

Infineon

Investor Meetings

Fiscal 4th Quarter FY05 – July-September 2005



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.

This presentation contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Such risks and uncertainties include, but are not limited to the Risk Factors noted in the Company's Earnings Releases and the Company's filings with the Securities and Exchange Commission.

Agenda

Quarterly Update & Financials

Automotive, Industrial & Multimarket

Communication

Memory Products

Outlook

Overview – Market Environment and Results in F3Q

IFX Group

- **Stable revenues** compared to F2Q with increased memory sales
- **Significant ASP-decline** in memory market of approx. 30%
- **Rapid decline of market demand** in chip card and security IC area
- **EBIT loss increased** to EUR 234 m incl. EUR 81 m one-off charges

AIM

- Slightly lower revenues due to higher than expected pricing pressure in chip card and security business
- Sales to automotive & industrial industry increased slightly
- Lower EBIT due to very strong pricing pressure at card ICs

COM

- Revenues decreased slightly due to pricing pressure and further decline in demand from baseband customers
- Significant improvement of EBIT because of reduction of idle capacity costs, lower inventory charges, and lower R&D costs

MP

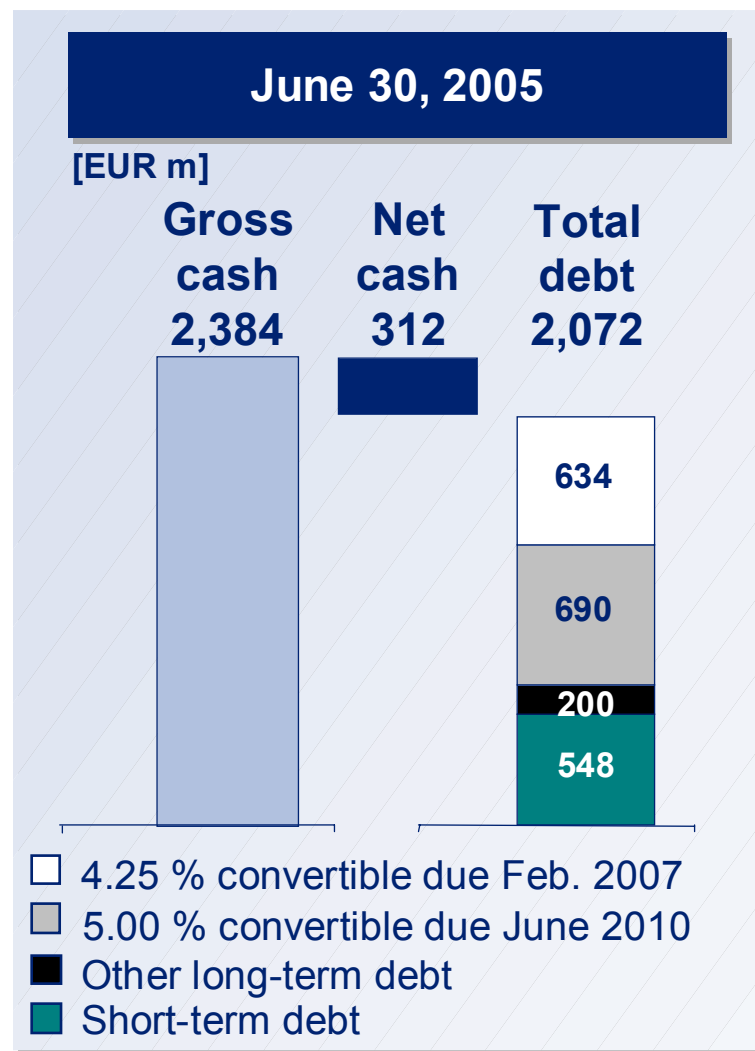
- Higher revenues and strong FLC reduction due to 45 % bit-shipment growth based on bit-production growth of ~15 % and inventory decrease by ~2 weeks
- EBIT decline due to ASP decline (see above) and ramp-up costs for 300 mm fab in Richmond/VA

Results for Q3 vs. Q2 of FY05

[EUR m]	Q2 FY05	Q3 FY05	Change
Net sales Growth	1,606	1,606	---
Gross margin	27 %	16 %	
R&D expenses in % of sales	354 22 %	320 20 %	-34
SG&A expenses in % of sales	164 10 %	157 10 %	-7
EBIT	-117	-234	-117
EBIT excl. reorganization charges in % of sales	-43 -3 %	-153 -10 %	-110

Maintaining a Solid Financial Cash Position

[EUR m]	Q1-3 FY05
Operating cash flow	789
Capex	1,135
Other investments ⁽¹⁾	80
Free cash flow	(266)



(1) Excluding purchase/sale of marketable securities

Continuing IFX's Commitment to Restructuring

- Fiber-to-the-home optical component activities (BIDI) sold to Taiwan-based EZconn
- Corporate Research to be integrated in BGs
- eupec GmbH to be integrated into IFX AG (maintaining products & brand within AIM BG)
- Wearable electronics and RFID software activities spun off by MBO

Recent Management Changes

Mr. Kin Wah Loh – Now head of BG Memory Products



- **Member of Management Board** of IFX AG since 2004
- **President** of Infineon Technologies **Asia Pacific** 1999-2004
- **General Manager** of various production sites of Siemens Semi
- **25 years of experience** in semiconductor and manufacturing
- **Engineering and Business** degrees

Mr. Hermann Eul – Now head of BG Communication



- **New Deputy Member of Management Board**
- **Group VP and GM** of Communication Business Group since 2004
- **Professor for RF-Technology and Radio-Systems** at University of Hanover/Germany
- **GM** of various Business Units at **IFX AG and Siemens AG**
- **18 years of experience** in **R&D and management functions** in communications and RF technologies
- **PhD in Electrical Engineering**

Infineon's Business Groups



BG Automotive, Industrial & Multimarket

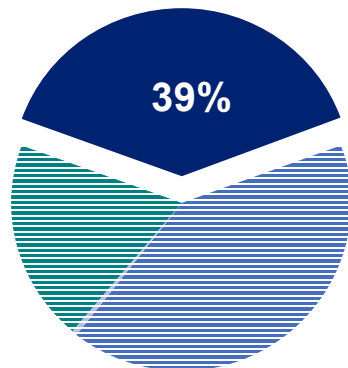
#2 in Car Electronics, #1 in Power ICs, #1 in Card ICs

AIM



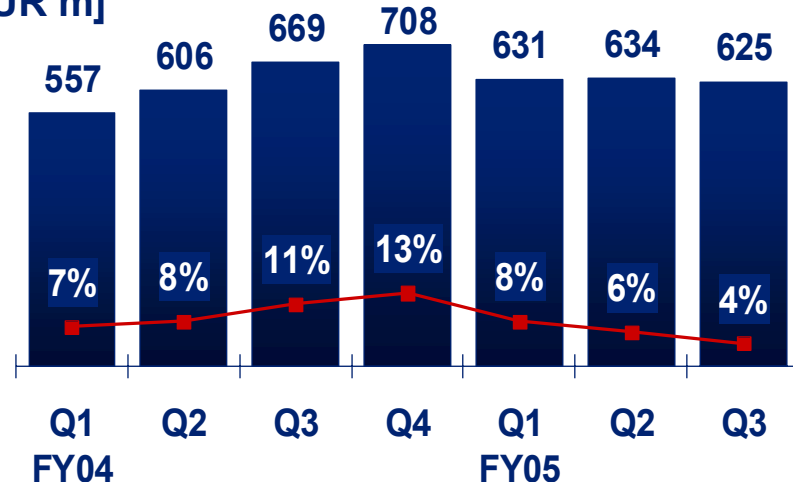
Microcontroller, Automotive Power
Sense & Control, Power Management & Drives
Chip Card & Security ICs
Discrete Semiconductors
ASIC & Design Solutions

Revenue share
Q3 FY05



Revenues and EBIT margin

[EUR m]



AIM – Recent Business Highlights

■ Automotive

- Increased market share in car electronics from 8.7 % in CY03 to 9.1 % in CY04 (Source: Strategy Analytics, June 2005)

■ Chip Card & Security ICs

- IFX to supply secure chips, package and more for German e-Passport

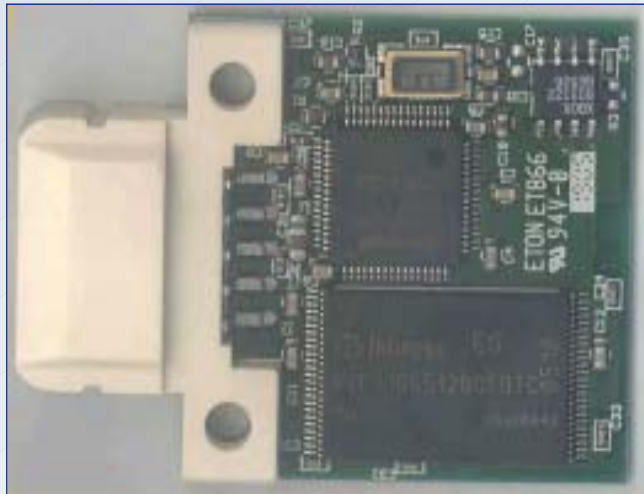
■ Asic Design Solutions

- Agreement with a leading HDD manufacturer to develop a product for fast-growing mobile applications market
- Will supply 3 key components for Xbox 360™: removable solid-state memory unit; a single-chip ASIC wireless game-pad controller; an advanced security chip

AIM – Recent Business Highlights

■ Asic & Design Solutions

- Supplier of key components for the Microsoft Xbox 360™ games console:
 - a removable solid-state memory unit
 - an advanced security chip



In Automotive, Infineon Leads the Long-range Route

Outstanding performance: #1 in Europe, #2 worldwide, #3 in U.S.

- ✓ Strong development in Europe
- ✓ Improved in NAFTA & Japan

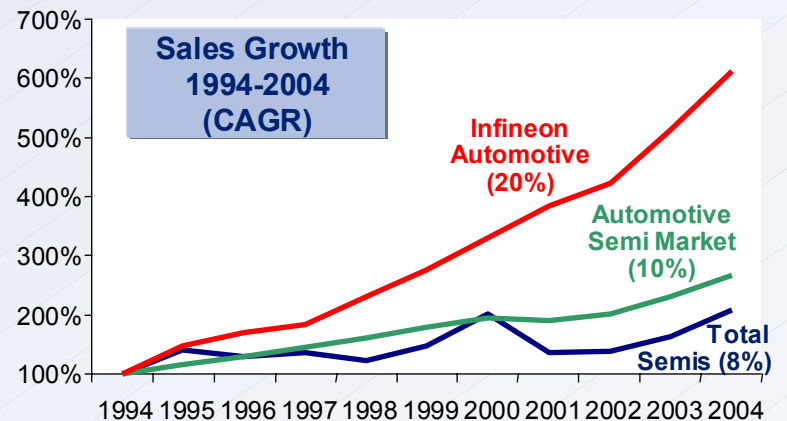
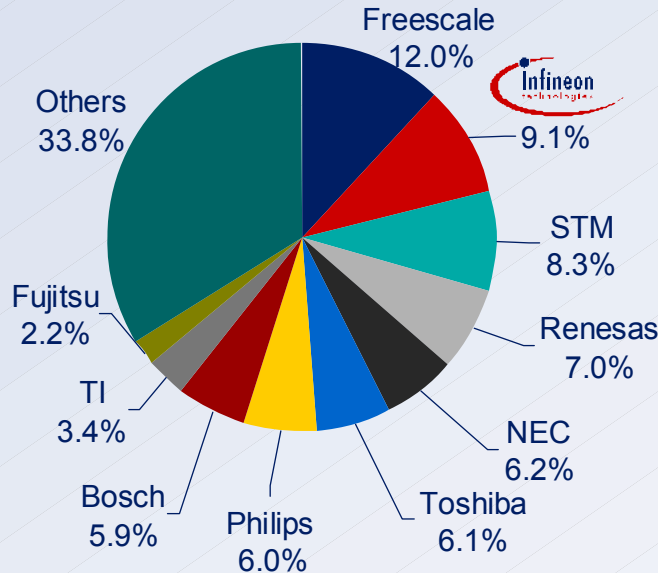
IFX products

- Sensors
- Microcontrollers
- Power devices
- Wireless chipsets
- Discretes

Key applications

- Powertrain
- Safety management
- Body & convenience
- Infotainment

Market 2004: USD 15 bn



Source: (Market data) Strategy Analytics

IFX is Worldwide #1 in Power ICs and #4 in Industrial Applications

Industrial semiconductor market

2003 Rank	2004 Rank	Company Name	2004 Revenue
1	1	Renesas Technology	1.700
2	2	Intel	1.497
3	3	STMicroelectronics	1.371
8	4	Infineon Technologies	914
5	5	Analog Devices	818

Power semiconductor market

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%

Key trends

- **Power management market** is expected to grow about 13% CAGR to USD 33 bn in CY09 from USD 16 bn in CY04

- **DC/DC**

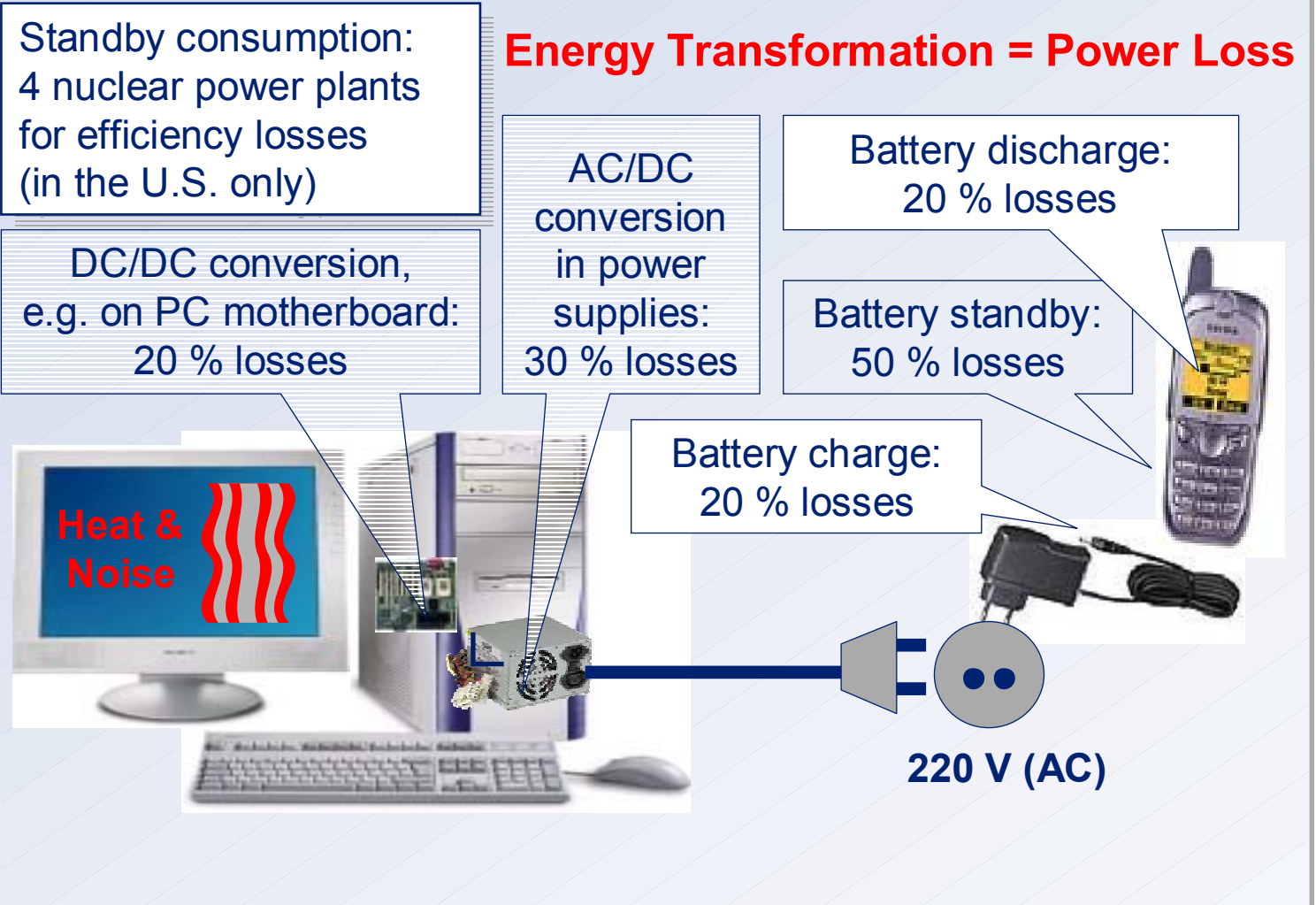
- Cost/footprint per ampere
- Solution business in PC motherboards and notebooks

- **AC/DC**

- Miniaturization of power supply
- Higher switching frequencies

Sources: (top) iSuppli, March 2004; (bottom) IMS Research, June 2004

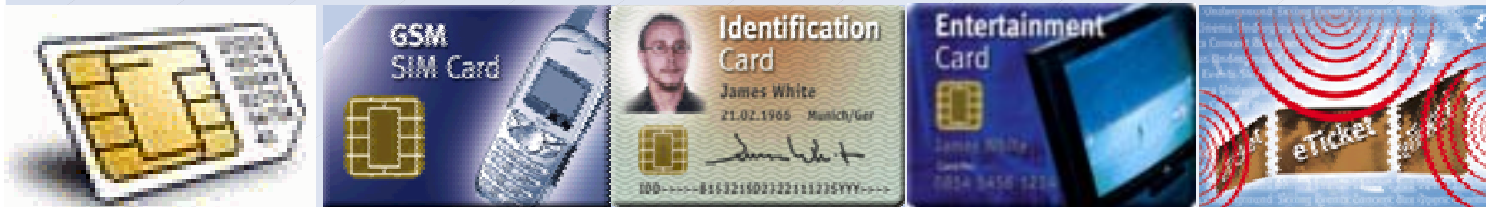
Complete Coverage of DC/DC and AC/DC Applications



Chip Card and Security ICs

Commanding Position Despite Difficult Environment

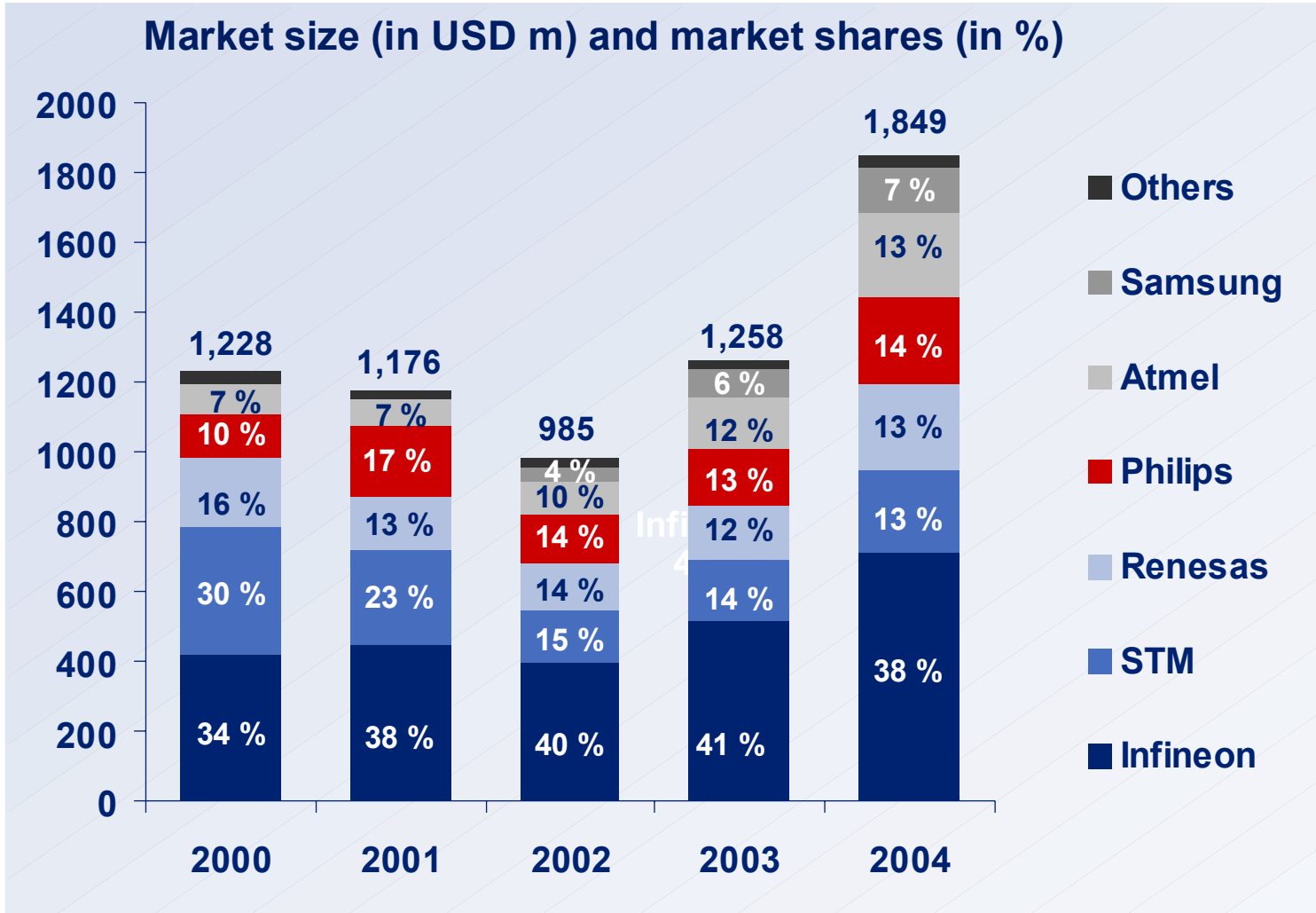
Addressing broad application base with ~40 % market share



Ongoing productivity measures in order to regain profitability

- Volume roll-out of 130 nm process
- Focus on new 32-bit emerging applications
- Accelerated shift to MicroSlim technology
- Shift to Flip-Chip-on-Substrate (FCOS) packaging

IFX is #1 Worldwide in Chip Card and Security ICs



Source: Gartner Dataquest

Infineon AIM F4Q Outlook as of July 26th

- Estimating revenues and EBIT to remain stable sequentially
- Awaiting benefits from seasonal strength in auto and industrial
- Continued pricing pressure in chip card & security IC markets
- Continued focus on productivity improvements
- Planned phase-out of production in Munich and start-up costs for new site in Malaysia to negatively impact EBIT through end-CY06

BG Communication

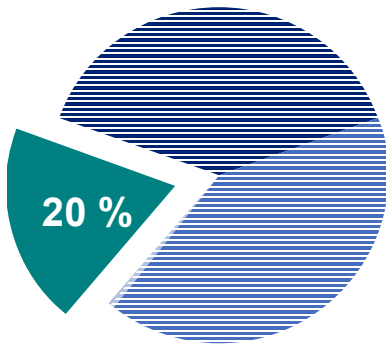
Driving Convergence of Technologies and Applications

COM

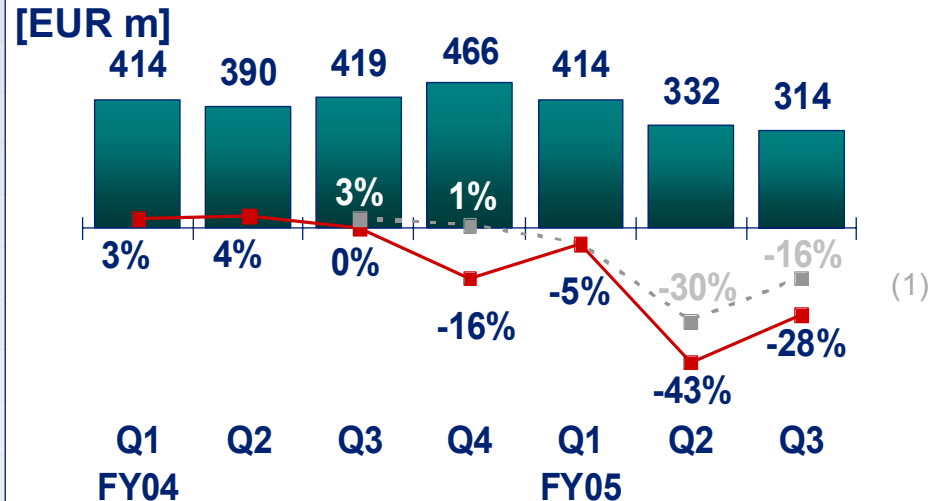


Broadband Access – Access and CPE
RF Connectivity – RF Engine, RF Power, Tuner System, Short Range Wireless
Mobile Phones – Entry Phone, Feature Phone, Platform Design, Software

Revenue share Q3 FY05



Revenues and EBIT margin

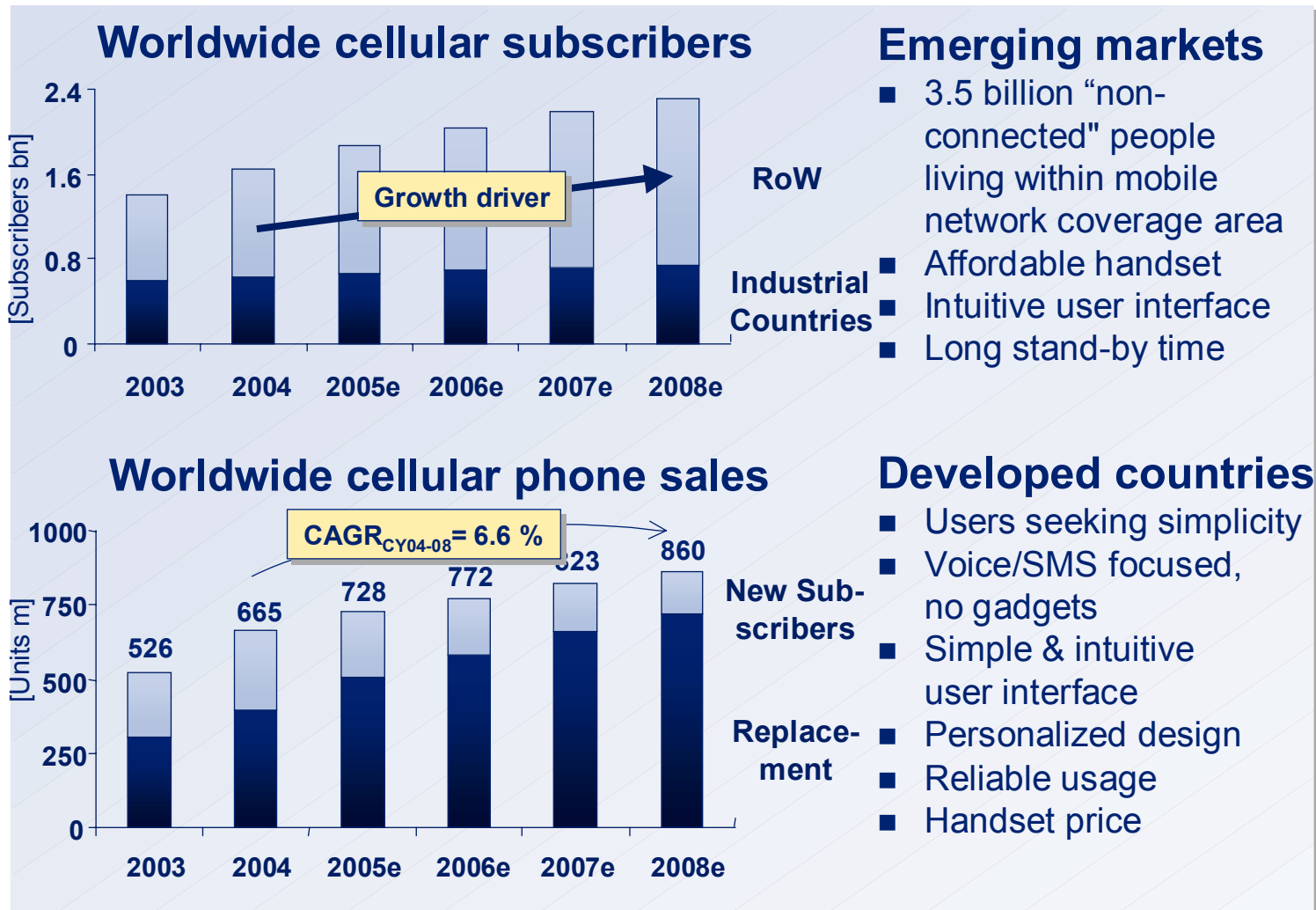


(1) Excl. acquisition related expenses and net charges resulting primarily from reorganization measures.

COM – Recent Business Highlights

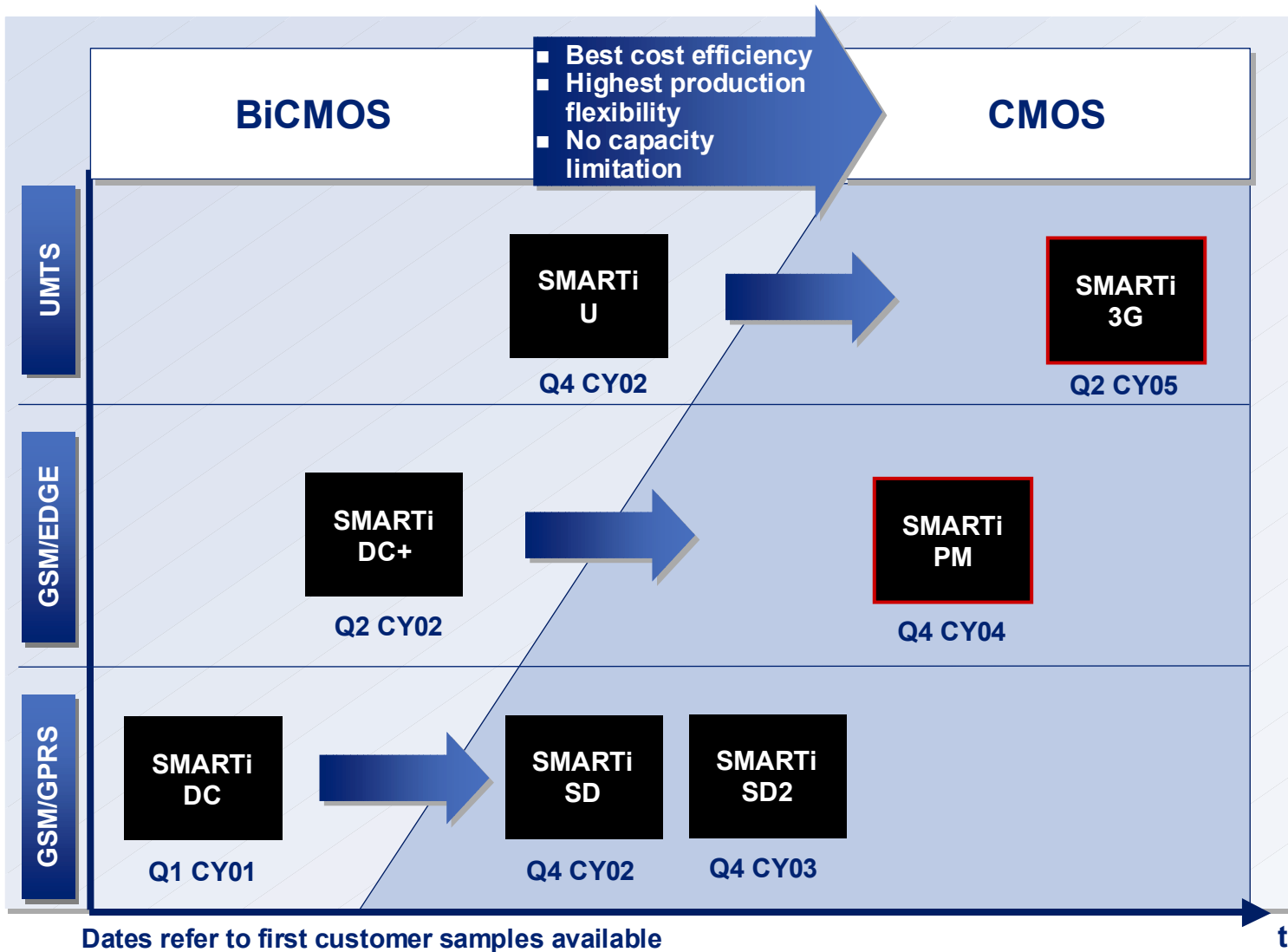
- MP-E GPRS/EDGE → one of smallest multimedia phone platform incl. all HW/SW components required for high-performance and advanced multimedia functionality; true 3-chip solution consists of multimedia baseband, power management unit and CMOS RF chip
- Panasonic/PMC → uses MP1-G multimedia platform now for GSM/GPRS phones; 3-band functionality and camera support, polyphonic-ring tones, color displays and Java capability
- SMARTi 3G → world's first CMOS RF transceiver chip for UMTS applications; single-chip for 6-band solution makes UMTS phones usable worldwide; various design wins already
- VINAX → industry's first fully standard-compliant VDSL2 end-to-end solution; established leading position with regard to Triple Play services

Wireless – Emerging Markets Remain Unit-growth Driver, Replacement Sales Shift Towards Feature Phones



Sources: Infineon (2005), Gartner (Jan 2005), Strategy Analytics (Dec 2004)

CMOS – EDGE & 3G RF Transceivers Already Sampling, Providing Basis for Low-cost GSM/UMTS Single-chips



IFX Introduced Worldwide First Single-chip RF/Baseband to Target Low-cost Phone Markets

Long-term experience

RF CMOS transceiver

- In volume production
- 130 nm CMOS
- Single-chip digital RF solution

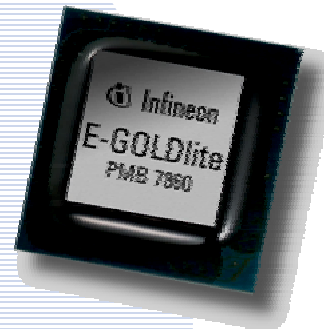
Baseband

- In volume production
- 130 nm CMOS
- Integrates:
 - Digital baseband
 - Mixed signal
 - SRAM



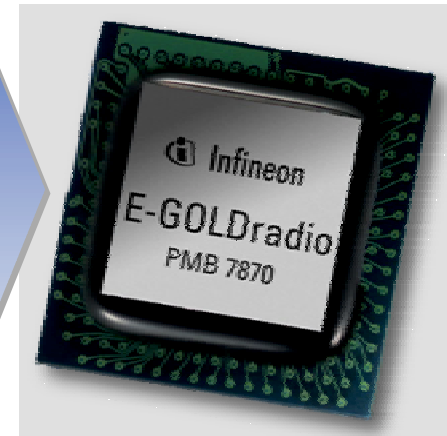
Monolithic integration

- 30% lower BOM
- 30% smaller footprint
- Less complexity



Volume-ramp in 2005

Single-chip CMOS RF and baseband

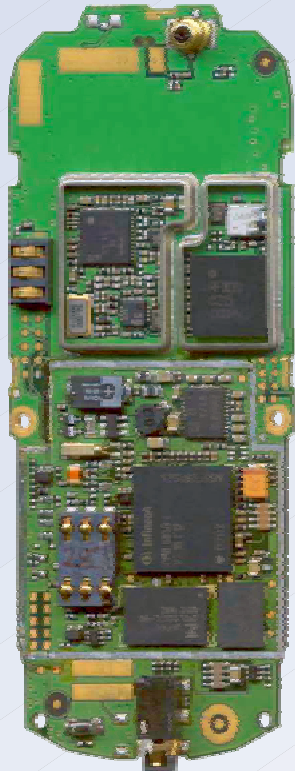


Supports:

- Up to GPRS Cl. 12
- 1.3 MPix camera
- Dual color display
- MP3 playback

Infineon's Ultra Low-cost Solution Featuring RF/BB Single-chip Already Sampling to Customers

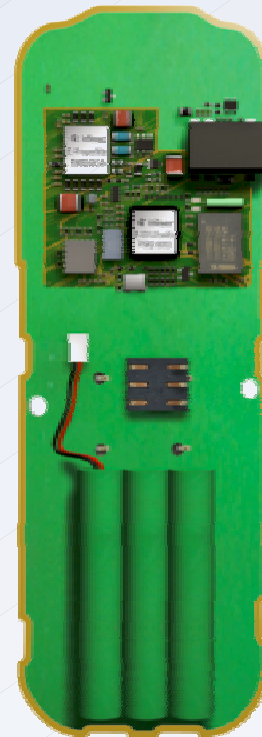
Today's GSM platform in volume production



USD <35

Phone production cost

Sample of single-chip based ultra low-cost platform



USD <20

IFX with highest level of hardware integration

28cm²

Assembled PCB area

9cm²

200

of components

100

6

of PCB layers

4

Double-sided PCB mounting

Single-sided

Single-sided

Infineon Features Advanced Platform Applications

Applications

Smart phone

K2 platform
Open O/S



Multimedia phone

MP-E/EU
platform



Feature phone (low-end)

MP1-G platform



Product features

- Video conferencing and video streaming
- Video recording with preview
- High-speed browsing
- 3D sound and 3D gaming
- Advanced J2ME features
- UMTS reception diversity

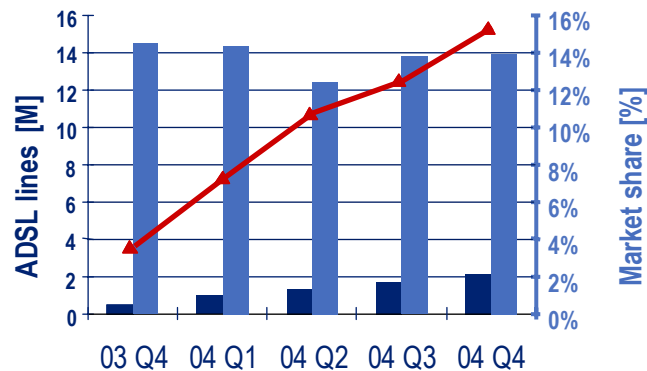
- 2 MPix still picture camera
- Video playback and recording
- Video streaming without companion
- MPEG4, H.263, MP3, AAC++
- Voice recording and recognition

- VGA camera module
- Polyphone ringer: up to 40 voices
- Video: MPEG-4/H.263 play/record
- Codecs: FR / HR / EFR / NB-AMR
- Connectivity: IrDA, USB 2.0, Bluetooth

Wireline – Strong Positioning in Access Growth Markets

ADSL for Central Office

2004: Significant market share increase



■ IFX ■ Market ▲ Share



ADSL2+ for Cust. Prem. Equipment

- End-to-end strategy
- 2004: Successful market entry for ADSL2+ deployments (ADMtek)

High growth in T/E business

- No. 1 in T/E with 27% market share
- In 2004, IFX enjoyed further growth due to 3G infrastructure build-up

Leading solutions for VoIP

- “VINETIC” for VoIP CPE and line cards
- “INCA IP” as VoIP telephone solution



Critical Factors for VDSL2 – Infineon Has it All

- ✓ **Early availability**
 - VINAX: 1st fully standard compliant VDSL2 chip solution
 - IFX: Sole company meeting all regional requirements

- ✓ **Experience**
 - More than 4 million VDSL1 lines powered by Infineon chip solutions
 - Fully ADSL backwards compatible

- ✓ **Complete solution**
 - Extensive line-card and CPE solutions portfolio including: DSL, Communications Processors, VoIP, WLAN, switch/PHYs



Infineon COM F4Q Outlook as of July 26th

- Expecting revenues to remain stable or increase slightly sequentially
- Anticipating EBIT to remain stable or improve slightly compared to 3rd quarter EBIT (excluding impairment charges)
- Awaiting wireline business to be profitable by end-CY 2005

BG Memory Products

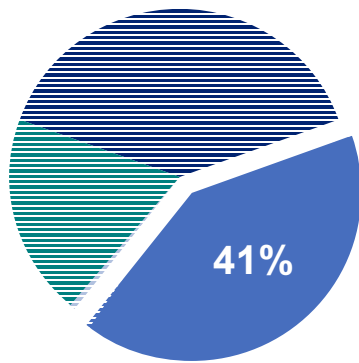
Leader in 300 mm DRAM Manufacturing

MP



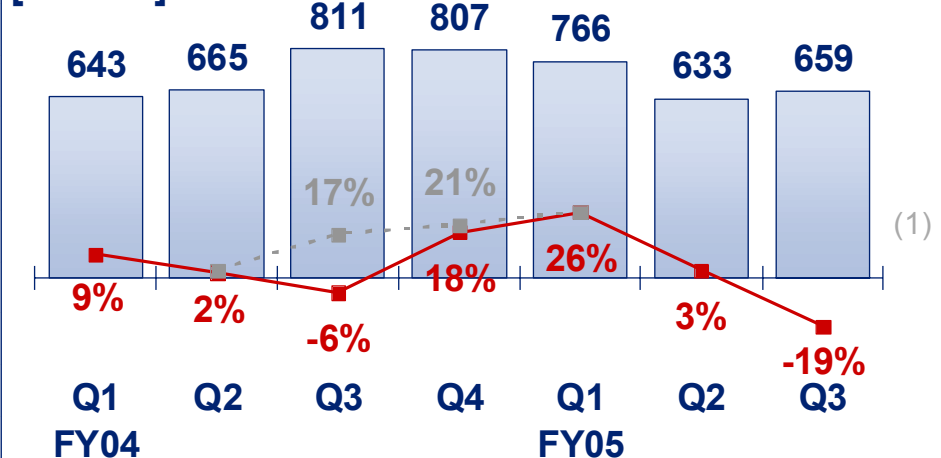
Computing – DT, NB, WS, Server
Graphics – Graphic & gaming applications
Consumer & Mobile – Low power apps
Aeneon – Modules for white box markets
Flash – NAND-compatible NVMs

Revenue share Q3 FY05



Revenues and EBIT margin

[EUR m]



(1) Excluding antitrust-related charges.

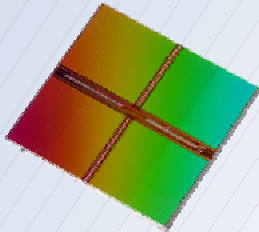
MP – Recent Business Highlights

- Started 90 nm production commercially with 512M DDR and DDR2 in volume
- Increased share of specialty DRAMs e.g. for infrastructure and graphics applications
- Sampling customized 8GB DDR2-400 tall registered DIMMs
- First to provide DDR3 samples with full interface functionality
- IDF news: 1st company to offer complete in-house solution for next generation server modules (FB-DIMMs - Fully Buffered Dual-In-line Memory Modules - with an AMB chip plus heat spreader)

90 nm Trench Technology: Developed and Ramping

Highlights

- >30 % more chips vs. 110 nm
- 512M DDR with die size of <math><65 \text{ mm}^2</math> is smallest in volume production
→ 1000+ chips per 300 mm wafer
- App. 5% of DRAM capacity converted already in June quarter



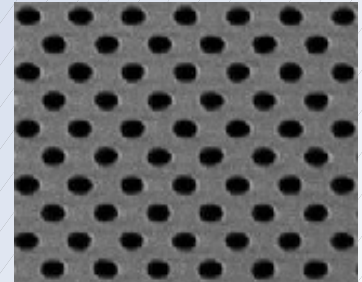
First: 512M DDR
Now: 512M DDR2

Product portfolio

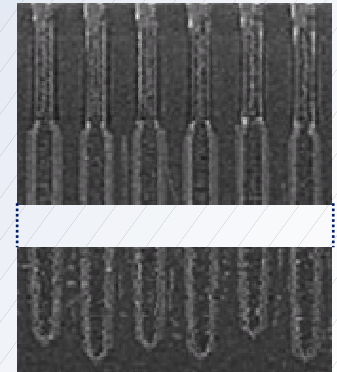
- 512M DDR2 qualified in July 2005
- Standard 256M and 1G DDR2 as well as specialty DRAMs in 2006

Key innovations

Checkerboard cell layout



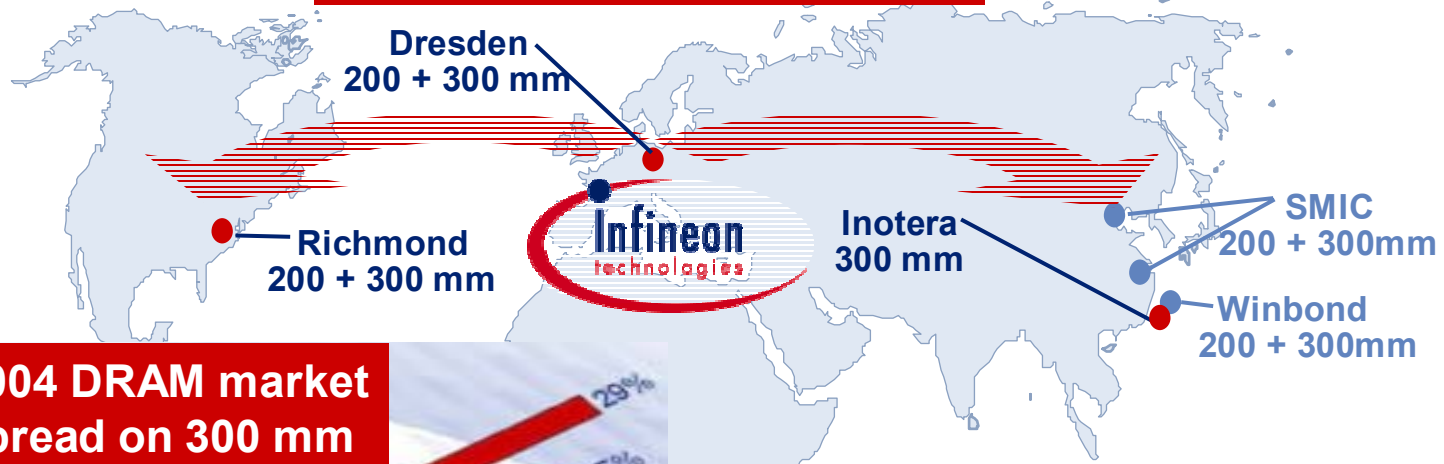
Bottle shaped trench with HSG



- High-density arrangement of DRAM memory cells
- Storage capacitors with highest capacitance in industry at 90 nm

300 mm Fabs Up and Running, Now Converting to 90 nm

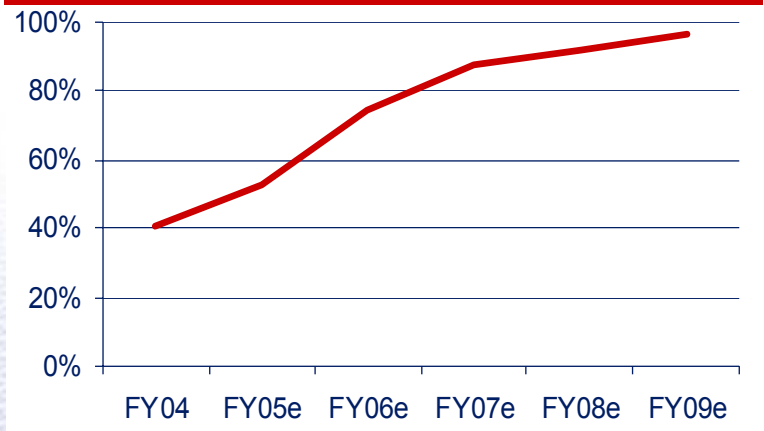
IFX memory front-end cluster



2004 DRAM market spread on 300 mm



IFX memory roadmap for 300 mm



Shifting Memory Portfolio to Higher Margin Products



Infineon MP F4Q Outlook as of July 26th

Memory Market

- Demand estimated to pick up based on further increase in content per system and current overall low price level for DRAMs
- Only moderate growth of supply expected due to shift of capacities from DRAM to flash by some competitors
- Infineon anticipates a rather balanced demand and supply environment in the market, facilitating price stability during the quarter

BG Memory Products

- Infineon is confident that both, a further market growth and a stable price environment, combined with further operational improvements, will help to substantially reduce our losses in the current quarter
- Expecting bit-production to increase by ~15 % based on additional shipments from Inotera, foundry partners and ramp of Richmond 300
- Bit-shipments are estimated to increase above market average
- Continue focusing on expansion of portfolio with higher margin products and increasing share of 512M and DDR2 products

Agenda

Quarterly Update & Financials

Automotive, Industrial & Multimarket

Communication

Memory Products

Outlook

Infineon Group's F4Q Outlook as of July 26th

- **Revenues and EBIT:** expect firm improvement sequentially
- **R&D and SG&A:** should remain roughly at a similar level
- **Capex:** expected range for FY05 is EUR 1.3-1.4 bn
- **Depreciation:** expected FY05 range approx. EUR 1.3-1.4 bn
- FY06: Capex & Depreciation ranges not expected to increase
- **One-off charges:** substantially lower, range of EUR 20-40 mn
- **Pay back of EUR 450 m** credit facility from available funds
- **Tax expense rate:** around 30 %



Never^{stop} thinking