

investor

newsletter

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Agenda 5-to-1

COMPLETE SOLUTIONS FOR THE TECHNOLOGY LIFESTYLE

Racing ahead from the pole position, Infineon unveils its Agenda 5-to-1 corporate strategy

In the closing days of 2002, Infineon unveiled details of its revised corporate strategy as a part of a comprehensive presentation for financial analysts and journalists. The company's ambitious goals are defined in its "Agenda 5-to-1" strategy:

I Within the next **5** years, we aim...

I to become a top **4** semiconductor player by doubling our global market share for semiconductors to approximately **6**%,

I by achieving a minimum top **3** position in each of our market segments,

I with a top **2** position in terms of the financial performance in all businesses against competition

I and emerging as the No. **1** semiconductor company pioneering the solutions space.

The solutions business is both the goal and the path itself, meaning that customers will be provided with tailor-made solutions and not just offered a range of semiconductor components. These solutions include the semiconductor product itself, but also the appropriate software, advice and other services, and are designed to fulfill the customers' individual requirements. Infineon, for example, now provides the entire inner workings of mobile phones, including the circuit board layout and software. In theory, customers only have to add the outer casing, display and battery. This comprehensive expertise in providing solutions also makes Infineon an attractive

partner for new customer sectors such as companies that do not have their own software capabilities. One goal of the new strategy is to ensure that this approach is adopted throughout the company, in all business segments with an increasing number of Infineon engineers to be working on developing software systems in the future.

Semiconductor solutions for the technology lifestyle of the 21st century

Technological solutions for a modern lifestyle are now in demand – as reflected by Infineon's new corporate vision: "to create semiconductor solutions enabling the technology lifestyle of the individual in the 21st century." Infineon is thus moving away from technologically-oriented product development, revolving primarily around technical feasibility alone. Instead, products are to be tailored to the individual needs of people, simplify our daily activities and improve our quality of life. One such field of endeavor is the creation of smart textiles. In the future, chips will serve as the core of MP3 players, help to determine people's locations and protect against trademark infringement by distinguishing brand-name clothing from imitations. Chips will be able to electronically monitor patients' health and vital body functions by measuring their blood pressure, and, in emergency situations, by setting off an automatic alarm system to call for assistance. There will also be more widespread use of mobile multimedia applications, one reason why Infineon recently merged its Wireless Communications and Security and Chip Card IC segments into its new Secure Mobile Solutions Group. The secure transmission of data is becoming an increasingly crucial feature in wireless communications, particularly when it

comes to mobile electronic banking, which will soon be possible everywhere and at all times. By linking its capabilities in the fields of security applications and mobility, Infineon has laid the groundwork for developing new potential solutions – a decisive competitive advantage.

Outpacing the market – an ambitious goal

Infineon is striving to double its world market share to 6 percent within the next five years. This can only be accomplished if the company expands faster than the semiconductor market, partly through organic growth. On the other hand, Infineon will conclude further strategic partnerships and acquire smaller-sized companies, with the clear goal of finding small-sized specialist firms that ideally complement Infineon's own capabilities, as opposed to mega-mergers. Infineon, for example, purchased Savan Communications in order to be able to prepare for the next generation of broadband communications systems. In another strategic acquisition implemented during fiscal year 2002, Infineon purchased the core business operations of Ericsson's semiconductor division, which ranks among the world's largest microelectronics producers of chip platforms for base stations, wireless LAN networks and Bluetooth applications. This purchase is designed to strengthen the company's new Secure Mobile Solutions Group. The agreement between the two companies also includes joint developmental work on 2.5 G and 3 G mobile communications solutions. At the same time, Ericsson is a strategic customer of Infineon's mobile phone and network infrastructure products and services.

Infineon has moved ahead in its efforts to expand its strategic partnership base. In one such move, Infineon, AMD and DuPont are constructing a joint center in Dresden designed to develop and produce lithographic photomasks for chip production. Infineon has also set up StarCore LLC, a joint venture with Agere Systems and Motorola to develop and market digital signal processor (DSP) technologies for cellular phones and devices for consumer electronics and communications systems. High growth rates are expected for DSP in the future.

Infineon is furthermore now licensing its memory technology to the Taiwanese chip manufacturer, Winbond. In return, Winbond will use the technology to exclusively manufacture standard memory chips for Infineon. Agreements have also been recently concluded with the Semiconductor Manufacturing International Corporation (SMIC) in China, Kingston Technology Company, Inc. and Agere Systems of the United States, and with the Taiwanese memory chip producer, Nanya, all of which is described in greater detail in the “Trends and Issues” section of this newsletter. These strategic alliances will enable Infineon to reduce developmental costs and spread the high level of investments and risks involved in building new production facilities, particularly in the DRAM market. Licensing agreements provide a cost-effective means for Infineon to boost production capacity and further expand its leading role in technology and cost reduction.

Market share increased

Most importantly, Infineon is taking advantage of the downturn in semiconductor demand to systematically improve its cost position. The company has imposed a strict diet on itself with its cost-cutting program known as “Impact,” which has resulted in the saving of approximately 2.8 billion euros in record time, of which 1.3 billion euros is reflected in Infineon’s

We have ambitious goals:

Infineon knows exactly how the company should evolve in the future. We have precisely defined what we aim to achieve over the next five years – and that is quite a lot, to say the least.



EBIT. At present, a follow-up program, “Impact²,” is being implemented to allow Infineon to operate more quickly, efficiently and flexibly in the long term. In the current critical market phase, Infineon has also succeeded in expanding its market share by, for example, strengthening its position as the number one supplier of chip cards. Infineon is the clear European leader and second in the world in the field of automotive electronics. Infineon is also one of the world’s top three semiconductor companies for both wireline and wireless communications. And now, for the first time, Infineon is ranked third in the memory products segment behind Samsung and Micron, surpassing its rival Hynix.

In order to secure its future growth, Infineon intends to focus on China, Japan and the United States, markets which promise future revenue growth, while continuing to strengthen its current leading position in Europe and Asia. In other words, Infineon is successfully gearing itself for the coming upturn in the global semiconductor market – racing ahead from the pole position.

We create semiconductor solutions enabling the technology lifestyle of the individual in the 21st century.

Agenda 5-to-1

MEMORY CHIPS: INFINEON ESTABLISHES PARTNERSHIP IN CHINA

Infineon has increased its share of the memory chip market by concluding an additional cooperation agreement with the Semiconductor Manufacturing International Corporation (SMIC) of Shanghai, China. Under the terms of the agreement, Infineon will transfer its 0.14 micron DRAM production technology to SMIC, with an option for the future transfer of Infineon's 0.11 micron technology. In return, SMIC will manufacture these products exclusively for Infineon. This agreement further consolidates Infineon's position as the third largest producer of memory chips while establishing Infineon as a leading chip provider in China's high-growth market. The Gartner Dataquest market research institute forecasts an expansion of China's semiconductor market from approximately 16 billion euros in 2002 to 31 billion euros in 2006.

INFINEON AND NANYA: JOINT TECHNOLOGICAL DEVELOPMENT AND CHIP FACILITY

Infineon and the Taiwanese memory chip manufacturer Nanya have concluded a strategic cooperation agreement to implement joint research at Infineon's Dresden facility, which is designed to reduce chip sizes from today's 0.13 micron standard to 0.09 micron and 0.07 micron. The two companies have also launched a 50-50 joint venture for a new 300 mm plant in Taiwan, which will begin production at the end of 2003 and make use of the production technology the two companies have jointly developed. Infineon will license its 300 mm technology to the new joint venture. Depending on market demand, the new factory will expand its capacity to approx. 50,000 wafer starts a month by the year 2006. The planned semiconductor plant, in which a total of approx. 2.2 billion euros will be invested during the next three years, will be one of the largest in the world.



INFINEON AGAIN WINS SESAMES AWARD

Infineon was granted the Sesames Award for the second successive year on the occasion of Cartes 2002, the world's most important trade fair for chip card applications, held in Paris. The Sesames Award is considered to be the most prestigious honor awarded by

the chip card industry. An Infineon security controller and a microcontroller for contactless chip card applications developed jointly with Sony, which can support various wireless standards, were named Best Technological Innovation for 2002. These new developments provide the basis for chip cards that can communicate wirelessly with a scanning device without the need for direct physical contact. They can be used as electronic tickets, company or government-issued IDs and as automatic banking cards, ensuring secure and reliable transactions.



INFINEON AND AGERE: ALLIANCE FOR QUICK WIRELESS NETWORKING SOLUTIONS

Infineon and the U.S. company Agere Systems have formed a broad-based alliance to jointly develop high-performance chips for next generation of wireless local area networks (LAN). In comparison to conventional wireless networks, the new technology offers a bandwidth 20 times higher, at up to 54 Mbits per second. Such LAN systems enable quick access to e-mail and the Internet in corporate networks, multimedia or home applications. The collaboration between Infineon and Agere includes the mutual licensing of intellectual property and a mutual supply agreement. Both companies will market their products independently.

INFINEON SUPPLIES MEMORY PRODUCTS TO KINGSTON

In order to strengthen their position on the global memory product market, Infineon and the California-based Kingston Technology Company, Inc. are further expanding their longstanding partnership. The two firms have signed a long-term agreement, according to which Infineon will supply Kingston with memory chips to be combined into modules and primarily sold on the retail market. The potential cumulative revenue derived from the new alliance is estimated at up to US-\$ 2.5 billion over the next five years. The two firms have also signed a non-binding memorandum of understanding, in which Kingston will provide contract manufacturing services and back-end engineering services to Infineon.

SOUND CORPORATE GOVERNANCE AS A COMPREHENSIVE APPROACH

Infineon has developed its own corporate governance code, going beyond the stipulations of the government commission

Infineon has developed its own corporate governance code, providing the basis for the further institutionalization of the fundamental principles underlying sound and responsible corporate leadership. A corporate governance manager has also been appointed, who will report directly to Infineon's supervisory and management boards. The code closely follows the recommendations put forward by the German federal government's panel on corporate governance which was set up as a response to the transgressions committed by several companies.

At Infineon, corporate governance is a comprehensive vision, encompassing all corporate values, processes and goals. This includes standards for internal auditing as well as its business conduct guidelines. Guidelines regarding managerial responsibility and supervisory functions are also an integral feature of the new standards.

While Infineon had already adhered to the majority of guidelines set forth in the Corporate Governance Code, as well as U.S. capital market regulations, Infineon has now gone a step further, setting even more far-reaching goals:

- We provide comprehensive and freely disclosed company information to our shareholders and the general public. We aim to maintain and even improve our excellent reputation in corporate reporting and disclosure.
- We seek to make it easier for our shareholders to make use of their rights as much as possible, particularly at annual shareholders' meetings, implementing new communications solutions to this purpose, including the Internet.

- We aim to further intensify the cooperation and consultations taking place between the management and supervisory boards. First, we are deeply convinced that the German system of separating company management from the supervisory and control functions provides an optimal basis for effective corporate governance. And secondly, we will only be able to achieve our goals by ensuring the ongoing cooperation and the exchange of information between the management and supervisory boards. We strive to maintain a constructive atmosphere, open discussions and mutual respect.

- Creating added value for our customers can only be achieved by competent and committed people. Both the management board and supervisory board consider it their joint responsibility to attract and keep the most capable employees for the company.

Infineon has also implemented most additional recommendations of the government panel. However, there are some differences in the following two points:

- The remuneration of the management board will be disclosed according to the following criteria: fixed salary, variable compensation and stock options. However, individual remuneration agreements will not be disclosed. The main reason is the joint responsibility that all members of the management board share for the ensuring of good corporate governance. This solution was already incorporated into the transparent disclosure approach taken by Infineon last year, establishing the company's performance-based remuneration structure as an important component in success-oriented corporate leadership. The variable remuneration received by management and employees alike is directly linked to their success in

achieving specific pre-defined targets. In addition to remuneration, Infineon's management board and selected top managers also receive stock options, which represent a long-term incentive towards ensuring a sustainable increase in the value of the IFX share.

- The chair of the supervisory board is also the chair of the review board.

At Infineon, the corporate governance system is valid throughout the entire company and is tailored to its goals. In line with its new mission, Infineon strives to develop the most advanced semiconductor solutions and services to achieve industry-wide leadership in the long term. Infineon's top priority is the adaptation of its operations to the needs of its customers in order to create added value, which will benefit our customers and shareholders alike. Infineon's vision is to enable the technology lifestyle of the 21st century.

Infineon's corporate governance code is to be continually evaluated and modified, and to be actively accepted and carried out within the company. "We seek a dialogue with our shareholders, customers and employees in order to regularly evaluate this code and refine it in accordance with the latest developments. This will enable Infineon to achieve and maintain a leading-edge position in value-oriented corporate governance."

In this way, Infineon can achieve the goals it has set forth – and be recognized as one of the companies with the best corporate governance policies.

For the full text and further information, click on www.infineon.com/comp/corporate-governance



YOUNG SCIENTIST BREAKS SPEED RECORD

The 26-year-old Ph.D. candidate Daniel Kehrer, who is working for Infineon, has established a new speed record. With an experimental semiconductor circuit, he achieved a data transmission rate of 40 billion bits per second in CMOS components. He nearly doubled the previous all-time world record of 25 Gbits/s that had been achieved at Infineon in February 2002. This speed-optimized chip will soon enable the production of even lower cost, higher-performance chips for PC and mobile communications networks as well as for automotive and industrial applications. The research outcome is the result of Infineon's ongoing sponsoring program designed to promote young scientists, as well as the company's highly advanced microchip technology. The High Frequency Research Department and other Infineon business segments continually provide job opportunities to doctoral candidates. In turn, they contribute an immense level of personal commitment and enthusiasm to the company's R&D activities, together with their knowledge of the latest scientific research findings.

EASY-TO-USE CHAT BY MOBILE PHONE: NEW SYSTEMS SOLUTION

Infineon has added exciting new components to its product line of wireless systems solutions. The Instant Communications Platform developed by Sonim Technologies, a new Infineon partner, enables users of mobile phones to access their address books to determine the availability of friends or colleagues at work. If this is the case, the user can simply press a button and start a push-to-talk dialogue. The user can also select different numbers from the contact list, and initiate chat room-like communications. Furthermore, a voice message can be transmitted to one or many individuals at the push of a button, without the need to call people or their mailboxes. With the Sonim solution, Infineon has expanded its own APOXI framework. In this way, Infineon can offer its customers an innovative systems solution in line with its new corporate strategy, and achieve a competitive edge in the wireless market.

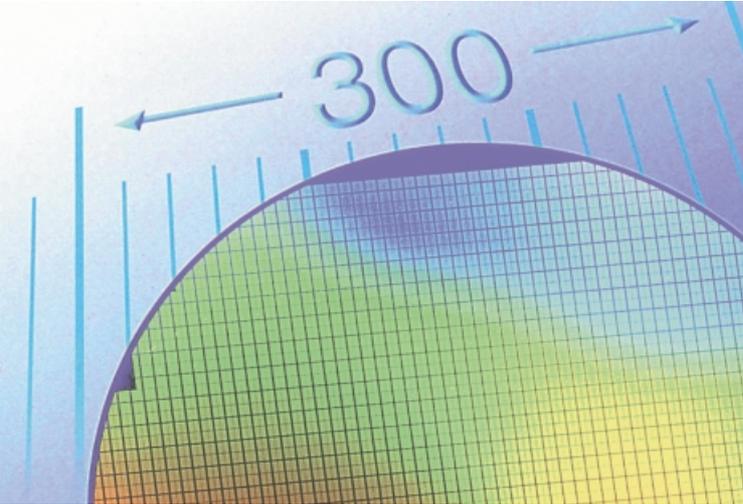
CHIP COULD REPLACE BAR CODE

The bar code imprinted on packaging for food and other packaged goods could soon become a relic of the past. For the first time, Infineon has succeeded in integrating electronic circuits into normal packaging film. This can now be produced in a more cost-effective manner compared to the high quality plastics which have been required up until now. Similar to a newspaper printing press, the foil is subject to several coating and structuring processes. The chips themselves are based on semiconducting doping polymeric materials, or in other words, the chips are made of plastic. The semiconductor no longer requires a direct visual line to the scanning device, but transmits the information wirelessly in passing. If the technology becomes widely accepted and as many newly-produced goods as possible are equipped with the innovative solution, an annual production volume of 500 billion units is conceivable.



Infineon is integrating plastic chips into commercial packaging film for the first time. The wireless tags do not require a direct visual line to the scanner, and could replace bar codes in the future.

BREAKTHROUGH: COST LEADERSHIP WITH 300 MM TECHNOLOGY



Infineon has achieved cost leadership with its 300 mm manufacturing technology. This was achieved only one year after it became the world's first semiconductor manufacturer to begin the volume production of 300 mm wafers at its Dresden facility in December 2001. The cost-crossover point has now been surpassed, meaning that Infineon now produces memory chips at a lower cost per chip on 300 mm wafers than on conventional 200 mm wafers. The pizza-sized surface area of the 300 mm wafers can fit up to two and half times the number of chips, reducing production costs by 30%, not to mention chip shrinking – or reducing the size of chip structures. The new, third production facility in Dresden is expected to ramp to full capacity by the end of 2003, reaching a monthly volume of 28,000 wafer starts. At present, 19,000 wafer starts are achieved per month on the basis of the 300 mm technology. The relatively short period between the start of volume production and the cost crossover was achieved by Infineon through its ambitious scheduling and outstanding project management.



ALL-ON-ONE CARD: WALLET, TICKET, ID

The new chip card controllers presented by Infineon at the Cartes 2002 chip card trade fair held in Paris are electronic all-on-one wonders. The dual interface controller jointly developed with Sony was introduced, as well as the first members of the my-C family of security controllers. Chip cards with these integrated controllers can be used as electronic tickets for transport and banking cards as well as for company-issued and personal identification. Their contactless interface makes it more convenient to use of chip cards in a variety of applications, as they need not be physically inserted into a reading device.

INTELLIGENT LICENSE PLATE PROVIDES DETERRENCE AGAINST CAR THEFT

Conventional automobile license plates made of metal could soon be supplemented by electronic license plates. A high security document called “iltag” (intelligent license tag), which is secured on the inside of the vehicle windshield, is the size of a personal identification card. It contains visible information such as the license plate number, and also stores data of up to 1,000 characters on a single chip, such as the names of all authorized drivers, vehicle tax, insurance and registration information. This tag, which can only be changed or viewed by authorized parties such as the vehicle registration office or the police, was jointly developed by three German companies: Infineon, Schreiner ProSecure and Utsch. Trying to remove the “iltag” will automatically destroy the special security strip as well as the links between the chip and the antenna. For this reason, it is not transferable for use on other cars.



The data stored on the chip can be accessed without physical contact with the help of a hand-held scanning device.



MEMORY PRODUCTS GROUP AGAIN PROFITABLE

First Quarter Results: 10% Revenue Growth/
Automotive and Industrial Group Posts Record Sales

Infineon has achieved higher revenues at the start of the new financial year. In the first quarter – the period from October to December 2002, the company posted revenues of 1.52 billion euros, a rise of 10 percent sequentially and 47 percent year-on-year. The revenue increase was driven primarily by a higher demand for memory chips and semiconductor solutions used in mobile phones, as well as the ongoing strong performance of the Automotive and Industrial segment. For the first time, Infineon's revenue growth also reflects the quarterly sales figures posted by Ericsson Microelectronics, which Infineon acquired in September 2002. Revenues outside of Europe accounted for 54 percent of Infineon's total revenues, reflecting its increased market penetration in Japan.

All in all, Infineon achieved further gains in market share, which will have a positive impact on its overall performance once the market recovers. Furthermore, the Memory Products Group returned to profitability. This was primarily due to optimized price setting, an improved product mix and a significant decline in total manufacturing costs.

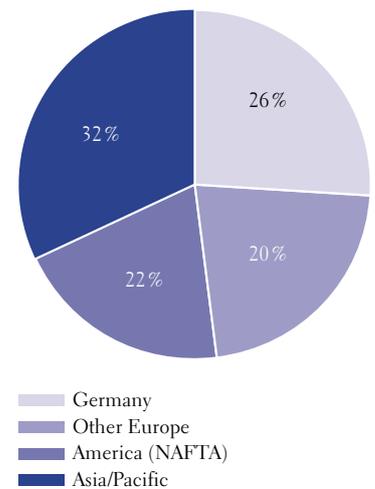
Quarterly EBIT (earnings before interest, minority interests and taxes) amounted to a loss of 31 million euros. This represents a strong improvement compared to a loss of 292 million euros in the previous quarter (including exceptional charges amounting to 119 million euros) and a loss of 564 million euros posted in the first quarter of the 2002 financial year. The 300 mm technology and smaller chip geo-

metries have been the key breakthroughs enabling Infineon to considerably cut manufacturing costs in the Memory Products Group. This was accompanied by a shift in sales towards products with higher margins. The loss per share was only 0.06 euros, down from a loss per share of 0.72 euros in the previous quarter and 0.48 euros year-on-year.

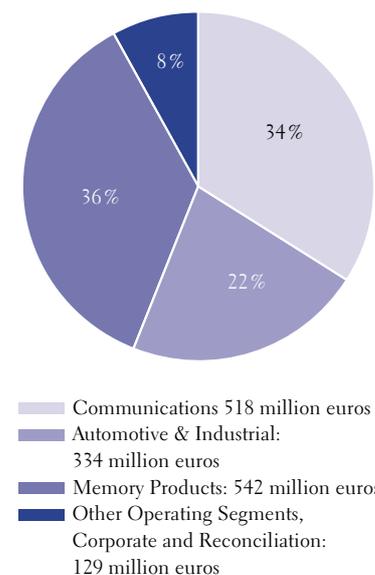
Expenditures for research and development remained fairly constant, totaling 265 million euros or 17 percent of revenues, compared to 292 million euros in the previous quarter. Infineon's gross cash position, including cash and cash equivalents, marketable securities and restricted cash, declined sequentially to 1.6 billion euros from a level of 2 billion euros. The decrease in gross cash can be primarily attributed to investments in 300 mm volume production, the shift towards 0.11 micron technology, the build-up of inventories, principally in memory products, as well as the volume-related increase in accounts receivables.

Infineon achieved 54 percent of its total revenues outside of Europe, a slight increase compared to the level of 53 percent in the previous quarter. This development reflects Infineon's growing market penetration in Asia and Japan. As of December 31, 2002, the company had approximately 30,900 employees worldwide, of which 5,400 were involved in research and development activities.

1st Quarter Sales by Region in %



1st Quarter Sales by Segment in %



Infineon Technologies 1,523 million euros

A new business group was established in the first quarter of the 2003 financial year. Effective November 1, 2002, Infineon merged its Wireless Communications Group together with its Security and Chip Card ICs segment to form the new Secure Mobile Solutions Group. This organizational change in business operations is based on the increasing convergence of the markets for mobile and secure applications. Future generations of wireless communications devices will integrate an increasing number of multi-media applications, requiring the secure transmission of data. In addition, the merger will exploit synergies and move forward the development of systems solutions, as envisioned by Infineon's new "Agenda 5-to-1" corporate strategy.

Infineon's new Secure Mobile Solutions Group boosted its revenues by 11 percent to 412 million euros in the first quarter. This was primarily driven by stronger than anticipated Christmas sales of mobile phones as well as the first time consolidation of revenues posted by Ericsson Microelectronics, which was acquired by Infineon. EBIT amounted to a loss of 28 million euros, compared to a loss of 22 million euros in the previous quarter. The weaker performance was mainly due to lower sales volume and strong downward pressure on prices for chip card ICs, accompanied by operating losses and acquisition-related charges totaling 34 million euros for the purchase of Ericsson's microelectronics activities. Infineon also established a far-reaching strategic alliance with Agere Systems. It is also important to note that the company was granted the Sesames Award for the best technological chip card innovation.

SELECTED CONSOLIDATED STATEMENT
OF OPERATIONS DATA

FOR THE 3 MONTHS ENDED
SEPT. 30, 2002 DEC. 31, 2002

	in Euro millions	
Net sales	1,384	1,523
Cost of goods sold	-1,241	-1,121
Gross profit	143	402
Research and development expenses	-292	-265
Selling, general and administrative expenses	-163	-172
Operating loss	-318	-43
Net loss	-506	-40
Basic and diluted loss per share	-0.72	-0.06
EBIT (Loss before interest and tax)	-292	-31

Revenues were 1.52 billion euros, a 10 percent increase sequentially and 47 percent year-on-year. Revenue growth was driven primarily by a higher demand for memory chips and semiconductor solutions used in mobile phones. The first-quarter EBIT improved significantly to a loss of 31 million euros, compared to a loss of 292 million euros in the previous quarter and a loss of 564 million euros year-on-year.

SELECTED CONSOLIDATED
BALANCE SHEET DATA

AS OF
SEPT. 30, 2002 DEC. 31, 2002

	in Euro millions	
Cash and cash equivalents	1,199	851
Working capital (deficit) excluding cash and cash equivalents	609	941
Total assets	10,918	10,766
Short-term debt, including current portion of long-term debt	120	108
Long-term debt, excluding current portion	1,710	1,712
Shareholders' equity	6,158	6,071

Higher capital investments and the decrease in gross cash reflect investments in our 300 mm production facility in Dresden.

SELECTED CONSOLIDATED
CASH FLOW DATA

FOR THE 3 MONTHS ENDED
SEPT. 31, 2002 DEC. 31, 2002

	in Euro millions	
Net cash used in investing activities	-120	-340
Net cash used in/provided by operating activities	179	4
Depreciation and amortization expenses	354	353

The Automotive and Industrial Group once again posted record revenues. Revenues rose 4 percent sequentially to reach an all-time high of 334 million euros, driven mainly by stronger volume sales in power management and supply products as well as automotive power applications. Infineon succeeded in boosting sales of its innovative 32bit TriCore microcontroller technology, and gained further market share for power management and supply applications, particularly in Asia. Furthermore, the successful restructuring of the sensors business has already resulted in higher sales volume. EBIT rose to 44 million euros compared to 38 million euros in the previous quarter and 20 million euros year-on-year. The improved performance was achieved on the basis of ongoing cost reductions and productivity increases in the face of significant pricing pressures in the automobile industry.

The Wireline Communications Group posted a slight increase in its first quarter revenues to 106 million euros, a rise of 1 percent from the previous quarter and up 28 percent year-on-year. The revenue increase was driven by improved sales of Ethernet over VDSL access technology in the Asian markets. EBIT improved to a loss of 42 million euros, compared to a loss of

45 million euros in the previous quarter, and a significant improvement from a loss of 85 million euros year-on-year.

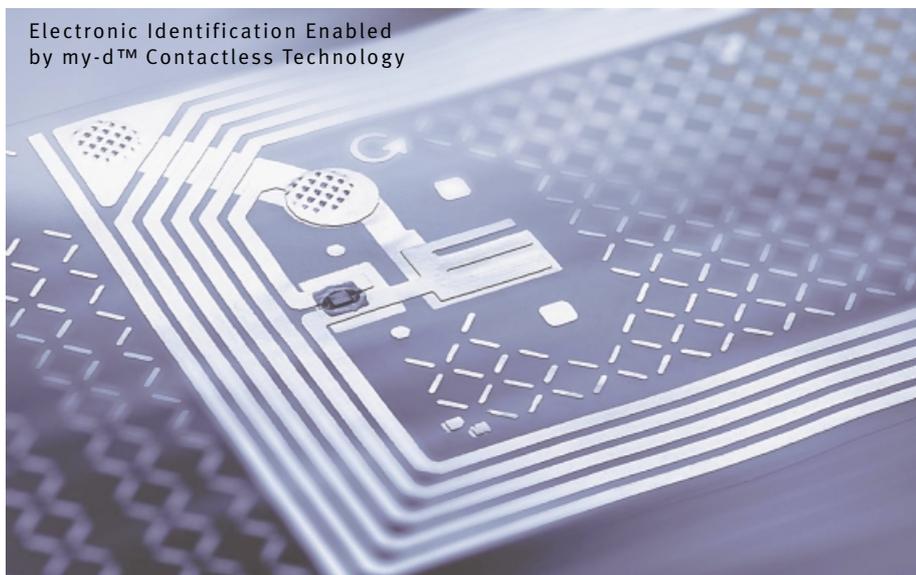
The group benefited from significantly improved sales volumes and cost savings. Infineon further strengthened its position in the Asian markets as the leading provider of next generation high-speed VDSL broadband access technology despite a difficult market environment. Global carriers continue to reduce their infrastructure investments, which hampered a recovery in demand for fiber optics and optical networking products.

The Memory Products Group has returned to profitability. Its first quarter revenues were 542 million euros, a strong increase of 24 percent sequentially. Revenues almost doubled year-on-year, rising 89 percent. The revenue increase was primarily due to improved demand and outsourcing cooperation agreements to access production capacity, e.g. with Winbond. Its EBIT amounted to 29 million euros, a significant improvement compared to a loss of 204 million euros in the previous quarter and a loss of 375 million euros in the first quarter of the 2002 financial year. The strong performance was mainly due to a decline in manufacturing costs combi-

ned with an improved product mix. Furthermore, Infineon has made considerable progress in its conversion to 0.14 micron technology, and has further expanded its network of manufacturing partners.

One partnership had to be terminated. Due to repeated breaches of contract by Mosel Vitelic, Infineon has decided to withdraw from the ProMOS joint venture in Hsinchu, Taiwan. As of January 1, 2003, Infineon has discontinued its purchase of products from ProMOS, and intends to sell its share in the joint venture. The withdrawal will not negatively impact on Infineon's leading DRAM market position. Infineon is currently expanding its existing partnerships with Nanya and Winbond, and is simultaneously improving its productivity and cost position.

Additional financial information is available on the Internet at www.infineon.com/boerse



Electronic Identification Enabled by my-d™ Contactless Technology

Standard Procedure for Infineon:

The admission tickets to the annual shareholders meeting, which took place in Munich on January 21, 2003, had integrated Infineon chips. The Secure Mobile Solutions (SMS) Group's "my-d Smart Label" registered participants for the meeting quickly and conveniently.

OUTLOOK TO JUNE 2003

Despite the first signs of a positive market trend, it is too early for Infineon to speak of a sustained overall market improvement. On the one hand, we look ahead with cautious optimism into the future, and expect a further stable development of demand in most segments. However, we also expect an ongoing difficult market environment marked by continuing pricing pressure in our wireline communications and secure mobile solutions segments during the first half of the 2003 calendar year.

In the secure mobile solutions business, we expect increased demand for mobile handsets in 2003. However, during the second quarter of our 2003 financial year – up to March 31, 2003 – the company anticipates lower sales volumes following the strong Christmas season. A seasonal weakness in demand can also be expected for the security and chip card ICs segment, along with ongoing strong price pressure for security controllers used in wireless communications. However, Infineon expects an overall market improvement for the second half of the 2003 calendar year.

Industry analysts anticipate further reductions of 10 percent in capital expenditures for global wireline telecommunications infrastructure during 2003. This comes on the heels of a far-reaching market decline of 37 percent in the year 2002. The downturn will negatively impact Infineon's fiber optics and optical networking businesses. However, Infineon's business in DSL solutions promises to develop dynamically. Infineon hopes to particularly benefit from increased demand in Japan and throughout Asia.



We are speeding up the pace of things. Infineon is transforming itself into an even more efficient, flexible and faster company than it ever was before. In the future, our priority is to focus on tailor-made products and solutions contributing to the success of our customers.

Infineon aspires to gain a greater market share in its automotive and industrial electronics segment despite existing pricing pressures, through increases in productivity and an exemplary product performance. Infineon expects the strongest growth to take place in its power semiconductors segment as well as in power management and supply products. Demand for memory products is expected to increase only slightly, following robust sales during the first quarter of the 2003 financial year, which included the Christmas season. The development of prices is likely to depend on both the prevailing market psychology as well as the behavior of the end consumer. A sustained improvement in prices in the course of the 2003 calendar year would require stronger corporate demand combined with increased infrastructure investments.

“We are among the first to return to profitability in the memory products market. Our ongoing investment in the technology used for 300 mm production is beginning to pay off. We are confident that our successful roadmap for structure shrinking and the expansion of our strategic manufacturing partnerships will enable us to gain further market share and establish Infineon among the top three on the global DRAM market in the foreseeable future,” said Ulrich Schumacher, president and CEO of Infineon Technologies.

COMMITMENT TO ALL BUSINESS GROUPS

2003 Annual Shareholders Meeting in Munich

Infineon CEO Ulrich Schumacher reaffirmed the commitment and support of the management board to all business groups on the occasion of the annual general shareholders meeting, held in Munich's Olympic Hall on January 21, 2003. All four segments succeeded in boosting their market share over the past financial year, and continue to move ahead.

Speaking to 3,350 shareholders, Schumacher emphasized the fact that the most important business indicators used to measure the company's success had demonstrated significant improvement. Despite a stagnating market, Infineon posted double-digit growth in fiscal year 2002, expanding by 13 percent. In the general discussion, some small shareholders criticized that the value of the IFX share had declined by 90 percent since its all-time high in mid-2000. The management board pointed out the fact that, without exception, all semiconductor stocks had suffered similar heavy losses. Infineon responded in an appropriate manner by implementing its cost reduc-

tion program. 2.8 billion euros in savings have been achieved to date, of which 1.3 billion euros have a direct impact on Infineon's EBIT. Furthermore, Infineon has adopted its new future-oriented "Agenda 5-to-1" corporate strategy.

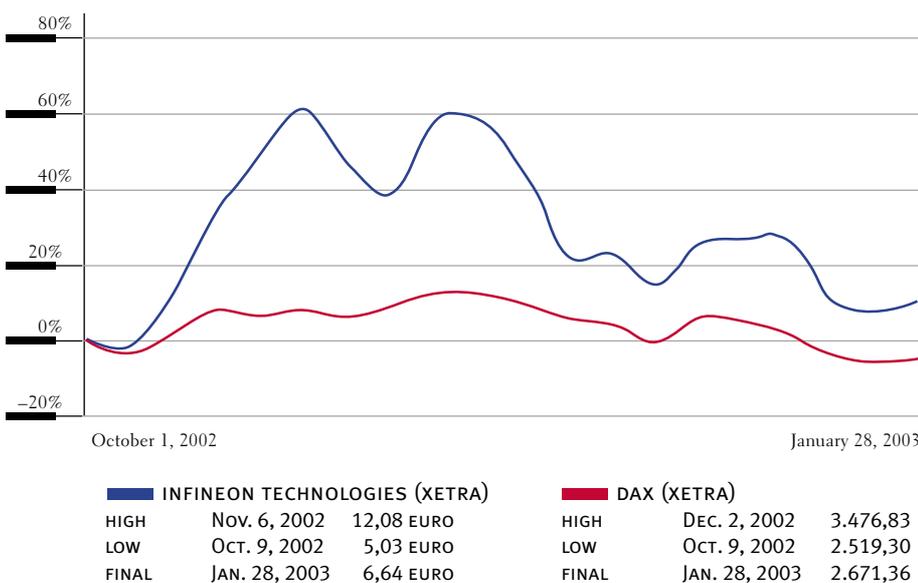
Mr. Schumacher spoke about the ongoing consolidation process within the semiconductor industry. It is expected that only four or five manufacturers per market segment will be successful on a long-term basis. Infineon plans to expand further, aiming to be ranked among the top three in the world in all its business segments. The company has already achieved many of its interim goals, above all in the memory products sector.

Schumacher once again criticized the fact that the South Korean semiconductor producer Hynix was being kept afloat by financial assistance provided by banks with close links to the government. This approach is clearly detrimental to competition, has a negative impact on prices and makes it more difficult for the entire industry to do business. Schumacher continued: "With our 300mm technology, we are well prepared for the market recovery and are ahead of the competition, with a one or two-year

lead in volume production. I believe that we will have made it through the worst by the end of the year."

The shareholders meeting agreed nearly unanimously to give their approval to the actions taken by members of the management board and supervisory board during the 2002 financial year. In addition, the participants ratified the control and profit transfer agreement with EUPEC, the European Society for Semiconductors, in which Infineon has a 100 percent stake. A total of 229,781,371 shares or 31.88 percent of the voting capital stock was represented at the meeting.

Relative Performance of the IFX Share Since the Beginning of the 2003 Financial Year



Note:

This document contains forward-looking statements and forecasts based on assumptions and estimates made by Infineon management. While we assume that the expectations of these forward-looking statements are realistic, we cannot guarantee that the expectations will prove to be correct. The assumptions may conceal risks and uncertainties which may lead to actual results significantly divergent from those made in the projective forecasts. The factors that can cause such a divergence include: changes in the economic and business environment, forex and interest rate fluctuations, the launch of competing products, insufficient acceptance of new products or services, and changes in corporate strategy. No update of the projected forecasts by Infineon is planned, nor does Infineon assume any obligation to do so.

INFINEON CALENDAR

- April 29, 2003 Publication of results for the 2nd quarter and the first half year (to 31 March) of the 2003 financial year
- July 22, 2003 Publication of results for the 3rd quarter (to 30 June) of the 2003 financial year
- November 19, 2003 Annual press conference 2003. Publication of preliminary results for the 2003 financial year (including the 4th quarter (to 30 September 2003))

Trade Fairs and Exhibitions

- Feb. 18–20, 2003 Embedded World/ Nuremberg, Germany
- March 12–19, 2003 CeBIT/Hannover, Germany
- March 17–19, 2003 CTIA Wireless/New Orleans, Louisiana, USA
- March 25–27, 2003 OFC/Atlanta, Georgia, USA
- April 14–16, 2003 RSA/San Jose, California, USA

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