

News Release / Presseinformation

Infineon reports results for the first quarter of the 2006 financial year

- First quarter revenues were Euro 1.67 billion, down 3 percent sequentially, reflecting decreased revenues in the Memory Products segment, mainly due to a significant decrease in average selling prices.
- First quarter EBIT loss increased to Euro 122 million from an EBIT loss of Euro 43 million in the prior quarter. This primarily reflects an EBIT decrease in the Memory Products segment as a result of the strong decline in average selling prices. Combined, the logic segments posted positive EBIT.
- Net loss in the first quarter was Euro 183 million compared to a net loss of Euro 100 million in the prior quarter.

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+ /- in % sequential	3 months ended Dec 31, 2004	+ /- in % year-on-year
Revenues	1,674	1,731	-3%	1,816	-8%
EBIT	(122)	(43)	- - -	211	- - -
Net income (loss)	(183)	(100)	-83%	142	- - -
Earnings (loss) per share (in Euro)	(0.25)	(0.14)	-79%	0.19	- - -

Munich, Germany, January 24, 2006 – For the first quarter of the 2006 financial year, Infineon Technologies AG (FSE/NYSE:IFX) reported a decrease in revenues compared to the prior quarter, primarily driven by a strong decrease in average selling prices of DDR2 memories in the Memory Products segment. Revenues in the Automotive, Industrial and Multimarket segment as well as in the Communication segment increased sequentially.

The EBIT loss in the first quarter of the 2006 financial year increased sequentially, driven primarily by weaker results in the Memory Products segment as a consequence of the strong decrease in average selling prices and higher cost-per-bit. In total, the logic segments achieved positive EBIT.

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EBIT in the Automotive, Industrial and Multimarket segment increased significantly quarter-over-quarter mainly due to higher EBIT in the automotive business and a reduced EBIT loss in the security and chip-card business. In the company's Communication segment, the EBIT loss decreased significantly in the first quarter. This was due to impairment charges of Euro 14 million in the fourth quarter of the 2005 financial year that did not recur in the first quarter of the 2006 financial year. In addition, the segment's EBIT loss was positively influenced by increased sales and a further optimization of research and development expenditures.

"We are on track with our restructuring measures. In our segment Communication, and in our security and chipcard business, we were able to reduce the EBIT loss in the first quarter, leading to a combined positive EBIT of the logic segments," said Dr. Wolfgang Ziebart, CEO and President of Infineon Technologies AG.

Outlook for the second quarter of the 2006 financial year

In the second quarter of the 2006 financial year, Infineon expects combined revenues in the logic segments to remain broadly stable and EBIT to decline compared to the first quarter. In its Memory Products segment, the company expects to increase its bit production by more than 20 percent based on additional capacities. Infineon will continue the phase-out of production at its Munich-Perlach facility, construction of its new production site in Kulim, Malaysia, and ramp-up of its 300-millimeter production facility in Richmond. Additional details concerning the outlook can be found in the segments' section.

Segments' 2006 first quarter performance and outlook

Following a reorganization of its segment structure, Infineon began to report its results of operations in accordance with this new organizational structure during the second quarter of the 2005 financial year. The former mobile business and the Wireline Communication segment were combined into the new Communication segment to align the company's structure with market developments. At the same time, the company's security and chip-card activities and the ASIC & Design Solutions business were integrated into the extended Automotive, Industrial and Multimarket segment. The results of operations of all periods presented have been reclassified to be consistent with the revised reporting structure and presentation, as well as to facilitate analysis of current and future operating segment information.

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Automotive, Industrial and Multimarket

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+/- in % sequential	3 months ended Dec 31, 2004	+/- in % year-on-year
Revenues	652	626	+4%	631	+3%
EBIT	51	27	+89%	48	+6%

In the first quarter of the 2006 financial year, revenues in the Automotive, Industrial and Multimarket segment increased compared to the previous quarter, mainly due to increased sales in the automotive business, in particular in automotive power products, and due to typically high seasonal sales in power management semiconductors and the ASIC & Design Solutions business. In the security and chip-card business, revenues decreased, as anticipated, mainly due to continued strong price declines. EBIT in the Automotive, Industrial and Multimarket segment increased significantly quarter-over-quarter, driven mainly by increased EBIT in the automotive business and cost management measures. Despite continued price declines, the EBIT loss in the security and chip-card business decreased due to a reduction of fixed costs, improved cost structure and product mix.

Automotive, Industrial and Multimarket's outlook for the second quarter of the 2006 financial year

Infineon expects the Automotive, Industrial and Multimarket segment's revenues to increase slightly in the second quarter of the 2006 financial year, and anticipates a decline in EBIT compared to the first quarter. The company expects increased revenues in its automotive and security and chip-card businesses, but a seasonal decline in demand for industrial semiconductors. The EBIT decline in the second quarter is expected to be primarily driven by a planned increase in research and development expenses for automotive as well as a seasonal decline in the industrial power management and ASIC & Design Solutions businesses, which are to some extent related to the computing and consumer segment. In addition, the segment's EBIT will continue to be impacted by planned expenses for the phase-out of production at the Munich-Perlach facility and by increasing start-up costs for the new production site in Kulim, Malaysia.

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Communication

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+/- in % sequential	3 months ended Dec 31, 2004	+/- in % year-on-year
Revenues	334	331	+1%	414	-19%
EBIT	(21)	(46)	+54%	(19)	-11%

In the Communication segment, revenues increased slightly compared to the previous quarter, primarily due to strength in demand for radio-frequency transceiver and broadband-access solutions. The EBIT loss decreased significantly compared to the previous quarter. This was due to impairment charges of Euro 14 million occurring in the fourth quarter of the 2005 financial year that did not recur in the first quarter of the 2006 financial year. In addition, the segment's EBIT loss was positively influenced by slightly higher sales, in particular radio-frequency transceivers and broadband access devices, and a further optimization of research and development expenditures. The company's wireline broadband-access business continued to be profitable in the first quarter.

Communication's outlook for the second quarter of the 2006 financial year

In the second quarter of the 2006 financial year, the company expects revenues of its Communication segment to decline compared to the first quarter due to seasonal weakness in the wireless industry. The company expects the segment's EBIT loss to increase in the second quarter, as previously implemented improvements of cost structures leave operating results to be driven predominantly by revenue development.

Memory Products

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+/- in % sequential	3 months ended Dec 31, 2004	+/- in % year-on-year
Revenues	678	768	-12%	766	-11%
EBIT	(118)	34	- - -	196	- - -

In the first quarter of the 2006 financial year, revenues in the Memory Products segment decreased sequentially, mainly due to a strong decrease in average selling prices of DDR2 memories, to which Infineon has a relatively high exposure. In addition, the company deliberately limited shipments of DDR2 products, as a reaction to the considerable price decline and weak demand.

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As a result of the strong decrease in average selling prices, EBIT in the first quarter decreased significantly compared to the previous quarter. Cost-per-bit increased temporarily due to increased research and development expenses and higher manufacturing costs associated with the ramp-up of the production facility in Richmond, and product diversification.

Memory Products' outlook for the second quarter of the 2006 financial year

In the second quarter of the 2006 financial year, Infineon expects to increase its bit production by more than 20 percent based on additional capacities at its 300-millimeter production facility in Richmond and from silicon foundries. The company also anticipates higher bit shipments than in the previous quarter.

Other Operating Segments

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+/- in % sequential	3 months ended Dec 31, 2004	+/- in % year-on-year
Revenues	2	2	0%	3	-33%
EBIT	0	(12)	+++	(2)	+++

EBIT in the first quarter of the 2006 financial year improved compared to the fourth quarter of the 2005 financial year, mainly due to the non-recurrence of impairment charges of Euro 10 million incurred in the fourth quarter of the 2005 financial year.

Corporate and Reconciliation

In Euro million	3 months ended Dec 31, 2005	3 months ended Sep 30, 2005	+/- in % sequential	3 months ended Dec 31, 2004	+/- in % year-on-year
Revenues	8	4	+100%	2	+++
EBIT	(34)	(46)	+26%	(12)	---

Sequential EBIT loss decreased in the first quarter of the 2006 financial year. During the first quarter, Infineon began to expense the cost of share-based compensation, which aggregated to Euro 7 million. Previous quarter EBIT had been negatively impacted by charges resulting primarily from the restructuring activities in connection with the planned phase-out of production at the Munich-Perlach facility.

For major business highlights of Infineon's segments in the first quarter of the 2006 financial year, click <http://www.infineon.com/news/>.

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FINANCIAL INFORMATION

According to US GAAP – Unaudited

Condensed Consolidated Statements of Operations

in Euro million	3 months ended		
	Dec 31, 04	Sep 30, 05	Dec 31, 05
Net sales	1,816	1,731	1,674
Cost of goods sold	(1,115)	(1,273)	(1,350)
Gross profit	701	458	324
Research and development expenses	(329)	(290)	(311)
Selling, general and administrative expenses	(162)	(172)	(173)
Restructuring charges	(2)	(23)	(2)
Other operating income (expense), net	6	(33)	-
Operating income (loss)	214	(60)	(162)
Interest (expense) income, net	5	(23)	(21)
Equity in earnings (losses) of associated companies, net	1	13	17
Other (expense) income, net	(10)	5	24
Minority interests	6	(1)	(1)
Income (loss) before income taxes	216	(66)	(143)
Income tax expense	(74)	(34)	(40)
Net income (loss)	142	(100)	(183)

Earnings (loss) per share (EPS)

Shares in million

Weighted average shares outstanding – basic	748	748	748
Weighted average shares outstanding – diluted	748	748	748
Earnings (loss) per share - basic and diluted (in Euro)	0.19	(0.14)	(0.25)

EBIT

Infineon defines EBIT as earnings (loss) before interest and taxes. Infineon's management uses EBIT among other measures to establish budgets and operational goals, to manage the Company's business and to evaluate its performance. Infineon reports EBIT information because it believes that it provides investors with meaningful information about the operating performance of the Company and especially about the performance of its separate business segments.

EBIT is determined as follows from the condensed consolidated statements of operations, without adjustment to the US GAAP amounts presented:

in Euro million	3 months ended		
	Dec 31, 04	Sep 30, 05	Dec 31, 05
Net income (loss)	142	(100)	(183)
- Income tax expense	74	34	40
- Interest expense (income), net	(5)	23	21
EBIT	211	(43)	(122)

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Segment Results

Net sales in Euro million	3 months ended			3 months ended		
	Dec 31, 04*	Dec 31, 05	+/- in %	Sep 30, 05	Dec 31, 05	+/- in %
Automotive, Industrial and Multimarket	631	652	3	626	652	4
Communication	414	334	(19)	331	334	1
Memory Products	766	678	(11)	768	678	(12)
Other Operating Segments	3	2	(33)	2	2	-
Corporate and Reconciliation	2	8	+++	4	8	100
Infineon consolidated	1,816	1,674	(8)	1,731	1,674	(3)

EBIT in Euro million	3 months ended			3 months ended		
	Dec 31, 04*	Dec 31, 05	+/- in %	Sep 30, 05	Dec 31, 05	+/- in %
Automotive, Industrial and Multimarket	48	51	6	27	51	89
Communication	(19)	(21)	(11)	(46)	(21)	54
Memory Products	196	(118)	---	34	(118)	---
Other Operating Segments	(2)	-	+++	(12)	-	+++
Corporate and Reconciliation	(12)	(34)	---	(46)	(34)	26
Infineon consolidated	211	(122)	---	(43)	(122)	---

* Prior period segment results have been reclassified to be consistent with the current period presentation and organizational structure.

Regional Sales Development

Regional sales in %	3 months ended		
	Dec 31, 04	Sep 30, 05	Dec 31, 05
Germany	21%	18%	19%
Other Europe	17%	17%	17%
North America	19%	24%	22%
Asia / Pacific	37%	34%	35%
Japan	4%	5%	5%
Other	2%	2%	2%
Total	100%	100%	100%
Europe	38%	35%	36%
Outside-Europe	62%	65%	64%

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Condensed Consolidated Balance Sheets

in Euro million	Sep 30, 05	Dec 31, 05
Assets		
Current assets:		
Cash and cash equivalents	1,148	1,138
Marketable securities	858	749
Trade accounts receivable, net	952	900
Inventories	1,022	1,173
Deferred income taxes	125	127
Other current assets	469	507
Total current assets	4,574	4,594
Property, plant and equipment, net	3,751	4,048
Long-term investments, net	779	566
Restricted cash	88	88
Deferred income taxes	550	522
Other assets	542	488
Total assets	10,284	10,306
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt and current maturities of long-term debt	99	99
Trade accounts payable	1,069	1,125
Accrued liabilities	497	533
Deferred income taxes	17	23
Other current liabilities	700	623
Total current liabilities	2,382	2,403
Long-term debt	1,566	1,627
Deferred income taxes	65	53
Other liabilities	642	785
Total liabilities	4,655	4,868
Total shareholders' equity	5,629	5,438
Total liabilities and shareholders' equity	10,284	10,306

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Condensed Consolidated Statements of Cash Flows

in Euro million	3 months ended		
	Dec 31, 04	Sep 30, 05	Dec 31, 05
Net cash provided by operating activities	423	250	102
Net cash (used in) provided by investing activities	(110)	348	(168)
Net cash provided by (used in) financing activities	36	(368)	56
Net increase (decrease) in cash and cash equivalents	349	230	(10)
Depreciation and amortization	334	339	338
Purchases of property, plant and equipment	(456)	(233)	(405)

Gross and Net Cash Position

Infineon defines gross cash position as cash and cash equivalents and marketable securities, and net cash position as gross cash position less short and long-term debt. Since Infineon holds a substantial portion of its available monetary resources in the form of readily marketable securities, which for US GAAP purposes are not considered to be "cash", it reports its gross and net cash positions to provide investors with an understanding of the Company's overall liquidity. The gross and net cash position is determined as follows from the condensed consolidated balance sheets, without adjustment to the US GAAP amounts presented:

in Euro million	Dec 31, 04	Sep 30, 05	Dec 31, 05
Cash and cash equivalents	957	1,148	1,138
Marketable securities	1,572	858	749
Gross Cash Position	2,529	2,006	1,887
Less: short-term debt	551	99	99
long-term debt	1,487	1,566	1,627
Net Cash Position	491	341	161

Free Cash Flow

Infineon defines free cash flow as cash from operating and investing activities excluding purchases or sales of marketable securities. Since Infineon holds a substantial portion of its available monetary resources in the form of readily marketable securities, and operates in a capital intensive industry, it reports free cash flow to provide investors with a measure that can be used to evaluate changes in liquidity after taking capital expenditures into account. The free cash flow is determined as follows from the condensed consolidated cash flow statements, without adjustment to the US GAAP amounts presented:

in Euro million	3 months ended		
	Dec 31, 04	Sep 30, 05	Dec 31, 05
Net cash provided by operating activities	423	250	102
Net cash (used in) provided by investing activities	(110)	348	(168)
Thereof: Purchase (sale) of marketable securities, net	(370)	(613)	(109)
Free cash flow	(57)	(15)	(175)

Employee Data

	Sep 30, 05	Dec 31, 05
Infineon worldwide	36,440	40,673
Thereof: Research and Development	7,401	7,632

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Analyst and press telephone conferences

Infineon Technologies AG will host a telephone conference (in English only) with analysts and investors on January 24, 2006, 10:00 a.m. Central European Standard Time (CET), 4:00 a.m. Eastern Standard Time (U.S. EST), to discuss operating performance during the first quarter of the 2006 financial year. In addition, the Infineon Management Board will conduct a telephone conference with the media at 11:30 a.m. (CET), 5:30 a.m. (U.S. EST). It can be followed in German and English over the Internet. Both conference calls will be available live and for download on the Infineon 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 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, and our ability to achieve our cost savings and growth targets. 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.

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