

News Release / Presseinformation

Infineon Announces Second Quarter Results

- **Second quarter revenues up 8 percent year-on-year to Euro 1.65 billion; maintaining the level of previous quarter revenues in a difficult market environment**
- **Revenues increase in all business segments from previous quarter except wireless communications due to current slowdown in the mobile handset market**
- **Maintaining strong margins in wireline communications, security & chip card ICs and automotive & industrial business groups**
- **EBIT decreases to Euro 10 million, reflecting the current weakness in the memory and mobile communications markets**

Munich, Germany – April 24, 2001 -- Infineon Technologies AG (FSE/NYSE: IFX), one of the world's leading semiconductor manufacturers, today announced second quarter results for its fiscal year 2001 (ending March 31, 2001), with revenues reaching Euro 1.65 billion, increasing 8 percent year-on-year. This growth was driven by strong demand in Infineon's Wireline Communications, Security & Chip Card ICs and Automotive & Industrial business groups. Infineon maintained the revenue levels of the previous quarter despite the currently volatile market environment.

EBIT (earnings before interest and tax) decreased to Euro 10 million, down Euro 243 million year-on-year and down Euro 436 million from the previous quarter of this year, which included an one-time pre-tax gain of Euro 202 million. Infineon's lower earnings were mainly due to the continued fall of prices for memory products and the slowdown in the demand for mobile handsets.

Net income in the second quarter was Euro 23 million, down Euro 123 million from the same quarter of the last fiscal year and Euro 257 million from the previous quarter of

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this year. Earnings per share (basic and diluted) for the second quarter was Euro 0.04 as compared with Euro 0.24 in the second quarter of the last fiscal year and Euro 0.45 in the previous quarter of this year.

“Infineon maintained strong margins in its non-DRAM businesses -- Wireline Communications, Security & Chip Card ICs and Automotive & Industrial -- despite a difficult market environment due to continued demand in these segments, further productivity gains and new high-margin products”, commented Dr. Ulrich Schumacher, President and CEO of Infineon Technologies AG. “Furthermore, our strategy to optimize our product portfolio by building on these businesses is showing positive results as they help to counterbalance the current weakness in the memory market.”

Infineon achieved a gross margin of 28 percent, down from 40 percent in the first quarter of this year and 39 percent in the second quarter of fiscal year 2000. SG&A expenses reached 13 percent of total revenues, up from 10 percent in the second quarter of fiscal year 2000 and 11 percent in the previous quarter of this year.

R&D expenditures in the second quarter totaled Euro 269 million. R&D expenditures were 16 percent of total revenues, maintaining the same levels sequentially and year-on-year. In absolute terms, R&D expenditures were up 11 percent year-on-year and up 5 percent from the previous quarter of this year, reflecting Infineon’s continued investment to maintain technology leadership.

Revenues outside Europe constituted 48 percent of total revenues, maintaining the balanced regional revenue development of the previous quarter. As of March 31, 2001, Infineon had 33,330 employees worldwide, with research and development staff accounting for more than 5,100 of this total.

First Half Year Results

Total revenues for the first half of fiscal year 2001 amounted to Euro 3.31 billion, up 8 percent from Euro 3.07 billion in the same period last year. EBIT for the first half of this year reached Euro 456 million, which included a one-time pre-tax gain of Euro 202 million from the sale of the Image and Video business, down Euro 41 million from the first half of last year. Net income was Euro 303 million, up Euro 24 million from the same

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period last year.

Business Group Performance

The Wireline Communications group's revenues increased to Euro 227 million in the second quarter of fiscal year 2001, up 50 percent from the same quarter last year and up 8 percent from the previous quarter of this year. Revenue growth was driven by Infineon's high-speed communications, fiber optics and traditional telecom infrastructure businesses. Including the effect of acquisition related amortization of Euro 10 million in the second quarter, the group's EBIT improved to Euro 37 million, up 85 percent from last year's second quarter and up Euro 4 million from the previous quarter.

Major developments in the Wireline Communications group in the second quarter included:

- continued strong demand for high speed 10-Gigabit transceivers and advanced fiber optical solutions (Paroli™)
- increased opportunities for 10-Gigabit solutions based on Infineon's most advanced SiGe process for these applications
- strategic design-win with Cisco for new long range Ethernet products incorporating Infineon's 10BaseS™ technology
- strong demand from traditional telecom infrastructure development, especially in the emerging Chinese, Brazilian and Indian markets (analog linecards and ISDN)

The Wireless Communications group's second quarter revenues reached Euro 275 million, up 4 percent compared with the second quarter of the last fiscal year and down 23 percent from the previous quarter of this year. This quarter-on-quarter decrease in revenues was mainly due to the significant drop in demand for mobile phones and high inventories in the sales channels. EBIT in the second quarter was Euro 4 million, down Euro 50 million year-on-year and Euro 68 million from the previous quarter, due to lower sales volume, delayed orders and the carrying costs of temporarily unused capacity.

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Major developments in the Wireless Communications segment in the second quarter included:

- agreement with Konka Group, a leading Chinese mobile handset manufacturer, to design and manufacture mobile phones based on Infineon's GSM/GPRS system solutions
- LOI with Samsung for development and manufacturing of GSM/GPRS prepaid phones
- strengthening 3G technological leadership through joint interface compatibility with Toshiba for GSM/UMTS baseband and MPEG-4 video solutions
- strategic cooperation agreement with InterDigital Communications Corp. for software development for 3G mobile phones based on Infineon 3G chipsets

In the Security & Chip Card ICs group, which is reported in Other Operating Segments, quarterly revenues rose strongly to Euro 190 million, an increase of 144 percent over the second quarter of the last fiscal year, and 23 percent over the previous quarter of this fiscal year. EBIT improved to Euro 36 million, up Euro 26 million from the second quarter of fiscal year 2000 and Euro 7 million from the previous quarter of this year. Increased productivity and a successful product shift towards higher margin businesses, especially in the chip card-controller market, drove the segment's continued strong growth in revenues and EBIT.

Major developments for the Security & Chip Card ICs group in the second quarter included:

- production start for the 16-bit/64Kbyte chip card controller for high-end GSM platforms
- introduction of the world's first 64Kbyte SIM card controller, presented at the GSM world congress in Cannes, where industry leaders Gemplus, Schlumberger and OCS exhibited Java cards based on Infineon smart card ICs
- strategic supplier of MultiMediaCards for MP3-accessory for Siemens mobile phones

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- strengthened leadership in secure chip card controllers with the Infineon 66plus series achieving certification under the “Information Technology Security Evaluation Criteria“ (ITSEC)

The Automotive & Industrial group’s quarterly revenues rose to a record level of Euro 287 million, up 35 percent from the second quarter of last year and 13 percent from the already strong previous quarter of this year. Revenue growth was driven by the continued high demand for Infineon’s automotive and industrial power solutions as well as power management and supply solutions. EBIT increased to Euro 40 million, up 264 percent from Euro 11 million in the second quarter of last year and 18 percent from Euro 34 million in the previous quarter of this year.

Major developments in the Automotive & Industrial segment in the second quarter included:

- major design wins with 32-bit TriCore™ derivatives at leading automotive suppliers push the TriCore™ architecture to the most accepted microcontroller platform for next generation Powertrain
- improved market penetration in Japan, with further Power ASIC design wins with key customers
- cooperation with DaimlerChrysler for a new 42-volt vehicle electric system
- strong growth with industrial power solutions

Revenues for the Memory Products group amounted to Euro 516 million, a decrease of 22 percent from the second quarter of last year but a slight increase of 4 percent from the previous quarter of this year. EBIT decreased to a loss of Euro 134 million, down from earnings of Euro 193 million in the second quarter of fiscal year 2000 and down from earnings of Euro 66 million in the previous quarter of this year due to continued falling prices of DRAMs. The earnings decrease also reflects the lack of revenues from the Hard Disk Drive (HDD) business due to the fact that Infineon chose to bypass the current generation of HDD-applications in favor of shifting directly to 0.18 micron production for the next generation of advanced embedded DRAM solutions in this segment.

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Major developments in the memory products segment for the second quarter included:

- maintaining top 1 ranking as strategic supplier to leading customers
- increase of memory bit-shipments by 50 percent despite a difficult market environment
- qualification of all major DRAM products – 64Mb, 128Mb, 256Mb SDRAM and 256Mb DDR – in 0.17 micron technology and full conversion to this technology at all Infineon memory production sites worldwide
- strengthening product portfolio for the server and networking markets by validation of Infineon's 256Mb DDR products by major chipset manufacturers (AMD, Serverworks, VIA)

In the Other Operating Segments, which includes the Security & Chip Card ICs group, the Opto Joint Venture with Osram and others, quarterly revenues rose to Euro 345 million, an increase of 59 percent from the second quarter of last year and an increase of 11 percent compared with the previous quarter of this year. EBIT amounted to Euro 46 million, up Euro 28 million from the second quarter of last year and down Euro 190 million from the previous quarter (which included a one-time pre-tax gain of Euro 202 million from the divestiture of Infineon's Image & Video business).

Outlook for 2001

The current market situation in the semiconductor industry remains volatile with little visibility. Over the past several months, many leading industry market analysts have significantly lowered their growth expectations for the semiconductor industry as a whole in 2001 and today most predict negative growth for 2001.

Infineon's outlook varies for its different business segments. The company remains confident about strong year-on-year revenue growth and positive EBIT margin development in its Wireline Communications, Security & Chip Card ICs and Automotive & Industrial businesses. Growth drivers in Wireline Communications will be the traditional telecom infrastructure markets and the continuing demand for Infineon's high-speed communication and fiber optical solutions. The Security & Chip Card ICs business is driven by strong demand for advanced security controllers and MultiMediaCards. In the

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Automotive & Industrial business, the outlook remains positive, as it is driven by strong demand for Infineon's advanced car electronics and industrial power solutions. For these segments Infineon expect a double-digit revenue increase year-on-year and a significantly improved EBIT.

Visibility on the development in the mobile communications market remains low. At the moment there are no clear signs of an early recovery in demand for mobile phones. Therefore, Infineon cannot exclude a weaker performance of its Wireless Communications group in the third quarter. Nevertheless, some of Infineon's customers continue to report that they expect a positive development in the second half of the calendar year.

Following a very difficult second quarter with further declining prices for memory products there are initial indications that demand for DRAMs is increasing while inventory levels at PC manufacturers have been further reduced. Prices for DRAMs have stabilized at a low level in March and the possibility for a positive price development is increasing. It is still too early to identify clear signs that this trend will turn into a sustainable development. However, Infineon restates its assumption about a positive DRAM market development in the second half of the calendar year as worldwide capacity for memory chips is not expected to increase significantly.

"Infineon has taken steps to address the current volatile semiconductor market environment. Reflecting our reduced growth expectations for the full year, we have lowered capital expenditures for fiscal year 2001 from an originally planned Euro 2.8 billion to approximately Euro 2.3 billion," concluded Dr. Schumacher.

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FINANCIAL INFORMATION (According to US GAAP – Unaudited)

Consolidated statements of income

in Mio. Euro	3 months ended		6 months ended	
	3/31/00	3/31/01	3/31/00	3/31/01
Net sales	1,533	1,650	3,073	3,309
Cost of goods sold	(939)	(1,189)	(1,903)	(2,192)
Gross profit	594	461	1,170	1,117
Research and development expenses	(243)	(269)	(441)	(527)
Selling, general and administrative expenses	(153)	(212)	(303)	(399)
Other operating income, net	2	3	-	202
Operating income	200	(17)	426	393
Interest income, net	6	6	10	15
Equity in earnings of associated companies	47	28	60	58
Other income (expense), net	6	(1)	11	5
Minority interests	(4)	-	(6)	-
Income before income taxes	255	16	501	471
Income tax (expense) benefit	(109)	7	(222)	(168)
Net income	146	23	279	303
Weighted average of outstanding shares	605	626	602	626
Earnings per share - basic and diluted	0.24	0.04	0.46	0.48
EBIT	253	10	497	456

Segment results

Net sales in Mio. Euro	3 months ended			6 months ended		
	3/31/00	3/31/01	+/- in %	3/31/00	3/31/01	+/- in %
Wireline Communications	151	227	50	290	438	51
Wireless Communications	265	275	4	570	633	11
Automotive & Industrial	213	287	35	395	541	37
Memory Products	665	516	(22)	1,333	1,013	(24)
Other Operating Segments	217	345	59	443	656	48
Consisting of: Security and Chip Card Ics	78	190	144	170	345	103
Other	139	155	12	273	311	14
Corporate and reconciliation	22	-	(100)	42	28	(33)
Infineon consolidated	1,533	1,650	8	3,073	3,309	8

EBIT in Mio. Euro	3 months ended			6 months ended		
	3/31/00	3/31/01	+/- in %	3/31/00	3/31/01	+/- in %
Wireline Communications *	20	37	85	35	70	100
Wireless Communications	54	4	(93)	126	77	(39)
Automotive & Industrial	11	40	264	19	75	295
Memory Products	193	(134)	---	324	(69)	---
Other Operating Segments	18	46	156	39	280	618
Consisting of: Security and Chip Card Ics	10	36	260	19	64	237
Other	8	10	25	20	216	980
Corporate and reconciliation	(43)	17	+++	(46)	23	+++
Infineon consolidated	253	10	(96)	497	456	(8)

* Includes acquisition related amortisation of 10 Mio. Euro for the 3 months ended 31.03.2001 and acquisition related amortisation of 20 Mio. Euro for the six months ended 31.03.2001

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Consolidated balance sheets

in Mio. Euro	9/30/00	3/31/01
Assets		
Current assets:		
Cash and cash equivalents	511	124
Marketable securities	498	242
Accounts receivable, net	1,386	1,058
Related party receivables	439	323
Inventories	841	1,086
Deferred income taxes	100	144
Other current assets	60	102
Total current assets	3,835	3,079
Property, plant and equipment, net	4,034	4,607
Long-term investments, net	432	554
Restricted cash	132	166
Deferred income taxes	166	101
Other assets	254	274
Total assets	8,853	8,781
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt and current maturities	138	319
Accounts payable	849	764
Related party payables	373	210
Accrued liabilities	719	522
Deferred income taxes	75	19
Other current liabilities	300	250
Total current liabilities	2,454	2,084
Long-term debt	128	163
Deferred income taxes	178	123
Other liabilities	287	300
Total liabilities	3,047	2,670
Total shareholders' equity	5,806	6,111
Total liabilities and shareholders' equity	8,853	8,781

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Condensed consolidated cash flow information

in Mio. Euro	3 months ended		6 months ended	
	31.03.00	31.03.01	31.03.00	31.03.01
Net cash provided by (used in) operating activities	462	(14)	680	(8)
Net cash used in investing activities	(534)	(437)	(783)	(568)
Net cash provided by financing activities	382	262	761	189
Changes in cash and cash equivalents	310	(189)	658	(387)

Free Cash Flow

Net cash provided (used in) by operating activities	462	(14)	680	(8)
Net cash used in investing activities	(534)	(437)	(783)	(568)
Purchase (sale) of floating rate marketable securities	301	(144)	301	(246)
Free Cash Flow	229	(595)	198	(822)

Telephone Conference Information

The Management Board of Infineon Technologies will conduct a telephone conference with analysts and investors on April 24, 2001 at 10:00 a.m. Eastern Standard Time (U.S. EST), 4:00 p.m. Central Europe Time (CET), to discuss operating performance for the second quarter of 2001. A broadcast of the telephone conference will be available live and for download on Infineon's web site at: <http://www.infineon.com>

DISCLAIMER

This discussion includes forward-looking statements about our future business. These forward-looking statements include statements relating to future developments of the world semiconductor market, especially the market for memory products, Infineon's future growth, 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 facilities, 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 2001 financial year. 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 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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