



## News Release/Presseinformation

### **Infineon Announces Strong First Quarter Performance in a Volatile Market Environment**

- **First quarter revenues increased by 8 percent to Euro 1.66 billion compared with first quarter 2000 driven by continued strong demand in communications**
- **Revenues increased sequentially in all non-memory businesses but decreased from record sales in fourth quarter 2000 due to the weakness in the DRAM market**
- **EBIT reached Euro 446 million, up 83 percent from last year but down from fourth quarter of fiscal year 2000**
- **Quarterly net income reached Euro 280 million, up 111 percent over first quarter 2000 but down from fourth quarter 2000**
- **Further strengthened IP in Communications**

Munich, Germany -- January 31, 2001 -- Infineon Technologies AG (FSE/NYSE: IFX), one of the world's leading semiconductor manufacturers, today announced first quarter results for its fiscal year 2001 (ending December 2000), with revenues reaching Euro 1.66 billion. This is an increase of 8 percent from the first quarter of the previous fiscal year driven by continued strong demand in Infineon's communications business groups, especially in smart card ICs and wireline communications. Infineon's combined non-memory businesses grew 5 percent sequentially. The revenue decline of 30 percent from the record level in fourth quarter was due to the weakening of the market for memory products.

EBIT (earnings before interest and tax), including a one-time pre-tax gain of Euro 202 million from the divestment of Infineon's Image and Video business, reached Euro 446 million, up 83 percent over the first quarter of fiscal year 2000 but down 45 percent from the record level of the prior quarter. Apart from this gain, Infineon's earnings increase over last year's first

**For the financial and business press:** INFXX200101.037e

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quarter was achieved through significant productivity gains, especially in the communications segment. The expected decrease in EBIT from the record level in the previous quarter reflects the current difficult market environment for memory products caused by a strong price decline in this segment.

Net income in the quarter increased to Euro 280 million, up 111 percent from the first quarter of last fiscal year but a decrease of 52 percent from the previous quarter. Earnings per share (basic and diluted) for the first quarter reached Euro 0.45 as compared with Euro 0.22 and Euro 0.93 in the first and fourth quarter of the last fiscal year, respectively.

“Infineon has delivered on its promise to improve margins in its non-DRAM business. We have successfully shifted our product mix towards higher margins, especially in our wireline communications and smart card businesses”, said Dr. Ulrich Schumacher, President and CEO of Infineon Technologies AG. “We have also strengthened our customer partnerships in our key segments and significantly improved the utilization of our global distribution channels.”

Despite difficult market conditions, Infineon achieved a gross margin of 40 percent compared with 53 percent in the fourth quarter and 37 percent in the first quarter of 2000. Infineon’s EBIT margin in the first quarter of fiscal year 2001 reached 27 percent, which reflects the price decline for memory products partially offset by higher productivity in communications and the one-time gain on the divestment of the Image & Video business.

SG&A expenses reached 11 percent of total revenues, up from 10 percent in the first quarter of 2000 and 9 percent in the previous quarter. This slight increase reflects the support of our continued strong growth over the last year but also shows the consequent implementation of cost control measures.

R&D expenditures in the first quarter totaled Euro 257 million up 30 percent in absolute terms from the first quarter of last fiscal year and down 26 percent from the fourth quarter. As a percentage of total revenues, R&D costs were 16 percent of total revenues.

Revenues outside Europe amounted to 48 percent of total revenues maintaining the balanced regional revenue development of the first quarter of last year. Regional growth was particularly strong in Japan with a growth rate of 50 percent over the first quarter of last fiscal

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year.

As of December 31, 2000, Infineon had more than 31,700 employees worldwide, with research and development staff accounting for more than 5,000 of this total.

### **Business Group Performance**

Infineon has streamlined its wireline communications business portfolio in fourth quarter 2000. The group is now focused on Access, WAN and LAN, with superior competencies in High Speed and Optical Networking components. During the first quarter, the business group divested its Image and Video business for a pre-tax gain of Euro 202 million. In addition, Infineon will report its Infrared Components activities under Other Operating Segments. This will further improve Infineon's focus on Internet infrastructure, broadband communications, internet access and advanced optical networking solutions. In the following discussions and the attached tables figures for all periods have been restated to conform to the current organizational structure.

Infineon's Wireline Communications group's revenues increased to Euro 211 million in the first quarter of fiscal year 2001, up 53 percent from the same quarter last year and 6 percent from the previous quarter. Including the effect of acquisition related amortization of Euro 10 million in the first quarter and Euro 53 million in the fourth quarter 2000, the group's EBIT improved to Euro 33 million, up 120 percent from last year's Q1 level and up Euro 46 million from a negative EBIT of Euro 13 million from the fourth quarter.

Major developments in the Wireline Communications group in first quarter include:

- Continued strong growth in analog and Access technologies with extended use of foundry production (Analog Linecards and ISDN)
- Strong interest in Fiber-to-the-Home solutions by market leaders in data networking technologies like Alcatel and Cisco
- Growing market penetration of the access broadband communication market with 10BaseS and VDSL solutions
- Strategic entry in the future UMTS infrastructure market based on important contract with Ericsson to deliver IWORX technology

Infineon's Wireless Communications group's first quarter revenues grew to Euro 358 million, up 17 percent compared with the first quarter of last fiscal year and 2 percent from the fourth quarter. This growth was mainly due to continued strong demand in the GSM/GPRS mobile

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communication and DECT cordless markets. EBIT reached Euro 72 million, equaling the strong performance in first quarter of last year and sequentially.

Major developments in the wireless communications group in the first quarter include:

- Continued strong demand for GSM chipsets (100 million GSM baseband chipsets shipped end of Q1 FY 2001)
- Certification of first worldwide Bluetooth system solution called "Bluemoon I", the first baseband and RF chipset for Bluetooth applications and the first major contract achievement for Bluemoon I with an industry leader
- Important contract agreement for complete GSM/GPRS phone based on the Infineon platform

In the Security & Chip Card ICs group, which is reported in Other Operating Segments, quarterly revenues rose significantly, by 69 percent to Euro 154 million from the first quarter of last fiscal year, and up 31 percent from the previous quarter. EBIT improved to Euro 29 million, up Euro 20 million from the first quarter of fiscal year 2000 and 61 percent from the previous quarter. The strong growth in revenues and EBIT was driven by a significant productivity increase and a successful product shift towards higher margin businesses, especially in the chip card-controller market.

Major developments for the Security & Chip Card ICs group in the first quarter include:

- Infineon became partner for advanced 16-bit/64kByte chip card controller for high-end GSM platform with industry leaders (Schlumberger, Gemplus, OCS)
- Important contract with Schlumberger for GSM market in China
- Strong orders from China Telecom and Mexico Telmex for security memory ICs for prepaid telephone market
- Strategic contract for MultiMediaCard™ with Palm for PDAs

The Automotive & Industrial group's quarterly revenues rose to Euro 254 million, up 40 percent from the first quarter of last year and Euro 1 million from the seasonally very strong previous quarter. Revenue growth was driven by the continued strong demand for Infineon's power management and supply solutions. EBIT increased to Euro 34 million up 325 percent from Euro 8 million in the first quarter of last year and 3 percent from Euro 33 million in the previous quarter.

Major developments in the Automotive & Industrial Segment in the first quarter include:

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- Further penetration of the Automotive market with successful Tricore design-ins for the AUDO Power Train platform with major industry leaders
- Strategic entry into the Japanese Power ASIC market with important design-ins at leading Japanese customers
- Strong interest from major US car manufacturers for 42-volt power products
- Increased market share in Asia for power applications in the PCs/motherboard market

Revenues for the Memory Products group amounted to Euro 497 million, a decrease of 26 percent from the first quarter of last year and of 61 percent from record revenues in the previous quarter. EBIT decreased to Euro 66 million from Euro 132 million in the first quarter of last year and from Euro 727 million in the previous quarter. The significant decline in revenues and EBIT was driven by a sharp drop of DRAM prices which began in September 2000. Lowered DRAM prices were based on weakening demand in the PC market and high inventory levels at PC manufacturers.

Major developments in the memory products segment for first quarter include:

- Continued focus on the high-end PC and Internet server market
- Full conversion to the new 0.17µm technology for mainstream products at all worldwide memory production sites, significantly improving productivity
- Strong growth with new generations 128M and 256M
- Important development-cooperation for future non volatile memory technologies; cooperation with Toshiba on FeRAM and with IBM on advanced MRAM

In the Other Operating Segment, which includes the Security & Chip Card ICs group, the Opto Joint Venture with Osram and others, quarterly revenues rose 37 percent to Euro 310 million from the first quarter and 12 percent compared with the fourth quarter. EBIT improved significantly to Euro 236 million due to a one-time pre-tax gain of Euro 202 million from the completed divestment of Infineon's Image & Video business.

### **Strategic Highlights**

Infineon achieved further margin improvements in its non-memory business through productivity gains, capacity expansion and increased focus on higher margin businesses, especially in the Wireline, Wireless and Smart Card segments.

Infineon has strengthened its IP in communications by signing an agreement for the

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acquisition of Ardent Technologies, a leading specialist for LAN switching technologies, and by opening a new development center in France to better address the rapidly growing fiber optics market. With the strategic entry into the UMTS infrastructure market and the expansion of its broadband access activities in Israel, Infineon is well positioned to benefit from the strong growth dynamic in these markets.

Infineon will continue to build up its worldwide leadership position in advanced 300mm production. In addition to Dresden and the Joint Venture in Taiwan (Promos), the company's existing plant in Richmond, Virginia was chosen as the site for another 300mm module. Infineon has also announced it plans to take a minority stake in the world's first 300mm wafer foundry company in Singapore, which will be a subsidiary of UMC in Taiwan.

### **Outlook 2001**

Infineon is confident about a strong business development in 2001 based on the company's key competencies in high growth markets and our valuable strategic customer base. Growth drivers for the company will be the continued strong demand in communications, particularly in smart card applications and in the infrastructure business, like broadband and optical networking, where so far demand exceeded capacity. Overall, Infineon expects significant growth in the mobile handset market. However, based on the reduction of previously very aggressive forecasts of key customers Infineon expects market growth not to be as strong as last year. The outlook for Infineon's Automotive & Industrial business also remains positive. Based on a gradually improving allocation situation, Infineon will be able to better fulfill the demand of its key customers.

The market environment for memory products, especially in the PC market, will remain difficult during the second quarter. Thereafter, Infineon expects the high inventory levels at PC manufacturers to come down and thus allow for a more stable price development for memory products. Infineon currently expects the DRAM market outlook for the full year to remain positive with demand rising in the second half of the year.

"We will further strengthen our technology and cost leadership in a more competitive semiconductor market by continuing our investments in 300mm production as well as making further IP acquisitions and expanding capacity for our communications segments," concluded Dr. Schumacher.

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## FINANCIAL INFORMATION

According to US GAAP – Unaudited

### Consolidated statements of income

in Mio. Euro	3 months ended	
	31.12.99	31.12.00
Net sales	1.540	1.658
Cost of goods sold	(964)	(1.003)
<b>Gross profit</b>	<b>576</b>	<b>655</b>
Research and development expenses	(198)	(257)
Selling, general and administrative expenses	(151)	(187)
Other operating expense (income), net	(1)	200
<b>Operating income</b>	<b>226</b>	<b>411</b>
Interest income, net	5	9
Equity in earnings of associated companies	13	30
Other income, net	5	5
Minority interests	(3)	-
<b>Income before income taxes</b>	<b>246</b>	<b>455</b>
Income tax expense	(113)	(175)
<b>Net income</b>	<b>133</b>	<b>280</b>
Weighted average of outstanding shares	600	626
<b>Earnings per share - basic and diluted</b>	<b>0,22</b>	<b>0,45</b>
<b>EBIT</b>	<b>244</b>	<b>446</b>

### Segment results

Net sales in Mio. Euro	3 months ended			3 months ended		
	31.12.1999	31.12.2000	+/- in %	30.09.2000	31.12.2000	+/- in %
Wireline Communications	138	211	53	199	211	6
Wireless Communications	305	358	17	351	358	2
Automotive & Industrial	182	254	40	253	254	-
Memory Products	668	497	(26)	1.273	497	(61)
Other Operating Segments	226	310	37	278	310	12
Consisting of: Security and Chip Card Ics	91	154	69	118	154	31
Other	135	156	16	160	156	(3)
Corporate and reconciliation	21	28	33	26	28	8
<b>Infineon consolidated</b>	<b>1.540</b>	<b>1.658</b>	<b>8</b>	<b>2.380</b>	<b>1.658</b>	<b>(30)</b>

  

EBIT in Mio. Euro	3 months ended			3 months ended		
	31.12.1999	31.12.2000	+/- in %	30.09.2000	31.12.2000	+/- in %
Wireline Communications *	15	33	120	(13)	33	+++
Wireless Communications	72	72	-	72	72	-
Automotive & Industrial	8	34	325	33	34	3
Memory Products	132	66	(50)	727	66	(91)
Other Operating Segments	21	236	+++	16	236	+++
Consisting of: Security and Chip Card Ics	9	29	222	18	29	61
Other	12	207	+++	(2)	207	+++
Corporate and reconciliation	(4)	5	+++	(28)	5	+++
<b>Infineon consolidated</b>	<b>244</b>	<b>446</b>	<b>83</b>	<b>807</b>	<b>446</b>	<b>(45)</b>

\* Includes acquisition related in-process research and development and amortisation of 53 Mio. Euro for the 3 months ended 30.09.2000 and acquisition related amortisation of 10 Mio. Euro for the three months ended 31.12.2000

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## Consolidated balance sheets

in Mio. Euro	30.09.2000	31.12.2000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	511	313
Marketable securities	498	390
Accounts receivable, net	1.386	1.055
Related party receivables	439	384
Inventories	841	1.011
Deferred income taxes	100	130
Other current assets	60	141
<b>Total current assets</b>	<b>3.835</b>	<b>3.424</b>
Property, plant and equipment, net	4.034	4.243
Long-term investments, net	432	526
Restricted cash	132	131
Deferred income taxes	166	77
Other assets	254	263
<b>Total assets</b>	<b>8.853</b>	<b>8.664</b>
<b>in Mio. Euro</b>	<b>30.09.2000</b>	<b>31.12.2000</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Short-term debt and current maturities	138	136
Accounts payable	849	662
Related party payables	373	199
Accrued liabilities	719	774
Deferred income taxes	75	17
Other current liabilities	300	253
<b>Total current liabilities</b>	<b>2.454</b>	<b>2.041</b>
Long-term debt	128	123
Deferred income taxes	178	123
Other liabilities	287	283
<b>Total liabilities</b>	<b>3.047</b>	<b>2.570</b>
<b>Total shareholders' equity</b>	<b>5.806</b>	<b>6.094</b>
<b>Total liabilities and shareholders' equity</b>	<b>8.853</b>	<b>8.664</b>

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## Condensed consolidated cash flow information

in Mio. Euro	3 months ended	
	31.12.99	31.12.00
Net cash provided by operating activities	218	6
Net cash used in investing activities	(249)	(131)
Net cash provided by (utilised in) financing activities	378	(73)
Changes in cash and cash equivalents	347	(198)

### Free Cash Flow

Net cash provided by operating activities	218	6
Net cash used in investing activities	(249)	(131)
Sale of floating rate marketable securities	-	(102)
Free Cash Flow	(31)	(227)

## Telephone Conference Information

The Management Board of Infineon Technologies will conduct a telephone conference with analysts and institutional investors on January 31, 2001 at 9:45 a.m. Eastern Standard Time (U.S. EST), 3:45 p.m. Central Europe Time (CET), to discuss operating performance for the first 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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