

# investor

newsletter



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**It doesn't just look futuristic –**

a new men's jacket with integrated MP3 player and bluetooth telephone.

More information on page 4.



# SHUTTING OFF ENERGY WASTE

New chipset reduces standby energy waste while increasing power supply efficiency

Soaring oil prices have been having people view matters differently, looking for ways to cut energy use at home. Obvious candidates for improvement are of course appliances such as refrigerators, washing machines, and dryers. One does not often think first of the power supply units that recharge batteries or those that convert AC to DC for items such as DVD players, LCD monitors or portable electronics. The units do, however, consume considerable amounts of energy in their own quiet way, even when left in standby mode. In fact, devices with power supply units account for roughly 6 percent of the energy expended in the industrialized world. That adds up to approximately 30 million megawatt-hours each year in Germany alone. And consumption figures continue to rise.

Until now, only unplugging the devices or, if at all possible, switching the power supply off can prevent this energy from being lost as heat in standby mode. This situation, however, is about to change. Infineon now has a new alternative in the pipeline, one which could dispense with an entire atomic power plant in Germany, at least theoretically. The CoolSET® F3 chip set makes this possible with its superior efficiency ensuring that more energy winds up just where it is needed. The CoolSET is economic on standby as well, requiring only 75 milliwatts, half as much power as the previously most efficient unit.

The secret to the unit's success lies in its construction. The logic chip that drives the unit is combined with the power transistor into a single casing. This saves space, reduces resistance and, consequently, heat loss. The project is a continuation of efforts that won Infineon the Innovations-

preis der Deutschen Wirtschaft (Innovation Prize of the German Economy) in 2001, work revolving around energy-saving components that do not limit customer convenience in the least. CoolSET follows the CoolMOS principle that combines excellent conductivity and insulation in a single component, qualities that normally clash like fire and water. This allows the stream of energy to be regulated with great precision and with very little heat loss.

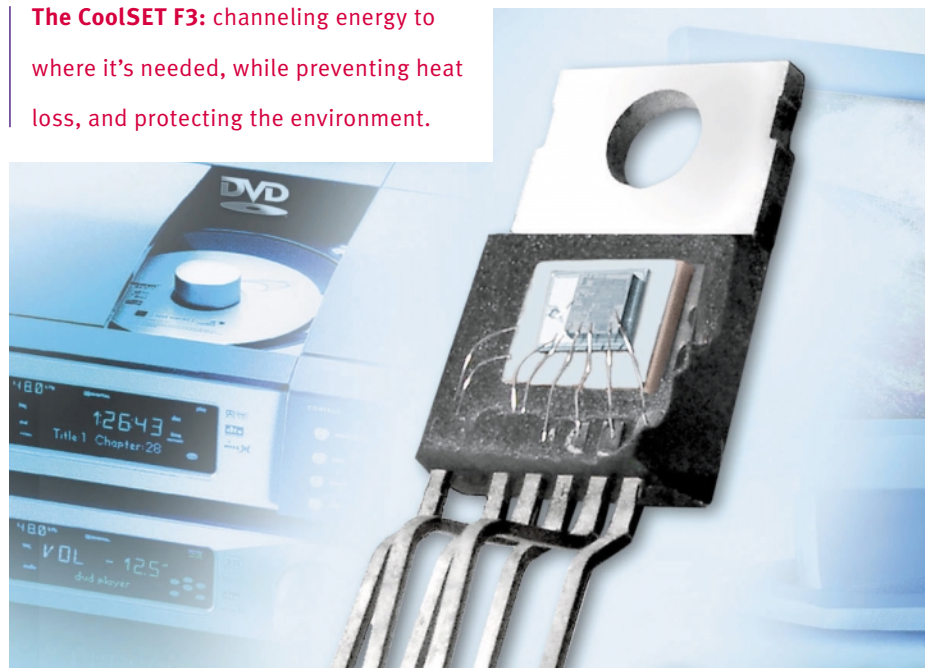
The CoolSET F3 is yet another milestone in this endeavor, one that surpasses even strict environmental standards. The unit requires less power than the best of its competitors, less still than is required by the German Blue Angel environmental program ([www.blauer-engel.de](http://www.blauer-engel.de)) and the American Energy Star program ([www.energystar.gov](http://www.energystar.gov)). An average DVD player, for example, requiring roughly 30 watts to perform, consumes only 100 milliwatts in standby mode, a fifth of the 500 milliwatts that Energy Star and

the European energy commission allow. The Infineon chip is currently suited for devices that use up to 100 watts, such as notebooks, LCD monitors, DVD players, and videocameras. This range is, however, slated for future expansion.

The CoolSET F3's superior efficiency also allows for smaller and lighter power supply units, reducing the weight of portable devices that need to be recharged when the user is away from home and office. And the unit accesses electricity more rapidly and at a consistent power level, even during voltage fluctuations. This is, for example, particularly important in DVD player use, as DVD players rapidly shift in power consumption between play, fast forward, and record modes.

CoolSET also goes to prove that new developments need not always lead to greater energy consumption. They can, on occasion, play a substantial role in saving resources and protecting the environment.

**The CoolSET F3: channeling energy to where it's needed, while preventing heat loss, and protecting the environment.**



## DEMAND ON THE RISE – SEMICONDUCTOR PLANTS EXPANDED



**Chips demand is up again – and Infineon is increasing its capacity.**

Infineon's Porto plant for chip testing and assembly is slated for expansion.

Infineon has reacted to increased demand for logic and memory chips by expanding capacities at semiconductor plants in Richmond, Virginia and Porto, Portugal. Infineon is in the process of equipping a production module in Richmond to produce 300-millimeter wafers, an investment

amounting to one billion dollars. Beginning in early 2005, the plant's capacity is expected to reach 25,000 wafer starts a month, more than twice as many DRAM chips as previously possible. Infineon will be investing a further 230 million euros in its Porto facilities, where wafers produced in Richmond and Dresden, Germany are processed. Beginning in mid-2006, Porto capacities will also double, with up to 600 million additional chips being assembled and tested annually, which is between 30 and 40 percent of Infineon's memory chip production worldwide. The Richmond plant will create 800 new jobs, and the Porto facility 500 new jobs in the process.

**A very important guest:**

José Manuel Durão Barroso, prime minister of Portugal visits Infineon.



**Dr. Michael Majerus,**

Chief Financial Officer of Infineon's Memory Products Group, at the introduction of the new module.



**CHINA: ONE CARD DOES IT ALL**

ZTE, China's largest listed telecommunications equipment manufacturer, has chosen Infineon technology for its new broadband line cards. The integrated voice and data line cards are equipped with Infineon chip sets, forming a hardware platform that supports both ADSL and conventional telephone connections. This eliminates the need to maintain two separate systems, thus reducing installation and maintenance costs. The single line card is of particular interest for less developed regions of China with a growing demand for both telephone and broadband connections. ZTE has already ordered resilient packet ring solutions from Infineon to equip its metropolitan (MAN) and wide area networks (WAN).

**INFINEON STRATEGY: EQUIPPING TELEPHONE NETWORKS FOR BROADBAND**

Conventional telephone infrastructure is now standard just about everywhere. Infineon has therefore made it part of its strategy to equip conventional networks for broadband use, preparing them to carry large data packages. The company's Cost Efficient Data Transport program was designed to make this process rapid and inexpensive for system providers at low initial costs, and all meeting each system's individual specifications. Infineon supplies all its customers with the products and technologies they need to prepare conventional telephone networks for modern broadband services, from voice-over-internet protocol to audio/video transmission and virtual private networking. The first product to meet the program's requirements will be the MetroMapper 2.5G, which enables producers of data and traditional telecommunications systems to design their systems to be flexible and compatible with the latest Ethernet transport requirements.

**KEYBOARD UP YOUR SLEEVE: LIMITED EDITION JACKET AVAILABLE IN AUGUST**

Beginning August 1, the rosner clothing manufacturer has begun advertising its new limited edition men's jackets featuring Infineon electronics. The unique garment, known as mp3blue, features a bluetooth mobile telephone and an MP3 player. The jacket's electric wiring is hidden well within its fabric and the keyboard is printed onto its sleeves. Headphones that are connected to mp3blue's collar with an integrated microphone transform the jacket into a mobile phone headset. Surprisingly perhaps, the entire jacket is machine washable; only the electronic module needs to be removed first. The jackets can be purchased via the internet, beginning in August at [www.mp3blue.de](http://www.mp3blue.de).

The Venture Development Corporation expects worldwide intelligent textile sales to surpass one billion euros by 2007, and the Infineon technology that forms the basis for these garments has already opened up new markets and distribution channels. Together with the O'Neill sports equipment company, Infineon has previously introduced a snowboarding jacket that will be included in O'Neill's 2004/5 winter collection. Infineon is also currently working on electronic carpets in cooperation with Vorwerk.

**NEW MANAGEMENT FOR TWO BUSINESS GROUPS**

Thomas Seifert (40), previously head of the Wireline Communications Business Group, has taken on global responsibility for Infineon's Memory Products Business Group beginning June 1, 2004. He replaced Dr. Harald Eggers (54), who, after over 25 years of service, has left the company at his own request to devote more time to his private life.



**Thomas Seifert** is the new head of Infineon's Memory Products Business Group



**Prof. Dr. Hermann Eul** is to be in charge of Wireline Communications.

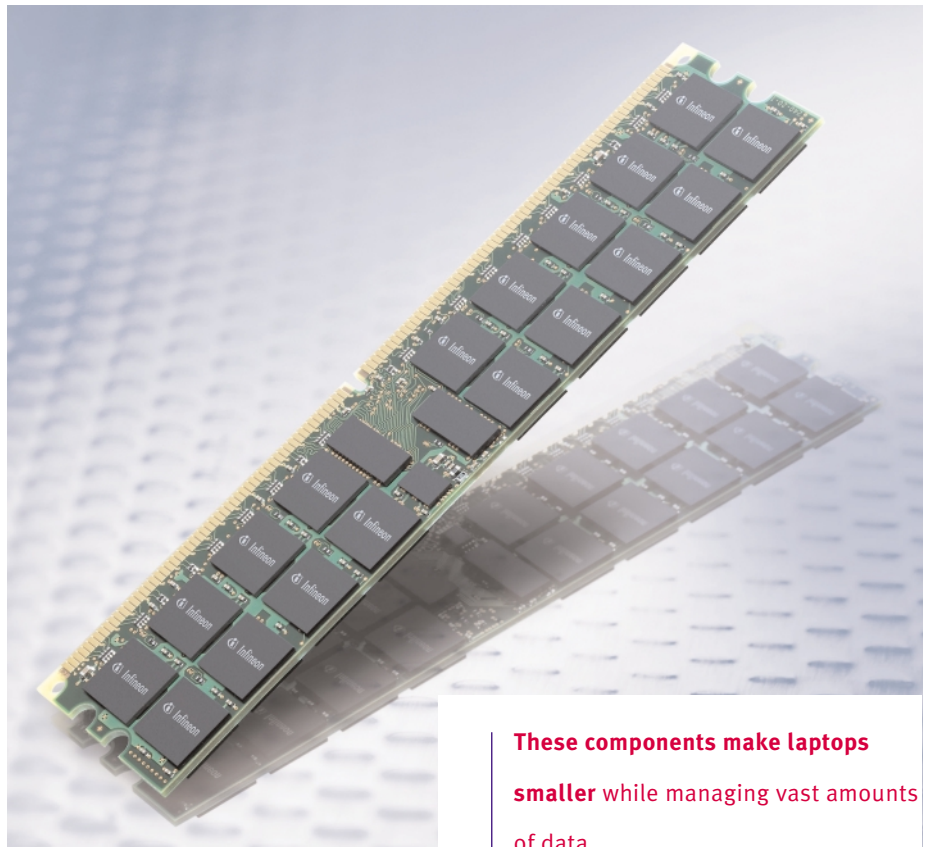
Prof. Dr. Hermann Eul (45) took the helm of Wireline Communications. Prof. Dr. Eul has served as professor and head of Radio Frequency Engineering and Wireless Systems at the University of Hanover, Germany after running Infineon's Security & Chip Card IC Group through the end of 2002. Dr. Eggers will be in charge of a number of company projects through the end of December 2004 and will continue to share his many years of expertise and excellent global contacts in an advisory role at Infineon.

## NEW MEMORY MODULE ENSURES GREAT PERFORMANCE FOR SMALL NOTEBOOKS

Notebooks are getting smaller again. And now thanks to Micro-DIMM memory modules, the new subnotebooks will have much more to offer in the future. Subnotebooks are laptops that weigh less than a kilogram (2.2 lbs.), and are therefore enjoying particularly strong demand even if the small size poses certain restrictions. Space has been at a premium, limiting the capacity for components such as memory units, batteries, hard drives, and DVD drives – until now. With chips packed together more tightly than before, the new module is poised to change the situation by saving 40 percent of the space previously used. In addition less power is required. Companies such as Asus, the Taiwanese computer-mainboard giant, will be the first to implement Micro-DIMM in their products. Infineon is slated to begin mass production of 256MB and 512MB Micro-DIMMs in September, with 1GB modules expected to follow early next year.

## THIN MEMORY MODULES FOR SERVERS AND FLAT LAPTOPS

The world is currently home to an estimated 52 billion megabytes of new data daily, a figure accelerating from one day to the next. Efficient storage systems are required to securely store these vast amounts of information, to manage them at a reasonable cost, and to make them rapidly accessible for use in applications. To meet these needs as well as those posed by server systems, Infineon has now introduced modules with a new and innovative, flat construction, including a 2GB DDR2 module and a 1GB DDR2 SO\_DIMM. As module sizes are standardized for a predetermined number of chips, designers had previously stacked two or more chips in order to attain a certain density, a method requiring large module casings. The new planar construction method, however, places individual chips side by side within each module. The planar 2-gigabyte DDR module is composed of 36 individual 512-megabit chips and is only 4.1 millimeters in depth, compared with up to 6 centimeters for conventional modules with stacked chips. The new module meets all parameters required for DDR2 server applications, and radiates up to 10 percent less heat, with less energy needed to cool the unit. The new DDR2 Small outline DIMM (Dual Inline Memory Module) also features a planar configuration with a 1-gigabyte module only 3.8 millimeters in depth, well suited to the next generation of notebooks and laptops that will certainly be flatter and thinner than ever before.



**These components make laptops smaller while managing vast amounts of data.**

## FROM ANALOG TO DIGITAL IN RECORD TIME

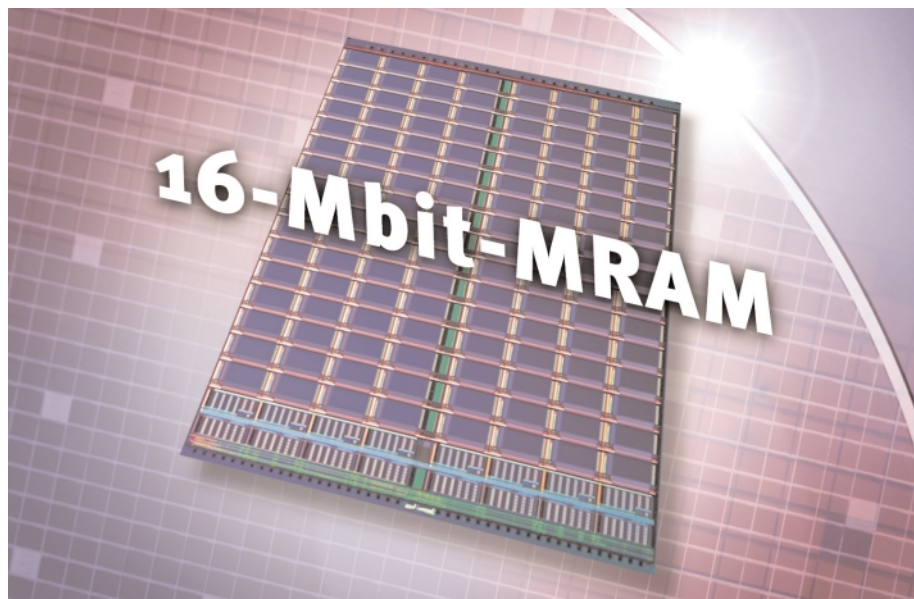
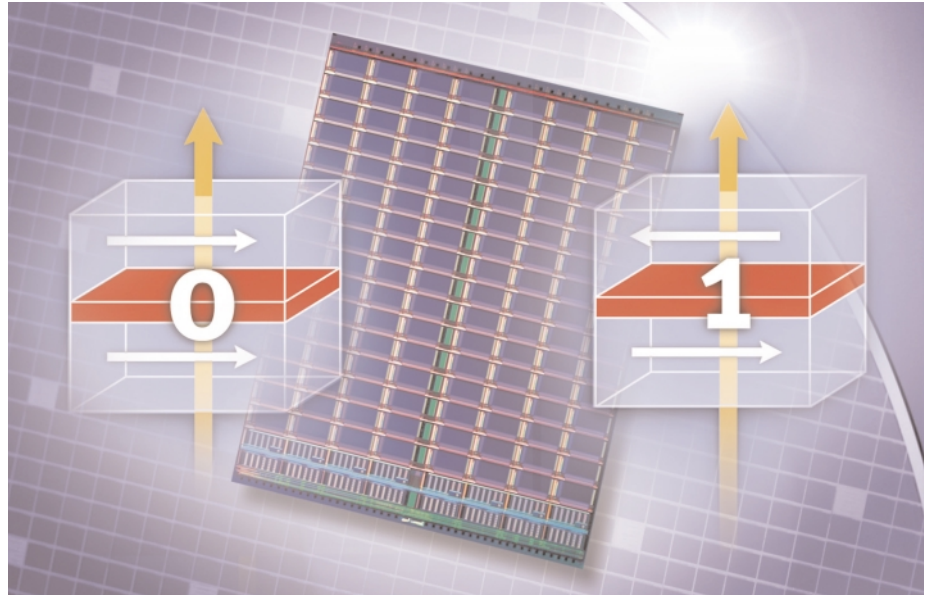
Infineon introduced its new high-speed 6-bit flash analog-digital converter (ADC) at the 2004 Symposia on VLSI Technologies and Circuits. The new unit is seen as an important milestone along the road towards efficient mixed-signal switches that create a link between the analog and digital worlds, to be used in coming generati-

ons of communications products. The units are manufactured using cost-efficient standard CMOS (complementary metal-oxide semiconductor) technology, currently the method of choice in creating logic chips that require less energy. The new converter reaches a record sampling rate of 4 gigasamples a second.

## HIGHER BIT DENSITY: A BREAKTHROUGH FOR MAGNETIC CHIPS

Magnetic data storage units, now rapidly gaining popularity, offer a number of advantages: the units do not require a continuous power supply to store data; they are extremely fast; and they allow for nearly immediate access to stored data as soon as the computer is switched on. Infineon and IBM have combined forces to develop the world's first 16-megabit magnetoresistive RAM (MRAM) chip, a new capacity record for the technology. The prototype,

**Cooperation pays off:** Infineon and IBM developed this magnetic chip together.



introduced at the VLSI symposia in Hawaii, is 1000 times faster than the non-volatile flash memory used today in USB sticks and pocket computers. MRAM is considered an excellent choice for universal portable memory systems, which are becoming more and more prevalent today.

**Magnetic memory components:** up and coming and unrivalled – especially for use in portable electronics.

## AIRBAGS OPEN IN OVERTURNING CARS THANKS TO NEW CAR SENSORS

Infineon presented an entire new range of car sensors at the Sensors Conference & Expo in Detroit. Two of the new Infineon products emanate from the Norwegian company SensoNor: a sensor to monitor tire pressure; and a sensor that goes off when cars overturn, causing side airbags to open and safety belts to tighten. Infineon acquired SensoNor last year, a leading supplier of air pressure and inertia sensors.

Every new vehicle today includes an average of 2 sensors and 20 microcontrollers from Infineon. And this figure is poised to rise; the semiconductor market for car safety applications is expected to increase an average of over 10 percent each year over the next four years according to Strategy Analytics, a U.S. market research company.

## GOING BROADBAND WITH INFINEON

Infineon is now offering two new broadband solutions that render data transfer faster and more flexible. The Amazon ADSL2/2+-Chip supports rapid wireline data transfer from the global web to local networks. The chip is particularly suited to triple-play applications combining voice, video and data in a combined home gateway broadband system, linking home net applications. Infineon's WildCard chip set paves the way for wireless Ethernet networking at up to 54 megabits per second. Both products are of interest to manufacturers of DSL modems, home gateways, set-top boxes which link televisions to the internet, and routers that connect various networks. This enables all of Infineon's home components to be linked together into one network.



### Three-in-one:

The Amazon chip set brings voice, video, and data home – all through a single interface.

## GOLD FOR DIGITAL RADIO AND TELEVISION



**GOLDMOS**, technology with a heart of gold, digitalizes radio and television, and is used in cellular base stations.

Cellular phone base stations, digital radio, and digital television all require powerful voice and data communication systems. Infineon meets these needs with its new generation of GOLDMOS high-power transistors. These transistors feature ultra-wide bandwidth, an approximately 10 percent increase in linear efficiency, and a reduced memory effect. The high-power transistors also provide the industry's best thermal performance, making them the most reliable components available today. This is the result of a new process technology developed by Infineon developers using gold metallization. The first product samples will be available beginning the third quarter of 2004 and serial production is slated to start in the fourth quarter of 2004.

## OVERVIEW OF FINANCIAL RESULTS

### THIRD QUARTER OF THE 2004 FINANCIAL YEAR

- Quarterly revenues increased 14 percent sequentially to Euro 1.9 billion
- Accrual in connection with DRAM antitrust investigations increased by Euro 184 million
- Quarterly net loss of Euro 56 million and EBIT of Euro 2 million after accrual
- Net income in the third quarter before accrual improved significantly to Euro 107 million, from Euro 39 million sequentially and a net loss of Euro 116 million year-on-year
- Quarterly EBIT of Euro 186 million before accrual increased from Euro 71 million in the previous quarter, and from an EBIT loss of Euro 116 million year-on-year
- Operating cash flow increased to over Euro 500 million in third quarter; free cash flow significantly improved to Euro 146 million

Infinion Technologies achieved revenues of Euro 1,908 million, an increase of 14 percent sequentially and 30 percent year-on-year.

The company has increased by Euro 184 million to Euro 212 million its accrued charge in connection with the ongoing U.S. and European DRAM antitrust investigations and related potential civil claims, as described below. This accrual resulted in a net loss in the third quarter of Euro 56 million, compared to net income of Euro 39 million in the previous quarter, and to a net loss of Euro 116 million a year ago.

Basic and diluted earnings per share decreased to a loss of Euro 0.08 in the third quarter, compared to earnings of Euro 0.05 in the previous quarter. If the effect of the accrual were excluded, basic and diluted earnings per share would have been Euro 0.14, a significant year-on-year improvement from a loss per share of Euro 0.16.

SELECTED CONSOLIDATED STATEMENT OF OPERATIONS DATA	FOR THE 3 MONTHS ENDED	
	MAR. 31, 2004	JUN. 30, 2004
	in Euro millions	
Net sales	1,671	1,908
<b>Gross profit</b>	<b>557</b>	<b>695</b>
Research and development expenses	-304	-308
Selling, general and administrative expenses	-176	-194
Restructuring charges	-8	-5
<b>Operating income</b>	<b>68</b>	<b>5</b>
Interest expense, net	-8	-24
Minority interests	2	3
<b>Income before income taxes</b>	<b>63</b>	<b>-22</b>
Income tax benefit (expense)	-24	-34
<b>Net income</b>	<b>39</b>	<b>-56</b>
Weighted average of outstanding shares – basic	723	748
Weighted average of outstanding shares – diluted	733	748
<b>Earnings per share – basic and diluted</b>	<b>0.05 €</b>	<b>-0.08 €</b>
<b>EBIT</b>	<b>71</b>	<b>2</b>



## Revenues

The sequential growth was achieved mainly through higher prices for products of the Memory Products segment, as well as higher demand for products of the Secure Mobile Solutions segment.

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

- The Automotive & Industrial segment's third quarter revenues totaled Euro 415 million, up 9 percent sequentially and 16 percent year-on-year. The sequential revenue increase was driven mainly by continued demand for automotive and industrial power solutions as well as positive developments in the AC/DC Power Supplies business.

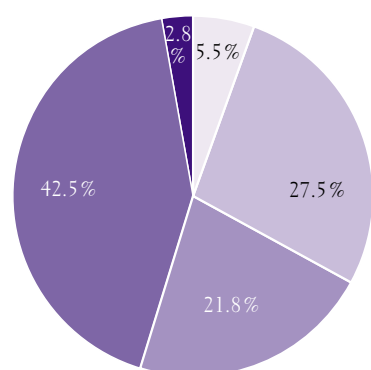
- Wireline Communications' revenues decreased to Euro 104 million in the third quarter, down 5 percent from the previous quarter and down 13 percent year-on-year. Infineon completed the acquisition of ADMtek in the third quarter, and as a result recorded its first revenue from Broadband Customer Premises Equipment (CPE) through the consolidation of two months of ADMtek results. However, this could not offset lower revenues from narrow-band access products and from the optical business.

- Secure Mobile Solutions' third quarter revenues were Euro 525 million, an increase of 14 percent compared to the previous quarter and a significant increase of 38 percent compared to the third quarter of last year. The sequential revenue increase was primarily driven by a stronger security products business, and higher demand for mobile solutions products, especially in Europe and Asia.

SELECTED CONSOLIDATED BALANCE SHEET DATA	AS OF	
	SEPT. 30, 2003	JUN. 30, 2004
<b>Assets</b>	<b>in Euro millions</b>	
Cash and cash equivalents	969	1,094
Marketable securities	1,784	1,536
Trade accounts receivable, net	876	1,073
Inventories	959	886
<b>Current assets</b>	<b>5,306</b>	<b>5,176</b>
Property, plant and equipment, net	3,817	3,555
<b>Total assets</b>	<b>10,805</b>	<b>10,845</b>
<b>Liabilities and shareholders' equity</b>		
Short-term debt and current maturities	149	174
Trade accounts payable	877	960
<b>Total current liabilities</b>	<b>2,134</b>	<b>2,326</b>
Long-term debt	2,343	2,060
<b>Total liabilities</b>	<b>5,139</b>	<b>4,915</b>
<b>Total shareholders' equity</b>	<b>5,666</b>	<b>5,930</b>

SELECTED CONSOLIDATED CASH FLOW DATA	FOR THE 3 MONTHS ENDED	
	MAR. 31, 2004	JUN. 30, 2004
	<b>in Euro millions</b>	
<b>Net cash provided by operating activities</b>	<b>463</b>	<b>506</b>
<b>Net cash used in investing activities</b>	<b>-92</b>	<b>-34</b>
<b>Net cash (used in) provided by financing activities</b>	<b>-</b>	<b>-334</b>
<b>Depreciation and amortization</b>	<b>329</b>	<b>329</b>
<b>Purchases of property, plant and equipment</b>	<b>-253</b>	<b>-271</b>

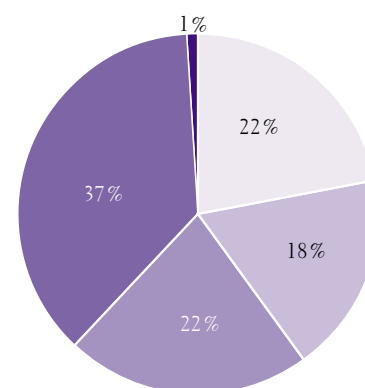
Revenues by segment in Euro millions  
For the 3<sup>rd</sup> Quarter 2004



Wireline Communications: 104 million euros  
 Secure Mobile Solutions: 525 million euros  
 Automotive & Industrial: 415 million euros  
 Memory Products: 811 million euros  
 Other Operating Segments, Corporate and Reconciliation: 53 million euros

**Infineon: 1,908 million euros**

Regional revenues in percent  
For the 3<sup>rd</sup> Quarter 2004



Germany  
 Other Europe  
 North America  
 Asia-Pacific  
 Others

■ The Memory Products segment's third quarter revenues were Euro 811 million, an increase of 22 percent sequentially and of 43 percent compared to the third quarter of the last fiscal year. The significant sequential revenue increase was due primarily to higher average prices for chips.

■ Third quarter revenues in the Other Operating Segments were Euro 45 million, a decrease of 10 percent sequentially, but an increase of 25 percent year-on-year from Euro 36 million.

Revenues outside Europe constituted 60 percent of total revenues, up from 58 percent in the previous quarter. Sales in North America were with 22 percent of total revenues comparable to the previous quarter. Sales in the Asian market represented 37 percent of total revenues, up sequentially from 35 percent.

### Earnings

Quarterly EBIT (Earnings Before Interest and Taxes) of Euro 2 million declined from Euro 71 million in the previous quarter, but improved from an EBIT loss of Euro 116 million in the third quarter of the last fiscal year. Excluding the effect of the additional

accrual, the company would have had positive EBIT of Euro 186 million for the quarter. The sequential and year-on-year quarterly earnings increases, excluding the effect of the additional accrual, were due primarily to higher chip prices in the Memory Products segment, and both higher volumes and increased productivity in the Secure Mobile Solutions segment. The worldwide semiconductor market has gained considerable momentum during the last three months. Infineon was able to take advantage of this development which is reflected in its improved financial results, excluding the effect of the antitrust accrual.

For Infineon's segments, the developments during the third quarter of the 2004 financial year as compared to the previous quarter and the third quarter of the 2003 financial year were as follows:

■ The Automotive & Industrial segment's EBIT improved to Euro 58 million compared to Euro 51 million in the previous quarter and Euro 50 million in the third quarter of last year. The sequential EBIT increase was caused primarily by higher sales volumes and full utilization of manufacturing capacities.

■ The Wireline Communications' EBIT loss increased to Euro 35 million, from a loss of Euro 19 million in the previous quarter, but improved from a loss of Euro 99 million year-on-year. The year-ago quarter included a goodwill impairment charge of Euro 68 million. The sequential EBIT decrease was mostly due to charges associated with the acquisition of ADMtek and lower revenues.

■ Mobile Solutions' EBIT increased significantly to Euro 47 million, compared to Euro 27 million in the previous quarter and an EBIT loss of Euro 18 million year-on-year. The quarterly EBIT increase resulted primarily from higher volume shipments, an improvement in productivity resulting in lower unit costs, as well as an overall improved product mix.

■ The Memory Products segment's EBIT amounted to negative Euro 50 million, down from positive Euro 13 million in the previous quarter and positive Euro 3 million on a year-on-year basis. The lower EBIT reflects an increase of Euro 184 million in the accrual for antitrust matters, which more than offset the positive effect of higher chip prices.

EBIT	FOR THE 3 MONTHS ENDED	
	MAR. 31, 2004	JUN. 30, 2004
	in Euro millions	
Wireline Communications	-19	-35
Secure Mobile Solutions	27	47
Automotive & Industrial	51	58
Memory Products	13	-50
Other Operating Segments and Corporate and Reconciliation	-1	-18
<b>Infineon Group</b>	<b>71</b>	<b>2</b>

- Other Operating Segments' EBIT showed a loss of Euro 3 million, compared to a loss of Euro 17 million in the previous quarter, and a loss of Euro 15 million in the third quarter of fiscal year 2003. The reduced sequential loss mainly reflects lower impairment charges for investments in the company's venture capital portfolio compared to the second quarter.
- In Corporate and Reconciliation, EBIT in the third quarter was a loss of Euro 15 million, compared to income of Euro 16 million in the prior quarter, and a loss of Euro 37 million in the third quarter of fiscal year 2003. The second quarter included the reversal of a Euro 32 million provision for license fees that are no longer required due to a favorable ruling in a legal proceeding. The year-on-year increase mainly reflects improved capacity utilization.

#### Expenses

Expenditures for Research and Development in the third quarter totaled Euro 308 million, or 16 percent of revenues, increasing sequentially from Euro 304 million, or 18 percent of revenues. The increase in absolute terms primarily reflects in-process research and

development expenses of Euro 9 million in the Wireline Communications segment as a result of the acquisition of ADMtek.

Expenses for SG&A (Selling, General & Administrative) in the third quarter amounted to Euro 194 million, or 10 percent of revenues, compared to Euro 176 million, or 11 percent of revenues, in the previous quarter, reflecting higher, volume-related expenses and some one-time expenses.

#### Results for First Nine Months of Fiscal Year 2004

Total revenues for the first nine months of fiscal year 2004 were Euro 5,202 million, up 18 percent from Euro 4,396 million in the same period last year. Net income for the first nine months of this fiscal year amounted to Euro 17 million, a significant improvement compared to a net loss of Euro 484 million year-on-year. EBIT for the first nine months of this fiscal year increased to Euro 143 million, a significant improvement compared to the EBIT loss of Euro 366 million of the first nine months of the last fiscal year. If the effects of the additional accrual, taken during the third quarter, were excluded, the company would have had net income of Euro 180 million and EBIT of Euro 327 million for the first nine months of this fiscal year.

#### Liquidity

Free cash flow, representing cash flow from operating and investing activities excluding purchases or sales of marketable securities, significantly improved to Euro 146 million, increasing from Euro 53 million in the previous quarter. The improved sequential free cash flow reflects higher cash flows generated from operations of Euro 506 million compared to Euro 463 million in the previous quarter. Infineon's gross cash position, representing cash and cash equivalents, marketable securities, and restricted cash, amounted to Euro 2.8 billion, decreasing sequentially from Euro 2.9 billion. During the third quarter, Infineon redeemed Euro 200 million of its convertible notes due 2007, which will reduce future interest expenses.

#### Group Structure

In April 2004, Infineon agreed to sell its fiber optics business of the Wireline Communications segment to U.S.-based Finisar Corporation. The transaction is expected to be completed in the fourth quarter of fiscal year 2004, subject to Finisar shareholder approval and other closing conditions. In May 2004, Infineon completed the acquisition of the Taiwanese company ADMtek, which is part of the Wireline Communications segment.

## OUTLOOK FOR THE FOURTH QUARTER OF FISCAL YEAR 2004

In the automotive industry, Infineon generally sees no major changes. Price pressure from car manufacturers is expected to continue, as they provide add-on features with higher semiconductor content as buying incentive in an effort to stimulate the market. Due to seasonal

growth of the PC market, impacting the company's industrial business, combined with early investment in capacity expansion, Infineon expects further moderate growth in its Automotive & Industrial segment during the fourth quarter of fiscal year 2004.

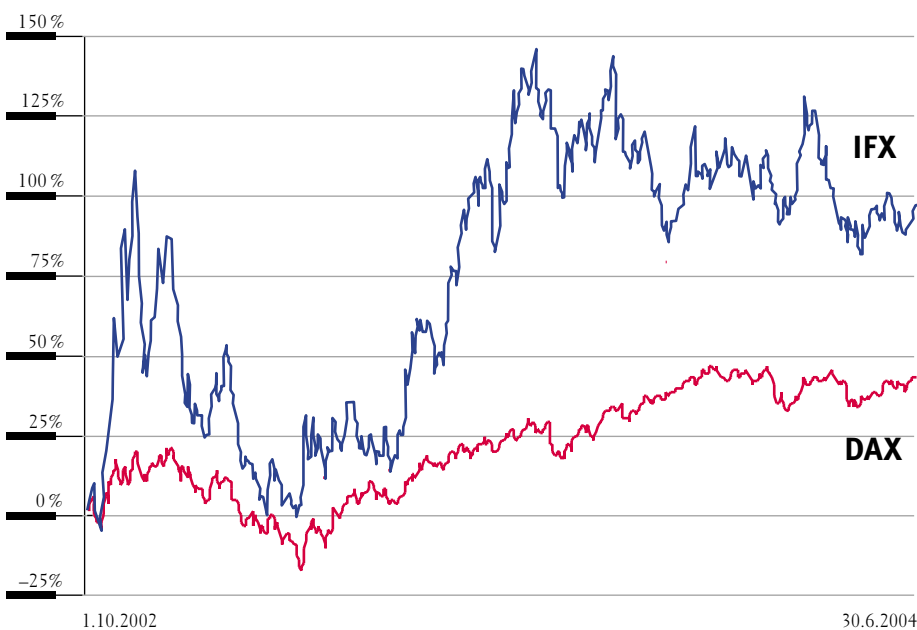
In its Wireline Communications segment, Infineon anticipates a continued challenging market environment in the fourth quarter of fiscal year 2004. Growth in its ADSL, optical networking, and CPE business, is expected to be partially offset by continuing lower demand for traditional telecom products.

For the fourth quarter of fiscal year 2004, Infineon expects continued positive development for its Secure Mobile Solutions segment. Based on seasonal demand strength, revenues for mobile solutions are anticipated to increase further. Customer demand for baseband ICs and RF transceivers is expected to remain high, reflecting an anticipated increased number of mobile phones sold in calendar year 2004 to 600 million units compared to 540 million units in 2003, according to Gartner.

For the fourth quarter of fiscal year 2004, Infineon expects a favorable supply-demand-balance for its Memory Products segment, based on increases of seasonal demand and modest supply additions in the industry. Overall, Infineon expects a solid growth of production and bit shipments, reflecting the continuing ramp-up of production at Inotera Memories and the impact of increased output based on 110-nanometer technology.

The third quarter results confirm that Infineon is well on track. The accrual for the antitrust matters unfortunately pushed the net results into the negative, which masks the results of what was otherwise a very successful quarter for the Company. Infineon will continue to cooperate with its customers and business partners throughout the world in a lasting, stable and reliable way. For the fourth quarter of fiscal year 2004, Infineon expects continued overall growth in revenues and earnings.

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	10,14 EURO	LOW	3.276,64
HIGH	13,65 EURO	HIGH	4.151,83
FINAL	11,04 EURO	FINAL	4.052,73

**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 CALENDER

- Nov. 9, 2004 Publication of preliminary results for the 2004 fiscal year, including the 4<sup>th</sup> quarter (to September 30, 2004)
- JAN. 24, 2005 Publication of results for the 1<sup>st</sup> quarter of the 2004 fiscal year (to December 31, 2004)
- JAN. 25, 2005 Annual Shareholder's Meeting, Munich/ Germany

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