

People at Infineon

Four key principles guide our thoughts and actions

Infineon’s new mission statement’s four key principles form the basis of our corporate culture. The willingness to initiate and implement change continually is critical to our market success. Our employees’ deep and diverse knowledge enables us to arrive at innovative solutions.

Infineon’s four key principles – the basis of our corporate culture

Infineon’s key principles for future success are **customer focus, operational excellence, profitable growth, and collaborative leadership**. These are not only meant to guide our daily work together, but also to direct the very way we think and act. In practice, this means that we think first of our customers and their market needs. We do so by setting standards with regard to costs, quality, and speed, concentrating on profitable growth in the interest of our shareholders and employees. Cooperative leadership provides the basis for our actions. Working as a global team, we do all we can to help our customers achieve success.

Our senior management bears particular responsibility for the implementation of the Company’s four guiding principles. Management is not only expected to show exemplary behavior, but also to support employees in acting according to the principles of Infineon’s mission statement. The principles of collaborative leadership are fundamental to our Leadership Charter, mandatory for every manager at Infineon.

Dedicated employees, international markets

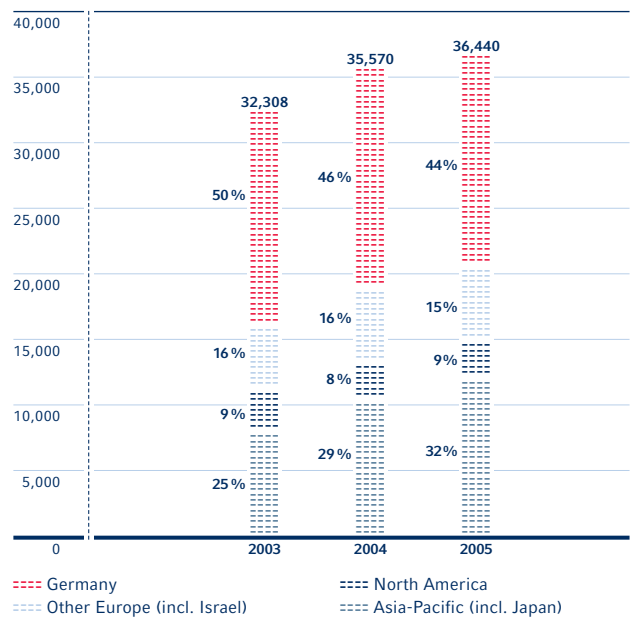
In the fast-moving semiconductor industry, it is important to us, to strengthen our ability to innovate, to boost our efficiency, and to improve the quality of our products and performance. Enthusiastic and dedicated employees able to work independently on sophisticated tasks are vital. Our employees’ dedication has among others been demonstrated by the success of Your Idea Pays (YIP), our ideas management program. Suggestions made by individuals and teams range from cost-saving process improvements to ideas enabling us to raise customer satisfaction with lasting effect. This past financial year, suggestions for improvements made by some 11,500 employees led to over €160 million in savings, an increase of 10 percent. Compared to other large German companies, we are at

the forefront with our employee suggestions program; the “Deutsches Institut für Betriebswirtschaft” again ranked us first among large electronics companies this year.

We support our employees’ collaborative work in teams and networks even across international borders, something which contributes greatly to our success in global competition. It is thus particularly important to us that our employees view themselves as a global team, and take for granted cooperation across cultural boundaries. Infineon is truly an international company with employees from 107 nations at sites in 24 countries, which thrives on the cultural diversity of its staff. For example, not only do individuals from 45 different countries work at our site in Dresden, Germany, but they also cooperate closely on 90-nanometer production with sites in Richmond, Virginia, and in Taiwan.

... Memory Products, p. 24

Employees by region



We support corporate change

The 2005 financial year was also a year of organizational change at Infineon. The goal of such change is always to improve the efficiency of our Company, and to make certain that we realize our full potential. We place particular emphasis on the optimal organization of strategy, structure, processes, and culture. We actively support our employees throughout the process of corporate change so that they can adapt while continuing to identify with "their Company" even in times of significant change.

... Letter to the shareholders, p. 4

In this context, we have among others expanded our intercultural workshop program considerably to meet the demand posed by the continual growth of international projects, providing support for the numerous international project teams that have emerged from the Company's reorganization. We are also placing increased emphasis on promoting communication between technicians, management, and marketers, establishing various new forums for experts to exchange ideas and information. In this way, we are contributing to better networking and coordination across the most divergent areas of our Company, a major requirement for the success of our new corporate structure.

A learning organization

Continuous personal development, based on the principle of life-long learning, forms a cornerstone of our human resources strategy. This revolves around the communication of relevant expertise and experience, together with the development of ideas directly related to our business. In addition to technical training, our employees can choose from many possible training programs, both general and specialized. We particularly value the interdisciplinary nature of all our employee development programs. Our project management seminars for technicians, for example, focus on developing leadership qualities and basic business skills. We also offer "learning solutions", customized training programs that aim to meet the specific needs of

our individual operating segments. E-learning is playing an ever-increasing role in our fast-paced industry, as it allows for flexible learning and the rapid transfer of expertise across the globe.

At the same time, new employees benefit from their colleagues' knowledge derived from years of experience, even across international borders. Some 400 employees from our new plant in Kulim, Malaysia, for instance, have been assigned to our sites in Villach, Austria, and Regensburg, Germany, to profit from the experience of our staff there. This transfer of expertise is of primary importance in the establishment of our new Malaysian site.

... Automotive, Industrial and Multimarket, p. 16

Recruiting and retaining talent

Only by achieving excellence in everything we undertake can we thrive in global competition in the long term. Thus we wish to attract the best talent to enable us to stay at the top of our industry in research, development, and production for years to come. Retaining such talent is, however, of even greater importance to us. We therefore offer our employees promising career opportunities, both technical and managerial. We take an international approach as common place. When on assignment at one of Infineon's sites around the world, employees take the opportunity to contribute their expertise, adding value for themselves personally and the Company.

We support working practices that ensure smooth operations during peak periods and help us to meet our customers' particular needs rapidly. Within Germany, we also encourage our employees to strike a career-life balance through part-time and telework.

Rewarding extraordinary work is a matter of course at Infineon. Our annual Infineon Awards and Team-of-the-Month Awards are but two examples of how we regularly honor individual and team excellence within the Company. Our four key principles also play a key role. One of

the 2004 Infineon Awards was presented to a project which impressively demonstrates how Infineon successfully deploys its global partnership network even with complex structures, thereby fulfilling a major precondition for profitable growth. The award-winning team "UMCI production readiness for the S-GOLDlite" only needed four months to launch production of 1,200 wafers for the mobile phone S-GOLDlite chipset, achieving a yield of 80 percent.

... Communication, p. 20

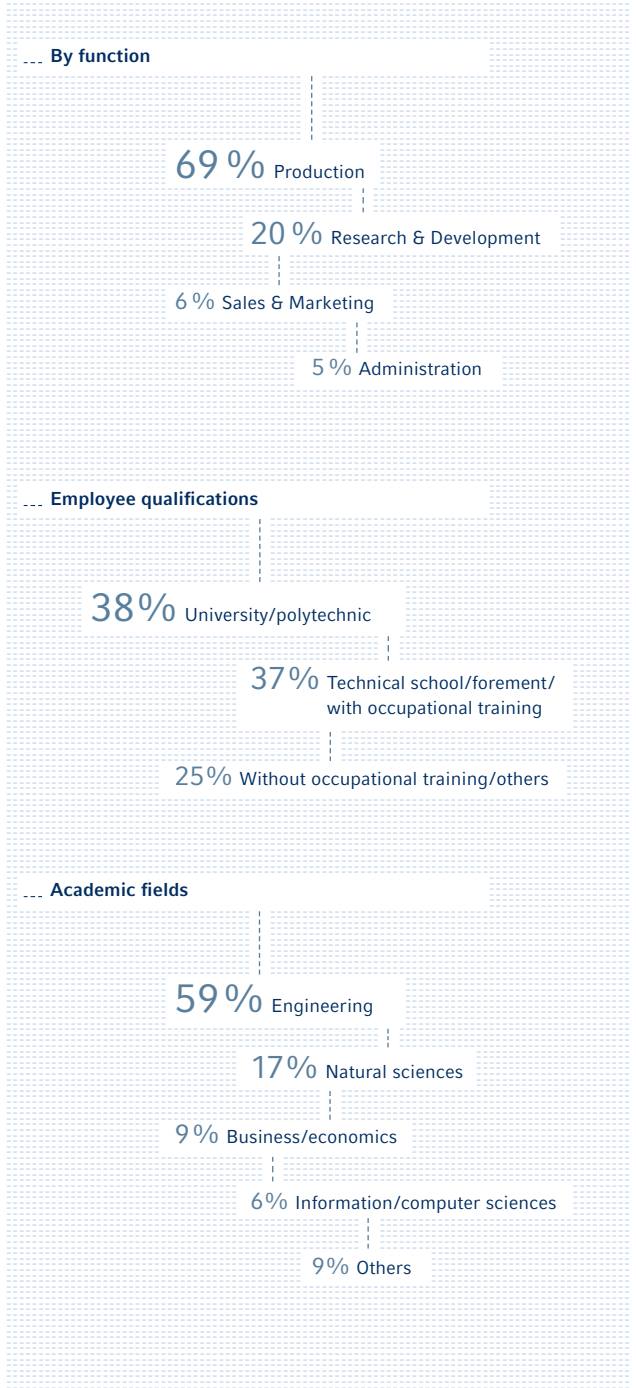
We would like our employees to take individual responsibility, and show persistence in pursuing goals critical to our Company's success. Thus we have organized a new system of variable payments for individually contracted employees in Germany starting in the 2006 financial year that reflects performance and results. This system makes the connection between performance, success, and reward more transparent, and honors the measurable contribution of individuals towards the attainment of our Company goals.

Improving cooperation with new company sites

Speed, cooperation, and physical proximity – in the last financial year, we created new company sites that meet these demands of the dynamic semiconductor sector. This characterizes not only our new corporate site Campeon near Munich, Germany, which will bring under one roof a majority of our Munich-based employees by the beginning of 2006, but also our new Asia-Pacific headquarters in Singapore, which brings together employees from a wide variety of fields. The architecture of these new buildings enhances communication, the free interdisciplinary exchange of knowledge, and the modern team and project structures that are important for work in our industry.

... Infineon's sites worldwide, p. 28

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All figures refer to the 2005 financial year.