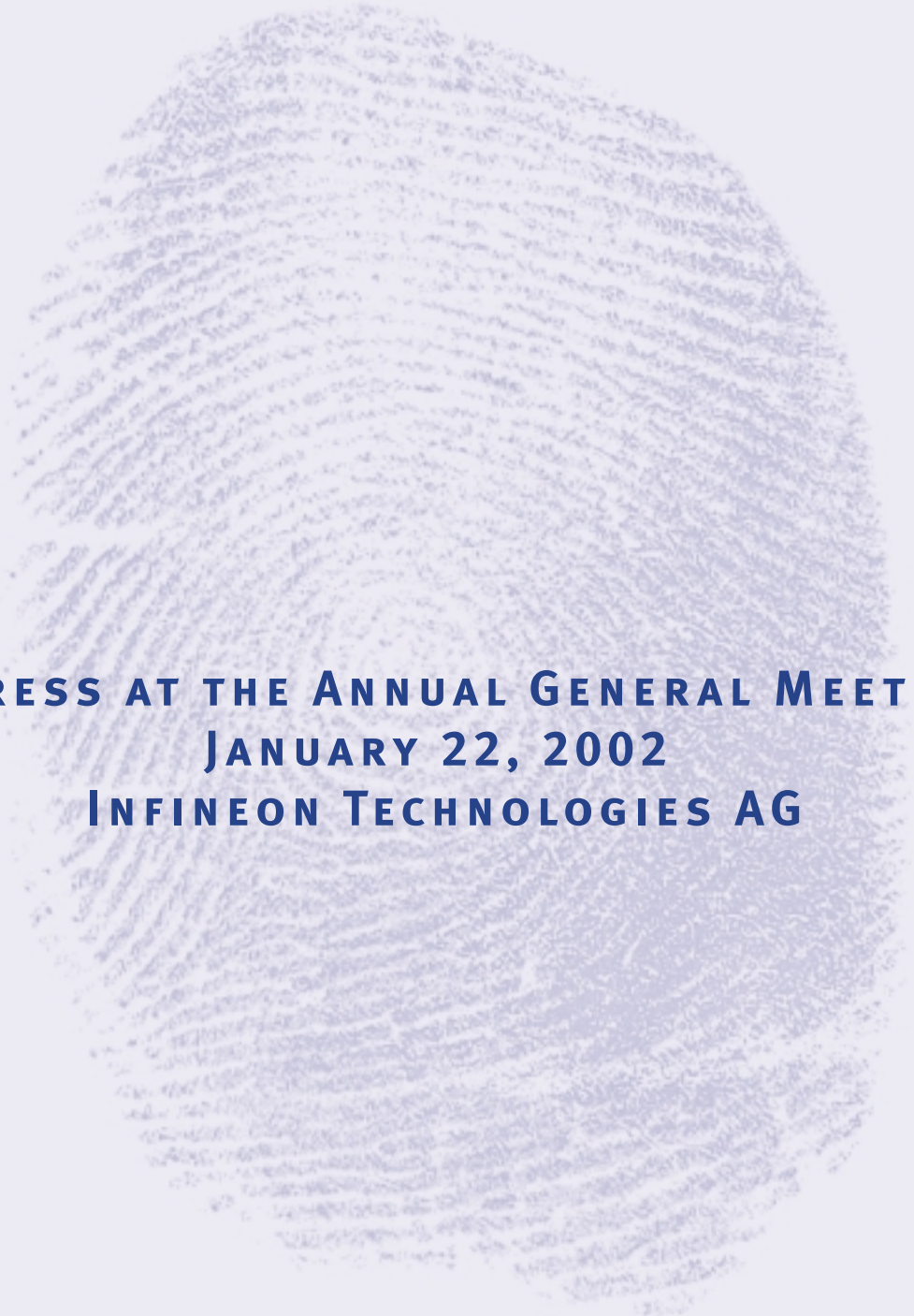


Address at the Annual General Meeting
January 22, 2002
Infineon Technologies AG

Never stop thinking.

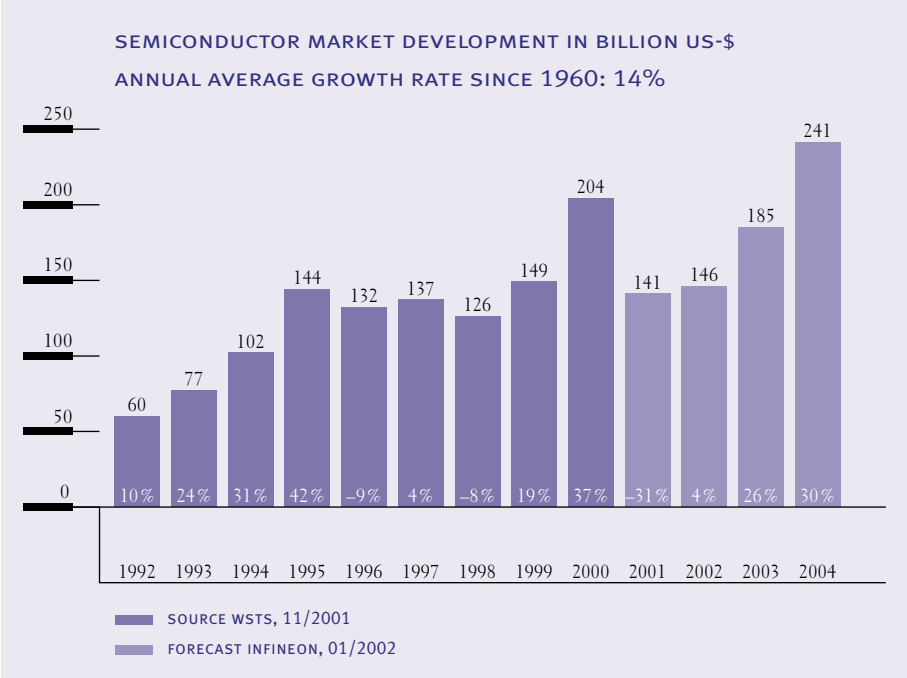
Good morning, ladies and gentlemen,

Welcome to the second public Annual General Meeting of Shareholders of Infineon Technologies AG.

After a very successful fiscal 2000, 2001 was a difficult year for Infineon. The dramatic market developments in the semiconductor industry and the serious slowdown in the world economy have had a major impact on our business results.

Before I report in greater detail on business performance at Infineon, please allow me to briefly address market trends over the past fiscal year.

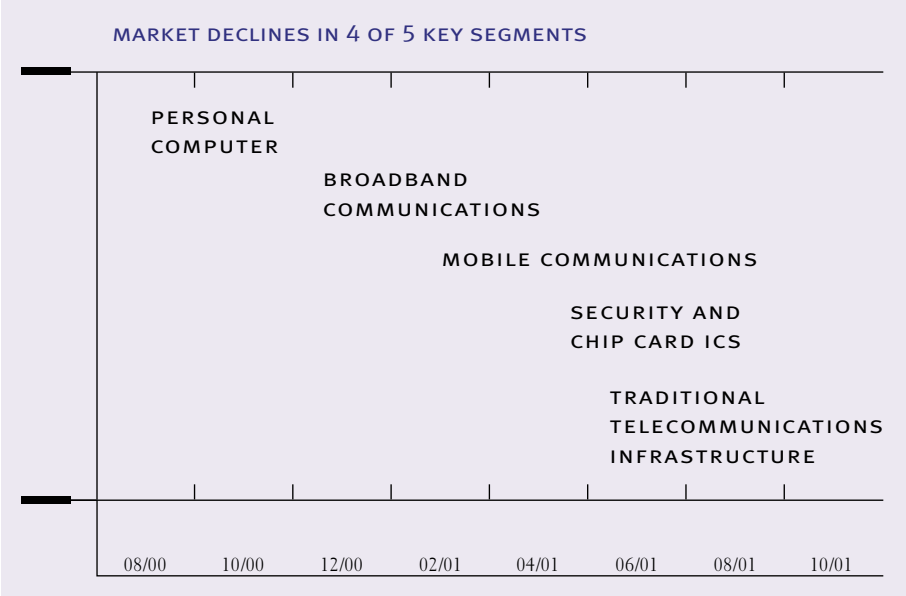
The main reason for the negative market development in the last fiscal year was the strong decline in both prices and demand in the key driver markets communication and memory products.



As late as October 2000, leading market experts like WSTS (World Semiconductor Trade Statistics) had estimated the semiconductor market for the 2001 calendar year at 245 billion U.S. Dollar – a forecast that had to be revised sharply downward several times over the course of the last year. This repeated downward revision shows that all

industry observers were surprised by the trend and that the severity of the downturn has not been detected at an early stage.

The latest forecasts are now based on worldwide semiconductor sales of approximately 141 billion U.S. Dollars in 2001 – corresponding to a dramatic decline of more than 100 billion U.S. Dollars compared to the October 2000 forecasts. In real terms this means a decline of about 63 billion U.S. Dollars.



In four out of five segments in which Infineon operates, the market has declined significantly over the last year.

Since fall 2000, the memory market has seen a massive erosion of prices. For example, the price of a standard 128MB memory chip fell from an average of 15 U.S. Dollar in September 2000 to less than one U.S. Dollar in October 2001. Market experts estimate that in the year 2001 the PC market worldwide contracted for the first time in 15 years, by as much as 6 percent.

In addition, after years of unrestrained growth, the start of 2001 saw the first unexpected drop in demand in the mobile communications market. Contrary to original expectations, investment by the telecommunications companies in voice and data networks also showed negative growth. After having risen by 37 percent in 2000, they fell in 2001 by some 5 percent last year. These declining investment levels had a much

stronger impact on the semiconductor market for wireline communications. Finally, the security and smart card ICs market was also impacted by the general weak economic growth.

This sweeping decline in the market has led to the greatest downturn yet in the cyclical semiconductor business, and also has had a major negative impact on the business performance of all semiconductor companies.

FINANCIAL YEAR 2001 IN € MILLIONS (ACCORDING TO U.S. GAAP)	FY 2000	FY 2001
Sales	7,283	5,671
Sales Growth (in %)		–22
EBIT	1,670	–1,024
Margin (in %)	23	–18
Net Income/Loss	1,126	–591
Earnings per Share (in €)	1.83	–0.92

In fiscal year 2001, Infineon achieved sales of almost 5.7 billion Euros, and gained new market share. However, Infineon sales were 22 percent below that of the previous year. We have likewise had to record a marked decline in earnings. After achieving earnings after tax of some 1.1 billion Euros the previous year, the net loss in fiscal 2001 totals 591 million Euros. The EBIT posted a loss of some one billion Euros. The loss per share in fiscal 2001 therefore works out at 0.92 Euros.

This sharp decline in results was primarily due to the fierce price war in the memory market, which led to a drop in sales of almost 54 percent in our memory products business group. However, it was also caused by exceptional effects such as inventory write-downs of 358 million Euros, acquisition-related expenses of 111 million Euros and restructuring costs of 117 million Euros.

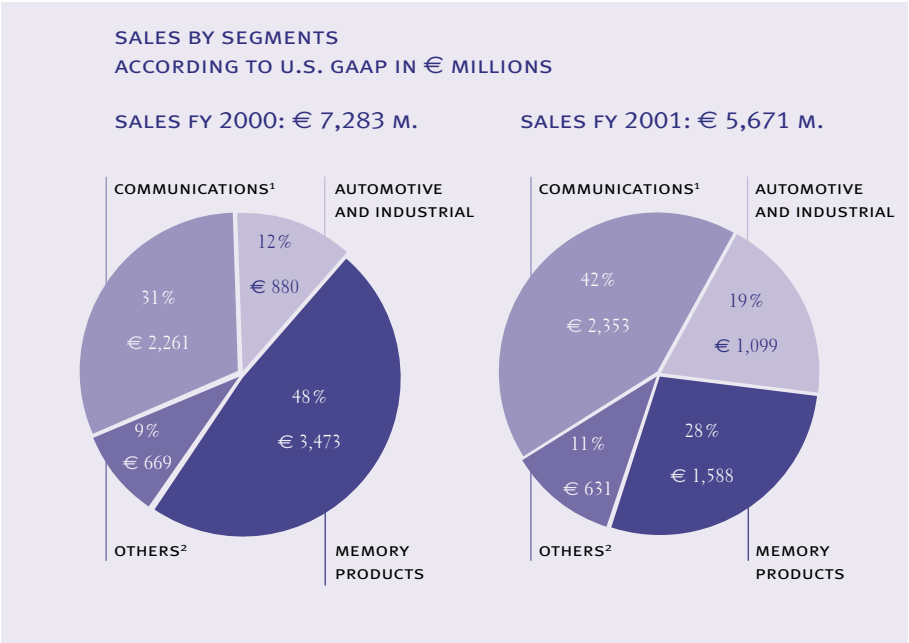
A fierce price war has now resulted in a consolidation process among the memory chip manufacturers, the main protagonists being the Korean manufacturers Samsung and Hynix. In this regard, there are huge competitive distortions as a result of direct and indirect state financial subsidies. Hynix, for example, has received a financial bail out of more than 7 billion U.S. Dollars from Korean banks over the last 13 months. We have therefore approached the German federal government and the European Com-

mission, and both have recognized the urgency of the situation. We are convinced that the German federal government and also the European Commission will support one of Germany's major industries of the future in the struggle to create a fair market condition, in the same way as other governments are doing. Both Japan and the USA have already initiated legal action against Korea.

Another factor negatively affecting our business performance was the decline in the mobile communications market at the beginning of calendar year 2001. This has led to a drop in sales of 18 percent in our Wireless Solutions Group. Finally, by mid 2001, we also experienced an abrupt and severe downturn also in our wireline communications and smart card IC segments.

Nevertheless, sales in our non-memory business operations were encouraging – despite the dramatic downturn in the markets in which cellphone manufacturers and telecommunications infrastructure providers operate. In these segments we nevertheless were successful in achieving growth of almost 10 percent compared to fiscal year 2000. Contributions to this growth were made by the Security and Chip Card ICs Group, whose sales grew by 57 percent; the Automotive and Industrial Group, with sales up 25 percent; and Wireline Communications, up 15 percent.

Based on the total sales of 5.67 billion Euros, the following picture emerges for sales breakdown by segments:



[1] includes business groups Wireline Communications, Wireless Solutions, and Security and Chip Card ICs
[2] includes corporate functions and other segments

In our Memory Products Group, sales declined to approximately 1.6 billion Euros compared to fiscal 2000. In the non-memory areas, Infineon increased sales from approximately 3.1 billion Euros in fiscal 2000 to more than 3.4 billion Euro in fiscal 2001.

Over the same period, we increased sales in our communications segment from 2.26 billion to 2.35 billion Euros. This segment comprises the three business groups Wireline Communications, with just under 770 million Euro; Security and Chip Card ICs, with approximately 590 million Euro; and Wireless Solutions with just under 1 billion Euro.

In the Automotive and Industrial Group, sales climbed to 1.1 billion Euros, and sales in the segment Other (including corporate items) was virtually unchanged at 630 million Euros.

2001

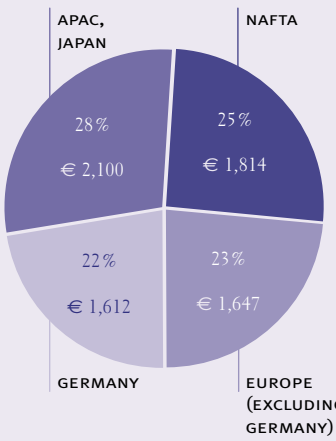
As a result of this, the proportion of Infineon's overall sales contributed by Memory Products, hitherto our largest business group, declined to 28 percent, while that of the Communications and Automotive and Industrial groups increased markedly to more than 60 percent of total sales.

Our communications segment was successful in increasing its contribution to total sales from 31 percent in fiscal 2000 to 42 percent of total sales. In Automotive and Industrial, sales increased from 12 to 19 percent of total sales.

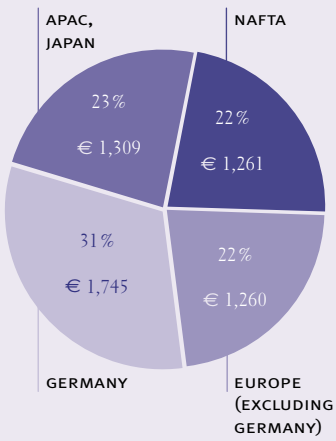
There were also changes in the sales breakdown by region. The negative development of the economy in the United States and Asia in particular also affected our sales growth in these regions.

SALES BY REGIONS
ACCORDING TO U.S. GAAP IN € MILLIONS

SALES FY 2000: € 7,283 M.



SALES FY 2001: € 5,671 M.



The chart shows that almost 50 percent of our sales continued to come from outside Europe. This global shift is important for us as one of the world's biggest semiconductor enterprises. Demand weakened first in the USA and Asia, while the European and German market remained stable longer. In the first half of the year, the slowdown in growth in the USA particularly was still balanced by a robust economy in Europe.

SUCCESSFUL PORTFOLIO OPTIMIZATION

- Concentration on few essential acquisitions targeting future markets
- Focus on target markets broadband communications and optical networks also with acquisitions in communications sector
- Divestment of non-strategic segments, e.g. Infrared Components and stake in Osram JV
- Portfolio optimization improved cash position by 900 million Euro

Ladies and gentlemen, despite the difficult market conditions, we have also used the year 2001 to continue Infineon's strategic development and to place us better in the semiconductor market. Our aim has been to expand our technological leadership and system know-how, mainly in the communications field. To this end we go on in successfully optimizing our portfolio, concentrating on a small number of key acquisitions for targeting future markets. The main focus of our acquisitions has been in the target markets of broadband communications and optical networks. One example is the acquisition of Catamaran Communications, which successfully consolidated our market leadership in high-performance fiber-optic data transmission at 40 Gigabit/second. This acquisition has already been a critical factor in extending our collaboration with the market leader in broadband communications, Cisco Systems.

However, we disposed non-strategic business segments, including selling the infrared business and our stake in the Osram joint venture. As the result of these disposals alone, we have generated additional income of 650 million Euros in the last fiscal year. These actions have enhanced our liquidity by providing a positive cash contribution totaling 900 million Euros.

2001

SUCCESSFUL COST SAVING PROGRAM "IMPACT"

- "Impact" cost saving program to secure competitiveness and liquidity of Infineon successfully implemented in record time
- Cash effective savings of more than 1.5 billion Euro secured in financial year 2002
- Significant process improvements leading to increased efficiencies
- More than 70 % of cost savings are not personnel related

At the same time we have responded decisively to the steepest decline in demand in the semiconductor industry in the last 40 years. In July 2001, we launched a comprehensive package of measures called "Impact" to secure Infineon's liquidity and competitiveness. This program was implemented in record time: in less than 5 months, we succeeded in identifying and securing savings to the tune of over 1.5 billion Euros. This figure includes substantial savings in the areas of purchasing, IT services, overhead, sales and marketing, logistics. Over 70 percent of the savings in the "Impact" program are not workforce-related.

The purpose of "Impact" is also to continuously improve our business processes across the board and therefore increase our efficiency in the medium and long term. Infineon has also adapted its level of planned capital expenditures to address the difficult market conditions. We are concentrating our investments on important innovations, our core technological competencies, and on consistently raising our productivity. A typical example of this is the chip production on 300mm silicon wafers at our Dresden facility.

Unfortunately, these savings also require unavoidable adjustments in the size of our workforce. Globally, we will be cutting around 5,000 jobs in total. Severance terms, mainly based on termination agreements, have already been negotiated with some 4,400 employees worldwide, including approximately 1,600 in Germany. Other large-scale measures include the introduction of short-time work at our plants in Regensburg, Munich-Perlach and Berlin, and a timely limited reduction of weekly working hours from 40 to 35 in certain areas.

For the further necessary operational reduction of 600 in the workforce in Germany, we have in the past week completed the redundancy scheme negotiations with the Work Council. The agreed reconciliation of interests additionally provides ample scope for cushioning the downsizing with the utmost social responsibility. This includes temporary layoffs at reduced pay, the use of part-time working and partial retirement working, and increased flexibility in working hours. An in-house job exchange and outplacement consultants are helping the employees affected to find a new job. As the result of intensive negotiations with the General Work Council, we have been quick to find a reasonable solution for a socially acceptable reduction in the workforce.

Now, ladies and gentlemen, a brief word about developments in our individual business groups. In spite of the difficult market environment, Infineon continued to improve its position in key target markets in fiscal 2001 and to further expand its technology and cost leadership.

COMMUNICATIONS BUSINESS HIGHLIGHTS

- Increased market share in broadband communications and optical networking
- Secured strong market position and strengthened expertise for wireless systems solutions, e.g. for GSM/GPRS mobile phones and Bluetooth
- Maintained world market leadership in Security and Chip Card ICs for third consecutive year
- Strengthened technology leadership in security applications and biometric solutions, e.g. FingerTIP sensor

In the Wireline Communications Group, we have further increased our market share in broadband communications and optical networks. Infineon remains the technological pioneer in introducing the high-speed VDSL broadband communications standard with much faster transmission rates than conventional ASDL solutions. But we also enhanced our market position with innovative ASDL solutions. What's more, we have acquired outstanding expertise in superfast optical data transmission using 10 to 40 gigabit systems. As an illustration of what these systems are capable of, two-hour feature

films can be transferred over fiber-optic links in a single second. Today, seven leading communications providers already rely on Infineon's 40 gigabit solution. We were also successful in improving our already strong market position in the field of traditional telecommunications infrastructures, in other words in ISDN and analog subscriber lines.

In the Wireless Solutions Group, we have realigned our strategy in the past fiscal year and are well positioned to meet future requirements in mobile communications. We have further increased our system expertise in GSM, as well as in the future GPRS and UMTS mobile networking standards. Infineon is now one of the few providers of all-in-one solutions for cellular phones. We offer the customer a complete hardware platform including software. All that has to be added is a battery pack, an antenna and a case, and the cellphone is ready to go. Demand for total solutions is constantly growing. With our expertise we are therefore also well placed to participate in the forthcoming growth of the next generation of GPRS and UMTS mobile systems.

Additionally, we are at the forefront of the emerging Bluetooth market for high-speed wireless data transmission over short distances. Infineon is the first semiconductor company to receive certification for a complete Bluetooth solution.

In the security and smart card IC market, Infineon remains the worldwide market leader for the third consecutive year with more than 3 billion smart card ICs shipped. In calendar year 2000, we achieved a worldwide market share of 34 percent. In fiscal 2001, we succeeded in increasing sales by 57 percent. We are a technological leader in existing markets such as mobile communications, Internet access, electronic banking, and electronic and mobile commerce. We are among the top technology leaders for innovative security and authentication solutions. Demand for these security applications has rapidly been increasing, particularly since the tragic events of September 11. For example, in fall 2001, Infineon received a major order from the U.S. Department of Defense for security passes based on our secure smart card chips. This prestigious order demonstrates our leading position in these future markets.

Our expertise in biometric systems such as the FingerTip sensor opens up new growth markets in online-security and authentication systems. Compared to other biometric techniques, the fingerprint method is now by far the leading technology, with

a share of approximately 65 percent. By 2003, the global market for this technology is forecasted by market analysts to be approximately one billion U.S. Dollars.

AUTOMOTIVE AND INDUSTRIAL BUSINESS HIGHLIGHTS

- No. 2 worldwide and No. 1 in Europe* in car electronics
- Contracts with all leading automotive suppliers for next generation electronic engine management
- Technology leadership in infotainment and navigation (Telematics)
- Strong market position in power management and supply

* excluding car radio

In the Automotive and Industrial Group, we can look back on a successful year with sales growing by 25 percent to more than 1 billion Euros. We remain number 1 in Europe and number 2 worldwide. We have orders with all the leading automotive suppliers for the next generation of electronic engine management and are excellently positioned in the growth market for vehicle control systems. Our comprehensive system expertise in the future telematics market is becoming an increasingly important factor. In industrial electronics, we have also increased our market share in power supply systems for PC motherboards, particularly in Asia.

MEMORY PRODUCTS BUSINESS HIGHLIGHTS

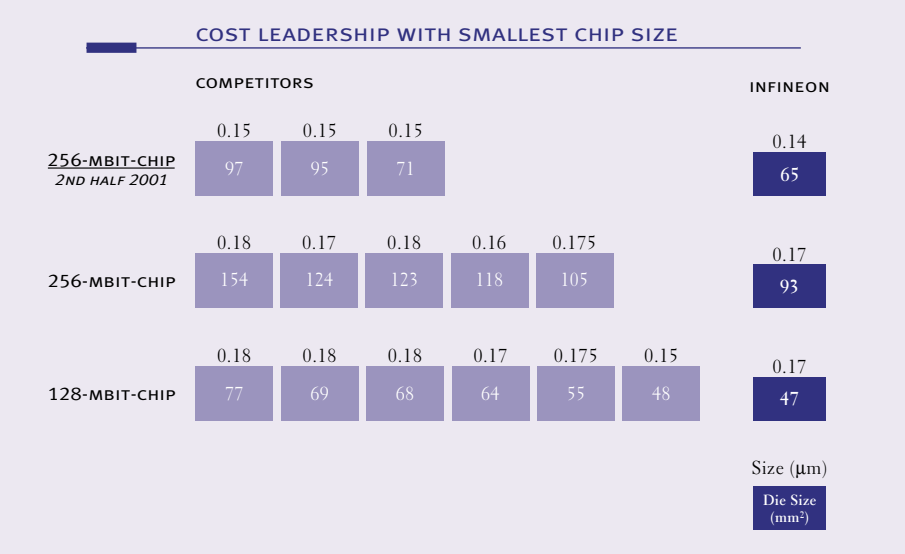
- Strengthened cost and technology leadership
- World market leader in 300mm production
- Pioneering future memory technologies
- Targeting growth markets of high-end PCs/workstations and Internet infrastructure

In the Memory Products Group, we have extended our productivity and cost leadership worldwide in the past fiscal year by an aggressive shrink to 0.17 micron technology at all our production facilities. In addition, we have already started producing in the next generation with shrinks to 0.14 micron technology.

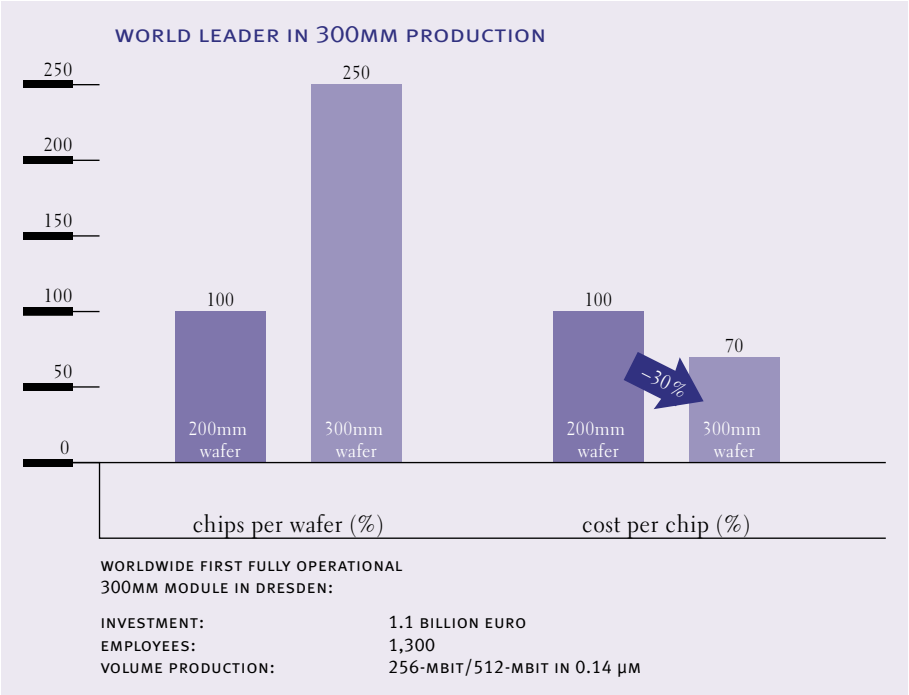
2001

We have also extended our world market leadership in memory chip production based on 300mm silicon wafers. With the ramp-up of our 300mm module in Dresden initiated in December 2001, we once again significantly improved our production cost leadership by 30 percent.

At the same time, we are expanding our technological leadership in future memory products. This will strengthen our position in the growth markets for hand-held devices, high-performance computers, and Internet infrastructure.



It is only through aggressive shrinks, constant benchmarking, and enormous productivity increases, that we are now able to produce the world's smallest memory chips at the lowest cost. We have been successfully defending this cost leadership of more than one year in the face of intense competition. Moreover, our leading position in 300mm production means that Infineon is now the only semiconductor company worldwide to produce the smallest chips on the largest wafers. Having achieved this, we are perfectly placed as a top-tier supplier in the global, highly competitive DRAM market.



As already mentioned, in December 2001, at our ultra-modern production facility in Dresden, we became the world's first semiconductor company to enter volume production using a 300mm memory fabrication module. With the new 300mm technology we can reduce chip production costs by some 30 percent. Compared to today's 200mm technology, we can produce around two-and-a-half times as many chips on a 300mm wafer – this is a quantum leap in our highly innovative industry and means also an enormous boost of productivity in the long term. Infineon's technological advantage over competitors in 300mm production is around 15 months. We are ideally placed – by exploiting the cost benefits of 300mm production – to grow profitably once more in a memory market that will continue to undergo consolidation.

2001

TECHNOLOGY LEADERSHIP WITH SYSTEM EXPERTISE

- Leading and comprehensive technology portfolio
- Long-established expertise for integrated chip solutions (system-on-chip)
- Continued built-up of system competence including hardware, software, and reference designs, e.g. for Internet access, mobile phones, ID systems, car electronics
- Successful combination of competencies from several business groups, e.g. for Infotainment

Infineon has a comprehensive, world-beating technology portfolio. This is the result of our many years of expertise in developing large-scale integrated chip solutions. The increasing digital networking of business and society requires ever greater system expertise in the application of chip technologies – from communications technologies, through electronic vehicle control systems and navigation, to advanced security solutions. It is not only comprehensive system expertise in our core segments leading to the development of complete solutions that sets us apart from other competitors – we are also successfully combining it with our system know-how from various fields such as mobile communications and automotive electronics for the telematics market of the future. In September 2001, for example, we presented the first microcontroller that can process voice and data simultaneously. With this system expertise we are superbly positioned for leadership in the growth markets in infotainment, navigation, Internet radio and multimedia systems.

VALUABLE STRATEGIC PARTNERSHIPS

MEMORY TECHNOLOGIES:	IBM, Toshiba
CAR ELECTRONICS:	Motorola, Hitachi
RADIO FREQUENCY:	Nokia
CONTACTLESS SECURITY APPLICATIONS:	Sony
FIBER OPTICS:	Cisco Systems, JDS Uniphase, Nortel Networks

Infineon has also proven its technology leadership by recently receiving the German Innovation Prize. We have been awarded for the development of two innovative power semiconductor series. Their usage enables energy reductions of up to 30 percent in all kinds of industrial drives and household appliances.

However, it is not only by investing in our own research and development and by expanding our innovative know-how that technological leadership through system expertise can be achieved. We are also increasing it through successful long-term partnerships with major customers and competitors. For example, we are developing new memory technologies such as FerroRAM and MagneticRAM with Toshiba and IBM. This will make future generations of memory chips much more energy efficient and versatile than today's standard memory chips. As a result of the new partnerships with Cisco, JDS Uniphase and Nortel Networks for superfast data transmission via optical fiber technologies, we are opening up important future communication markets.

We have entered into a major strategic partnership with Sony on contactless smart cards. This technology makes expensive readers or manual inspections superfluous. Data transfer takes place contactless and bridges short distances. The card user can pass security barriers, for example, easily and without waiting.

We expect the contactless card to be an important growth market, for example in public transport applications, where fast, hassle-free and cost-effective handling is crucial. Sony enjoys an excellent position with these cards in the Asian market and, in Hong Kong alone, has already supplied more than eleven million contactless smart cards to more than six million citizens.

Our cooperation with Sony is therefore a good example of how combining the system know-how of two leading high-tech companies can open up attractive new future markets.

Experts estimate that by the year 2010 every person will be using on average two to three smart cards, of which at least 40 percent may be contactless.

2001

INFINEON – PARTNER OF THE WORLDWIDE ELECTRONICS INDUSTRY

TIER 1 CUSTOMERS	
WIRELINE COMMUNICATIONS:	Alcatel, Cisco, Ericsson, Huawei, Lucent, Marconi, Nokia, Nortel, NEC, Siemens
WIRELESS SOLUTIONS:	DBTel, Ericsson, Matsushita, Motorola, Nokia, Sagem, Samsung, Siemens, Sony, Vtech
SECURITY AND CHIP CARD ICS:	Gemplus, Giesecke & Devrient, Oberthur Card Systems, Schlumberger
AUTOMOTIVE AND INDUSTRIAL:	Bosch, Delphi, Hella, JohnsonControl, Motorola, Siemens VDO, Schneider, TRW, Visteon
MEMORY PRODUCTS:	Acer, Cisco, Compaq, Dell, Fujitsu, HP, IBM, Legend, Kingston, Sun, Western Digital
KEY CUSTOMERS AND DISTRIBUTORS:	Avnet, Pioneer/Eurodis, Silicon Applications
KEY CUSTOMERS AND CONTRACT MANUFACTURES:	Solectron, Flextronics, Jabil, Celestica, Sanmina-SCI

Particularly in difficult times, comprehensive customer orientation and individual support are crucial. Even in the past fiscal year we have continued to expand our global customer base and forge important new partnerships. In the field of wireline communications, the leading players in network technologies and communications infrastructure are among our key customers. These include Alcatel, Cisco, Ericsson, Lucent, Marconi, Nokia, Nortel, NEC, and Siemens. In mobile communications, we further developed our relationships with Siemens ICM, Ericsson, Nokia, and Motorola, and won important new customers such as Samsung and Sony. In security solutions, we are reaping the benefits of our long and successful partnerships with sector leaders Gemplus, Giesecke & Devrient as well as Oberthur Card Systems and Schlumberger.

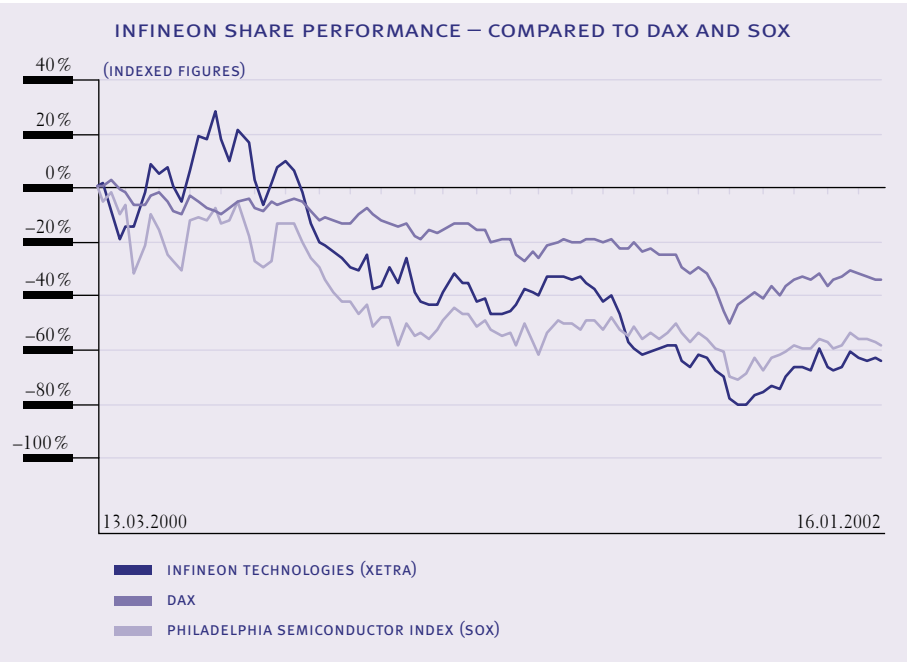
In Automotive and Industrial, our longstanding partnerships with all the world's leading automotive suppliers such as Bosch, Delphi, Denso, Hella, Motorola, Siemens VDO, TRW, and Visteon have made a contribution to the extraordinary growth in this segment. And even in the fiercely competitive memory products market, Infineon has been able to maintain and improve its top rankings with all major customers. Our most important customers are Acer, Cisco, Compaq, Dell, Fujitsu, HP, IBM, Legend, and Sun.

In developing our customer relationships, we have been focusing on customers who are also active worldwide as distributors and contract manufacturers, such as Avnet, Pioneer, Solectron, and Flextronics. These partners open up new target markets for Infineon and are becoming increasingly important in the semiconductor industry due to their rapid growth.

In future, we will elaborate and expand our partnerships and global customer base, and we will continue to grow even more strongly in our target markets.

2001

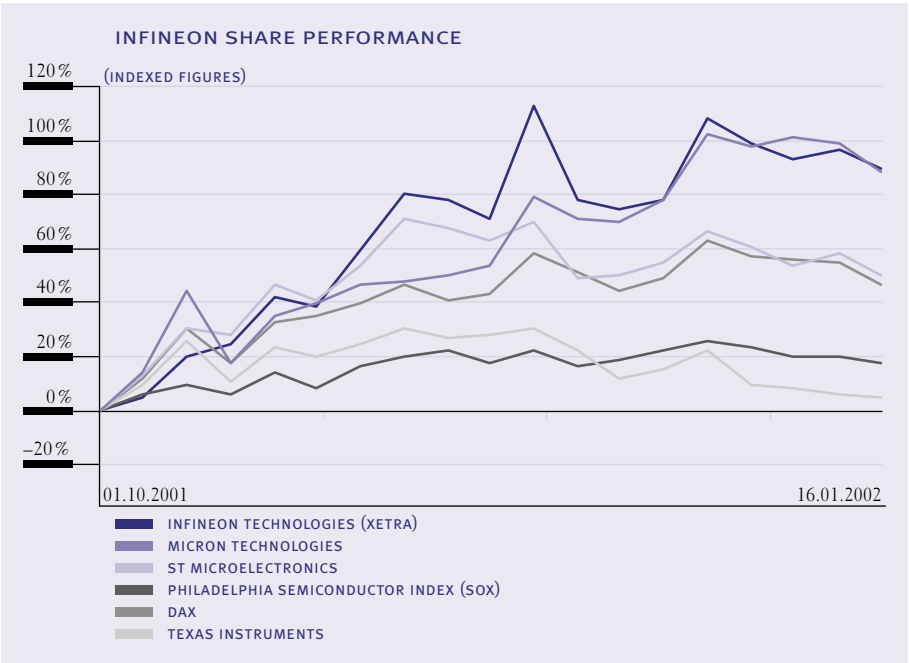
This concludes the overview of our individual business groups. I demonstrated that we have succeeded in extending our technological lead even under difficult market conditions. We have improved our competitive positions in virtually all areas. We are well equipped to overcome the weakness in the semiconductor market and take full advantage of the next upturn.



Now, let me, please, briefly comment on the development of the Infineon share.

After our successful initial public offering Frankfurt and New York in March 2000, Infineon shares performed at the beginning clearly better compared to the German DAX and the SOX, the Philadelphia Semiconductor Index, which is the relevant index for semiconductor companies. But for the DAX and the SOX, first signs of a slowing development became visible by March 2000. From July 2000 on, even Infineon's share could no longer evade this trend.

Along the generally negative developments of the stock markets, shares of semiconductor companies and, respectively, the SOX, fell by 72 percent from its all-time high in March 2000 to September 2001. Over the same period, the German DAX declined by 46 percent. Even in this deteriorating environment, Infineon shares performed clearly better than the SOX and the shares of most of our competitors. Finally, with our capital increase in July last year, our share development was forced below the SOX by the reaction of the capital markets.



2001

Since the start of the new fiscal year in October 2001, Infineon shares improved sharply, not only with regard to the DAX and SOX, but also in direct comparison with our main competitors. Only our competitor Micron Technologies achieved a similar positive performance. In addition, most banks and analysts acknowledge a significant potential for development for our share.

At the beginning of this month, Infineon made use of the favorable capital market conditions with low interest rates to successfully place convertible bonds with an issue volume of approximately 1 billion Euro – with Siemens AG simultaneously selling some 40 million Infineon shares. This convertible bond has been placed within shortest time possible and thus demonstrates the attractiveness of our shares. We have, therefore, once again considerably strengthened our solid financial base with very favorable conditions, while at the same time expanding our scope for further significant investment and possible acquisitions.

RESULTS
FIRST QUARTER 2002

IN € MILLIONS (ACCORDING TO U.S. GAAP)	Q4 2001	Q1 2002
Sales	1,085	1,034
Sales Growth (in %)		–5
EBIT*	–882	–564
Margin (in %)	–81	–55
Net Income/Loss	–523	–331
Earnings per Share (in €)	–0.76	–0.48

* including acquisitions

Before turning to the outlook for the Financial Year 2002, let me briefly say a few words regarding the business development in our first quarter.

Infineon achieved sales of around one billion Euro, reaching almost the revenues level of the previous quarter. At the same time, we significantly improved our earnings by reducing the quarterly loss by almost 200 million Euro.

SALES OF BUSINESS GROUPS
FIRST QUARTER 2002

IN € MILLIONS (ACCORDING TO U.S. GAAP)

	Q4 2001	Q1 2002
Communications	141	83
Wireless Solutions	179	206
Security and Smart Card ICs	100	82
Automotive and Industrial	282	274
Memory Products	243	285

While sales in Wireline Communications and Security and Chip Card ICs again declined, there are first positive trends in Wireless Solutions and Memory Products. In automotive electronics our business development was steady and stable. With some good reasons it seems that the last quarter saw the bottom of the steepest decline in semiconductor history.

BUSINESS OUTLOOK 2002

- Consolidation in memory market leading to reduced supply; increasing memory demand
- Moderate recovery in mobile communications
- Increasing demand for security solutions and biometrics
- Low investments in telecom infrastructure further weakening demand for broadband communications and optical networks
- Automotive market expected to soften

Let us now turn to the outlook for the current fiscal 2002. Once again, the market trend for the coming months is difficult to predict and will be influenced by the weak global economy and the ongoing recession in the USA. There are still no clear signals for a sustained market recovery, but the first “green shoots” are visible. However, we are looking with some cautious optimism into the future.

2001

As mentioned earlier, the aggressive price war being waged by some DRAM manufacturers has now initiated a shakeout in the memory products market, causing a continuous supply-side reduction in the memory market. This has already led to a significant memory chip price recovery since November 2001, with an increase from less than one U.S. Dollar to more than 3 U.S. Dollar for a standard 128-Mbit memory chip. But still prices continue to be below costs. In the first half of the year we expect an increase in memory bit demand, associated with a normalization of inventories. However, the speed of a further recovery of memory product prices depends on further consolidation of the memory market.

After the drastic decline in demand for cellphones at the start of 2001, we are seeing the first signs of moderate recovery in the mobile communications sector in the first half of 2002. This is also because of the launch of the new GPRS-capable generation of cellphones and a stronger trade-in business. The highly attractive market for Bluetooth applications will also be an engine of growth.

In the Security and Chip Card ICs Group, we are also expecting demand to increase as a result of the recovery in the mobile communications market just mentioned, combined with the increased demand for modern, forward-looking security solutions. We believe that new smart card-based identification systems and the introduction of biometric solutions such as fingerprint, iris and face recognition are important and attractive long-term growth markets for Infineon.

Low levels of capital investment in the telecommunications infrastructure due to global economic weakness, particularly in the USA, continue to depress demand for broadband communications solutions and optical networks and are therefore having an adverse effect on the business performance of our Wireline Communications Group. A reverse trend in the short term is unfortunately not visible.

In the Automotive and Industrial Group we are also anticipating a more difficult market environment due to the weak economy.

Infineon, ladies and gentlemen, is on the right track and has good prospects for successfully meeting the challenges of our dynamic growth industry. With our "Impact" cost-cutting program we have responded decisively to the difficult situation in which the global semiconductor market finds itself. We have a solid financial base. We are superbly placed technologically, have won market share in our target markets, and are major players in those markets. And, what is more, we can count on excellent, highly motivated, and committed employees that believe in the success of our company.

Ladies and gentlemen, the global semiconductor market remains to be a strong and attractive growth market. It has grown by an average of 14 percent per year over the last four decades and has very good medium and long-term growth prospects. The opportunities for profitable growth over the next few years are therefore good. Technologically, strategically and operatively, Infineon is in its key segments communications, automotive electronics, and memory products very well positioned, and will profit from the next upturn in the semiconductor industry with lasting success. We are convinced of this.

On behalf of the Managing Board, I wish to thank you, the shareholders, for your confidence, the Supervisory Board for its constructive support, and especially all employees for their extraordinary commitment to Infineon.

Thank you for your attention.

[Never stop thinking]

Address at the Annual General Meeting
Printed in Germany
FO0102.25

Edited by Infineon Technologies AG