

GENERAL MEETING

APRIL 6, 2001

Dr. Ulrich Schumacher
President and CEO
Infineon Technologies AG



Never stop thinking.



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The spoken word prevails.

Introduction

Dear Ladies and Gentleman,

ON BEHALF OF THE Infineon board, I would like to welcome you to Infineon Technologies AG's first public general meeting. The year 2000 was a record year for Infineon: not only did we go public – in what was at the time the largest IPO of a high-tech enterprise worldwide – our company also achieved historical record results. I am very happy to outline this successful year 2000 to you today.

Record results in fiscal year 2000

OUR TOTAL REVENUES rose to 7.28 billion Euro. This equals an increase of 72 percent compared to 4.24 billion Euro in fiscal year 1999. The rapid revenues growth was based on strong demand in all of Infineon's business groups, particularly in communications and memory products.

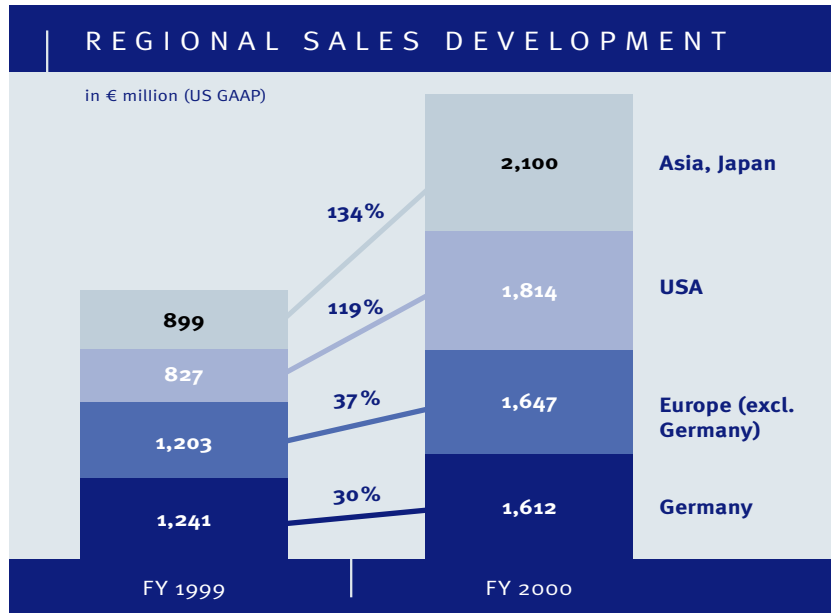
INFINEON'S RECORD EBIT figure – which means earnings before interest and tax – of 1.67 billion Euro has significantly improved from 1999, in which we showed an EBIT loss of 13 million Euro. This exceptional earnings performance can be attributed to our significant increase in productivity and improvement of our margins in all segments. Infineon's focus on more innovative business activities such as the communications sector, for instance, and the strong recovery of the market for memory products, or so-called DRAMs, led to a significant increase in our gross margin as well as EBIT.

THUS INFINEON'S net income reached a record level of 1.13 billion Euro which is an increase of more than 1 billion Euro compared to 61 million Euro the previous year. Earnings per share rose from 0.10 Euro in the 1999 fiscal year to 1.83 Euro. Infineon's EBIT margin also improved significantly to 23 percent.

AS A COMPANY, we can – and should – be proud of these results. Not only have we increased the going-concern value significantly. With these results we also – by far – exceeded the expectations of the capital market.

RECORD RESULTS IN FISCAL YEAR 2000			
in € million (US GAAP)	FY 1999	FY 2000	Delta
Net sales	4,237	7,283	+ 3,046
Net sales growth			+ 72 %
EBIT	(13)	1,670	+ 1,683
Margin		23 %	
Net income	61	1,126	+ 1,065
Earnings per share	0.10 €	1.83 €	+ 1.73 €

Regional sales development (fiscal year 2000)



IN ORDER to strengthen our position globally, Infineon has continuously focused on increasing its market shares in America and Asia and in 2000 for the first time more than half of our revenues came from outside of Europe, 54 percent to be exact. Our sales in Asia – without Japan – grew by 126 percent compared to 1999 and in the USA/NAFTA region by 119 percent. In Japan, we saw a record sales increase of more than 200 percent. We also continued to show high growth rates in Germany and Europe.

ALSO IN THE FIRST quarter of the current business year Infineon achieved half of its sales outside of Europe. This is the

result of the successful implementation of our globalization strategy. Our goal remains to further expand our market share in the strategically important regions of America and Asia and thus achieve a global balanced revenue split adjusted to the respective regional market size. Already today we are able to better compensate the current weaknesses of the American economy than our US competitors.

Over 32,000 employees worldwide

INFINEON'S SUCCESS IN 2000 is of course reflected in our increased headcount. At the end of the business year we employed more than 29,000 people worldwide. Today this number has risen to more than 32,000 employees. In fiscal year 2000, the number of Infineon employees rose by almost 3,400 worldwide and by approximately 1,400 here in

Germany. Over the past 3 years, we have increased our global workforce by 43 percent. These numbers also emphasize our extraordinary business development and Infineon's rapid expansion in the last years.



IN 2000, INFINEON WAS able to raise the number of employees in research and development globally by 400 to 4,730. Today we operate 26 major research and development facilities worldwide. Since our IPO, we have opened 7 additional development centers and increased the number of Infineon developers to more than 5,000. By expanding our so-called intellectual property we secure the strategic knowledge we need for the development of future leading-edge technologies and products. Our state-of-the-art research and development network is the driving force behind our rapid innovation process and – as a result – our leading position in technology.

RESEARCH AND DEVELOPMENT is an important, if not the most important competitive differentiator in microelectronics. Therefore the global competition for “best talents” in the semiconductor sector continues to intensify. In order to attract “the best,” it takes more than just being one of the industry’s top ten companies. It takes more than just having a global network of research and development centers at the world’s major IT venues. It takes more than just to have a comprehensive and leading technology portfolio in the growth markets of the future. We require the most capable development engineers of the world in order to continue to lead in the high-speed innovation race of the semiconductor industry.

Competitive stock option program

UNDER AGENDA 8 we would like to propose to you today the introduction of Infineon’s stock option plan.

IN ORDER TO ATTRACT THE TALENT we need for the development of tomorrow’s leading semiconductor technologies and products, Infineon has to provide attractive working conditions and individual, performance-oriented remuneration incentives. Our goal is not only to recruit highly qualified and talented employees, but to commit these valuable resources to our organization over the long-term. All internationally leading semiconductor manufacturers have for years offered employee profit sharing programs and stock options as a major income portion and important performance incentive. As you will recall, our competitive disadvantage in this area was an important reason for Infineon’s decision to go public.

A YEAR AGO, at the time of the IPO, Infineon put into place a stock option plan that was very progressive by German standards. Unfortunately our experience of the past year has shown that our current option plan is still not internationally competitive. What are the main disadvantages?

OPTION MODELS IN GERMANY are commonly determined by the achievement of a specific goal and for the most part this goal can only be exercised with a rise in share prices. This performance hurdle mostly corresponds with the offering price. The option models of our international – and especially our American competitors – do not imply exercise hurdles. These options can be exercised at 100 percent of the issue price and in some cases even below that. The lock-up period typically lasts only one year. After that time, 25 percent of these options can be exercised annually.

AGAINST THIS competitive landscape, our current stock option plan – with a performance hurdle and an exercise price of 120 percent of the issue price, a restriction period of 2 years and a limited scope of participants – is simply not competitive on an international level. Consequently, some of our key top management positions at our affiliates, especially in the US, could not and cannot be filled. Our competitors' option models in these markets are just more attractive than ours. As an example, in the past three quarters, some highly qualified applicants for top management positions in the US withdrew their applications only after they saw our current stock option plan.

UNFORTUNATELY OUR COMPETITORS are aware of this situation as well.

COMPETITIVE STOCK OPTION PROGRAM

- Incentives based on shareholder value creation system
- 105% performance hurdle and strike price
- Lock-up period: 2 years
- Volume: 51.5 million shares
- Term: 7 years
- Worldwide settlement

They know the limitations of our option plan very well and increasingly try to entice our employees away with more attractive offers. This trend is not only common in the US – the fluctuation in our broadband communications segment in Silicon Valley was around 50 percent last year – we are also seeing it increasingly closer to our home market – at the European and German subsidiaries of US-based companies.

AS A GLOBAL corporation – fighting at the forefront of the technological competition – Infineon must not only offer superior technological solutions and products but also attractive and competitive payment incentives on a global basis. Infineon Technologies AG's supervisory board and the board of directors thus ask you kindly to approve our new Long Term Incentive Plan, which is oriented at the models of our major competitors. This is to prevent the migration of the executive personnel and highly qualified employees and to attract top trainees from universities and competitors.

THE MAIN DIFFERENCE between the new stock option plan and the existing option plan is the lower 105 percent performance hurdle compared to the current 120 percent hurdle and a respectively lower striking price. Thus we have reached a compromise regarding the standards given by our competitors which do without any performance hurdle and the German stock corporation law which requires an achievement goal.

THE ACHIEVEMENT GOAL of our new stock option plan is a performance hurdle of 105 percent and the minimum lock-up period is two years. In addition, after the expiration of the lock-up period, graduated vesting periods can be established in order to achieve a stronger commitment between the employees and the company. The new stock option plan has a duration of 7 years just like the old option plan. The issue has been slightly increased to a total of 51.5 million options, compared to 48 million options in the existing plan. This increase takes into account the substantial personnel growth in the last quarters. The beneficiaries are the members of the board of directors, the general management of our affiliate corporations as well as other key contributors of the corporation. This enables us to support and retain talented and committed employees on a broad spectrum.

INFINEON'S NEW LONG-TERM INCENTIVE PLAN is a strategically critical step to further improve the attractiveness of our corporation to "the best" in the global market. In order to further expand our leading market position, particularly in the communications sector, we need to substantially build up intellectual capital in this segment. Only this way we are able to be successful in the long-term in this market segment. The new stock option plan is of critical importance to achieving our goals. I therefore urge you to accept this plan.

Family & Friends program

DURING THE PREPARATION of our going public in the summer of 1999 and based on the advice of the consortium banks according to the general rules regarding IPOs we defined and established a so-called Family & Friends program. Infineon stock was intended to be considered an attractive capital investment. Please note that this program was initiated at a time when the IPO-success was not to be expected at all. This program was accepted with great success. In the course of our public offering about 80 percent of our then 26,000 employees worldwide participated in our employees "share in our future" program with an average order volume of 11,000 Euro. In many regions we reached almost 100 percent of our employees. The employees' "share in our future" program amounted to 6 percent of the total offering.

THIS HIGH PARTICIPATION is a significant proof for the willingness of our employees to support our corporate success with their personal capital. This was and is a major vote of confidence in Infineon as well as in their own ability for high performance.

IN THE COURSE of the IPO there were also some critical reports about the board of directors' participation in the Infineon stock program. Therefore I would like to use this opportunity today to clarify this issue.

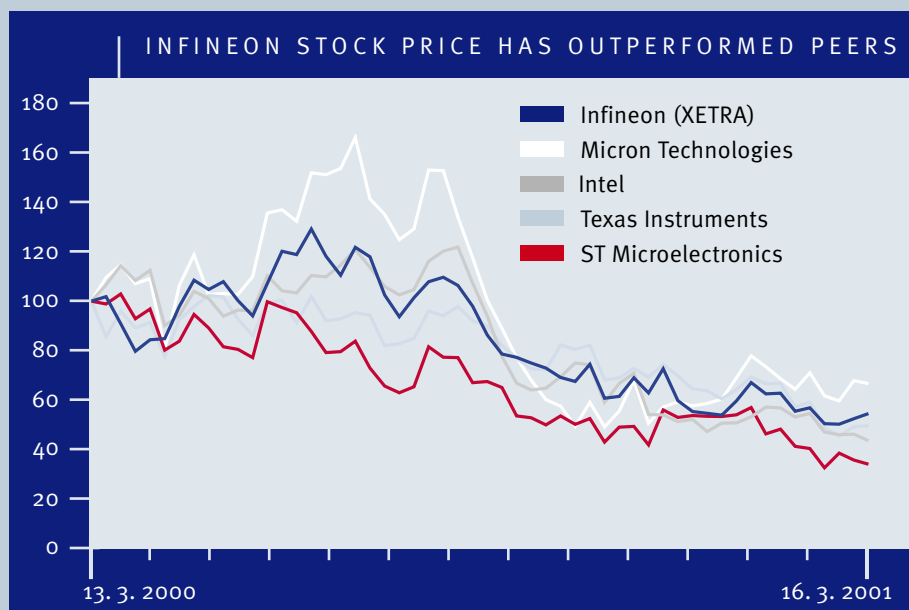
AT IPOS IT IS COMMON and desired by investors and banks that the top management of the company as well as the employees invest in the company with their own money. This documents the confidence in the own company and the willingness to utilize private funds also for the entrepreneurial risk. At the same time it represents a harmonization of the interests of investors, employees and management.

ACCORDING to the German stock corporation law members of the board of directors are part of the so-called corporate executive body and are thus not considered employees. Therefore, board members cannot legally participate in an employees stock participation program in the course of a public offering. The participation of the board members was thus enabled through our Friends program. Very early on, in the summer of 1999 during the program preparation, the scope of the board members' stock allocation was discussed and defined. At that time the entire board had asked for a total subscription volume of 250,000 shares.

DUE TO THE STRONG DEMAND from private investors during the subscription period, the allocation for the board of directors was limited to 150,000 shares. The originally planned Friends program quota of 3 percent of the offering volume was thus lowered to less than 2 percent for the benefit of an increased allocation to private investors. A lock-up period until end of July 2000 for the Family & Friends program ruled out any quick profit taking.

Infineon stock price has outperformed peers

THE INFINEON STOCK has performed well relative to the difficult market environment since last fall. The capital markets and the international stock exchange places have increasingly diverged since the end of the calendar year and reacted uncertain in the light of to the weakening US economy. As a consequence, technology stocks have lost a significant amount of their market capitalization.

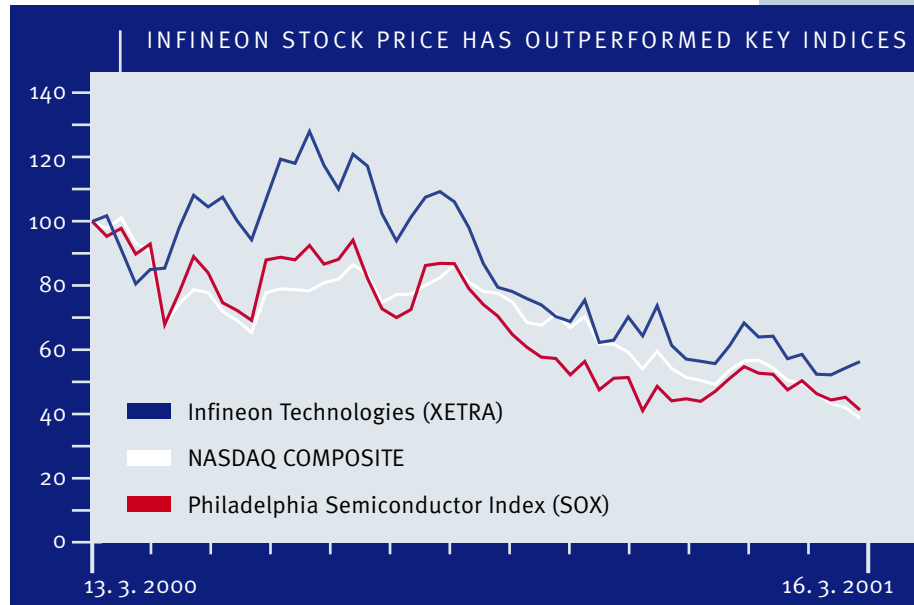


THROUGHOUT this difficult period, we have weathered this trend better than most of our well established competitors. Only our major competitor in the storage sector achieved a slightly better price move.

Infineon stock price has outperformed key indices

I N F I N E O N ' S S H A R E S have also performed significantly better relative to our industry, as seen through the Philadelphia Semiconductor Index as well as technology stocks overall, represented by the NASDAQ.

F O R Y O U A S Infineon stock holder this means: With your investments in Infineon you are much better off than if you had invested in other semiconductor corporations.



Payment of a single dividend

T H E S U P E R V I S O R Y B O A R D and the board of directors propose to the general meeting a dividend of 407 million Euro or 0.65 Euro per share. We would like to give you, the stockholders, a share in the extraordinary business development of the last fiscal year. At the same time we will be able to reduce the tax burden of our corporate earnings on the whole. The dividend will be paid on April 9.

Development of the semiconductor market

B E F O R E I D I S C U S S our first quarter results of the current fiscal year, I would like to briefly outline the over all semiconductor market development. After a 19 percent growth in 1999 the semiconductor market reached a record growth of 37 percent with a volume of more than 200 billion US dollars in the last year according to the leading semiconductor statistics provided by the World Semiconductor Trade Statistics (WSTS). The driving forces for this growth were primarily the market segments of mobile communications, broadband communications, Internet access, network storage and, of course, the strong dynamics of the DRAM market.



in billion US \$

Source: WSTS, IC Insight, Infineon

IN SEPTEMBER 2000, however, the strong growth in the memory market experienced a significant slowdown, triggered by weakness in demand in the PC market and a corresponding price drop for DRAM products. In addition, demand for mobile telephones was weaker than expected during the December Christmas sales period. These two market developments, in connection with the slowdown of the US economy, have led to a further reduction of the growth forecasts for the semiconductor industry in 2001. Unfortunately these latest forecasts were not available before the printing of our annual report.

AT THE MOMENT, THERE IS little transparency for the development of the semiconductor market. Most leading market analysts are very cautious with their forecasts about the market development in this year. The development of the memory market is showing preliminary indications of a growing demand and an increase in DRAM prices as well. However, it is not clear yet, how sustainable this price development will be. In general, we see the medium and long-term growth potential for the semiconductor market very positive. And we are confident that we will be able to grow significantly faster than the market in our targeted segments.

First quarter of the fiscal year 2001

FIRST QUARTER OF THE FISCAL YEAR 2001			
in € million (US GAAP)	Q1 2000	Q1 2001	Delta
Net sales	1,540	1,658	+ 118
Net sales growth			+ 8 %
EBIT	244	446	+202
Margin	16 %	27 %	
Net income	133	280	+ 147
Earnings per share	0.22 €	0.45 €	+ 0.23 €

IN THE FIRST QUARTER of the current fiscal year we were able to achieve good results in a difficult market environment. We increased our revenues by 8 percent over the previous quarter to 1.66 billion Euro. Growth drivers were again the communications sector, and especially smart card ICs and wireline communications.

EBIT IN THE FIRST QUARTER amounted to 446 million Euro including the one-time gain of 202 million Euro from the divestment of our image and video activities. This is an increase of 83 percent compared to the same quarter of the previous year. Net income rose by 111 percent to 280 million Euro and the surplus per share rose to 0.45 Euro.

Sales by segment – First quarter

BECAUSE of our considerable productivity progress we were able to significantly increase revenues in all of our non-memory business groups. The revenue decline in memory products is a result of the still difficult market environment for DRAM products. However, we are cost-leaders in a head-on competition with Micron Technologies and thus confident that we are best positioned to manage through this critical period.

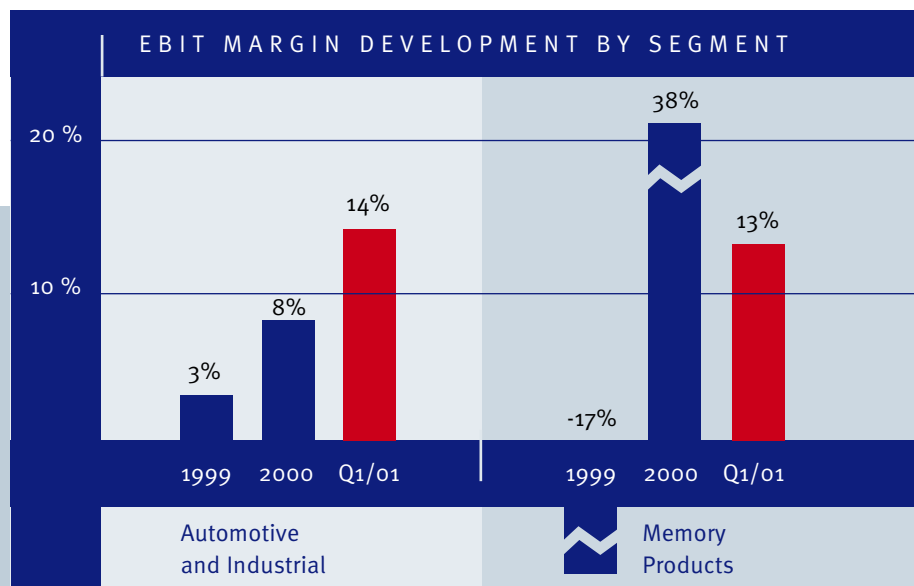
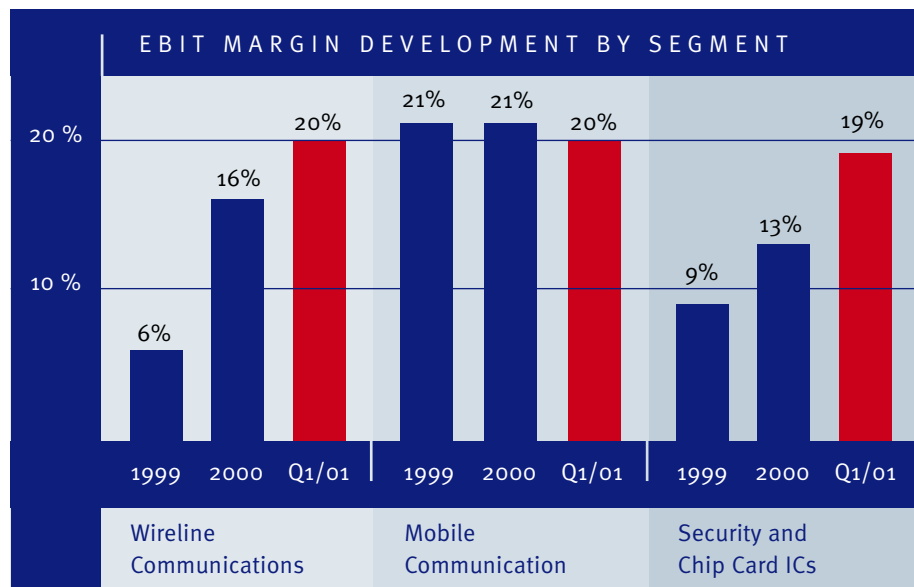
SALES BY SEGMENT – FIRST QUARTER		
in € million (US GAAP)	Net sales Q1 2000	Net sales Q1 2001
Wireline Communications	138	211
Mobile Communications	305	358
Security and Chip Card ICs	91	154
Automotive and Industrial	182	254
Memory Products	668	497

EBIT margin development by segment

IN THE BUSINESS groups “Wireline Communications”, “Security and Chip Card ICs” and “Automotive and Industrial” we were once again able to increase our EBIT margins significantly in the first quarter.

THE STAGNATION in the mobile communications sector is based on the already mentioned weaker demand for mobile phones. Here large inventories need to be reduced first. Thus we expect, as already announced, another revenues and earnings decrease in the just ended second quarter as well. However, in the long-term mobile communications will continue to be a major growth market.

THE EBIT decrease for memory products is primarily based on the strong price erosion in this segment. Nevertheless, we intent to further strengthen our technological and cost leadership here as well.



INFINEON PLANS to continue the positive margin development in wireline communications, smart card ICs and automotive based on further productivity improvements and capacity expansions for logic products. Thus we expect a positive development in the second quarter for these business segments. And Infineon will continue to focus strongly on segments with higher margins.

WITH THE ACQUISITION of Ardent Technologies and the enhancement of our research and development capacities for optical networking technologies we were also able to expand our intellectual capital – our know-how and patent portfolio – for communication applications.

Strategic focus: Communications

INFINEON HAS A comprehensive portfolio of the most modern semiconductor technologies, which clearly distinguishes us from most of our competitors. Our technological leadership allows us to further expand our strong market presence especially in the fast growing segments of wired and mobile communications, smart card ICs as well as in the Internet infrastructure sector. Already in the last business year about 40 percent of our revenues came from chips for communication applications.

STRATEGIC FOCUS: COMMUNICATIONS

- At the forefront in Internet infrastructure, mobile communications and security applications
- Broadening business relationships with strategic key customers and industry leaders
- Strengthening know-how through cooperation with start-up companies
- Expanding of partnerships and acquisitions

INFINEON IS NOT A “dot com” enterprise. However, as technology leader in microelectronics we master all leading chip technologies required for the Internet expansion. This includes super fast data transfer with transfer rates of 40 and more gigabits per second via fiber optics. This includes fast Internet access via broadband communications (Digital

Subscriber Lines or DSL). And this naturally includes the production of high-performance memory chips for network storage and servers, without which the Internet would not be able to function at all.

IN ORDER TO grow even faster in these targeted markets we have restructured the wireline communications business sector in the fall of 2000. In the future, we will focus even more on optical networks, high-speed communications, Internet access and the markets of Wide Area Networks (WAN) and Local Area Networks (LAN). In the last quarter, we were able to further increase revenues and EBIT in these growth sectors. We are the world market leader in the area of high-speed communications via fiber optics with our Paroli technology. The same is true for fast broadband communications via VDSL. In this segment we were able to secure market leadership through the acquisition of Savan Communications in Israel.

I N A D D I T I O N , I N F I N E O N holds an excellent market position in mobile communications. We are the worldwide No. 1 for high-frequency chips and No. 2 for base band chips for mobile phones. Practically speaking, this means that every other GSM cell phone has an Infineon chip inside. Technologically speaking we have an excellent position for the next GSM/GPRS mobile radiotelephone generation as well as for the third generation in mobile communications UMTS. The same is true for the coming wireless transfer standard called Bluetooth, which allows much higher data transfer rates between electronic devices over short distances.

E V E N W I T H T H E growth of the mobile communications market being currently lower, there is still no doubt that this segment is only at the beginning of a revolution. Mobile telephony has taken hold of the public consciousness. For the younger generation, sending brief SMS messages has become more important than writing letters. In a few years cell phones will be more like small interactive TVs and as multimedia terminals will allow audio as well as video broadcasts. Thus there still remains an enormous growth potential for Infineon's leading edge technology. We are therefore very confident regarding the long-term growth potential for mobile communications.

I N N O V A T I V E S E M I C O N D U C T O R S O L U T I O N S do not just enable much faster and higher data transmission in the globally networked information society. The more the business world handles its relationships via network systems, the higher will be the demand for online security – for data transfers, access protection, electronic market places, personal and customer data protection and of course for the company's own intellectual capital. Internet and online security are major growth markets of the future.

T O D A Y I N F I N E O N I S the world market leader for security applications and systems. With our security and chip card ICs segment, we are very well-prepared to expand our position in the fast growing markets of electronic and mobile trade (m-commerce), mobile communications and access controls. And we increasingly focus on comprehensive system solutions and strongly expand our business in this segment.

Partner to the world's leading electronics companies

OUR LONG-TERM BUSINESS SUCCESS is also dependent upon our ability to continue to build even stronger relationships with our strategic key customers. With our corporate independence since going public, we were able to deepen existing partnerships in all business sectors and gain important new customers in the last year. Today important network technology companies such as Alcatel, Cisco and Nortel are among our customers as well as Ericsson, Nokia, Motorola and Siemens Information Communication Mobile (ICM) for mobile communications. For security solutions we have long-standing, successful business relationships with leading companies such as Gemplus, Giesecke & Devrient and Schlumberger. In the automobile electronics sector we have built strong partnerships with market leaders such as Bosch, Delphi and Denso. The same is true for PC manufacturers such as Compaq, Dell, Hewlett Packard and IBM. Expansion of this global customer base will help us to continue to increase the growth in our targeted markets. And it goes without saying that Siemens AG will remain to be one of our most important strategic partners in the future.

PARTNER TO THE WORLD'S LEADING ELECTRONICS COMPANIES

Wireline Communications

Alcatel | Cisco | Ericsson | Lucent | Nortel | Siemens

Mobile Communication

Ericsson | Matsushita | Motorola | Nokia | Sagem | Siemens

Security and Chip Card ICs

Gemplus | Giesecke & Devrient | Oberthur | Schlumberger

Automotive and Industrial

Bosch | Delphi | Denso | Hella | Siemens | Visteon

Memory Products

Acer | Compaq | Dell | Hewlett Packard | IBM | Sun

Strategic focus: Automotive and Industrial

OUR AUTOMOTIVE AND INDUSTRIAL business group has been particularly successful. Here, we were able to maintain our position as No. 2 worldwide and No. 1 in Europe in a more difficult environment. At the same time, we managed to increase our profitability considerably. The trend to incorporate increasingly more microelectronics into cars is continuing to grow stronger. The portion of semiconductor components built in cars rose by 20 percent last year. What were extras yesterday such as ABS and airbag have now become industry standards. And in the world of tomorrow we will not see any more new vehicles that are not equipped with comprehensive information and navigation systems.

THE CAR AS A “communication box on wheels” is not a futuristic vision any more. Microelectronics make this become reality even today. In this respect Infineon has a long-standing, excellent system know-how. In addition, our business sectors power management and power supply have developed very positively and benefit from the variety of applications in the automobile of the future. Already today for instance we have an excellent technological position with the introduction of the new 32 bit controller generation for car electronics. We are therefore confident that we can further expand our leading position in the automotive and industrial segment this year.

STRATEGIC FOCUS: AUTOMOTIVE AND INDUSTRIAL

- No. 2 supplier worldwide and No. 1 in Europe (excluding car radio)
- Technology leader in driver information- and navigation-systems
- Top position in power management and power supply
- Introducing new controller generation for automotive electronics

Strategic focus: Memory Products

IN THE PAST business year we achieved record revenues of 3.47 billion Euro and a record EBIT of 1.3 billion Euro with memory products. This extraordinary result was achieved through continuous productivity increases, the focus on high margin products and a very competitive cost position. Of course this result was also supported by overall strong market growth and a stable price development. Since September 2000 the market for memory products has weakened considerably and prices have dropped significantly.

OUR PRIORITY IS therefore to further strengthen our technology and cost leadership in these market segments. In the past years, we have successfully implemented a very ambitious program to shrink our chip structures in all manufacturing facilities. Today our 128 megabit and 256 megabit memory chips are among the smallest and most efficient worldwide. At important strategic customers such as Acer, IBM, Compaq, and Hewlett Packard Infineon received a top one evaluation as supplier. This also shows that we are setting standards not only in technology leadership but also in customer service and logistics.

STRATEGIC FOCUS: MEMORY PRODUCTS

- Continued focus on the high-end PC and Internet server market
- Growing productivity and expanding cost leadership
- Leading the industry in 300 mm production
- Leadership in future memory technologies

WE INTENT TO REMAIN among the world top ranking companies in the future with regards to productivity and cost leadership. Therefore the expansion of our world leadership in 300 mm manufacturing technology is of such strategic importance. Compared to today's common chip production on wafers with a diameter of 200 mm, a 300 mm wafer allows the production of almost two and a half times as many chips. This means a cost advantage of about 30 percent. This is a genuine quantum leap in the tough global competition of the semiconductor industry.

INFINEON SO FAR is the only company worldwide that has been manufacturing memory chips in our 300 mm pilot line, something we have been doing in Dresden for over two years. Many competitors now are only starting with this technology. We were also the first to lay the foundations for the first 300 mm manufacturing module worldwide in May of last year at our Dresden location. And we will secure our lead when we launch our chip production in the new 300 mm facility in the fall. Infineon wants to continue to lead the 300 mm revolution, because we want to be the first semiconductor manufacturer to utilize the strategic, competitive advantages of the 300 mm production to increase our productivity and profitability.

THE INTERNET and the increasing digital network of the economy and society are not only the driving force for communications technologies but also for memory products. The data traffic on the Internet is rising explosively. And in the wireless communications sector, data rates will increase tremendously as well. Consequently, the demand for faster and more capable memory technologies will also continue to rise. Infineon is already focusing increasingly on the high growth and less volatile markets for server and network storage. In addition, we have agreed on strategic development partnerships with IBM and Toshiba for the next generation of ferro-electric (FeRAM) and magneto-resistant (MRAM) memory technologies. These agreements will further decrease our dependence on the traditional PC market. At the same time we will expand our market shares in the higher margin segments within the DRAM market.

Long-term strategic partnerships

TECHNOLOGY LEADERSHIP AND COMPETENCE are not only achieved through investments in research and development. Our successful development partnerships for manufacturing and process technologies as well as application know-how contribute to that process as well. For instance, through our long-standing, strategic cooperation with IBM we have laid the foundations for our technology leadership in memory products. Equally important are our new partnerships with Cisco and Nortel for high-speed data transmission via fiber optics. And of course we will continue to make acquisitions in order to expand more rapidly our technological know-how for the fast growing communications markets. With that we will secure our innovation capabilities and technology leadership. And these are the critical competitive advantages in our industry. In addition, we are already investing in promising start-up companies. As a venture capitalist we have so far invested about 90 million Euro in 29 young technology companies. 19 of these companies are active in the communications sector.

LONG-TERM STRATEGIC PARTNERSHIPS	
<ul style="list-style-type: none"> · lower risks · reduced development costs 	<ul style="list-style-type: none"> · improved time-to-market, · increasing market share
Manufacturing / Process technology	Application know-how
<ul style="list-style-type: none"> ■ DRAM and MRAM IBM ■ FeRAM Toshiba ■ Manufacturing of logic products & development of logic technologies IBM, UMC ■ Manufacturing of DRAM, licensing technology Mosel Vitelic ■ Advanced DRAM alliance Hyundai, Intel, Micron, NEC, Samsung 	<ul style="list-style-type: none"> ■ Electronics for automotive Motorola, Hitachi ■ RF solutions Nokia ■ Optical networking Cisco Systems, JDS Uniphase, Nortel Networks

Outlook: Business development in 2001

WITH OUR FOCUS on communications, automotive and memory products, we are clearly targeting the growth markets in microelectronics. This focus drives the strategic expansion of our customer base as well. In the current fiscal year, our growth will be driven by strong demand in communications, especially in broadband communications and optical networking solutions. We also expect strong growth for our smart card ICs business. And the development of our automotive and industrial business continues to be very positive as well. We are quite confident that we will be able to further increase our margins in these segments.

AS I ALREADY mentioned, the market for our mobile communications significantly weakened since the turn of the year. Forecasts for this market are rather difficult at the moment, but our key customers still expect a positive growth, primarily in the second half of the year.

THE MARKET environment for memory products – especially in the PC market – has been difficult in the second quarter that just ended. There are, however, signs that the demand for DRAM products is on the rise again. Thus the possibility of a more positive price move is rising as well. We therefore stick to our assumption of a positive DRAM market development and expect an increase in demand for the second half of the year.

OUTLOOK: BUSINESS DEVELOPMENT IN 2001

- Focusing on high growth markets and improved strategic customer base
- Improving margins in wireline communications, security ICs and automotive
- Temporary slow-down in mobile communications
- Difficult market conditions for memory products
- Further portfolio optimization and acquisitions

Never stop thinking

WITHIN TWO YEARS Infineon developed from an unknown business sector of Siemens AG into a fast growing, global, top ten enterprise in the semiconductor industry. In a very short period of time we were able to establish globally-oriented, efficient management and distribution structures. Many central functions and organization structures had to be newly created altogether. We have optimized our business and production processes and thus achieved considerable efficiencies in productivity. And we have systematically utilized our innovation potential on a global level. We will continue to grow our global research and development network in the future. Wherever necessary and feasible we will increase the strategic focus on our growth markets through acquisitions and portfolio optimizations.

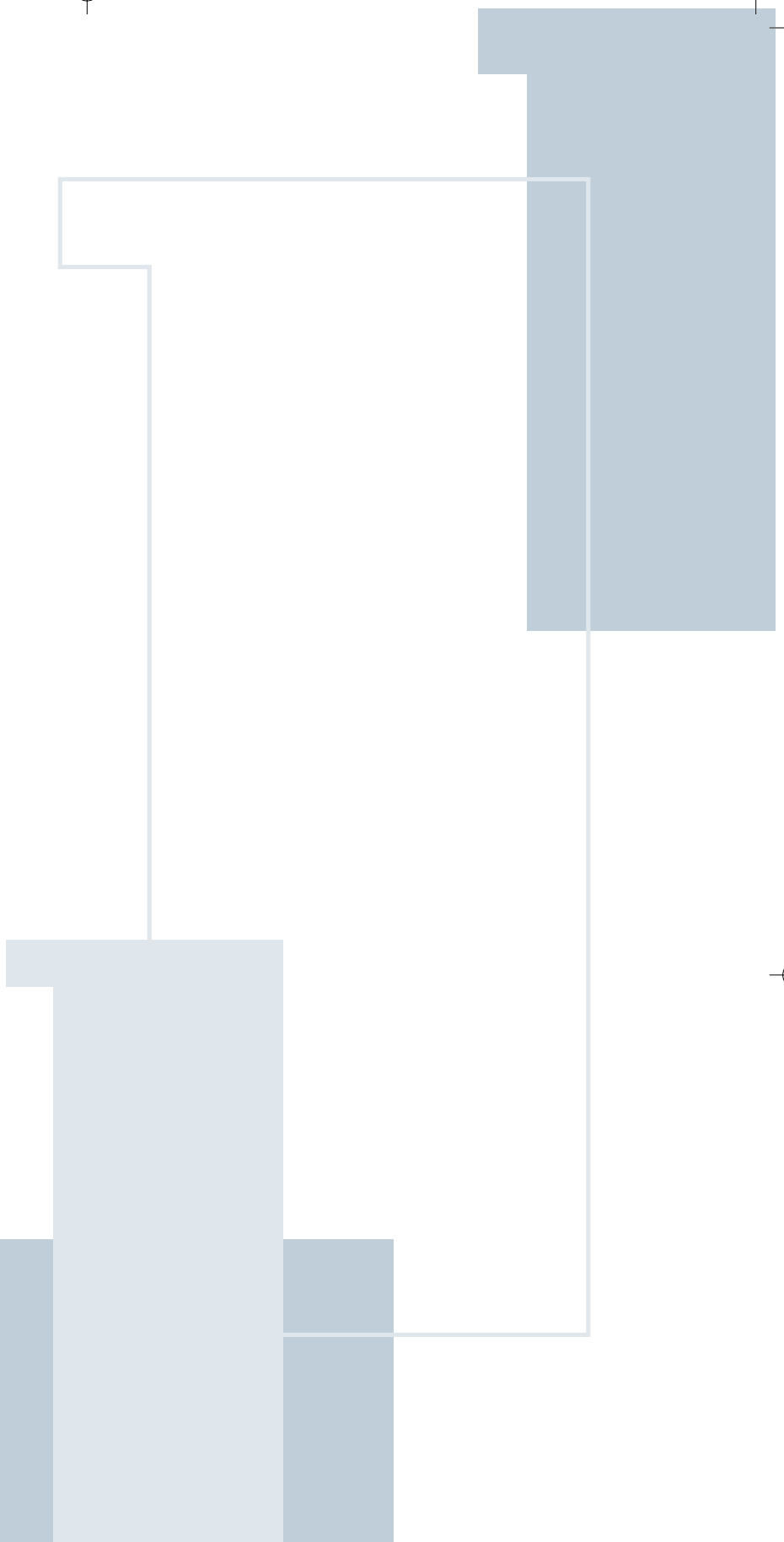
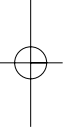
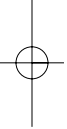
INFINEON IS STILL at the beginning. We are a young enterprise with a powerful development potential. Two years ago when we went public with the name Infineon one of our advertisements read: "It seems that every famous high tech company once started in a garage – well, ours happen to have 25,000 cars parked."

BEHIND THIS intentionally provocative statement stands our company philosophy "Never stop thinking". Today, Infineon has more than 32,000 cars parked in our start-up garage. In spite of our size we still have a considerable growth potential. And we continue to 'raise the bar' for ourselves:

Never stop thinking means – to be more innovative and creative than the competition,
Never stop thinking demands – to flexibly react to new markets,
Never stop thinking means – to constantly improve our product quality,
Never stop thinking implies – to increase our productivity,
Never stop thinking means – well, to think ahead.

THIS IS OUR DRIVING FORCE for innovation and the highest technological performance. We will work hard to reach our growth goals based on our strong motivation and drive to continue to increase Infineon's value.

Thank you very much for your attention.



Never stop thinking.

