

The 2001 Fiscal

2001

■ WORLD MARKET ■ SEMICONDUCTOR INDUSTRY ■ INFINEON TECHNOLOGIES

- Broad-based economic stagnation in the USA.
- Rise in oil prices affects industrialized countries and quickly leads to a negative impact on private consumption.
- The boom in information technologies abruptly comes to an end, resulting in a sharp decline in demand for PCs and thus for memory products.

- 2.11. In November, the Semiconductor Industry Association (SIA) still reports a 45 percent growth rate in September 2000 for the global semiconductor branch in comparison to figures for September 1999.
- At the end of the year, market analysts announce growth in total semiconductor revenues of approximately 33 percent. The DRAM market alone rose 38 percent. In comparison: over the last forty years, the entire industry posted an average annual growth rate of 14 percent.

OCTOBER – DECEMBER 2000*

- 2.10. The acquisition of U.S. Local Area Network specialist Ardent Technologies on behalf of the Wireless Solutions Business Group is announced and completed in April 2001.
- 5.10./
15.12. Infineon acquires a stake in two companies, sci-worx and Ramtron International Corporation, thus gaining access to extensive expertise in the fields of communications and memory technologies.
- 24.10. Infineon's consumer electronics semiconductor business is sold to Micronas for 250 million Euro.
- 27.10. Infineon is the first semiconductor company to receive Bluetooth certification for its BlueMoon system solution.
- 16.11. Infineon opens a development center in Grenoble for fiber optics.
- 21.11. Infineon ships 100-millionth GSM baseband chipset.
- 28.11. IBM, Infineon and UMC roll out the first 0.13 micron logic chips. First customer shipments of these higher performing chips for network and computing applications commence in early 2002.
- 21.12. Infineon and Toshiba announce the joint development of FeRAM, a new memory technology.

* The dates provided generally refer to the day and month a public announcement has been made and not to the actual time the particular event took place.

Year in Review:

HARD TIMES FOR THE SEMICONDUCTOR INDUSTRY

3.1.

The Semiconductor Industry Association reports an increase in the global market for semiconductors of 28 percent in November 2000, but notices evidence of weaker growth in the following months.

Chip revenues decline significantly as key customers of the semiconductor industry decide to reduce their excessively large inventories.

16.2.

Telecommunications provider Nortel Networks reports an expected fall in profits and announces lay-offs.

20.2.

Electronics multinational NEC revises its previous forecasts and projects a drop in profits of 33 percent. The reasons: weak demand for PCs and declining DRAM prices.

26.3.

Communications chip manufacturers PMC-Sierra and Conexant Systems adjust their original profit expectations downwards and announce job cuts.

JANUARY – MARCH 2001*

22.1.

Infineon demonstrates first samples of 1-Gigabyte DDR modules, which are already validated for AMD-based platforms.

26.1.

Infineon's collaboration with IMEC, one of the world's leading independent research and development centers in the field of microelectronics, with headquarters in Brussels, is extended in the area of microelectronic technologies as well as design and system-oriented research.

31.1.

Infineon announces an 8 percent increase in first quarter revenues with growth in all non-memory businesses, reporting a 61 percent decline in its memory products business. EBIT is down 45 percent in comparison to the record quarter posted in the period July to September 2000.

5.2.

Infineon produces the world's first power semiconductors with silicon carbide schottky diodes, which enable compact switch mode power supplies with low switching losses.

20.2.

An innovative baseband IC solution developed by Infineon for GPRS and EDGE mobile phones supports the transition from the second to the third generation of mobile communications.

15.3.

Infineon introduces the first chipset to integrate voice and full-rate ADSL Internet services on a single linecard.

19.3.

At CeBIT, Infineon presents the first system-on-a-chip solution for multibeam DVD/CD drives.

2001

■ **WORLD MARKET** ■ **SEMICONDUCTOR INDUSTRY** ■ **INFINEON TECHNOLOGIES**

— The market for chip card ICs used for security and banking applications collapses. Investments of the telecommunications industry for wireline solutions are quickly cut back. Network providers cancel orders from suppliers. The global market for PCs declines for the first time in history.

— 11.4. The price of Intel shares falls rapidly, due to Morgan Stanley's prognosis of a price decline for Pentium 4 microprocessors of up to 45 percent by the end of 2001.

— 17.4. Cisco Systems, the world's largest networking provider, announces lower than expected profits and revenues as well as plans to cut its workforce by 8,500 people.

— 23.4. Shares of semiconductor producers are downgraded by Merrill Lynch, on the grounds that the industry's downturn will not reach rock bottom for at least another three months.

April – June 2001*

— 6.4. The first annual general shareholders' meeting since flotation votes in favor of a one-time dividend payment of 0.65 Euro per share for the record 2000 financial year.

— 11.4. Infineon expands its presence in two high-growth market segments by introducing the world's fastest DDR memory for 3D graphic applications as well as a new memory chip for fast networking and high-speed cache applications.

— 23.4. Infineon begins equipping its production lines in Dresden for the world's first 300mm volume production.

— 24.4. Infineon reports second-quarter revenues in line with previous quarterly revenues, but a significant decline in EBIT.

— 30.4. Infineon announces the acquisition of the U.S. company Catamaran Communications operating on the optical networking component market.

— 8.5. Infineon and Saifun establish a joint venture to develop flash memory products.

— 10.5./
13.8. A U.S. jury finds Rambus liable for fraud. All patent infringement claims against Infineon are dismissed. Infineon is granted punitive damages.

— 20.6. Infineon announces third-quarter losses of 600 million Euro due to weak market conditions.

— 28.6. Vishay acquires Infineon's infrared components business for 140 million Euro.

* The dates provided generally refer to the day and month a public announcement has been made and not to the actual time the particular event took place.

The terrorist attacks in the USA on September 11 represent a setback for the world economy, accelerating the global economic downturn.

According to the latest economic forecasts, the gross domestic product of the industrialized countries is expected to decline by a level of 1.5 percent in the calendar year 2001, compared to a growth rate of 3.7 percent in the year 2000.

12.7.

STMicroelectronics reports a 54 percent drop in second-quarter revenues, but is cautiously optimistic for the third quarter.

26.7./
27.7.

Computer manufacturers Compaq, Fujitsu and NEC radically adjust their earnings forecasts downwards.

6.9.

Motorola also announces an expected fall in profits.

20.9.

Electronics multinational Philips announces an expected decline in revenues from its semiconductor operations.

July – September 2001*

13.7./
19.7.

Infineon implements a capital increase through 60 million newly-issued shares at a price of 25 Euro per share. The placement is 3.8 times oversubscribed and results in proceeds of 1.5 billion Euro.

23.7.

In the third quarter, Infineon's revenues decline sequentially by 23 percent in comparison to the previous quarter. EBIT decreases to a loss of 598 million Euro, as expected. The Automotive and Industrial Electronics Business Group is the only one posting strong results.

25.7./
26.9.

As a reaction to ongoing weak market conditions in the high-tech sector, Infineon announces a cost-reduction and streamlining program named "Impact", aimed at achieving significant savings of at least 1 billion Euro within an 18-month period. Capital expenditures are to be radically pruned. In addition, 5,000 jobs are to be cut. The program is launched with quick and far-reaching effects. Starting in October, short-time work schedules are introduced at the company's production facilities in Regensburg and Munich.

14.8.

Osram acquires Infineon's stake in their joint venture for opto-semiconductors for 565 million Euro.

16.8.

Infineon introduces a triple-band tuner IC, the industry's first single-chip solution for all global terrestrial TV applications.

20.9.

With its "my-d" product line, Infineon enters the fast-growing smart label market.

27.9.

Infineon has samples of a 32-bit telematics controller available, which optimizes infotainment (Internet and mobile phone) links in automobiles.