

Facts & Figures for Shareholders for the 2006 Financial Year (ends: September 30, 2006)

Net Sales

The increase in net sales in the 2006 financial year was mainly driven by higher demand for memory products, especially for graphics, mobile and consumer DRAMs, as well as healthy growth in the Automotive, Industrial & Multimarket segment, particularly in the automotive and industrial power applications businesses. The strength of major foreign currencies (primarily the U.S. dollar) relative to the Euro during the 2006 financial year positively impacted reported net sales.

Net Sales by Segment

> Automotive, Industrial & Multimarket

The segment experienced healthy growth in the 2006 financial year as volume grew, particularly for automotive and industrial power applications, more than offsetting ongoing pricing pressure caused by technological developments and competition. We experienced continued strong pricing pressure in the market for chipcard ICs throughout the 2006 financial year.

> Communication Solutions

The decline in net sales in the 2006 financial year was caused by a revenue decrease in the wireless business mainly due to a continued decline in demand for baseband products, as well as ongoing pricing pressure. This decline was partly compensated by a strong revenue increase in the wireline business.

> Qimonda

Net sales in the 2006 financial year increased compared to the previous year mainly due to increased bit shipments and a favorable U.S. dollar/Euro exchange rate. The higher bit shipments resulted from the ramp-up of our 300-millimeter manufacturing facility in Richmond, USA, the conversion of an increasing share of our capacities to our 90-nanometer technology, our access to additional capacities of our joint venture partners and our foundries as well as our successful diversification in new market segments, particularly with our graphics DRAM products. These positive effects were partly offset by price declines in the DRAM market.

For the years ended September 30	2005		2006	
	€ in million	%	€ in million	%
Automotive, Industrial & Multimarket	2,516	37	2,839	36
Communication Solutions	1,391	21	1,205	15
Other Operating Segments ¹	285	4	310	4
Corporate and Eliminations ²	(258)	(4)	(240)	(3)
Infineon without Qimonda	3,934	58	4,114	52
Qimonda	2,825	42	3,815	48
Infineon Group	6,759	100	7,929	100

¹ Includes inter-segment sales of €273 million and €256 million for financial years ended September 30, 2005 and 2006, respectively, from sales of wafers from Infineon's 200-millimeter facility in Dresden to Qimonda under foundry agreements.

² Includes the elimination of inter-segment sales of €273 million and €256 million for financial years ended September 30, 2005 and 2006, respectively, from sales of wafers from Infineon's 200-millimeter facility in Dresden to Qimonda under foundry agreements.

Earnings Before Interest and Taxes (EBIT)

We define EBIT as earnings (loss) before interest and taxes. Our management uses EBIT as a measure to establish budgets and operational goals, to manage our business and to evaluate its performance. EBIT is determined from the consolidated statements of operations as follows:

For the years ended Sept. 30 € in million	2005	2006
Net income (loss)	(312)	(268)
Income tax expense	120	161
Interest expense, net	9	92
EBIT	(183)	(15)

The EBIT amounts of our separate reporting segments were as follows:

For the years ended Sept. 30 € in millions	2005	2006
Automotive, Industrial & Multimarket	134	246
Communication Solutions	(295)	(231)
Other Operating Segments	4	4
Corporate and Eliminations	(137)	(236)
Infineon without Qimonda	(294)	(217)
Qimonda ¹	111	202
Infineon Group	(183)	(15)

¹ EBIT results of Qimonda for the period following its IPO are reported net of minority interest results.

The EBIT results reflect the combined effects of the following EBIT movements of our reporting segments:

Automotive, Industrial & Multimarket

The EBIT improvement in the 2006 financial year was mainly due to higher sales volumes and improved gross margin, partially offset by continued strong price pressure especially in the automotive and chipcard businesses. Furthermore, EBIT was negatively impacted by costs related to product transfers in connection with the planned phase-out of production at Munich-Perlach, Germany, and costs incurred in connection with our new production site in Kulim, Malaysia.

Communication Solutions

In the 2006 financial year, EBIT was negatively impacted by charges, primarily in connection with the insolvency of BenQ's German subsidiary. Despite these charges, EBIT improved in the 2006 financial year mainly due to lower idle capacity costs and the implementation of cost reduction measures.

Qimonda

In the 2006 financial year, EBIT increased primarily due to sales volume growth, higher bit shipments and a favorable U.S dollar/Euro exchange rate.

Corporate and Elimination

The EBIT decline in the 2006 financial year was mainly due to aggregate charges of approximately €80 million incurred in connection with the formation of Qimonda, the dilution of our interest in Qimonda following its IPO, as well as our sale of Qimonda shares upon exercise of the underwriters' over-allotment option.

Net Income (Loss)

Our net loss for the 2006 financial year was €268 million and improved from a net loss of €312 million in the 2005 financial year. In the 2006 financial year, the net loss incurred was primarily due to charges resulting from the insolvency of BenQ's German subsidiary, the initial public offering of Qimonda, as well as the settlement of litigation. In addition, in the 2006 financial year our company began to recognize the fair value of employee stock options in earnings, which further contributed to the net loss incurred.

Financial Condition

For the years ended Sep. 30 € in million	2005	2006	% Change year-on-year
Current assets	4,574	5,681	24
Non-current assets	5,710	5,504	(4)
Total assets	10,284	11,185	9
Current liabilities	2,382	3,305	39
Non-current liabilities	2,192	1,725	(21)
Total liabilities	4,574	5,030	10
Minority Interests	81	840	+++
Shareholders' equity	5,629	5,315	(6)

As of September 30, 2006, our total assets and current assets increased in comparison to the prior year due to increased cash and cash equivalents. The increase of cash and cash equivalents resulted from the net proceeds of €464 million from the initial public offering of Qimonda and the sale of Qimonda shares upon exercise of the underwriters' over-allotment option, as well as proceeds from a drawdown under our \$400/€400 million syndicated credit facility in the amount of \$345 million to finance the expansion of our Richmond manufacturing facility.

Non-current assets decreased slightly at the end of the 2006 financial year as capital expenditures did not quite offset depreciation, amortization and impairment charges during the year.

Total liabilities increased as of the end of the 2006 financial year, mainly due to the drawdown under the \$400/€400 million syndicated credit facility. The increase in current liabilities resulted primarily from the reclassification of €638 million related to subordinated convertible notes due 2007 from non current liabilities into current liabilities. The decrease of non-current liabilities due to that reclassification was partly offset by the drawdown under the syndicated credit facility. The increase of the minority interests resulted primarily from the initial public offering of Qimonda and the initial consolidation of ALTIS as of December 31, 2005.

Outlook

Net Sales of Infineon Excluding Qimonda

Based on our current plans, we expect net sales for Infineon excluding Qimonda, consisting of the segments Automotive, Industrial & Multimarket, Communication Solutions, Other Operating Segments and Corporate and Eliminations, to remain unchanged or increase slightly compared to the 2006 financial year. This takes into account the negative effect on net sales resulting from the insolvency of our main customer in the area of processors for mobile telephones, which is expected to occur in the first quarter of the 2007 financial year. Therefore, we expect a sales decline in our Communication Solutions segment compared with the 2006 financial year. The Automotive, Industrial & Multimarket segment should positively contribute to net sales growth, driven primarily by sales of power semiconductors.

Beyond the current financial year we anticipate increasing sales volumes in a positive industry environment. Our fabrication plant for power semiconductors in Kulim, Malaysia, will make a positive contribution through further production ramp-up and generation of sales within the Automotive, Industrial & Multimarket segment during the full financial year. The expected ramp-ups at new customers within the wireless division of the Communication Solutions segment in the 2007 financial year may also positively contribute to sales growth in the subsequent year.

EBIT of Infineon Excluding Qimonda

We expect EBIT before non-ordinary gains and losses for Infineon excluding Qimonda to improve in the current financial year compared with the 2006 financial year.

In the Automotive, Industrial & Multimarket segment we expect EBIT results to remain unchanged or improve slightly in the 2007 financial year compared with the 2006 financial year. The unusually strong demand experienced in the first half of the 2006 financial year will probably not repeat itself in the current financial year. In the current financial year, the Automotive, Industrial & Multimarket's EBIT results will continue to be negatively impacted by costs in the mid double-digit million range incurred in connection with the ramp-up of production at our production facility in Kulim, Malaysia, as well as charges related to the ramp-down of our production facility in Munich, Germany.

Production ramp-ups at new customers in the Communication Solutions segment will have a positive effect on EBIT before non-ordinary gains and losses. We expect EBIT before non-ordinary gains and losses in the wireless communication business to break-even by the end of the 2007 calendar year. On a net basis, EBIT before non-ordinary gains and losses is expected to remain negative for the 2007 financial year.

Beyond the 2007 financial year, we expect EBIT before non-ordinary gains and losses to improve as a result of a positive industry environment and further sales growth in the logic business.

Qimonda

Qimonda's revenues are a function of the bit volume it ships and the selling price it achieves for its products. While Qimonda has an influence over its production growth, through capacity additions and productivity improvements, its sales volume depends on the extent to which its product offerings match market demand. Qimonda's selling prices are a function of the supply and demand relationship in the DRAM market. These market forces are beyond Qimonda's control and, accordingly, it cannot reliably estimate what these future sales prices, and the resulting revenues and the contribution to its earnings, will be.

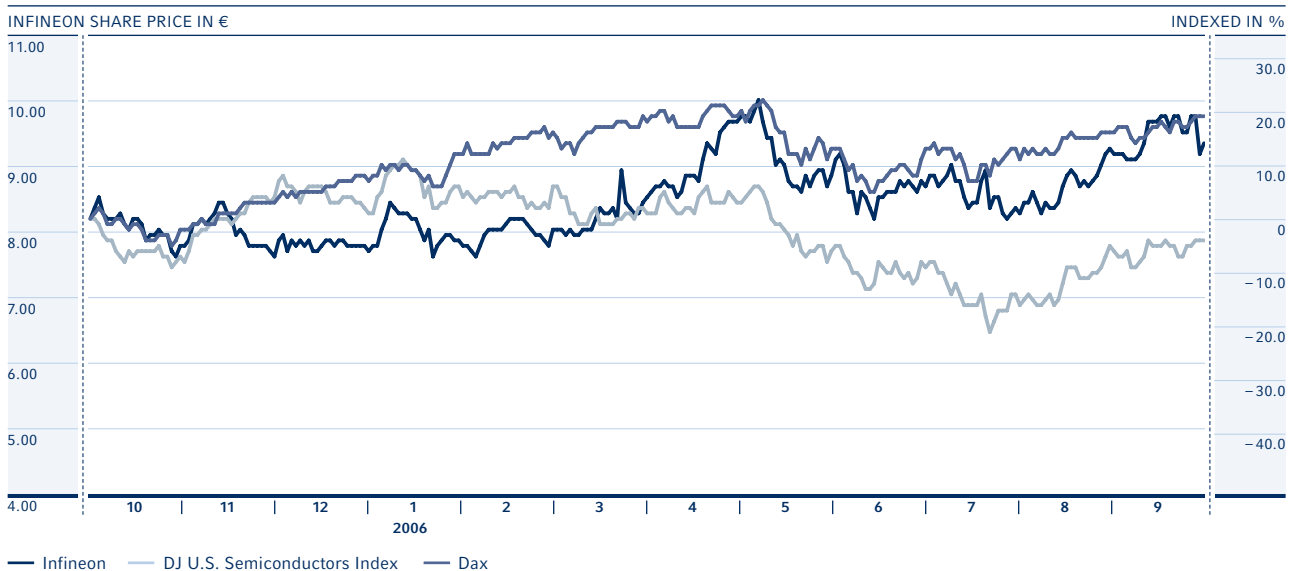
For the 2007 financial year, Qimonda expects bit demand to be driven in part by the introduction of the Windows Vista operating system and the continued strong growth for DRAM in consumer and communication applications. More specifically, Qimonda expects the overall DRAM market, measured in bits, to grow between 55 percent and 65 percent.

Share: Infineon Share stronger than the Semiconductor Market

The price of the Infineon share increased by 14 percent during the last financial year. In contrast, the Dow Jones US Semiconductor Index decreased by 5 percent and the Philadelphia Semiconductor Stock Index by 4 percent. The Dow Jones Stoxx 50 European index rose 13 percent and was slightly outperformed. The only stronger performer in the reporting year was the Dax with growth of 19 percent. The main impetus for the Infineon share's price trend was the carve-out

and IPO of the Memory Products business under the name Qimonda, which was accompanied by a favorable movement towards stronger prices for DRAM memory chips, a distinctly higher margin in the Automotive, Industrial & Multimarket segment and the acquisition of new customers in the Communications Solutions segment, notably LG and Samsung. Increased takeover activity and consolidation in the semiconductor industry also assisted the price trend of the Infineon share.

RELATIVE PERFORMANCE OF INFINEON SHARES AS COMPARED TO THE DOW JONES U.S. SEMICONDUCTOR AND DAX INDICES SINCE THE BEGINNING OF THE 2006 FINANCIAL YEAR (CLOSING PRICES)



Calendar

Jan 29, 2007*	Interim Report FQ1 2007	Munich
Feb 13, 2007	Presentation at 3GSM	Barcelona
Feb 15, 2007	Annual General Meeting	Munich
Apr 27, 2007*	Interim Report FQ2 2007	Munich
Jul 27, 2007*	Interim Report FQ3 2007	Munich
Nov 14, 2007*	Interim Report FQ4 2007	Munich

*preliminary

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You will find the 2006 annual report on our webpage at www.infineon.com/annualreport.

If you would like to order a printed copy of the annual report, please contact the Infineon Investor Relations Team.

This discussion includes forward-looking statements about our future business. These forward-looking statements include statements relating to future developments in the world semiconductor market, including 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 continuing transitioning of our production processes to smaller structure sizes, 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 cost savings and growth targets, and the impact of our carve-out of Qimonda, our memory products business, its initial public offering, and any further sales of Qimonda shares or other corporate financing measures in that regard. 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, the outcome of antitrust investigations and litigation matters, 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. Infineon, the stylized Infineon Technologies design are trademarks and service marks of Infineon Technologies AG. All other trademarks are the property of their respective owners.