a capable, high-performance competitor offering leading-edge technologies. In the automotive sector, American electronic component suppliers are increasingly taking advantage of our technical support and systems competence in the fields of motor management, infotainment and electronics designed to raise the level of comfort and security.



PARTNER, NOT JUST SUPPLIER.

The Asia-Pacific Region is growing in importance as a sales market for the semiconductor industry. We are benefitting from the growth of this promising region by further expanding our technological expertise as well as by forming strategic partnerships and joint ventures. In Japan, we have made considerable progress in expanding our ties to automobile component suppliers and to the telecommunications industry. Furthermore, we achieved sales growth there of more than 100 percent for memory chips, an achievement which clearly demonstrates our competitiveness in comparison to local providers.

Partners for Sales and Logistics

In our direct sales activities, we naturally concentrate our efforts on the large customers which operate on a global basis. However, the importance to Infineon of indirect distribution channels and the cooperation with pure manufacturing companies, so-called Electronic Manufacturing Services (EMS), have grown considerably. Their contribution to Infineon's total revenues has climbed by 50 percent in the 2001 fiscal year.

Avnet, Insight and Pioneer/Eurodis rank among our largest distribution partners. In the EMS market, companies such as Celestica, Flextronics, SCI and Solectron emerged as key customers. They are increasingly assuming responsibility for the manufacturing of mobile communications devices on behalf of well-known brand name electronics providers. Furthermore, EMS specialists are continually expanding their design expertise for such devices. As a consequence of this trend, their interest in Infineon's systems know-how is growing within the framework of a constructive partnership.

Marketing: Globally Online and Regionally Focused

We have been able to expand our image and boost awareness of Infineon as a competent partner in all important regions of the global semiconductor market. We are intensifying the ongoing regional expansion of our sales and marketing activities, particularly in the Asia-Pacific region and in Japan. We have been implementing a new communications strategy in North America to increase our presence in key media.

We are attempting to meet the increasing information and interaction requirements of our customers through web-based marketing measures, for example via eCRM (electronic Customer Relationship Management) or MyInfineon.com, our customized Internet portal. During the process of developing these Internet tools, we intensified our entire data base marketing activities, including direct mailing campaigns, for example via Design:)Link, a new customer magazine published quarterly.



Peter Bauer

Member of the Management Board, Chief Sales and Marketing Officer (CMO)

- Born 1960.
- Married, 2 children.
- Graduated in electrical engineering.
- Certified engineer.

NET REVENUES 2001
BY GEOGRAPHIC REGION
IN EURO MILLIONS

