Infineon

CeBIT 2005

March 10, 2005 – Hannover

Implementing Profitable Growth

Peter Bauer
Member of the Management Board
Infineon Technologies

Infineon technologies

Never stop thinking.

Disclaimer

Please note that while you are reviewing this information, this presentation was created as of the date listed, and reflected management views as of that date.

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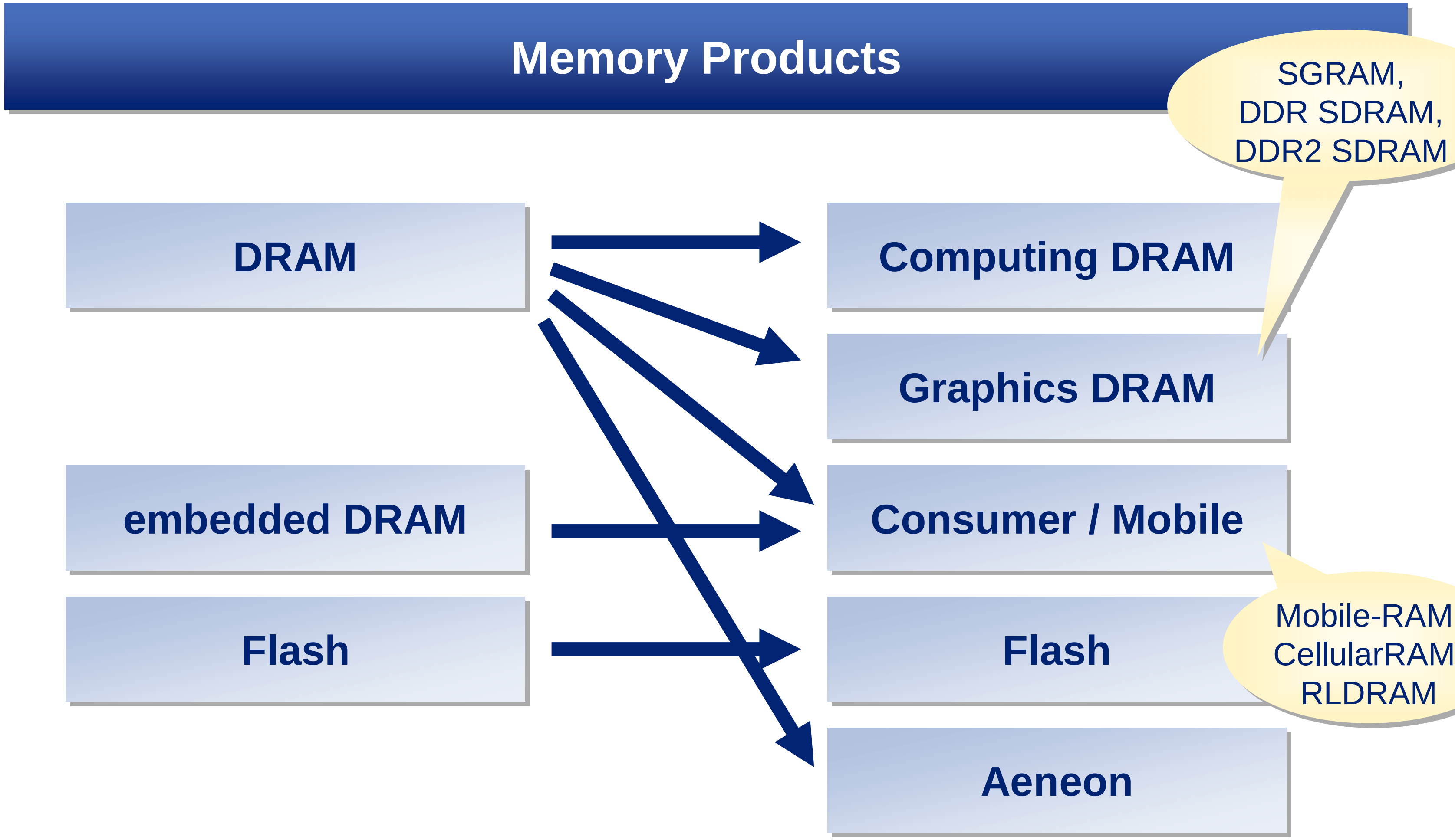
Infineon Technologies as of December 31, 2004: 4 Business Groups; 14 Business Units

Memory Products	Secure Mobile Solutions	Wireline Communications	Automotive & Industrial
DRAM	Mobile Solutions	Carrier Access	Microcontroller
embedded DRAM	Wireless Infrastructure	Fiber Optics	Automotive Power
Flash	Security	Optical Networking	Sense & Control
			Power Mgmt & Supply
			High Power (Eupec)
			Discrete Semicond

Other Operating Segments

- ASIC & Design Solutions – moved to AIM ADS
- Ventures – sold to Cipio
- Emerging Businesses – phased out

Changes in Memory Products



Changes in Secure Mobile Solutions

Secure Mobile Solutions → **Communications**

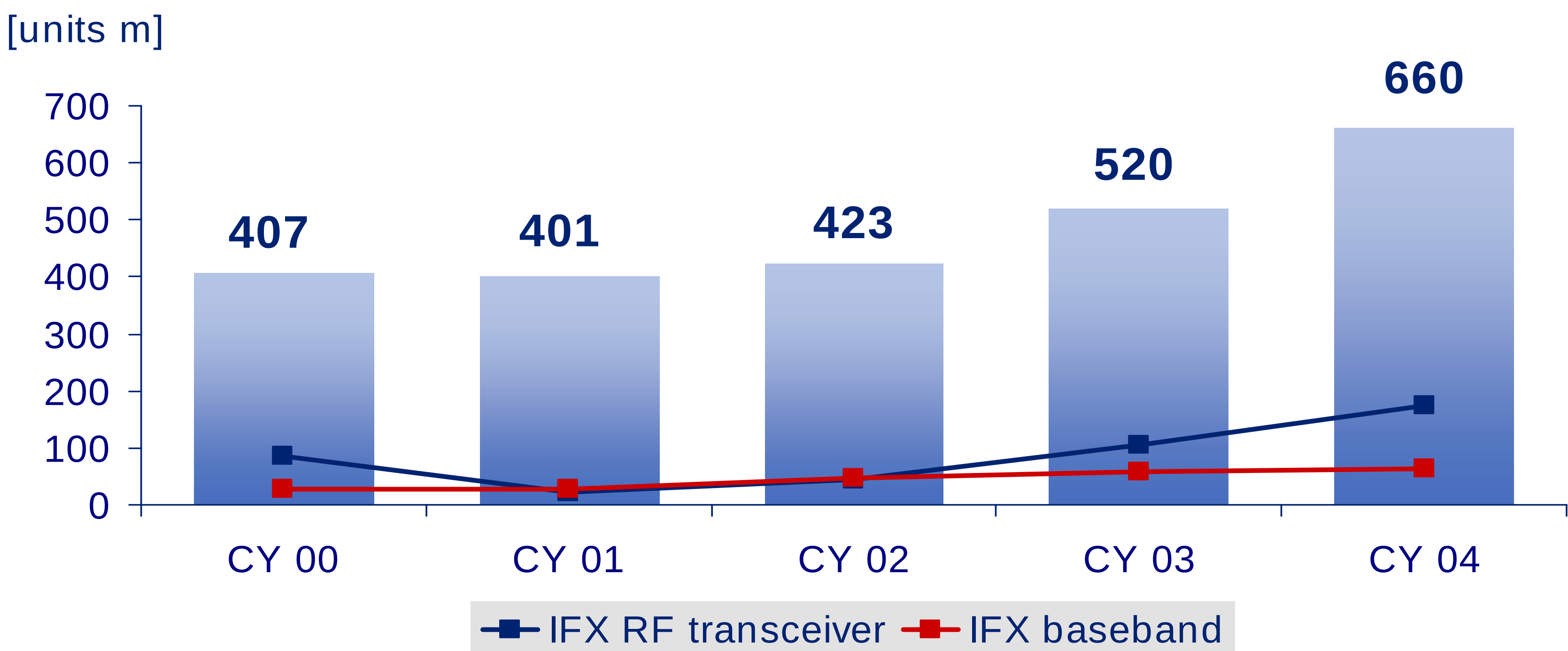
Mobile Solutions → **Feature Phone**, **Entry Phone**, **RF Engine**, **Short Range Wireless**

Wireless Infrastructure

Security

Wireless Communication: Cont‘d to gain market share in RF transceiver in 2004

Worldwide Cell Phone Market 2000 to 2004



Infineon‘s market share [in units]:

RF	**21%**	**5%**	**10%**	**21%**	**26%**
BB	**7%**	**7%**	**11%**	**11%**	**10%**

Sources: Market: Gartner, Jan 2005 / Market Share: Infineon estimate, Jan 2005

Successful integration of RF CMOS into baseband: sampling RF baseband system-on-chip for GSM/GPRS

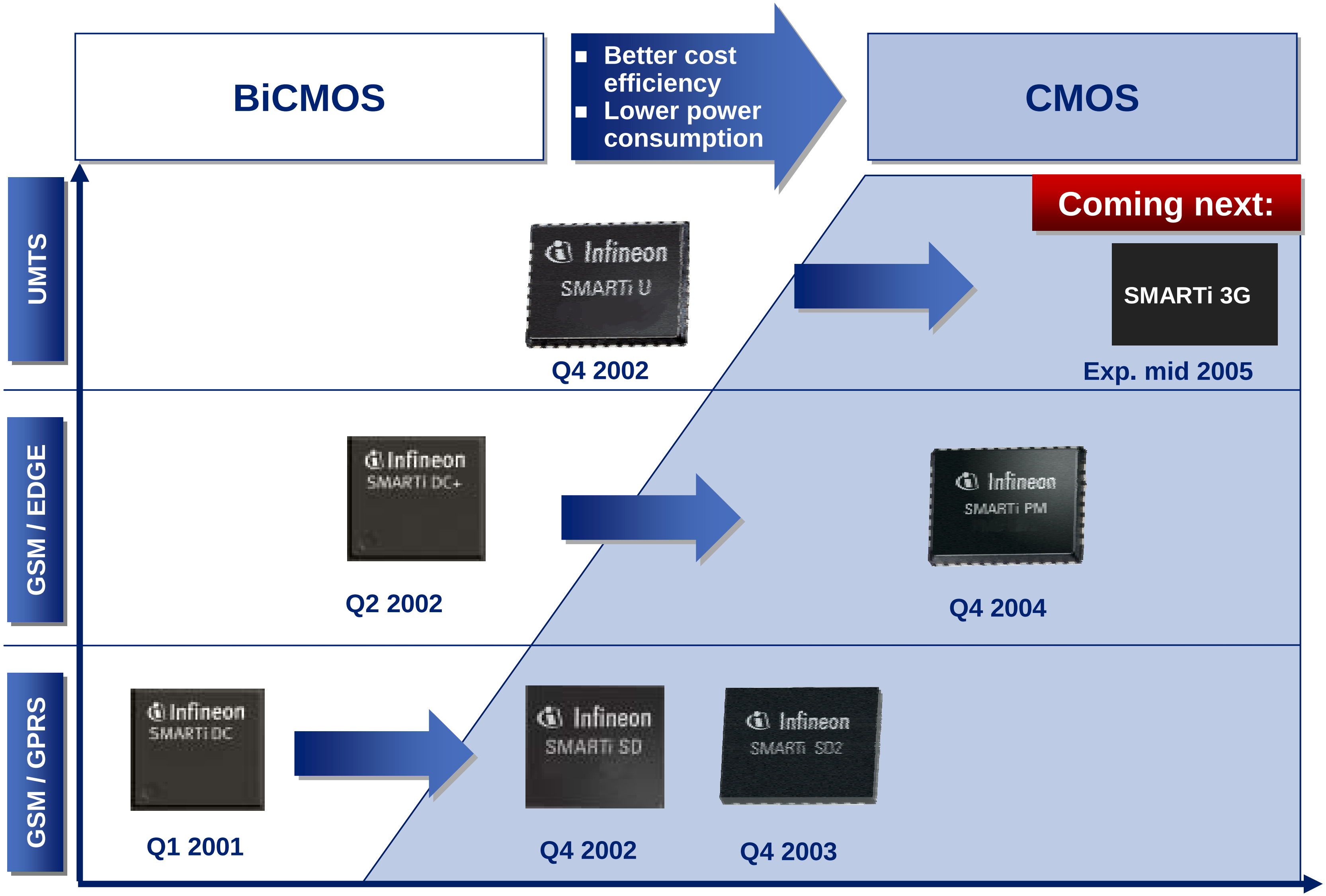
Infineon's single-chip demo-phone at 3GSM 2005

Integrated:
- **RF transceiver: SMARTi SD2**
- **Baseband: E-GOLDlite**

Advantages over 2-chip solution:
- **30% less board space**
- **30% lower bill of material**

Supported:
- **Up to GPRS class 12**
- **1.3 megapixel camera**
- **Dual color display**
- **Polyphonic ringer**
- **MP3 playback**

Transition of complete RF transceiver portfolio to CMOS: Paving the way for GSM/UMTS single-chip solutions



Dates refer to first customer samples available

E-GOLDradio enables the world's most integrated GSM/GPRS entry phone platform

BP2 Platform

Key components:

- Software
- CellularRAM / Flash MCP
- Power Mgmt. E-POWERlite
- Power Amplifier
- **RF Transceiver SMARTi SD2**
- **Baseband E-GOLDlite**

Today

- **Reduced System Cost**
- **Smaller PCB Size**
- **Less Complexity**

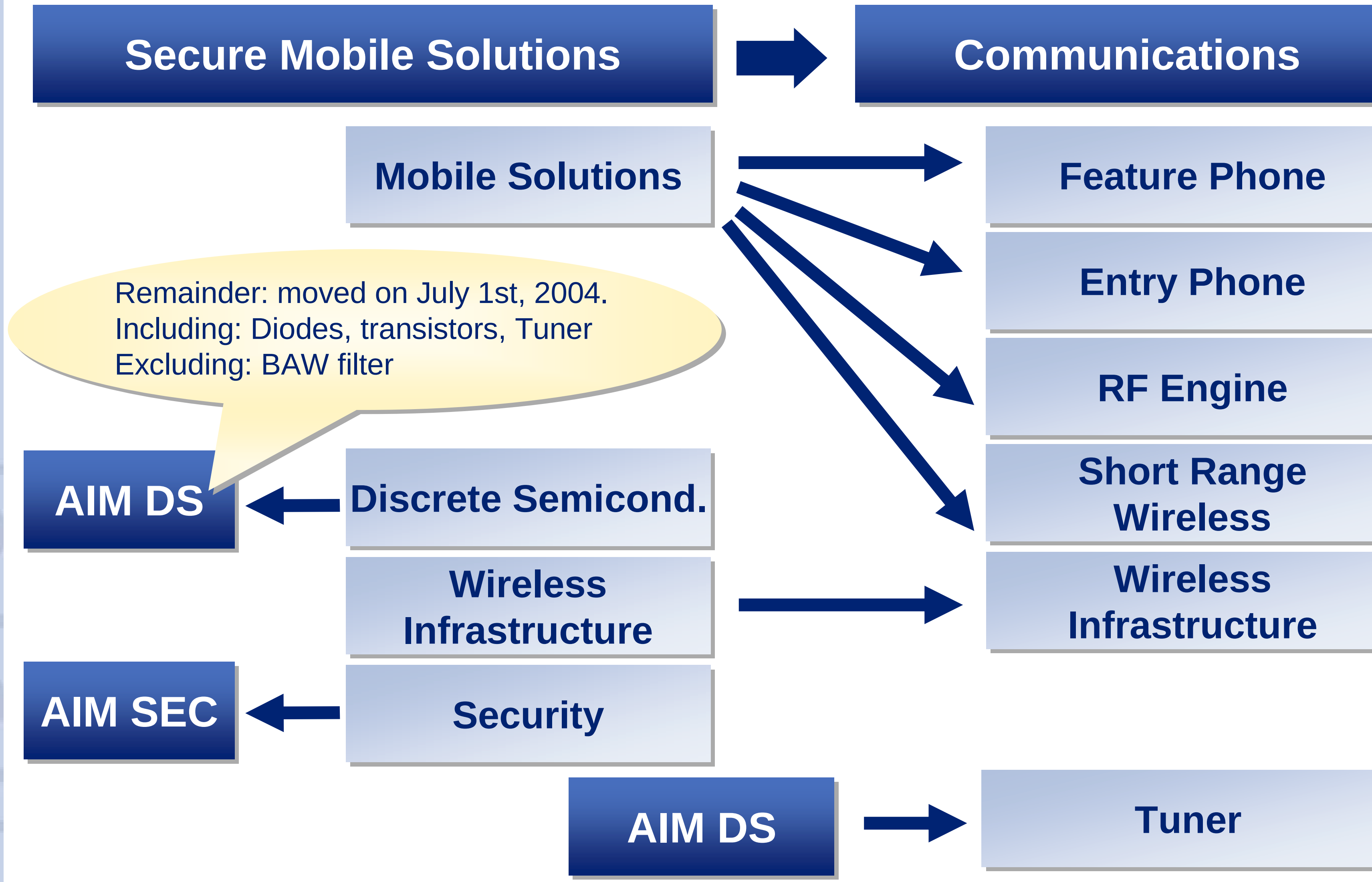
BP3 Platform

Key components:

- Software
- CellularRAM / Flash MCP
- Power Mgmt. E-POWERlite
- Power Amplifier
- **Single-Chip E-GOLDradio**

End 2005

Changes in Secure Mobile Solutions



Leverage leading position in digital terrestrial TV into mobile TV

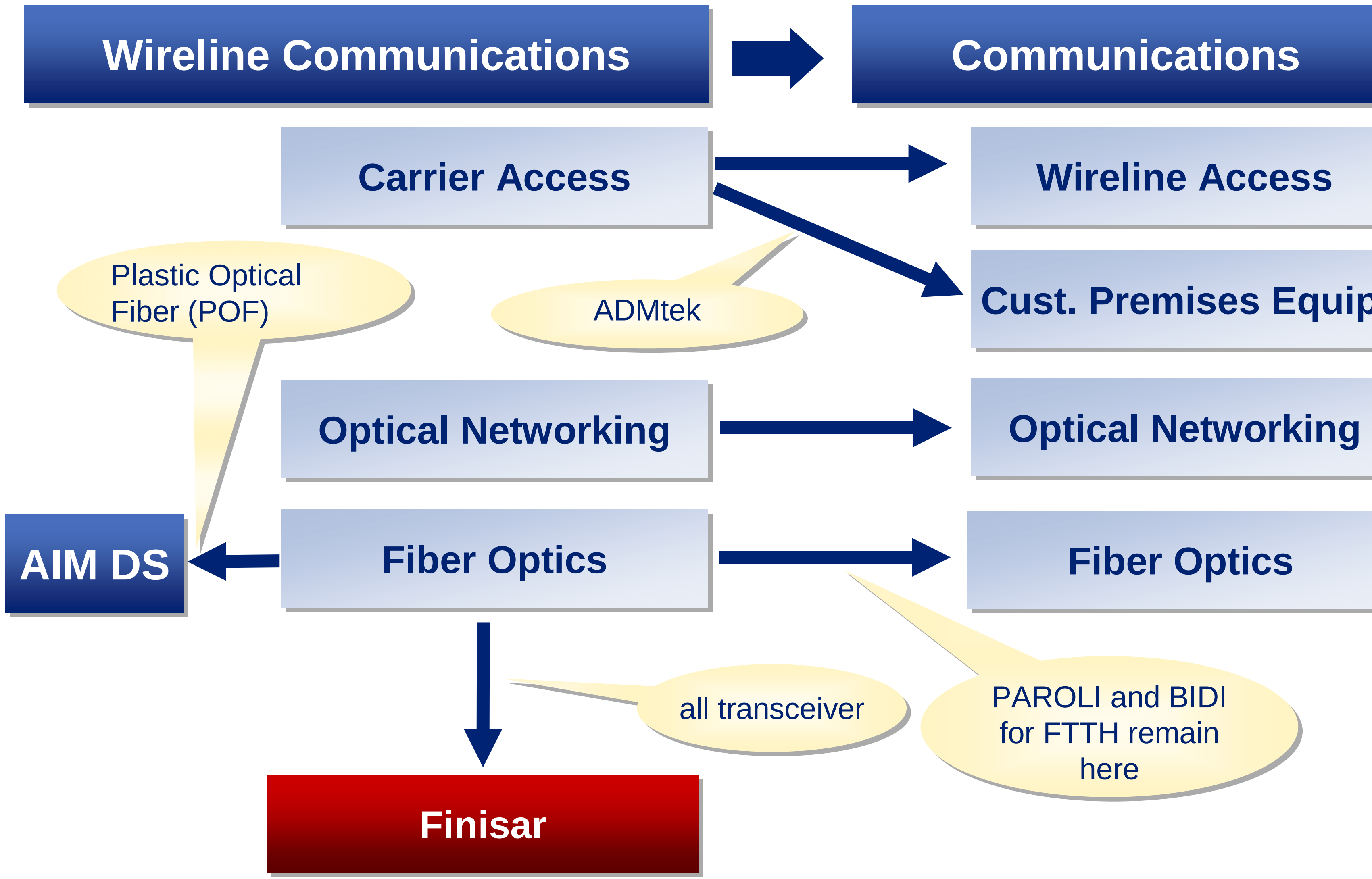
- Infineon is market leader in the fast growing digital terrestrial tuner market (DVB-T standard)
- Our tuner IC products are used in most digital terrestrial standard TV sets, Set-Top-Boxes and world's first PCMCIA card for TV reception
- We intend to leverage this strong position into a complete DVB-H/T-DMB front-end solution
- Infineon to participate in the world's first roll-out of mobile TV in South Korea in 2005 with a tuner IC in a DMB-receiving mobile phone from LG Electronics

World's first terrestrial DMB-receiving mobile phone from LG Electronics*

T-DMB (Terrestrial-Digital Mobile Broadcasting; the mobile TV standard in Korea)

* Source: www.lge.com, Nov. 15, 2004

Changes in Wireline Communications



Changes in Automotive & Industrial

Automotive & Industrial → **Autom., Ind., Multimarkets**

- **Microcontroller**
- **Automotive Power**
- **Sense & Control**
- **Power Mgmt & Supply**
- **High Power (Eupec)**
- **Discrete Semicond.**

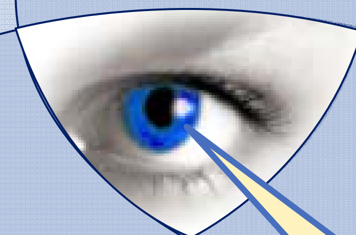
AIM business focus

Automotive

- Complete product coverage: Sensors, microcontrollers, power ICs, Plastic Optical Fiber
- Over 35 years of experience in automotive electronics

Industrial

- Broad spectrum of power semiconductor technologies for all kinds of voltages
- Application-specific reference designs
- Technology leadership enabling system miniaturization and high-efficiency performance



Multimarket

- Strong channel partners
- Competitive and established standard products
- ASIC and design solutions
- Leadership in all chipcard markets

- Global presence based on strong customer relationship
- Profound application know-how
- Cost-effective and high-quality manufacturing

Changes in Automotive & Industrial

Automotive & Industrial	Auto., Ind., Multimarkets
Microcontroller	Microcontroller
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Sense & Control	Sense & Control
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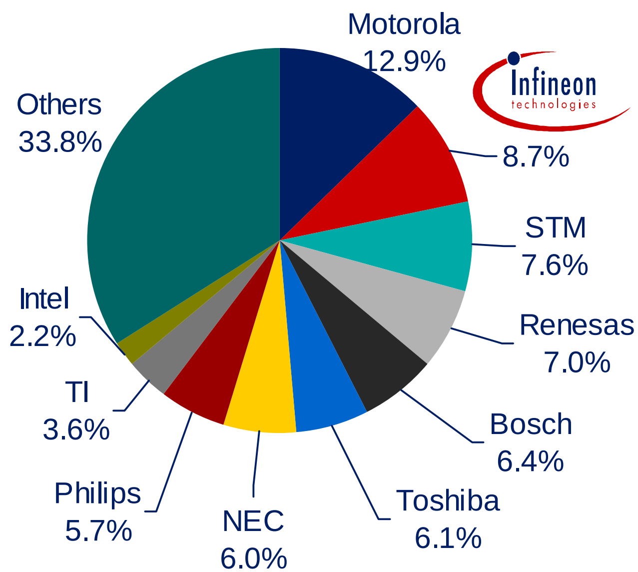
Discrete Semicond.	

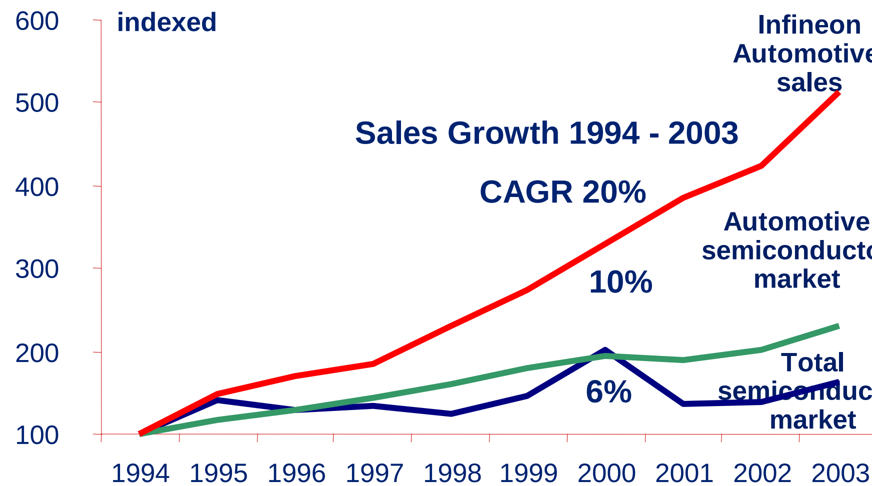
Infineon Automotive ranks No.2 worldwide by continuously outperforming the market

Infineon Automotive 2003
No. 2 World No.1 Europe No. 3 US



- Market: 13.128 mill. US$
- CAGR: 7-8%

Continuous Outperformance



- Strong European market development compared to rest of world
- Strengthened regional business in NAFTA/Japan
- Improved relationships to major automotive system vendors

Strong market position in Europe secures technological leadership

Source: Strategy Analytics

The Road to 2010:
90% of all Automotive innovations will be driven by electronics

Production of **73** million light vehicles from 8 OEMs
Electronic content: **35%** (22% hardware + 13% software)
Semiconductor content per car: ~ EUR **300**

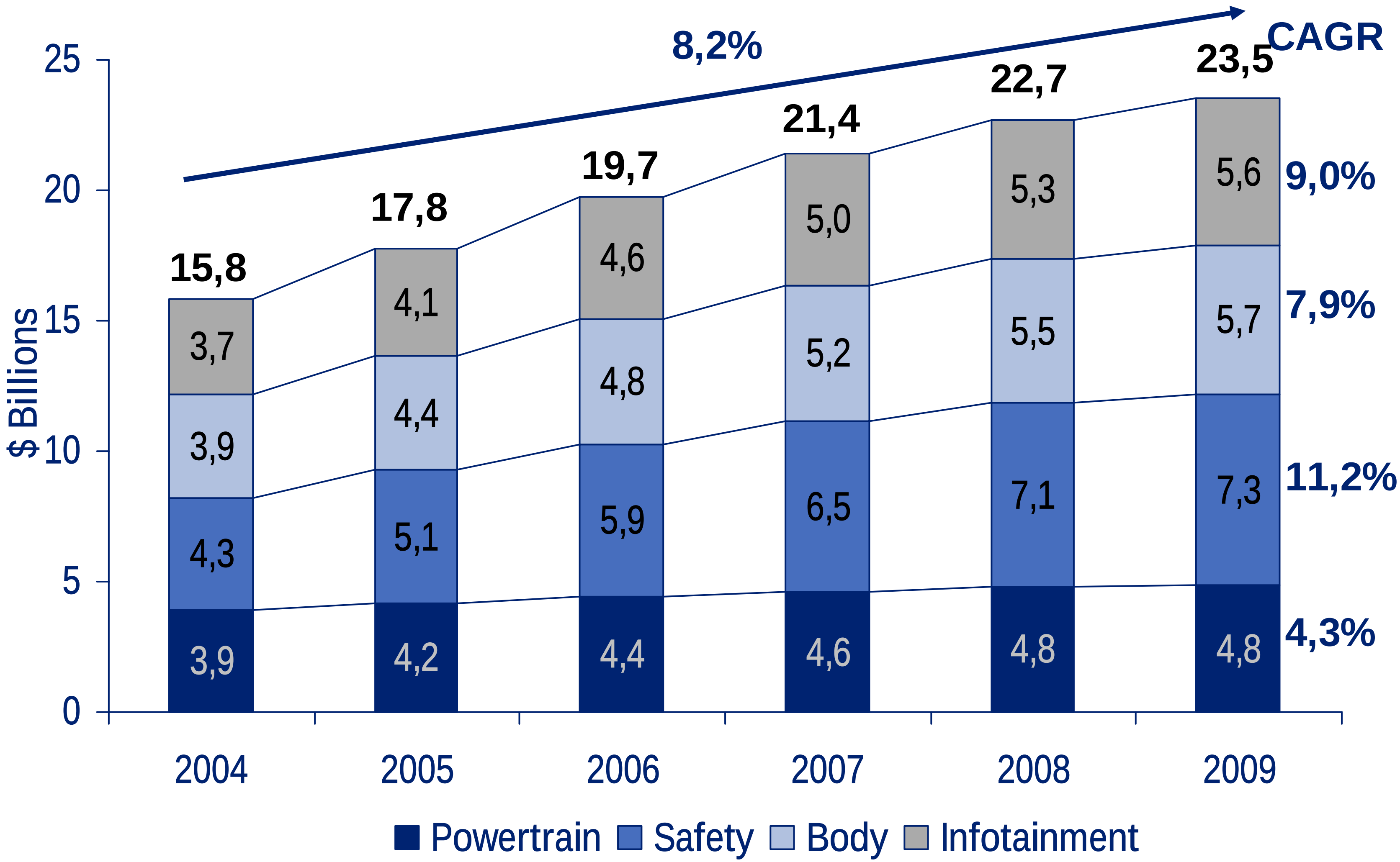
2010

2002

Production of **57** million light vehicles from 20 OEMs
Electronic content: **22%** (18% hardware + 4% software)
Semiconductor content per car: ~ EUR **200**

Sources: Strategy Analytics, FAZ

Longterm outlook offers continous growth of automotive semiconductors



Source: Strategy Analytics, WSTS, IFX estimations

Longterm industry outlook forecasts moderate global light vehicle growth but dynamic automotive electronics and semi markets

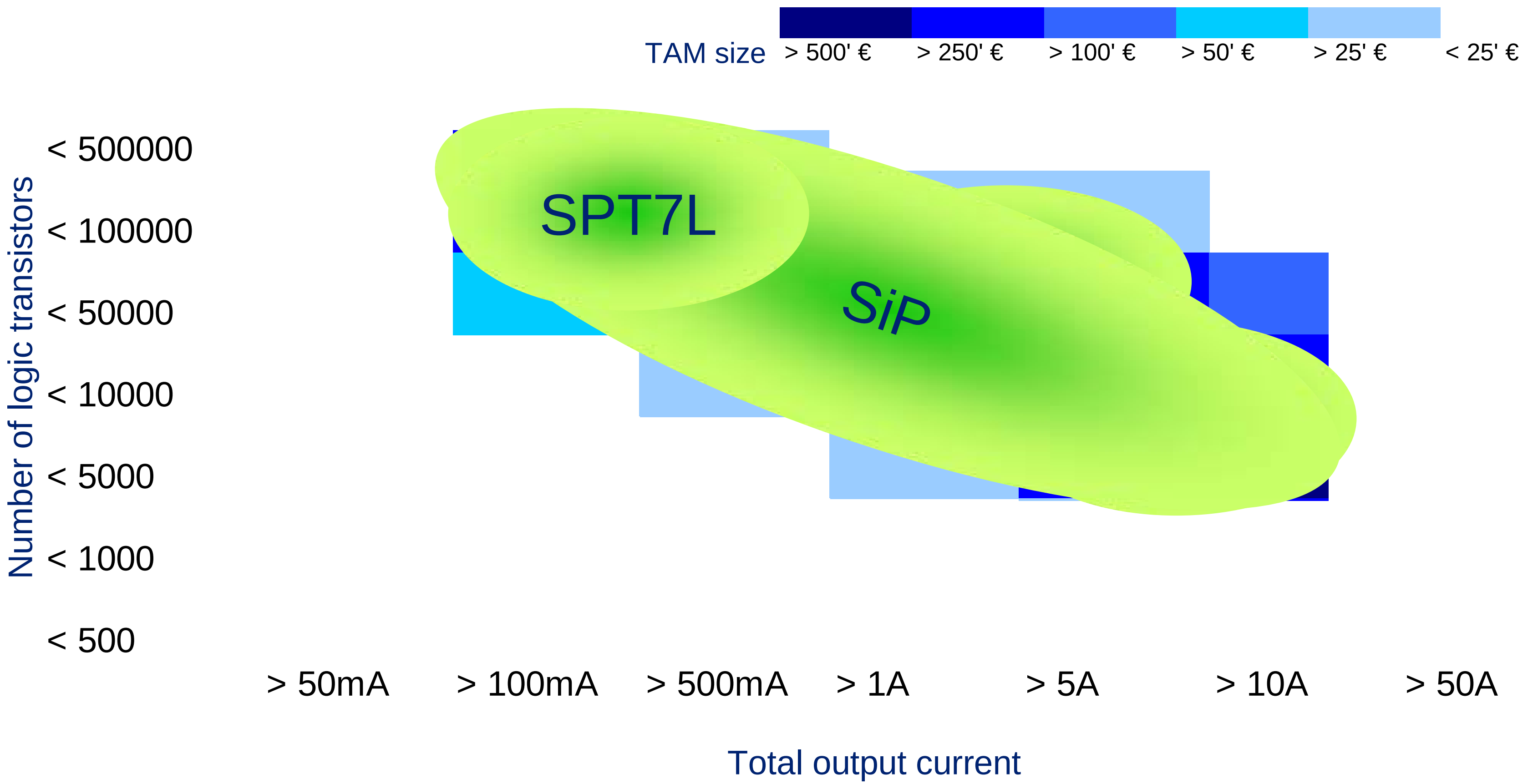
Market Perspective	2004	2009	CAGR
Light Vehicle Production (k volumes)	61,893	70,944	2.8%
Electronic System Demand (mill. US$)	122,460	166,417	6.3%
ECU Demand (mill. US$)	35,267	50,466	7.4%
Semiconductor Demand (mill. US$)	15,822	23,500	**8.2%**

Growth Drivers

- Replacement of hydraulics and mechanics by electronics Size/weight optimization of systems and components
- Migration of electronic features into middle and economy class cars (HVAC, side airbags, etc.)
- Electronic innovations in high volume car segments (electric power steering)
- Increasing sensor content key to intelligent vehicles
- In-car networking requires intelligent Bus Systems (“system on vehicle”)

Source: Global Insight, Strategy Analytics, IFX

Total market for 'control and actuate' as a function of logic versus power



Clear Focus of SPT Technology on Specific TAM Areas Increases Profitability

You will not find this slide in your handout!

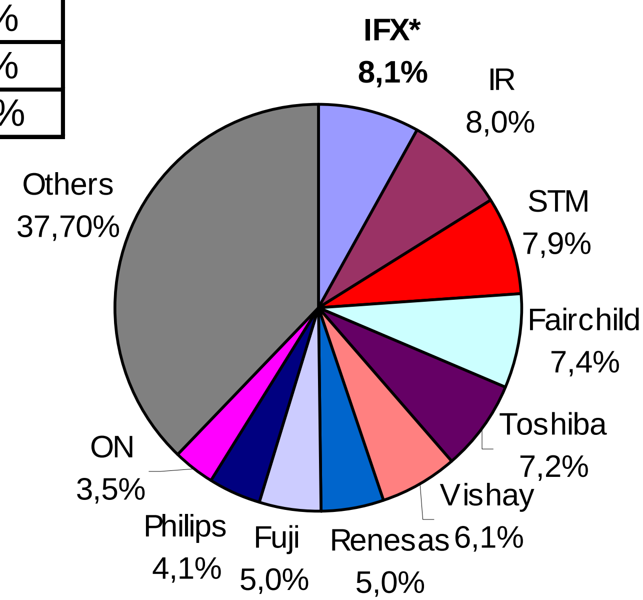
Changes in Automotive & Industrial

Automotive & Industrial	Auto., Ind., Multimarkets
Microcontroller	Microcontroller
Automotive Power	Automotive Power
Sense & Control	Sense & Control
Power Mgmt & Supply	Power Mgmt & Drives
High Power (Eupec)	Power Mgmt & Drives
Discrete Semicond.	

Infineon achieved worldwide market leadership for power semiconductors in 2003

Rank 2003	Rank 2001	Supplier	2003	2001	Change
1	4	Infineon*	8,1%	6,6%	1,5%
2	2	IR	8,0%	7,6%	0,4%
3	6	STM	7,9%	6,3%	1,6%
4	3	Fairchild	7,4%	6,7%	0,7%
5	1	Toshiba	7,2%	8,6%	-1,4%
6	5	Vishay	6,1%	6,3%	-0,2%
7		Renesas	5,0%		
8	10	Fuji	5,0%	4,0%	1,0%
9		Philips	4,1%	3,2%	0,9%
10	10	ON	3,5%	4,1%	-0,6%

* incl. EUPEC



- Market Size: 9.358‘ US$ (2003)
- CAGR: 10,2% (03-08)

Source: IMS Research, Global Market for Power Semiconductors (June 2004)

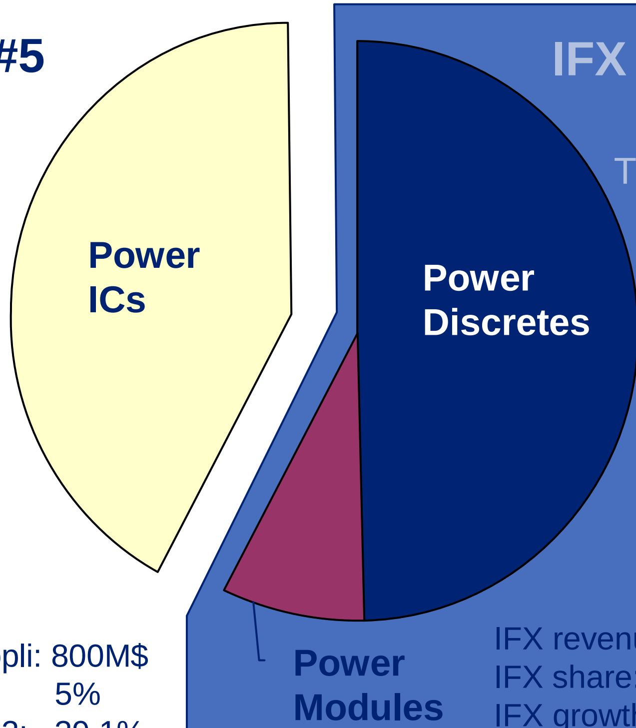
Infineon is ranked number 1 in power discretes and modules by IMS – however IMS does not include Power ICs in their market segmentation

■COMPARISON OF INFINEON POWER RANKINGS

Power Market Segmentation

IFX Ranking #5
iSuppli
TAM USD 16.1 bn

IFX Ranking #1
IMS
TAM USD 9.4 bn



IFX revenues @ iSuppli: 800M$
IFX share: 5%
IFX growth: YoY 03/02: 39.1%

IFX revenues @ IMS: 758M$
IFX share: 8.1%
IFX growth: 03/01: 1.5%

Comments

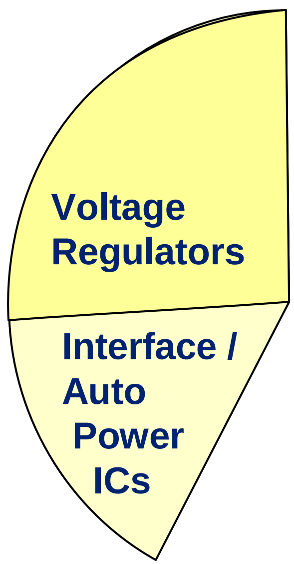
- Infineon is ranked number one in power discretes and modules by IMS
- In the total power market including power management ICs - as defined by iSuppli - Infineon is ranked number 5
- The different market segmentation combined with Infineon's better market position in power discretes and modules explains the better position of Infineon in the IMS ranking
- The details of the Power IC definition is shown on the next page

The main difference comes from iSupplies consideration of the Power IC market segment

ISUPPLIES POWER IC MARKET DEFINITION

iSuppli's definition of **Power ICs**:

Power ICs are analog ICs that provide one of two function, power supply/monitoring functions or power drive functions. The analog IC market is segmented into a number of product groupings that contain power devices. Voltage regulators are the major group of power management ICs. The 'other' power IC group includes interface devices such as peripheral, MOSFET, motor, and display drivers.



Voltage Regulators are:
Linear Regulators, LDO's, PWM's, Inductor less Converters, Supervisors, Battery Chargers, PFC's, References, Bus Terminators

Interface Drives and other Power PCs include:
High side and low side drivers, H-bridges, motor drivers, MOSFET drivers, and other peripheral drivers. Power drivers for high-current and high-voltage displays are also included. Interface and other power driver ICs are essentially power drivers and switches combined with logic they turn digital output into a 'drive' output.

Infineon's power logic fab locations

Regensburg

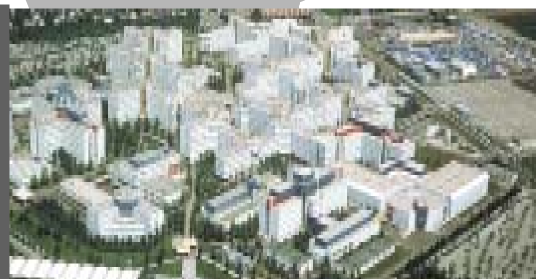
Production and development of Power, RF, BiCMOS, Sensors, Mixed-Signal

Villach

Production and development of Power, Mixed-Signal and Discretes

Mch-Perlach *

Production and development of Mixed-Signal, Bipolar RF, BiCMOS, Sensors, Discretes



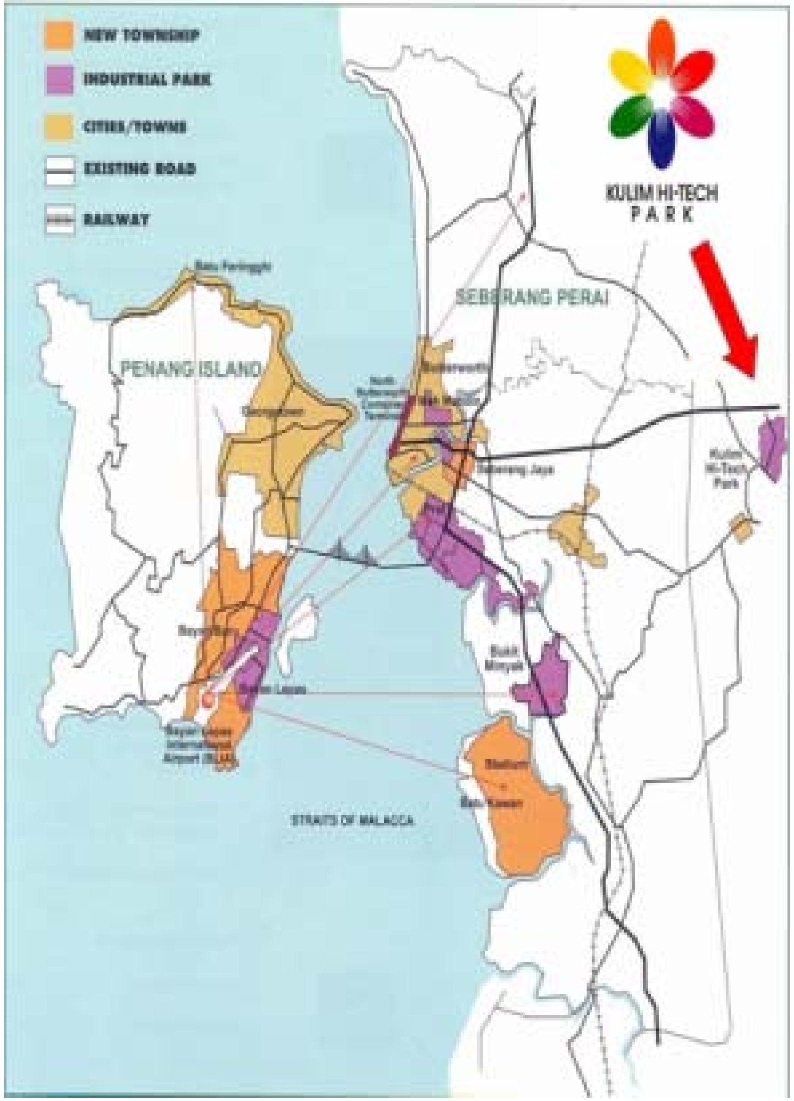
*) Will be phased out by early 2007.

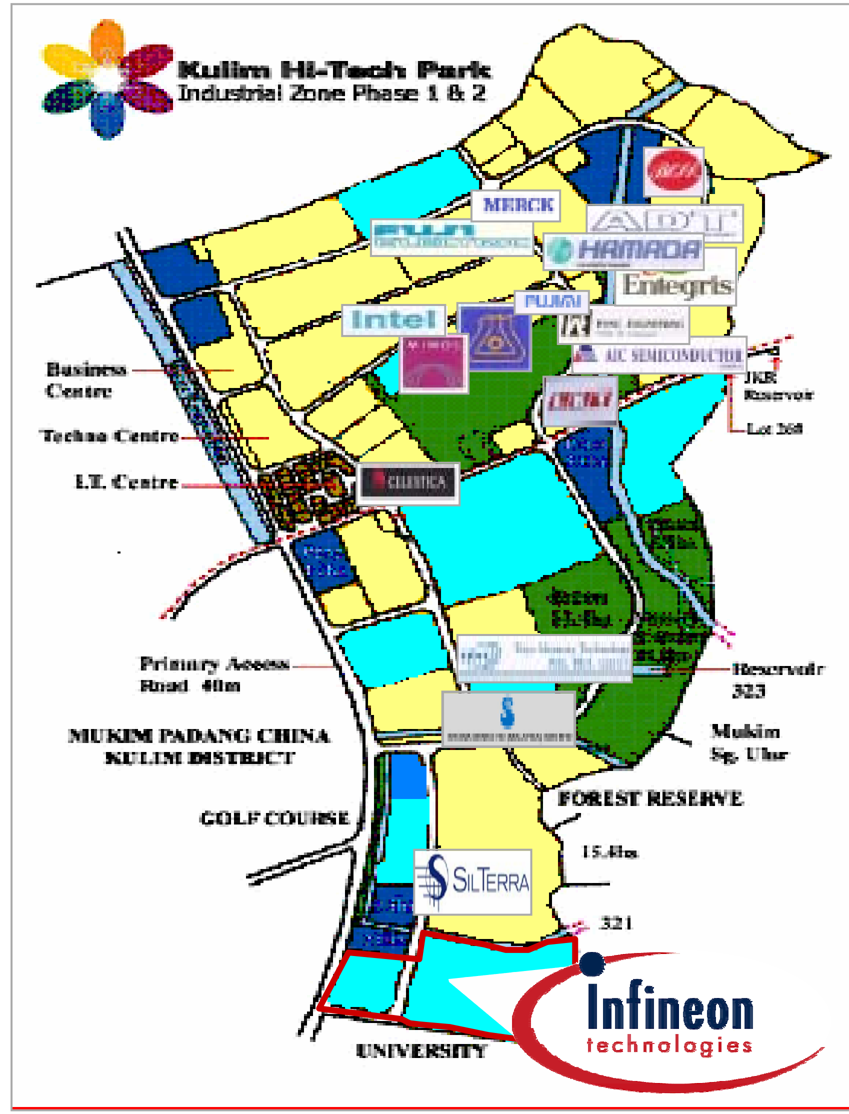
New Fab - Kulim

Production of Power Power-Bipolar, Mixed-Signal

Additional capacities at silicon foundries: ASMC, Chartered, TSMC and ZMD

Land plot of the new fab in Kulim High Tech Park





Why a new logic fab for AIM?

- Power semiconductors face a strong and stable long-term growth.
- In-house capacity increase is required for AIM due to volume growth and lack of vital external partnership model.
- Power semiconductors cannot be shrunk as fast as memory or standard logic technologies. Therefore, the output increase per fab is moderate only.
- Low cost site is favorable over mid-term due to much lower labor costs.
- Kulim High-Tech Park in Malaysia is chosen as the new fab's location resulting out of a thorough site selection process.

Key Figures of Malaysia fab for power semiconductors

Technology	■ feature sizes of 0.35µm, 0.5µm, 0.7µm and 1.0µm
Capacity & Facility	■ Capacity of about 100k WSPM on 200mm wafers ■ 2 modules, each 5000 m^2 clean room (class 10/Litho class 1) ■ 1700 employees (1170 direct functions/530 engineers+admin)
Site	■ Kulim High Tech Park, Kedah, Malaysia ■ Size of land plot 200,000 m^2
Investment	■ Total investment of about EUR1bn
Timeline	■ Decision made — Nov 2004 ■ Ground breaking — Feb 2005 ■ Equipment move-in and start of transfer — Feb 2006 ■ Full fab capacity reached — end 2009

Changes in Automotive & Industrial

Automotive & Industrial		Auto., Ind., Multimarkets
Microcontroller	→	Microcontroller
Automotive Power	→	Automotive Power
Sense & Control	→	Sense & Control
Power Mgmt & Supply	→	Power Mgmt & Drive
High Power (Eupec)	→	Power Mgmt & Drive
Discrete Semicond.	→	Discrete Semicond.
COM FO	→ (POF only)	Discrete Semicond.
OOS	→	ASIC & Design Solut
SMS SEC	→	Chipcard & Security

Discrete Semicond. → COM T (Tuner)

Significant manufacturing cost reductions in Chipcard ICs

MicroSlim technology

- Volume roll-out of MicroSlim technology (66PE family) since mid 2004
  - Move from 2 transistor/bit to 1 transistor/bit cell design
  - Significant reduction of chip area
  - Higher performance (30 MHz) and increased memory sizes

Introduction of FCOS modules

- Ramp-up of “Flip-Chip on Substrate” packaging technology since 01/2005

130nm shrink

- Volume roll-out of first chipcard products on 130nm technology in mid 2004
  - First 32-bit controller with flash memory dramatically improves flexibility and manufacturing time for customer
  - 32-bit architecture enables applications with higher memory- and security-requirements
  - Low power consumption (1.8V) and increased performance (66MHz)

Never stop thinking

Infineon Technologies as of January 1, 2005:
3 Business Groups; 22 Business Units

Memory Products
Dr. Andreas von Zitzewitz

- Computing DRAM
- Graphics DRAM
- Consumer & Mobile
- Flash
- Aeneon

Communication
Kin Wah Loh

Wireless
- Wireless Infrastructure
- RF Engine
- Feature Phone
- Entry Phone
- Short Range Wireless
- Customer Project
- Tuner

Wireline
- Wireline Access
- Customer Prem. Equipment
- Optical Networking
- Fiber Optics

Automotive, Industrial & Multimarket
Peter Bauer

A
- Microcontroller
- Automotive Power
- Sense & Control

I
- Power Mgmt & Drives

M
- Discrete Semiconductors
- ASIC & Design Solutions
- Chipcard & Security ICs

Never stop thinking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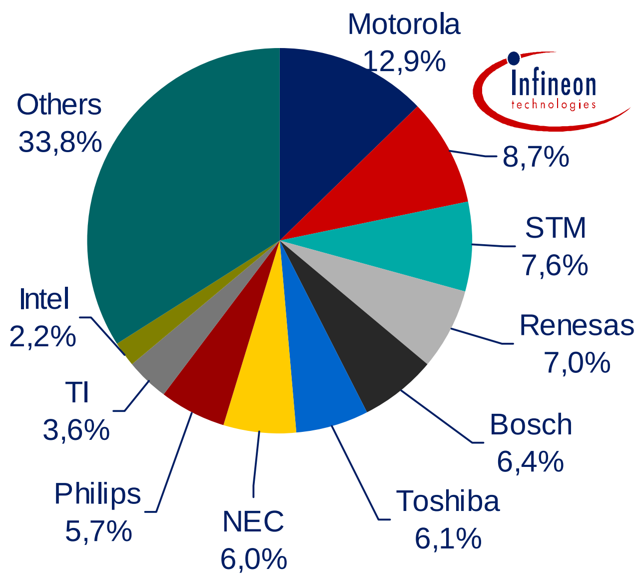
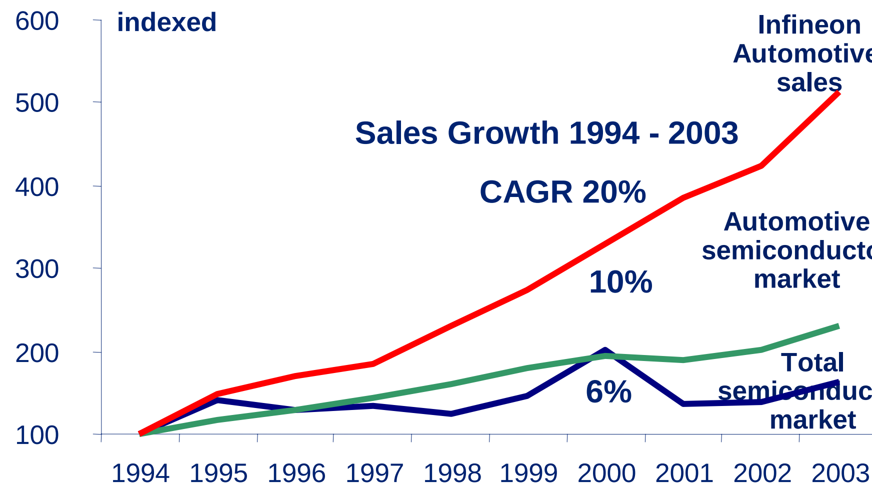
Infineon´s automotive semiconductors rank #2 ww by continuously outperforming the market

Infineon Automotive 2003
No. 2 World No.1 Europe No. 3 US



- Market: 13,128 mill. US$
- CAGR: 7-8%

Continuous Outperformance



- Strong European market development compared to rest of world
- Strengthened regional business in NAFTA/Japan
- Improved relationships to major automotive system vendors

Strong market position in Europe secures technological leadership

Source: Strategy Analytics

We significantly improved our market position in the US: Automotive semiconductor rankings 2003*

		2003	2002
1.	Motorola	12,9%	13,4%
2.	**Infineon (2)**	**8,7%**	**8,2%**
3.	STM	7,6%	6,6%
4.	Renesas	7,0%	n.a.
5.	Bosch	6,4%	5,2%
6.	Toshiba	6,1%	6,2%
7.	NEC	6,0%	6,1%
8.	Philips	5,7%	5,9%

		2003	2002
1.	**Infineon (1)**	**15,0%**	**15,1%**
2.	Bosch	13,8%	11,4%
3.	Motorola	12,8%	12,6%
4.	STM	8,6%	7,7%
5.	Philips	8,1%	7,7%
6.	TI	4,3%	5,0%
7.	Intel	3,4%	3,9%

		2003	2002
1.	Renesas	23,3%	n.a.
2.	Toshiba	19,3%	19,8%
3.	NEC	16,1%	16,3%
4.	Fujitsu	6,7%	6,0%
5.	Sanken	4,0%	4,4%
6.	STM	3,0%	2,6%
7.	TI	2,3%	1,8%
8.	**Infineon (12)**	**2,1%**	**1,7%**

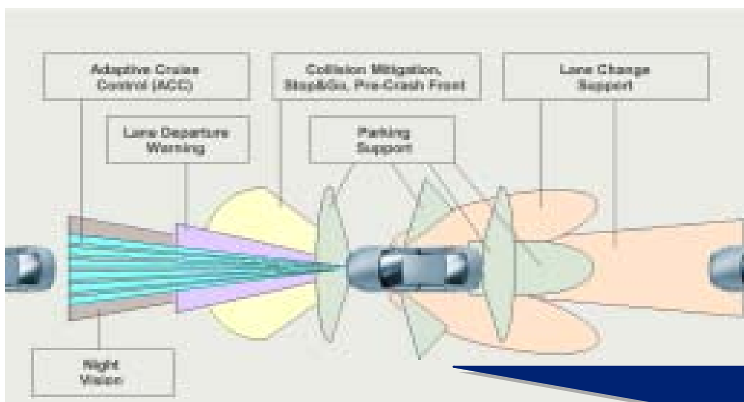
		2003	2002
1.	Motorola	22,6%	22,2%
2.	Delphi	7,5%	7,5%
3.	**Infineon (4)**	**6,6%**	**6,2%**
4.	STM	5,9%	4,8%
5.	Philips	5,8%	6,9%
6.	ON	3,9%	4,8%
7.	TI	4,2%	4,6%

*) Source: Strategy Analytics

Early entry into promising emerging market segments

Driver Assistant Systems

- > 53%* of accidents due to lane/road departure, inattentive & drowsiness
- From active safety to pro-active safety, ‘cocoon around the car’, eSafety initiative
- Radar & imaging sensors: ACC, LDW, blindspot, pre-crash, parking aid
- ⇨ **IFX solution for radar sensor part based on unique SiGe technology**



Digital Tuner

- Digital TV market to reach USD 70 bn in 2008** major growth in DVB-H, starting 2007
- 80% of current phone users want TV, 60% are willing to pay for it***
- IFX today has 70% market share in tuner for fast growing digital terrestrial (DVB-T)
- DVB-H is based on DVB-T, optimized for low power and higher robustness
- ⇨ **Leveraging tuner know-how from analog/digital and current market position**

Leveraging advanced technologies and know-how for future profitable growth

* NHTSA ** IDC, June 2004 *** Smart Research, Sept. 2004