

## Contents

40...Report of the Supervisory Board	86...Notes to the consolidated financial statements
46...Corporate Governance	86 Description of business, formation, and basis of presentation
50...Operating and financial review	86 Summary of significant accounting policies
50 Overview of the 2005 financial year	91 Acquisitions
52 Our business	93 Discontinued operation and divestitures
52 The semiconductor industry and factors that impact our business	94 Licenses
54 Challenges that lie ahead	96 Grants
55 Semiconductor market conditions in the 2005 financial year	96 Supplemental operating cost information
55 Plans for a new set-up of our Company	97 Restructuring
56 Results of operations	98 Income taxes
56 Reorganization	100 Earnings (loss) per share
57 Net sales	100 Marketable securities
58 Net sales by segment	101 Trade accounts receivable, net
60 Net sales by region and customer	101 Inventories
61 Cost of goods sold and gross margin	101 Other current assets
62 Research and development (R&D) expenses	102 Property, plant and equipment, net
63 Selling, General, and Administrative (SG&A) expenses	103 Long-term investments, net
64 Other items affecting earnings	104 Other assets
64 Earnings before interest and taxes (EBIT)	106 Trade accounts payable
65 Interest expense, net	106 Accrued liabilities
66 Income taxes	106 Other current liabilities
66 Net income (loss)	107 Debt
67 Financial condition	108 Other liabilities
68 Liquidity	109 Ordinary share capital
68 Cash flow	110 Stock-based compensation
68 Free cash flow	112 Other comprehensive income (loss)
69 Net cash position	112 Supplemental cash flow information
70 Capital requirements	113 Related Parties
71 Commitments and contingencies	115 Pension plans
71 Capital expenditures	118 Financial instruments
71 Credit facilities	119 Risks
72 Pension plan funding	120 Commitments and contingencies
73 Employees and Campeon	125 Operating segment and geographic information
73 Risks and opportunities	128 Subsequent events
77 Infineon Technologies AG	128 Additional disclosures
78 Subsequent events	131 Board of Directors and Supervisory Board
78 Outlook	139 Significant Subsidiaries and Associated Companies
79...Report of independent Registered Public Accounting Firm	140...Further information
80...Consolidated financial statements	140 Consolidated financial data 2001–2005
80 Consolidated statements of operations	142 Financial and technology glossary
81 Consolidated balance sheets	148 Financial calendar
82 Consolidated statements of shareholders' equity	
84 Consolidated statements of cash flows	