



News Release/Presseinformation

Infineon Reports Record Third Quarter and Nine Months Results

- **Third quarter revenues increase by 67 percent to Euro 1.83 billion compared to 1999 and up 19 percent from last quarter**
- **Quarterly EBIT is a record Euro 366 million, an improvement of Euro 352 million over last year's third quarter and up 45 percent over second quarter 2000**
- **Quarterly net income increases to Euro 266 million, improved over third quarter of 1999 by Euro 235 million and up 82 percent over second quarter**

MUNICH, Germany - July 26, 2000 - Infineon Technologies AG (FSE/NYSE: IFX), one of the world's leading semiconductor manufacturers, and a member of the DAX index since June 19, today announced record financial results for its third quarter and the nine months ended June 30, 2000.

Revenues in the third quarter rose to Euro 1.83 billion, a 19 percent increase over the previous quarter and a 67 percent increase over the third quarter of 1999. Infineon's significant revenue growth was driven by strong demand across all segments especially in communication and memory products. EBIT for the third quarter was up 45 percent from the second quarter to Euro 366 million, an increase of Euro 352 million from the third quarter of 1999. Infineon's strong performance was driven by improved pricing and increased output, which was provided by capacity additions and significant productivity gains.

Net income increased to Euro 266 million, up 82 percent from Euro 146 million in the second quarter and an improvement of Euro 235 million over the third quarter of 1999. Based on the weighted average number of shares outstanding, basic earnings per share for the third quarter amounted to Euro 0.43, as compared to Euro 0.24 last quarter and Euro 0.05 for the same period last year.

For the financial and business press: INFXX200007.085e

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Commenting on the results, Dr. Ulrich Schumacher, President and CEO of Infineon Technologies said: "Infineon continued to accelerate its strong earnings momentum in the third quarter. We are substantially improving our productivity and optimizing our technology portfolio towards higher margin products."

Infineon's focus on increasing productivity led to further margin improvement in the third quarter. Gross margins increased to 41 percent, up from 39 percent in the previous quarter and 28 percent in the third quarter of 1999. Selling, general and administrative expenses were down to 9 percent of revenues, versus 10 percent in the previous quarter and 13 percent in last year's third quarter. Research and development expenditures for the quarter were Euro 237 million, up 37 percent in absolute terms from last year's third quarter but down as a percentage of revenues from 16 to 13 percent due to Infineon's strong revenue growth.

Nine months results

In the first nine months of the fiscal year 2000, revenues increased to Euro 4.9 billion, up 68 percent compared to the same period last year; this figure already exceeds total revenues for the entire fiscal year 1999 by Euro 670 million. Executing on its globalization strategy, Infineon reported about half of its nine month revenues outside of Europe. Japan showed the strongest regional growth rate with 247 percent while America/NAFTA rose by 130 percent. Asia Pacific (excluding Japan) followed with an increase of 109 percent. Revenues in Europe increased by 35 percent. As of June 30, Infineon had over 28,200 employees worldwide.

As a result of increased productivity in the first three quarters, Infineon's gross margin grew from 29 percent to 39 percent. SG&A expenses totaled Euro 466 million, or 10 percent of revenues compared to 13 percent for the first nine months in the previous year. R&D expenditures reached Euro 677 million, up Euro 158 million from last year's nine month period but down as a percentage of revenues from 18 to 14 percent.

Year-to-date EBIT totaled Euro 863 million compared to a loss of Euro 32 million for the same period last year. Net income increased by Euro 520 million to Euro 545 million. Based on the weighted average of shares outstanding, earnings per share for the first nine months amounted to Euro 0.89, as compared to Euro 0.04 over the same period last year.

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Strong divisional performance

Wireless Communications Group revenues in the third quarter increased to Euro 308 million, up 12 percent compared to the second quarter, mainly due to strong demand for GSM and General Packet Radio Service (GPRS) systems solutions and strong sales of Infineon's E-Gold+, a unique system-on-chip solution for the baseband. EBIT reached Euro 67 million, up 18 percent from the second quarter.

As a result of the strong, ongoing Internet infrastructure business and demand for ISDN chips, Communication and Peripherals Group quarterly revenues grew 9 percent from the second quarter to Euro 326 million. EBIT remained steady at Euro 30 million compared to the second quarter despite higher costs from the use of foundry services and amortization related to the acquisition of Savan Communication, an Israeli-based broadband communications IC specialist.

Automotive and Industrial Group quarterly revenues rose to Euro 232 million, up 9 percent from the second quarter, due mainly to the strong performance of its power business. EBIT rose by 64 percent to Euro 18 million compared to last quarter. In the third quarter, Infineon received its first TriCore[®] design-win in an application for automotive engine control.

In the Other operating segments, which include Security and Chip Card ICs Group and the Opto Joint Venture with Osram, revenues rose to Euro 160 million, up 7 percent from the second quarter and were driven by the strong demand for security controllers for high-end banking and GSM projects. While EBIT of the security and smart card IC group improved, the segment's EBIT declined to Euro 11 million from Euro 15 million in the second quarter due to a technology transition in the Opto Joint Venture. With a 43 percent share in the security and smart card IC market (per Dataquest), Infineon is considered to be the market leader in terms of both units and revenues.

Memory Products Group revenues in the quarter increased to Euro 781 million, up 37 percent compared to the second quarter. Infineon encountered continued high demand in volumes and a positive development in the average selling price for 64 Mbit DRAMs. Revenues were particularly strong in the US and Asia. Productivity gains were the main factor behind the 59 percent EBIT growth to Euro 289 million compared to last quarter. Infineon maintained its leadership in the 256 Mbit DRAM sector and also produces the smallest 128 Mbit SDRAM.

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Strategic highlights in the third quarter

In the third quarter, Infineon demonstrated its world class technological leadership in the field of wireless communications by setting four world records in the high frequency communications sector. In its research labs Infineon obtained the highest frequency for a dual modulus prescaler fabricated on a Silicon-Germanium compound, while also developing an extremely low-noise amplifier using a silicon technology. Other peak performance values were reached for power amplifiers in the 900-MHz and 1.9-GHz mobile communication bands, where Infineon achieved previously unobtainable output power values and efficiencies at low supply voltages.

The company further invested in R&D for the forthcoming UMTS standard in mobile communications by taking a majority stake in a new development center in Linz (Austria).

Infineon's big communications clients show significant interest in its highly integrated full rate ADSL solutions for voice and data services in the booming market for xDSL broadband technologies. With the recent acquisition of Israel-based Savan Communication, Infineon has developed a new chipset utilizing VDSL modem technology to provide today's leading broadband communication technology via copper.

Infineon also acquired a minority stake in California-based Aristos Logic Corp. to enhance its expertise in the server and network storage technology for fast growing business-to-business and e-commerce applications.

The company strengthened its position in developing Next Generation Lithography (NGL) by joining the American EUV LLC (Extreme Ultraviolet Limited Liability Corporation) consortium as the first European member. Infineon is also active for the European MEDEA project for developing Ion Projection Lithography, another promising technical option for shrinking IC geometry below 70 nm. Both projects are aimed at securing Infineon's technology leadership in this field and providing its customers with higher performance and more compact chips.

Infineon strengthened its position as market leader in the fast growing areas of Internet infrastructure and networking based on its volume shipments of 256 Mbit DRAMs for servers and workstations. In addition, Infineon successfully designed-in

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a Silicon-on-Chip ASIC with embedded DRAM for one of the world leaders for the Internet and networking infrastructure.

Infineon broke ground on the world's first 300mm high-volume wafer fab in Dresden. This move, in conjunction with the announced transfer of Infineon's proven expertise to Taiwan-based ProMOS Technologies (a joint venture with Mosel Vitelic), demonstrates the company's ability to set new technological standards.

Outlook

Infineon expects its capital expenditures for this fiscal year to be about 25 percent of revenues; this should increase to around 30 percent in the next fiscal year to take full advantage of the continuing growth dynamic of the semiconductor market.

The company plans to expand its production capacity by speeding up the conversion of older lines from 6 to 8 inch wafer production, following an aggressive shrink roadmap to smaller geometries and outsourcing more product fabrication to silicon foundries and subcontractors. This should especially accelerate Infineon's production output for logic components.

"On the R&D side, Infineon will invest in future wireless standards such as Bluetooth and UMTS to improve its market position in mobile communications," commented Ulrich Schumacher. "In addition, the company will further strengthen its intellectual property position in the fast growing market for broadband communications by focusing resources internally and through acquisitions. We will also look to divest smaller, non-core activities."

Increasing memory prices as well as productivity gains are likely to lead to an improved fourth quarter. On the revenue side, Infineon is well positioned to grow faster than the market in both fiscal year 2000 and 2001. The World Semiconductor Trade Statistics forecasts revenue growth of over 20 percent for the worldwide semiconductor industry in 2001.

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FINANCIALS *

* According to US GAAP - Unaudited

Condensed consolidated statements of income *

in Mio. Euro	3 months ended		9 months ended	
	6/30/99	6/30/00	6/30/99	6/30/00
Total net sales	1,098	1,830	2,927	4,903
Cost of goods sold	(788)	(1,086)	(2,089)	(2,989)
Gross profit	310	744	838	1,914
Research and development expenses	(173)	(237)	(519)	(677)
Selling, general and administrative expenses	(145)	(162)	(384)	(466)
Other operating expense, (income) net	(3)	2	(4)	2
Operating income, (loss)	(11)	347	(69)	773
Interest income, net	20	21	25	30
Equity in earnings of associated companies	9	28	22	88
Other income (expense), net	16	(9)	15	2
Minority interests	-	-	1	(6)
Income (loss) before income taxes	34	387	(6)	887
Income tax benefit (expense)	(3)	(121)	31	(342)
Net income	31	266	25	545
Weighted average of outstanding shares	600	625	600	610
Earnings per share - basic	0.05	0.43	0.04	0.89

Segment results*

Net sales in Mio. Euro	3 months ended			9 months ended		
	6/30/99	6/30/00	+/- in %	6/30/99	6/30/00	+/- in %
Wireless Communications	236	308	31	616	897	46
Communications & Peripherals	245	326	33	558	896	61
Automotive & Industrial	161	232	44	481	628	31
Security & Chip Card ICs and other	131	160	22	342	468	37
Memory Products	307	781	154	872	1,941	123
Corporate and reconciliation	18	23	28	58	73	26
Infineon consolidated	1,098	1,830	67	2,927	4,903	68

EBIT in Mio. Euro	3 months ended			9 months ended		
	6/30/99	6/30/00	+/- in %	6/30/99	6/30/00	+/- in %
Wireless Communications	78	67	-14	159	199	25
Communications & Peripherals	28	30	7	15	86	473
Automotive & Industrial	-8	18	+++	1	36	3,500
Security & Chip Card ICs and other	19	11	-42	34	39	15
Memory Products	-107	289	+++	-241	597	+++
Corporate and reconciliation	4	-49	---	0	-94	---
Infineon consolidated	14	366	2,514	-32	863	+++

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Condensed consolidated balance sheets *

in Mio. Euro	9/30/99	6/30/00
Assets		
Current assets:		
Cash and cash equivalents	30	785
Marketable securities	0	301
Accounts receivable, net	802	1,132
Related party receivables	949	358
Inventories	677	738
Deferred income taxes	54	83
Other current assets	11	42
Total current assets	2,523	3,439
Property, plant and equipment, net	3,014	3,235
Long-term investments, net	130	355
Restricted cash	64	109
Deferred income taxes	314	212
Other assets	400	537
Total assets	6,445	7,887

in Mio. Euro	9/30/99	6/30/00
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt and current maturities	495	129
Accounts payable	435	507
Related party payables	528	247
Accrued liabilities	243	574
Deferred income taxes	80	81
Other current liabilities	269	209
Total current liabilities	2,050	1,747
Long-term debt	135	133
Deferred income taxes	191	236
Other liabilities and minority interests	414	544
Total liabilities	2,790	2,660
Total shareholders' equity	3,655	5,227
Total liabilities and shareholders' equity	6,445	7,887

Condensed consolidated cash flow information *

in Mio. Euro	3 months ended		9 months ended	
	6/30/99	6/30/00	6/30/99	6/30/00
Net cash provided by operating activities	31	470	193	1,150
Net cash used in investing activities	-277	-467	-538	-949
Free Cash Flow	-246	3	-345	201
Net cash provided by financing activities	252	95	349	855
Changes in cash and cash equivalents	6	98	4	1,056

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Regional Sales Split*

Net revenues by region (in Mio. Euro)	3 months ended		9 months ended	
	6/30/99	6/30/00	6/30/99	6/30/00
Europe	614	813	1,767	2,291
[incl. Germany]	[318]	[383]	[896]	[1,117]
America (NAFTA)	225	462	531	1,220
Asia/Pacific (excl. Japan)	216	467	552	1,154
Japan	21	59	46	159
Other	22	29	30	79
Infineon consolidated	1,098	1,830	2,926	4,903

DISCLAIMER

This discussion includes forward-looking statements about our future business. These forward-looking statements include the relative market position and technology ability of Infineon and its business groups, the anticipated production activities at ProMOS Technologies and other facilities, the benefits of research and development alliances and activities, our planned levels of future investment in the expansion and modernization of our production capacity, the introduction of new technology at our Dresden facility, the transitioning of our production processes to smaller structures, cost savings related to such transitioning and other initiatives, our successful development of technology based on industry standards, our ability to offer commercially viable products based on our technology, our ability to achieve our growth targets, and the continuation of current developments in our financial results in the 2000 and 2001 financial years. These forward-looking statements are subject to a number of uncertainties, including trends in demand and prices for semiconductors generally and for our products in particular, the receipt of all necessary approvals for our planned transactions, the success of our development efforts, both alone and with our partners, the success of our efforts to introduce new production processes at our facilities and the actions of our competitors, the availability of funds for planned expansion efforts, as well as the other factors mentioned herein. As a result, our actual results could differ materially from those contained in the forward-looking statements.

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