Qimonda

> Carve-out of the Memory Products business as an independent company.
> Profitability takes first priority – followed by growth.
> Game consoles and flat screen TVs fuel a boom in specialty memories.

The carve-out of the Memory Products business to form an independent company named Qimonda AG became effective May 1, 2006, two months ahead of schedule. Factors spurring the management's carve-out decision were the disparate business activities and production technologies and the dwindling potential for synergies between the DRAM memory business and the remaining AIM and COM segments. The decision also satisfied capital market requirements because some investors were inclined towards the volatile memory business, others tended to be against it. The carve-out allows the interests of the different groups of investors to be better accommodated. And last but not least, the stock market listing and homogeneous investor base clear the way for the realization of future strategic options.

Qimonda generates its revenues with the following product groups:
> Standard DRAMs for PC and workstation applications
> DRAMs for non-PC markets, including infrastructure, graphics, mobile and consumer applications
> Technology licenses and other memory products

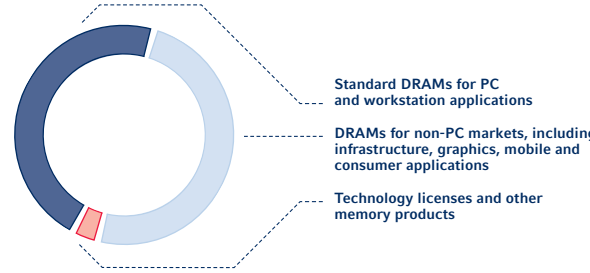
Standard DRAMs comprise components and modules for PCs, notebooks and workstations.

DRAMs for non-PC Markets, including infrastructure, graphics, mobile and consumer applications consist of components and modules for applications posing special demands in terms of performance, reliability and power consumption. Examples of such memory devices are servers, network infrastructures, PC graphics cards, game consoles and consumer electronics such as flat screen TVs, PDAs, MP3 players and smart phones.

Furthermore, we generate part of our revenues by **licensing** our DRAM trench production technology to Winbond and Nanya, as well as with embedded DRAM products. In the 2006 financial year non-volatile memories also contributed to sales.

The proportions of Qimonda sales volume for the 2006 financial year are presented in the diagram "Qimonda sales by product group".

QIMONDA SALES BY PRODUCT GROUP



Realignment

Our approach is: We seek growth, but profitability takes priority. Portfolio diversification is a way of achieving this. Our long-term goal is enlarging our share of higher-margin non-PC markets, including infrastructure, graphics, consumer electronics and mobile applications. In the 2006 financial year, standard DRAM sales stood at only 47 percent (following 56 percent in the 2005 financial year), and DRAMs for non-PC markets, including infrastructure, graphics, mobile and consumer applications already accounted for 50 percent (following 34 percent in the 2005 financial year). We expect this gratifying trend to persist.

Due to this successful product diversification, the average selling price of our memory chips has shown a positive development, outperforming the market average. In addition, we have also cut back our dependence on the volatile DRAM business with PCs and notebooks, which absorb around 60 percent of the DRAM global market. All in all, Qimonda distinctly increased its profitability in the course of the 2006 financial year. We anticipate that our cost position will improve further with the transition to 80-nanometer and 75-nanometer production technology starting in the 2007 financial year.

The ramp-up of the 300-millimeter facility in Richmond, Virginia, USA, and full-volume production in the first facility of Inotera, our Taiwanese joint venture, has further boosted our production capacity. This enabled us to increase our market share and reach the global number two position in terms of sales in the first nine months of 2006.

Best Technology for the Customer

Our trench technology currently has clear advantages over the competing stack technology, particularly in regard to power consumption. Trench technology gives users energy savings of up to 30 percent, thereby prolonging the battery life of their portable devices, or significantly reduces the power consumption of computer centers or server farms. It also ranks among the most widespread DRAM architectures on the market. Together with our partner Nanya, our joint venture Inotera and our production partners Winbond and SMIC, our market share in the first half of calendar year 2006 was 25 percent. This consortium therefore produces more bits with its trench technology than the competitors with their various stack technologies.

In recent years we have made a name for ourselves as a reliable supplier of memory modules in the demanding server, network and storage segment. We intend to strengthen our status in the future with our **> 8-gigabyte DDR2 modules** and **> fully-buffered (FB) DIMM products**.

Growth Fueled by Consumer Electronics

Years ago, who would have thought that TV sets would need memories. The advent of high definition television standards (HDTV) and digital broadcasting triggered a trend to flat screens which, even today, have over 100 megabytes memory capacity and are heading for continued rapid growth. We already supply 512 megabytes of **> DDR2 memory** for one of our Japanese customers' sets.

The generation of heat, and thus power consumption, are important factors for consumer electronics devices, since especially given their use in living rooms, they run without fans. With our power-saving trench technology we are in a position to offer our customers an advantage in this respect.

In addition to flat screens, we see further potential for growth in smart phones, PDAs, MP3 players and other portable consumer electronics that use our **> Mobile-RAMs**.

Mobile communications and consumer applications are bound to see the largest growth rates. Here market researchers expect memory demand to grow by over 100 percent a year in some cases.

Memories for Gaming

Qimonda is a player in the graphics scene. Graphics memories represent the most demanding segment of the DRAM market. We are all the more delighted that the suppliers of leading game consoles decided to use our **> GDDR3 graphics RAM**: Microsoft, Sony and Nintendo. This demonstrates the success of our strategy of exploring creative avenues to capture new markets and increasing the proportion of specialty memories in our sales.

In the PC graphics cards segment, we expanded our collaboration with ATI, the Canadian graphics processor and graphics card manufacturer, whose Mobility Radeon X1600 notebook graphics processors came out with our 512 Mbit GDDR3 graphics memories in December 2005. ATI is again our launch partner for the graphics memories of the coming GDDR5 generation.

In the last two years we have continually expanded our global market share in the graphics segment. In the meantime we have become the world's second-largest graphics memory supplier.

State-of-the-art 300-millimeter Facilities in the Manufacturing Cluster

Qimonda operates its own manufacturing sites in Dresden, Germany, and Richmond,Virginia, USA, runs the Inotera joint venture with Nanya and has production agreements with SMIC (China) and Winbond (Taiwan).

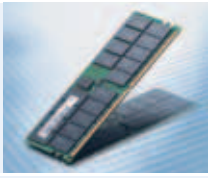
Following the successful ramp-up of the 300-millimeter facility in Richmond, the target capacity of 25,000 wafer starts per month was reached. We have thereby set up one of the most advanced 300-millimeter production facilities in the world.

The ramp-up of the 300-millimeter plant of our Inotera joint venture in Taiwan and the ramp-up of the 300-millimeter plant of our Chinese partner SMIC in Peking likewise went as planned.

The cooperation with Winbond has been in place since 2002, and was expanded in August 2006. The agreement provides for the transfer of Qimonda's 80-nanometer production technology to Winbond's 300-millimeter facility in Taichung, Taiwan. In return, Winbond will manufacture exclusively for Qimonda there.

Qimonda Applications

> **8-gigabyte DDR2 memory modules for servers**



High-performance servers call for memory modules with high capacity. Our 8-gigabyte DDR2 modules offer the highest capacities worldwide. The power consumption of the individual modules is indeed a relevant factor here, and that's exactly what the 1.8-volt DDR2 memory chips manufactured in Qimonda's trench technology target. Users are pleased with the performance; computer center operators with the electricity bill.

> **FB-DIMM with AMB for servers**

The data rate on memory buses cannot be increased at will. In high-end servers the number of memory modules and the clock rate could no longer be increased with the conventional bus system. The answer: Fully-Buffered (FB) DIMM. The special point about these modules is that Qimonda as the memory manufacturer also develops and produces the complex controller. This gives us unique world status.

> **DDR2 for flat screen TVs**

The notion that memories are used only in computers has long since ceased to apply. DDR2 PC memory chips meanwhile find their way into flat screens. Flat screens in the upper price segment need 8 chips each with 512 megabits – i.e. 512 megabytes, which is equivalent to a standard PC. The chips aren't new – the application is.

> **Mobile-RAM for portable entertainment electronics**

You'll soon be carrying these chips around with you everywhere. They're found in PDAs, smart phones, digital cameras and MP3 players. Due to their special architecture, Mobile-RAMs need very little power and come in an extra-small housing. Just the way we need them: compact and handy.

> **GDDR3 graphics memories for PC graphics cards or game consoles**

Photorealistic animation of the interactive scenery with perfect rendition of light and shade – that is the virtual world which is stored, computed and roamed with our GDDR3 graphics chips.