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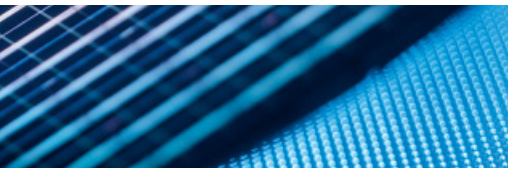


investor newsletter

Chicly wired: Infineon's first intelligent jacket hides a keyboard up its sleeves and sneaks the headphones into the collar. The jacket will be available in time for the coming winter season.

Flash in the spotlight: Infineon seeks its place among the market leaders

Enjoying strong growth, the flash market promises to become a stable mainstay in memory production

You can slip them into your vest pocket – but they still dazzle with a memory capacity that would have been the envy of every personal computer only a few years ago. Flash memory components are taking the electronics market by storm. Individual consumers have come to know them in digital cameras, mobile phones, MP3 players and PDAs, while USB sticks have been becoming a standard in the working place. USB sticks make it unnecessary to carry heavy equipment around the office, as extremely large amounts of data can be stored in a key chain, necklace or in a wallet. The data can then immediately be retrieved by connecting the stick to the USB port of any computer. Above that flash cards can also be used to store software both in computers and in cellular telephones.

The Gartner Dataquest market research firm expects the market to expand by 30.8 percent in 2004, with data flash products expected to total 4.4 billion U.S. dollars in revenues worldwide. Thus growth is projected to average around 18 percent annually over the next five years. And Infineon has been preparing itself for this promising market already for a while, founding a joint venture in May 2001 with the aim to develop, produce and market

Infineon Technologies announced the world's first NAND-compatible flash chip using TwinFlash™ technology. The 512-Mbit Twin-NAND chip implements Saifun's NROM technology, which allows two bits to be stored in one transistor cell.

flash memory units together with Saifun Semiconductors Ltd. of Netanya, Israel. Infineon and Saifun subsequently founded Infineon Technologies Flash GmbH & Co. KG in February 2003, in which Infineon holds a 70 percent stake. The new company now has around 120 employees.

Flash components are non-volatile memory chips that do not lose any information when the power is turned off. Since they require no moveable parts, in contrast to hard drives or diskettes, flash components are quite robust. While program flash memory (also known as code flash or NOR) is used to store software in devices such as personal computers and cellular phones, data flash memory (NAND) can be used to store items such as addresses in PDAs, digital camera images, or music in MP3 players.

Saifun's revolutionary NROM technology, which has already been used in other non-volatile memories like EEPROM and NOR-Flash for some time, has made Saifun attractive as a partner company for work on flash memory. The NROM process allows for two bits, instead of only one, to be stored in one transistor cell, paving the way for remarkably small memory components. The Infineon-Saifun joint venture has now been able to create a NAND compatible data flash memory based on this technology at Infineon's Dresden facility for the first time. The company renamed its technology Twin-Flash, reflecting the two-bit capacity of the cells. The NAND-compatible data memory module is 40 percent smaller and even requires fewer photomasks than comparable products of competitors that only store one bit per cell.

Infineon offers advantages resulting from synergies that arise at its Dresden chip production site. Infineon can shift flexibly between DRAM and flash memory production depending on the order situation, as both are manufactured using the same equipment, all requiring nearly no additional investment.

By the end of 2004, more than 10,000 Infineon flash memory wafer starts are planned each month, beginning with 170-nanometer production. Work is currently being performed on 110-nanometer technology, which should allow costs to fall further while boosting memory density to up to 2 gigabits. By 2006, 4 gigabits should be possible, in 90-nanometer technology. The flash memory market will certainly be grateful; its tremendous growth rate virtually cries out for solid suppliers. All in all, things look good for Infineon to reach its goal of placing among the world's top three flash manufacturers by 2007.

A FEW FLASH MEMORY APPLICATIONS

- Digital cameras: Storage of hundreds of high-resolution pictures; camera connection and real-time imaging without film development.
- Cellular phones, PDAs, MP3 players: music, data and pictures can be stored, played and transferred to other mobile or stationary devices. Flash cards are small, handy and robust – for ideal use in mobile units.
- Card products for digital cameras and mobile telephones include SD, MMC, CD, Memory Stick and SmartMedia cards.
- USB sticks: Data storage for simple uploading via computer USB ports, thus performing the function of diskettes and CDs.

Joint Venture in fiberoptic components

Infineon has entered into a joint venture together with the United Epitaxy Company (UEC) of Taiwan. The two partners' fiberoptic technologies will be licensed to the new company for the design and production of a new sort of optochip. This will lead to new high-end microsystems and components to support high-speed fiberoptic data transfer in speech and data networks. The UEC facility currently in use in Taiwan's Hsinchu Science-Based Industrial Park is slated to house the new joint venture, with investment amounting to approximately 12 million U.S. dollars over the next five years. At a full capacity of up to 100 wafer starts per week, the company will require a staff of around 120. Serial production is expected to begin in the fourth quarter of 2004.

Infineon, IBM and Chartered join forces to develop 65-nanometer technology

Infineon is intensifying its cooperation with other semiconductors giants. Infineon cooperates with IBM and with Chartered of Singapore, one of the world's top three dedicated semiconductor foundries, towards developing technology for 65-nanometer chip structures and for high-performance, low-power chips. An extension of the joint venture to include the process technology for the subsequent 45-nanometer production generation is also being considered. The August 2003 partnership contract combines the companies' individual competencies towards creating chip designs for immediate use. The agreement offers Infineon an attractive, low-risk outsourcing option that can cover its demand for 65-nanometer products in the future. Some 200 engineers from the three companies are now collaborating on the project, based at IBM's development lab in East Fishkill, New York.

A new head of Investor Relations

Dominik Asam (34) took over the helm of Infineon Investor Relations in September 2003. His responsibilities now also include Mergers & Acquisitions as well as Infineon Ventures. Before starting at Infineon, Asam had been with the Goldman Sachs Investment Banking Division in London and New York beginning in 1996.

Annual Shareholders' Meeting 2004: Infineon aims for profitability

At the Infineon Annual General Meeting, Chairman of the Board Dr. Ulrich Schumacher presented a generally positive overview of fiscal 2003, a year particularly influenced by the light recovery of the semiconductors market. Despite falling chip prices and the weak dollar, Infineon revenue rose 26 percent to 6.15 billion euros in fiscal year 2003, growing with notable speed among the world's major semiconductor companies. Following nine consecutive quarters with a loss, the company returned to positive EBIT figures in the fourth quarter of 2003 at 67 million euros, followed by 70 million euros in the first quarter of 2004. Subsequent to its negative EBIT of –299 million euros in fiscal year 2003, Infineon is aiming to return to profitability in 2004. Also at the annual meeting, the executive board's stock option program met with the criticism of a number of investors, while the executive board and the supervisory board were both discharged from liability for actions during the fiscal year, with a few opposing votes cast among numerous abstentions.

ADMtek acquired in Taiwan merger

For the first time, Infineon is acquiring an Asian company, ADMtek Inc. of Hsinchu, Taiwan, which specializes in network and communications systems. As a chip designer without production facilities, ADMtek Inc. will serve to strengthen Infineon's Wireline Communications Business Group. A new company, to be named Infineon-ADMtek Co. Ltd, is then to be founded in Hsinchu for the development of broadband integrated circuits. Infineon will subsequently seek to enter the home gateway market, with ADMtek specializing in customer premise equipment (CPE) and Infineon in switching technology. The location of the company is itself quite favorable, in close proximity to the world's fastest growing broadband markets in China and Japan, and in the very same neighborhood as the Taiwanese original design manufacturing companies that account for over 70 percent of the global market for broadband modems and router CPEs. The two companies' customer bases also complement each other well; Infineon-ADMtek will be able to provide its customers with complete solutions for multimedia home gateways, supporting both wireline and wireless broadband communications services. Infineon's new acquisition is, furthermore, a company with a streamlined cost structure and an efficient R&D center. The transaction will come to 80 million euros in total, including a long-term delivery contract for Infineon to deliver products for broadband solutions to ADMtek's main shareholder, Accton Technology Corporation, and its affiliates. The merger is expected to be completed in April 2004, pending governmental approval and the positive decision of ADMtek shareholders. Infineon will then be the first foreign investor to acquire a majority of a Taiwanese semiconductor company. The acquisition comes as part of Infineon's growth strategy, which places strong emphasis on expanding the company's Asian presence.

A new design center in China

China is an important high-tech market of the future and therefore an important market for Infineon. And Infineon has now founded a new subsidiary in Xi'an, China, with the primary goal of developing innovative applications for the communications, automotive and industrial electronics sectors. The R&D center, run by Jean-Loup Leclère, has plans to employ more than 1000 staff members by 2007, which would make it one of Asia's largest developmental centers. The location in western China is also of great strategic importance, reinforcing the company's complete value chain in China and expanding its employee potential. The number of total group employees in China is expected to rise from around 800 at present to over 3,000. Infineon plans to invest more than 1.2 billion dollars towards its goal of becoming one of China's four largest semiconductor companies within the next four years.

Snowboarding with sound on board: the world's first electronic clothing for everyday use

The first piece of clothing with integrated microchips from Infineon will soon take its place in consumer wardrobes. And the first electronic garment will cater directly to snowboarders, the result of Infineon's cooperation with the O'Neill sportswear company. The jacket, part of O'Neill's winter collection 2004/05, will sport a built-in chip module that provides both an MP3 player and a Bluetooth chip for communication with a cellular phone. The module will be controllable via a textile keyboard that is connected to the module with conductive textile circuits. Headphones or stereo speakers within the helmet will provide the sound, including the headset for the Bluetooth telephone access, which will also include a microphone sewn into the collar. The jacket, known as "THE HUB", can be washed without a worry – and of course is well up to the rough and tumble fate of snowboard wear.

Turning electronics into clothing seems a logical step in today's technological development with the continual miniaturization of electronic devices. Infineon is at the forefront of the new trend, again proving itself as a leading semiconductor solutions provider. And the market may very well be grateful for Infineon's services; the Venture Development Corporation expects world sales of "intelligent textile materials" to exceed a billion euros in 2007 alone. Since Infineon introduced the new technology, more than 200 textile companies have expressed their interest in starting up new projects. In one such development, Infineon is now working together with the Vorwerk carpet company on an "intelligent carpet" prototype.

Saving power for fluorescent tubes

A new Infineon chip will save a significant amount of the energy used in the fluorescent tubes seen in office buildings, factories and shopping malls. The LightMOS chip will be implanted at the heart of the electronic ballast, the element that lights up the fluorescent gas inside the tube. Around 80 percent of all fluorescent lights are now equipped with conventional magnetic ballasts that use coils, capacitors and an igniter. LightMOS technology, however, reduces power consumption by 25 percent, keeping wastage to a minimum. Electronic ballasts also boost reliability and convenience, making it possible for new fluorescent lights to be dimmed and putting an end to the notorious light flickering when lights are turned on. The global demand for these chips is expected to rise to roughly 600 million pieces by 2005.

Chips read 500 smart labels in a flash

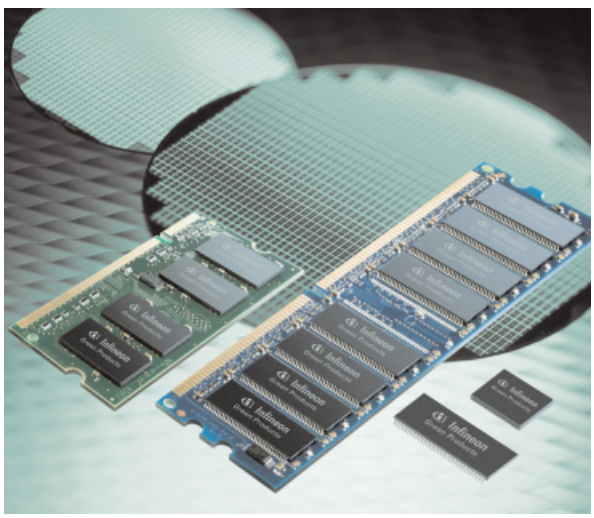
Up to 500 electronic labels processed in less than a second – that should make for tough competition for bar codes. By continuously switching between eight different radio channels, the Infineon chips are 25 times as fast as previous products, identifying objects with great reliability even when they are in motion. This proves to be of particular use in logistics applications such as airport luggage check-in, retail shops and mail order, post and delivery services and conveyor belt production. The chips analyze the radio signals with PJM (Phase Jitter Modulation) technology, provided by the partner Magellan of Australia, keeping up with conveyor belt speeds of up to 15 kilometers an hour.

High-speed satellite internet connection

Broadband services outside of urban centers can now be offered much faster and less expensive than ever before. Together with San Diego-based ViaSat and ZyXEL of Taiwan, Infineon has developed a satellite-based system that allows for high-speed internet, multimedia and company-internal networks based on usual wired solutions. The new "Constellation" system transfers data within a building, using Infineon's patented VDSL technology, and only requires a commonplace copper-wire telephone system. The system can go online within only a few hours, high investment in new infrastructure is not required. "Constellation" thus provides an alternative to terrestrial networks even for customers in urban areas.

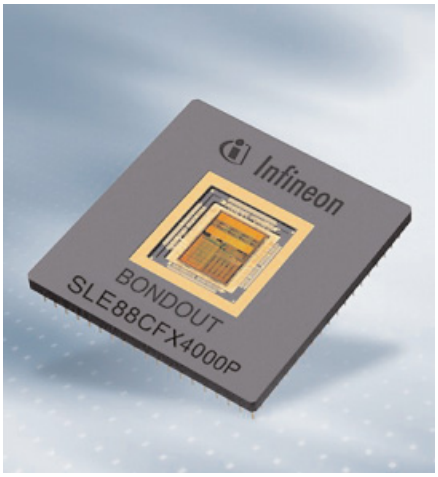
A leader in green products – doing more than the law requires

Since autumn 2003, Infineon has been providing DRAM components free of lead and halogen, and has been slowly shifting its memory module production over to environmentally friendly technologies. In doing so, the company is far ahead of the introduction of European Union "directive on the restriction of the use of hazardous substances" that will ban materials such as lead from being used beginning in July 2006. Another regulation requires electronics suppliers to dispose of used products in an environmentally friendly manner. And once lead and halogen are removed from electronics components, subsequent recycling will become easier and less expensive than ever before. Infineon customers can already test the green electronics components today.



A FULLY NEW CARD IN ONLY TWO WEEKS

Infineon's chip card production will be able to manufacture custom-made security controllers in a maximum of two weeks – three times as fast as is currently available. This will be made possible by storing the operating system, software and other programs in a flexible memory system. Data and applications can then be added at a later date and new cards can be configured quickly to each customer's specifications. The integrated security system will also meet the highest of standards both in terms of physical robustness and data encryption.



Modules in a hurry:
Infineon chip card production will soon need no more than two weeks to deliver custom-made security controllers.

DATA TRANSFER USING EXISTING FIBEROPTIC NETWORKS

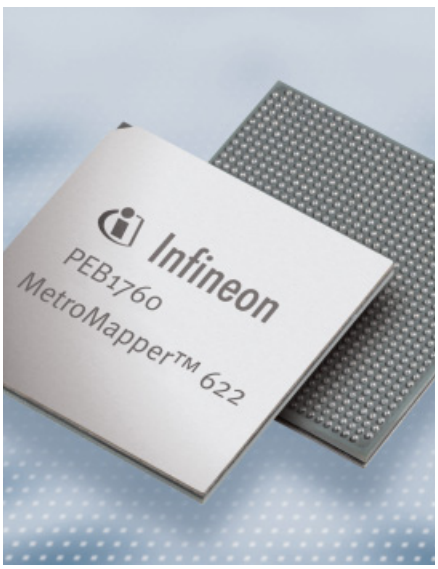
High-speed data transfer will soon be possible without the need for costly new infrastructure, made possible by a new Infineon transceiver module. The system will be able to operate flawlessly using low-bandwidth multimode fiberoptics, which accounts for roughly 80 percent of the world's corporate infrastructure. The new XPAK modules can transfer data error free at up to 10 Gbps over 300 meters, without requiring costly investment in multimode high-bandwidth fiber. The first samples will be available in the first half of 2004.

ADVANCES MADE IN ORGANIC ELECTRONICS COMPONENTS

Organic transistors, switches and memory will be able to complement silicon electronics in the future, particularly for use in mass production goods and in cost-intensive applications. Infineon researchers have improved the output, reliability and temperature behavior of these components, developing molecular thin-film transistors with an ultra-thin gate dielectric of 2.5 nanometers that require only a single volt. The researchers also proved that organic materials can be used as a data storage medium over periods of more than a year. They can also be scaled down to structures of less than 20 nanometers in size. Research results were presented at the IEEE International Electron Devices Meeting (IEDM) in Washington.

NEW ETHERNET CHIP SETS STANDARDS FOR FLEXIBILITY

Infineon has expanded its range of optical network components to include what is now the industry's most flexible chip for use in Ethernet-over-SDH/SONET (EoS) applications. The MetroMapper 622 Chip will enable both traditional telecommunications equipment and data systems providers to develop flexible systems to comply with the latest Ethernet transport standards. The new component will also serve to reduce costs in the production of the next generation of line cards, including savings in power consumption, design complexity and software development.



Silvery gray and versatile:
The MetroMapper 622 chip provides the greatest flexibility currently available in Ethernet systems.

Overview of Financial Results

First Quarter of 2004 Financial Year

- First quarter revenues were Euro 1.62 billion, down 8 percent sequentially, and up 13 percent year-on-year.
- First quarter net income was Euro 34 million, down from Euro 49 million in the previous quarter, and significantly up from a net loss of Euro 40 million year-on-year.
- EBIT amounted to Euro 70 million, up slightly from Euro 67 million sequentially, significantly improved from negative Euro 29 million year-on-year.
- Despite continuing pricing pressure, all business groups except Wireline Communications showed positive EBIT.

Infineon Technologies, the world's sixth largest semiconductor manufacturer, ended the first quarter of its 2004 financial year on December 31, 2003 with revenues of Euro 1.62 billion, reflecting a decrease of 8 percent sequentially, but an improvement of 13 percent on a year-on-year basis.

Net income amounted to Euro 34 million, compared to net income of Euro 49 million in the previous quarter and a net loss of Euro 40 million year-on-year. The sequential earnings performance reflected among other improved earnings in the Secure Mobile Solutions business group, as well as lower earnings from the Memory Products business group.

Basic and diluted earnings per share for the first quarter of fiscal year 2004 were Euro 0.05, declining from Euro 0.07 per share in the previous quarter but improving from a loss per share of Euro 0.06 year-on-year.

SELECTED CONSOLIDATED STATEMENT OF OPERATIONS DATA	FOR THE 3 MONTHS ENDED SEPT. 30, 2003	DEC. 31, 2003
	in Euro millions	
Net sales	1,756	1,623
Gross profit	**548**	**518**
Research and development expenses	– 297	–276
Selling, general and administrative expenses	– 185	–174
Restructuring charges	– 13	–2
Operating income	**36**	**68**
Interest expense, net	–32	–23
Minority interests	5	2
Income before income taxes	**35**	**47**
Income tax benefit (expense)	14	–13
Net income	**49**	**34**
Weighted average of outstanding shares – basic	721	721
Weighted average of outstanding shares – diluted	732	733
Earnings per share – basic and diluted	**0.07**	**0.05**
EBIT	**67**	**70**

Revenues

The sequential revenue decrease was due mostly to continued price decline throughout all business segments, as well as the negative impact of the weakening US-dollar exchange rate.

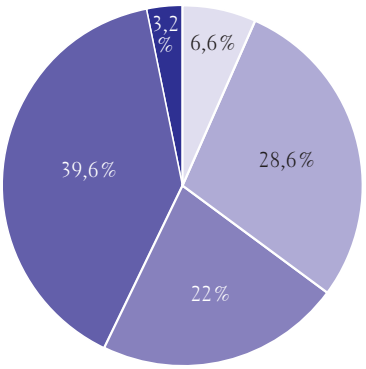
Segment revenue developments during the first quarter of the 2004 financial year as compared to the previous quarter and the first quarter of the 2003 financial year were as follows:

- The Automotive & Industrial segment's first quarter revenues amounted to Euro 356 million, down 1 percent sequentially and up 4 percent year-on-year. The sequential revenue performance mainly reflected continued pricing pressure, as well as the impact of the weakening US-dollar.
- Wireline Communications' revenues were Euro 107 million in the first quarter, down 12 percent from the previous quarter, and up 1 percent year-on-year. The sequential revenue decrease was due mainly to lower revenues in the fiber optics market, partially offset by growth in Access revenues. Revenues were also negatively impacted by the weakening US-dollar, and ongoing price decline. Within the Access business, revenues in the ADSL and SHDSL business enjoyed significant growth.

SELECTED CONSOLIDATED BALANCE SHEET DATA	AS OF SEPT. 30, 2003	DEC. 31, 2003
Assets		**in Euro millions**
Cash and cash equivalents	969	585
Marketable securities	1,784	2,179
Trade accounts receivable, net	876	891
Inventories	959	932
Current assets	**5,306**	**5,271**
Property, plant and equipment, net	3,817	3,668
Total assets	**10,805**	**10,756**
Liabilities and shareholders' equity		
Short-term debt and current maturities	149	142
Trade accounts payable	877	818
Total current liabilities	**2,134**	**2,096**
Long-term debt	2,343	2,331
Total liabilities	**5,139**	**5,101**
Total shareholders' equity	**5,666**	**5,655**

SELECTED CONSOLIDATED CASH FLOW DATA	FOR THE 3 MONTHS ENDED SEPT. 30, 2003	DEC. 31, 2003
		in Euro millions
Net cash provided by operating activities	**442**	**320**
Net cash used in investing activities	**–255**	**–783**
Net cash (used in) provided by financing activities	**–45**	**79**
Depreciation and amortization	**364**	**328**
Purchases of property, plant and equipment	**–195**	**–216**

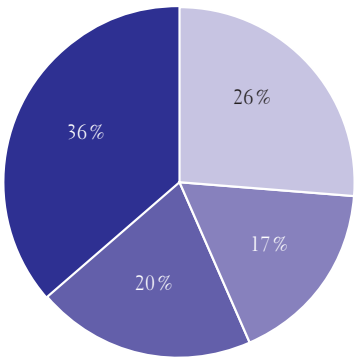
Revenues by Segment in Euro millions
For the 1st Quarter 2004



- Wireline Communications: 107 million euros
- Secure Mobile Solutions: 465 million euros
- Automotive & Industrial: 356 million euros
- Memory Products: 643 million euros
- Other Operating Segments, Corporate and Reconciliation: 52 million euros

Infineon: 1,623 million euros

Regional Revenues in percent
For the 1st Quarter 2004



- Germany
- Other Europe
- North America
- Asia-Pacific

- Secure Mobile Solutions' first quarter revenues were Euro 465 million, almost consistent with the previous quarter, and up 15 percent compared to the first quarter of last year. The significantly better than expected revenue performance was generated by robust seasonal sales of mobile communications devices which was offset by a weaker security project business, as well as the phasing out of some cordless and Gallium Arsenide activities.

- The Memory Products group's first quarter revenues were Euro 643 million, down 16 percent sequentially, but up 19 percent compared to the first quarter of the last fiscal year. The sequential revenue decline is mainly attributable to lower sales volumes and lower prices, as well as the negative impact of the weakening US-dollar exchange rate. The volume decline was a consequence of the focus on price quality in the sales strategy, and the flexible use of silicon foundry capacities.

- In the Other Operating Segments, first quarter revenues increased to Euro 47 million, up 18 percent compared to the previous quarter, and up 27 percent on a year-on-year basis.

Revenues outside Europe constituted 57 percent of total revenues, decreasing from 59 percent in the previous quarter. Sales in North America were 20 percent of total revenues in the first quarter, down sequentially from 24 percent, whereas sales in the Asian market represented 36 percent of total revenues, increasing from 34 percent in the previous quarter.

Operating Results

Quarterly EBIT (earnings before interest and taxes) was Euro 70 million versus Euro 67 million in the previous quarter and significantly improved from an EBIT loss of Euro 29 million in the first quarter of the last fiscal year. This development is in line with our expectations and consistent with our business roadmap. We had positive results in three of our four business groups. Despite continued price decline and the weakening US-dollar, we made full use of productivity and cost advantages, and were thus still able to improve our EBIT.

EBIT

	FOR THE 3 MONTHS ENDED SEPT. 30, 2003	DEC. 31, 2003
	in Euro millions	
Wireline Communications	–8	–15
Secure Mobile Solutions	4	14
Automotive & Industrial	44	48
Memory Products	134	57
Other Operating Segments and Corporate and Reconciliation	–107	–34
Infineon Group	67	70

For our segments, the developments during the first quarter of the 2004 financial year as compared to the previous quarter and the first quarter of the 2003 financial year were as follows:

- The Automotive & Industrial segment's first quarter EBIT improved to Euro 48 million, compared to Euro 44 million in both the previous quarter and in the first quarter of the last fiscal year. The sequential EBIT improvement mainly reflects the non-recurrence of costs related to the acquisition and first time consolidation of SensoNor in the previous quarter. Furthermore, the business group continued to increase productivity.

- Wireline Communications' EBIT showed a loss of Euro 15 million versus a loss of Euro 8 million in the previous quarter, but improved significantly compared to a loss of Euro 42 million year-on-year.

- Despite only slightly higher revenues, Secure Mobile Solutions' EBIT increased significantly to Euro 14 million, compared to Euro 4 million in the previous quarter, and a loss of Euro 28 million year-on-year. The quarterly EBIT improvement reflected both an improved product mix and higher productivity despite continuing pricing pressure. Cost reductions were achieved from the restructuring of the microelectronics business previously acquired from Ericsson.

- The Memory Products EBIT decreased sequentially to Euro 57 million, down from Euro 134 million in the previous quarter, and up from Euro 31 million on a year-on-year basis. The sequential EBIT decline was mainly caused by the non-recurrence of a gain on the sale of ProMOS shares in the previous quarter, the impact of the exchange rate, and, to a lesser extent, by falling prices and reduced bit shipments.

- In Other Operating Segments, EBIT showed a loss of Euro 5 million compared to a loss of Euro 26 million in the previous quarter, and a positive EBIT of Euro 6 million in the first quarter of fiscal year 2003. The sequential earnings increase reflected an improved performance of the ASIC & Design Solutions (ADS) business and lower impairment charges compared to the previous quarter.

- In Corporate and Reconciliation, EBIT loss was reduced to Euro 29 million compared to a loss of Euro 81 million in the prior quarter and a loss of Euro 40 million a year ago, principally reflecting reduced idle capacity costs and lower restructuring charges.

Expenditures for Research and Development in the first quarter totaled Euro 276 million, or 17 percent of sales, down from Euro 297 million, or 17 percent of sales, sequentially. The decrease was due mainly to lower R&D expenditures in the Memory Products business group, as well as the non-recurrence of in-process R&D charges in the Automotive & Industrial business group in the previous quarter.

SG&A expenses totaled Euro 174 million, or 11 percent of total revenues, compared to Euro 185 million, or 11 percent of total revenues, in the previous quarter. The decrease in absolute terms was due mainly to lower professional fees as well as cost control efforts.

Liquidity

Infineon's gross cash position, representing cash and cash equivalents, marketable securities and restricted cash, remained at Euro 2.8 billion. The net cash position, representing the gross cash position less debt, increased to Euro 355 million from Euro 328 million at the end of the previous quarter.

Business development

Infineon successfully launched its first NAND-compatible flash chip and entered the world's flash memory market with a 512-Megabit memory chip based on TwinFlash technology. Production of these chips has begun at the company's 200-mm DRAM facility in Dresden. Furthermore, the business group started sampling of its Mobile RAM with densities of 128-Megabit and 256-Megabit, and its 500-Megahertz DDR 3 Graphics-RAM, all based on the company's 110-nanometer technology. Inotera Memories Inc., the company's joint venture with the Taiwanese company Nanya, began to move in 300mm production equipment in December 2003.

In line with the business group's long-term regional strategy, the Automotive business achieved significant design wins with application-specific chipsets for safety and power train applications, especially in the NAFTA region. In its Industrial business, the group successfully launched the new LightMOS IGBT family to complete the portfolio for the electronic lamp ballast application.

Within the Access business, revenues in the ADSL and SHDSL business enjoyed significant growth. Further important design wins were made at leading customers such as Siemens ICN.

There was continued strong demand for the company's cellular components, such as baseband and RF-products, as well as for products of the platform solution business. In addition, new order intake for silicon discretes achieved the highest level of the past five quarters. The Security business unit successfully began new projects for electronic passports and driver's licenses. To accelerate its development from a semiconductor manufacturer to a system partner for complete mobile platform solutions, Infineon entered into an agreement in the first quarter of fiscal year 2004 to take on approximately 145 Siemens ICM software developers. By this move, Infineon extended its know-how in the industry-leading protocol stack for Siemens mobile phones.

Outlook for the 2004 Financial Year

All business indicators show that the semiconductor industry is finally in an upswing phase, and the worst crisis ever experienced in the semiconductor market seems to be over. With the market back on track, we also see positive business development for the current fiscal year. All segments are expected to show stable growth in 2004.

We expect good growth in the automotive segment despite strong continuing pricing pressure. This reflects the introduction of new car models with higher semiconductor content but only limited overall growth in worldwide automotive production. Even though the weakening US-dollar exchange rate will impact the business, we anticipate growth of the Automotive & Industrial segment in fiscal year 2004 in line with the market.

For the second quarter of the 2004 financial year, we expect a return to growth in revenues in the Wireline Communications segment. Revenue growth could, however, be hampered by a further weakening US-dollar. For the 2004 financial year, we see solid growth for the Wireline Communications segment. In addition, we are preparing strategic options for Fiber Optics by carving out the business into a separate legal entity. We are in the process of evaluating potential strategic partners to maximize the value of the business.

For the second quarter, we expect a slight sequential decrease in revenues in the Secure Mobile Solutions segment due to seasonally-reduced demand after Christmas, and continued phasing out of some cordless business. We expect stable development of the wireless infrastructure and silicon discretes businesses. We are confident that demand for security controllers

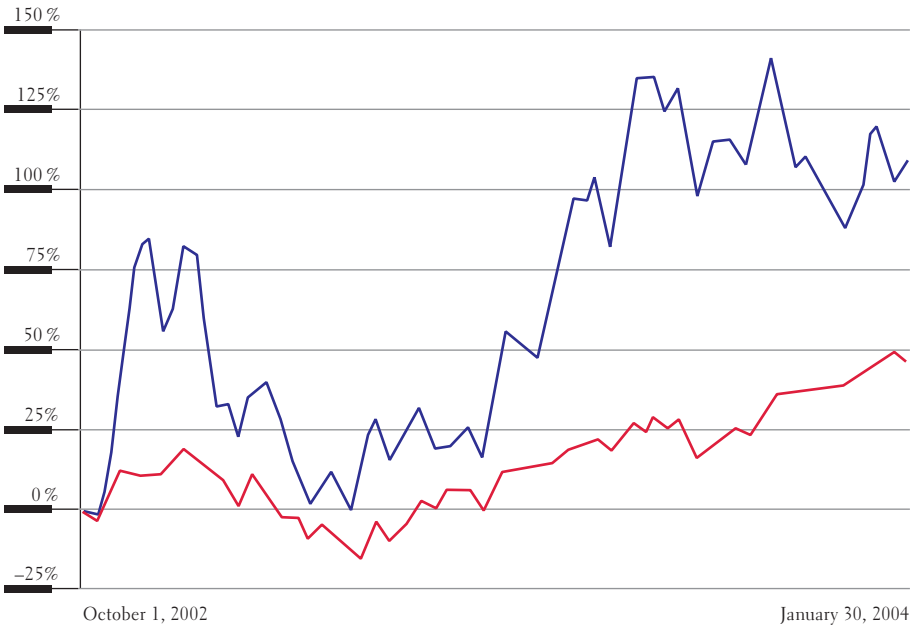
Continuation Outlook for the 2004 Financial Year

will grow steadily until the end of the 2004 financial year, mainly as a result of major design wins at identification projects. The ongoing convergence of multimedia applications should also reinforce growth in the wireless business in the second half of the 2004 financial year.

Historically, the beginning of the calendar year shows declining prices for Memory Products based on reduced demand for PC units after the Christmas season. We expect our bit shipment to increase in the second quarter of the 2004 financial year. Main production growth for the rest of the fiscal year will be driven by the conversion of our production process to 110-nanometer technology and the ramp-up of capacities at foundry partners. We expect demand to grow in 2004 as a result of corporate replacement of older equipment and the ramp-up of DDR2-based desktop PCs and servers.

While pricing pressure persists in most of our business segments, we see more tangible signs of a recovery in the semiconductor industry, particularly strongly increasing utilization rates in our own fabs and foundries and more aggressive booking behavior from our customers. Despite our cautious optimism, we will relentlessly continue to reduce costs, focus our product portfolio and become more flexible and faster than our competitors. Based on this effort, we are confident to again outgrow the market and improve our profitability relative to industry benchmarks.

Relative Performance of the IFX Share Since the Beginning of the 2003 Fiscal Year
(on the basis of weekly closing prices, smoothed)



INFINEON TECHNOLOGIES (XETRA)			DAX (XETRA)		
LOW	OCT. 9, 2002	5.34 EURO	LOW	MAR 12, 2003	2,202.96
HIGH	SEPT. 9, 2003	13.79 EURO	HIGH	JAN 23, 2004	4,151.83
FINAL	JAN 30, 2004	11.90 EURO	FINAL	JAN 30, 2004	4,058.60

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

- Apr. 21, 2004 — Publication of results for the 2nd quarter and for the first six months of fiscal year 2004 (to March 31)
- July 20, 2004 — Publication of results for the 3rd quarter and for the first nine months of fiscal year 2004 (to June 30)
- Nov. 9, 2004 — Annual press conference for 2004; Publication of preliminary results for fiscal year 2004 including the 4th quarter (to September 30, 2004)

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Publisher
Infineon Technologies AG
Investor Relations and
Financial Communications
P.O. Box 80 09 49
81609 Munich, Germany
Phone: +49 89 234-26655
Fax: +49 89 234-9552987
E-Mail: investor.relations@infineon.com
www.infineon.com/investor
Editorial Staff
Investor Relations