

Infineon

**Deutsche Bank
European Technology Conference**

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Peter Bauer
Executive Vice President
Member of the Management Board



Never stop thinking.

Disclaimer

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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.

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Group Financials

Automotive, Industrial & Multimarket

Communication

Memory Products

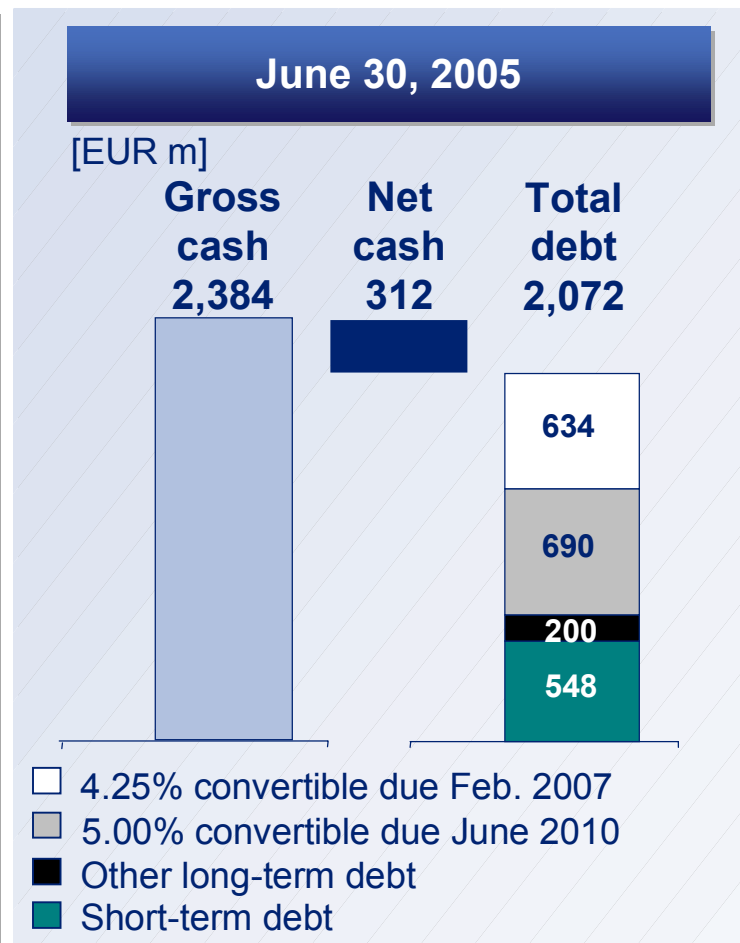
Outlook

Results for Q3 vs. Q2 of FY05

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

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

Infineon's Commitment to Sustainable Profitability



Implemented actions leading to an even stronger focus on customers and profitable businesses

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**

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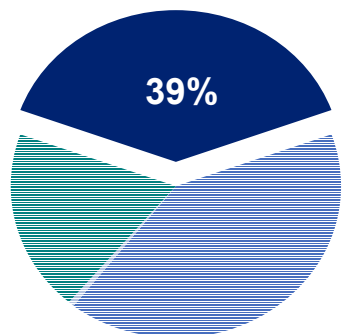
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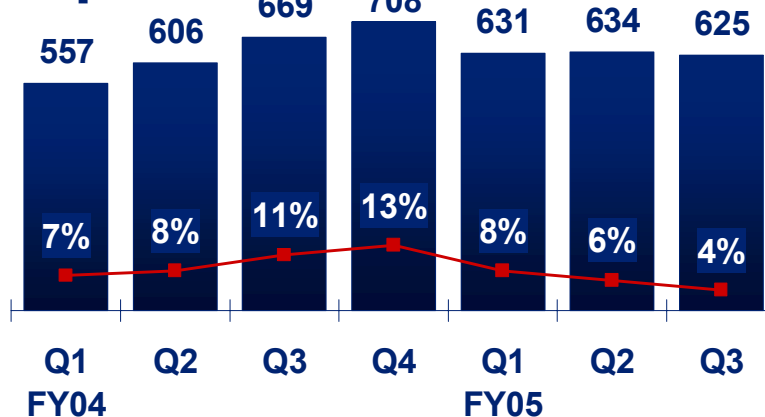
Business Group Automotive, Industrial & Multimarket FQ3 Update

**Revenue share
Q3 FY05**



Revenues and EBIT margin

[EUR m]



- 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

AIM – Recent Business Highlights (1)

- **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.

AIM – Recent Business Highlights (2)

■ Asic & Design Solutions

- Supplier of key components for the Microsoft Xbox 360™ games console:
 - a removable solid-state memory unit
 - wireless game-pad controller
 - 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

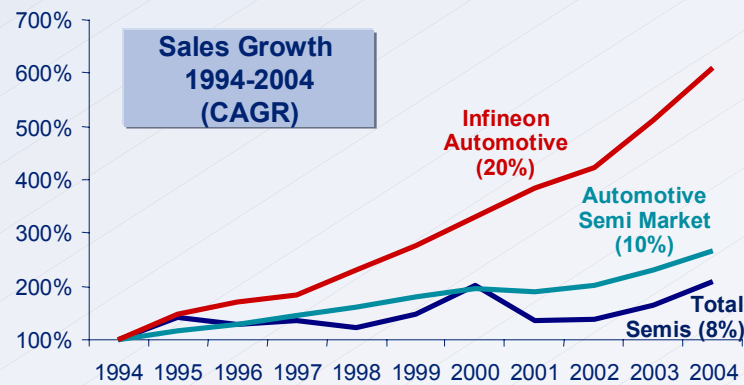
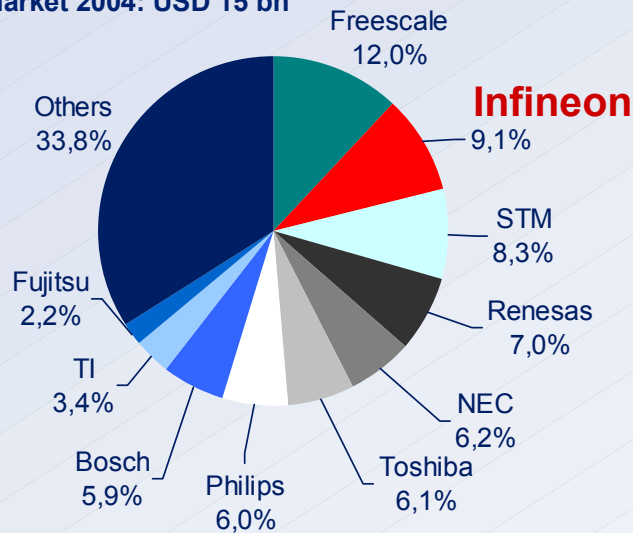
IFX products

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

Key applications

- Powertrain
- Safety management
- Body & convenience
- Infotainment

Market 2004: USD 15 bn



Infineon strengthened #1 Position in Power Semiconductors and improved to #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					
2003 Rank	2004 Rank	Company Name	2003	2004	Change
1	1	Infineon	8,1%	8,4%	0,3%
2	2	IR	8,0%	7,8%	-0,2%
4	3	Fairchild	7,6%	7,7%	0,1%
3	4	STM	6,7%	7,2%	0,5%
5	5	Toshiba	7,4%	6,7%	-0,7%
6	6	Vishay	5,8%	5,9%	0,1%
7	7	Mitsubishi	5,1%	5,4%	0,3%
9	8	Fuji Electric	4,5%	4,7%	0,2%
8	=8	Renesas	4,7%	4,7%	0,0%
10	10	ON	3,9%	4,1%	0,2%

IFX Industrial Products

- **Power semiconductors**
 - AC/DC, DC/DC
 - High power semiconductors
- **Microcontrollers**
 - 8/16/32 bit controllers
- **Chipcard products**
 - RFID
 - Crypto and memory controller
- **Sensors**
- **Wireless control products**
- **Standard and customer/application-specific products**

Sources: (top) iSuppli, August 2005; (bottom) IMS Research, August 2005



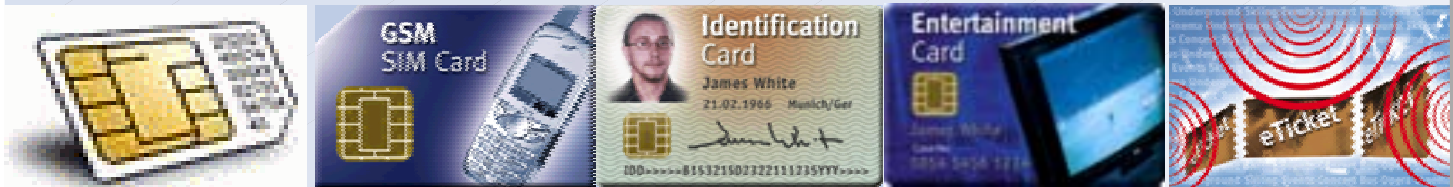
New Automotive and Industrial Power Fab in Malaysia on Track for Ramp-up in 2006



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

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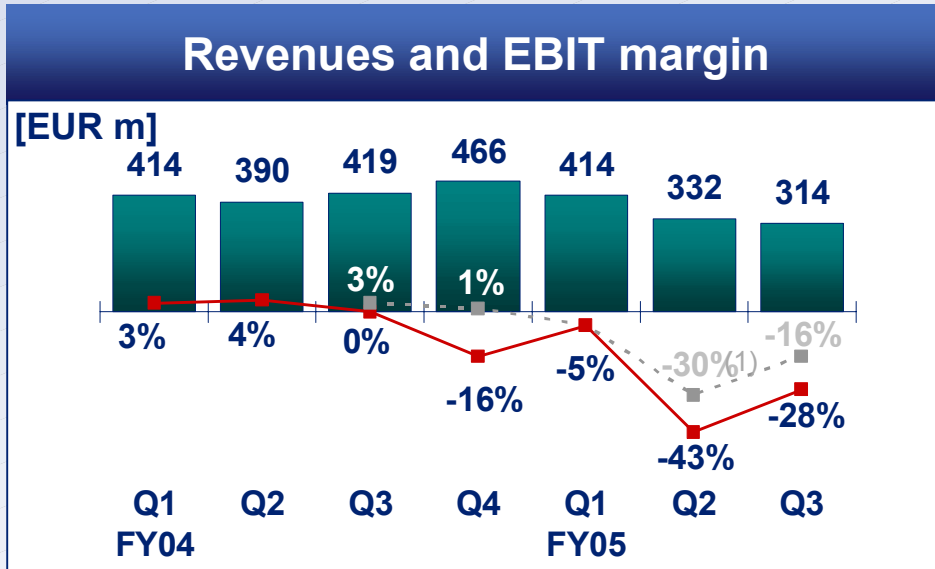
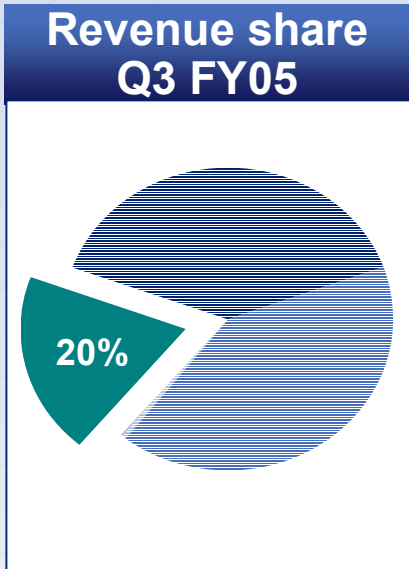
Memory Products

Outlook

Business Group Communication

FQ3 Update

stop thinking
Never



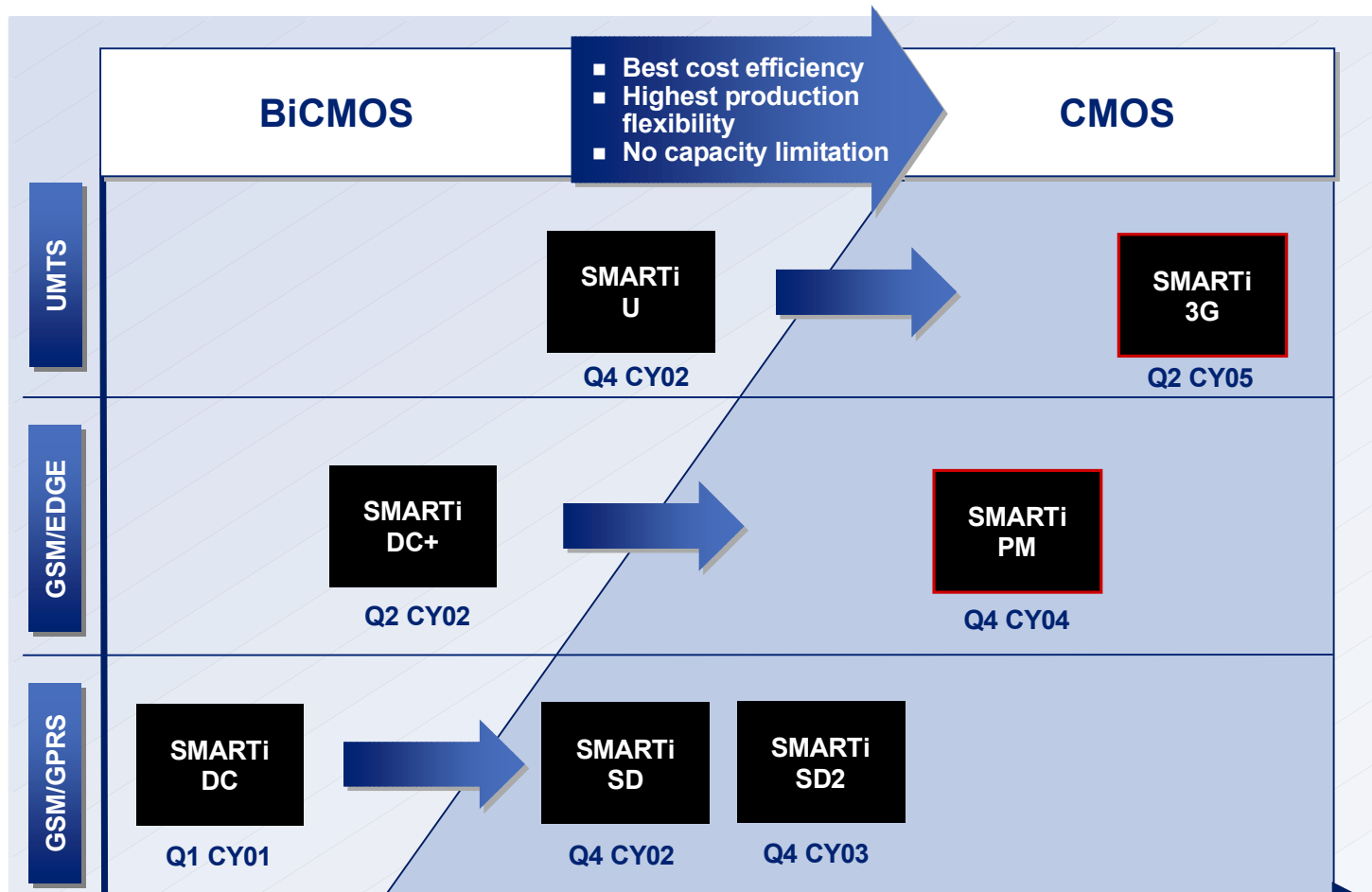
- Revenues decreased slightly due to pricing pressure and further decline in demand from baseband customers
- Significant improvement of EBIT because of reduction of idle capacity costs, lower inventory charges, and lower R&D costs

(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
- **ULC** ⇒ Sampling world's first ultra low-cost reference design enabling mobile phones with production cost below US \$20.
- **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

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



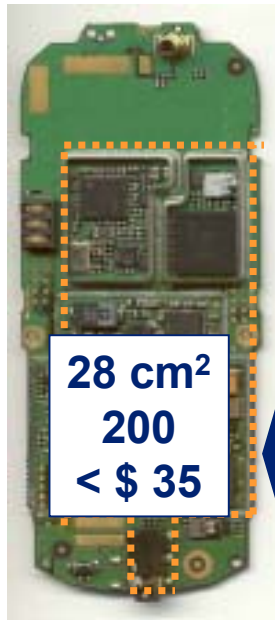
Dates refer to first customer samples available

Never stop thinking

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

- Single Chip RF/Baseband + High Level of HW Integration
- Significant reduction of manufacturing and test time
- ULC fastest growing GSM segment: 150m units in 2010*

2G Entry Phone



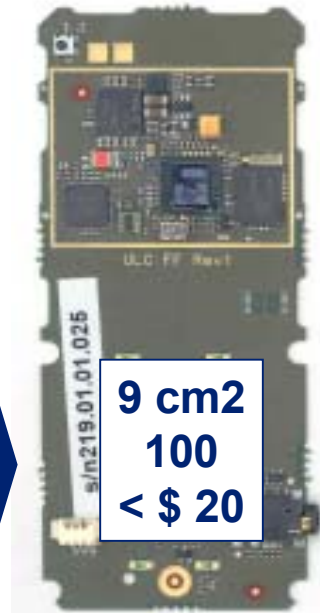
28 cm²
200
< \$ 35

E-Gold radio RF+BB chip



PCB size area
 PCB Components
 Phone BOM

ULC Phone



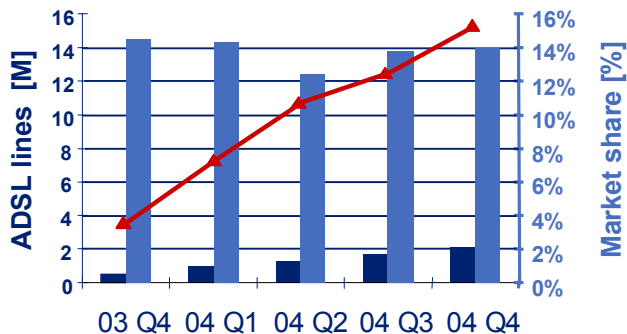
9 cm²
100
< \$ 20

*Source: Strategy Analytics, February 2005 Copyright © Infineon Technologies 2005. All rights reserved.

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



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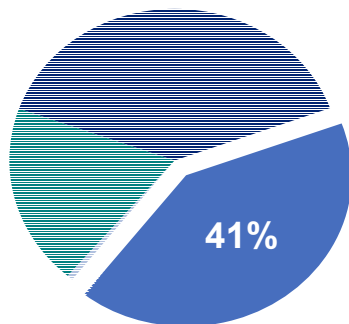
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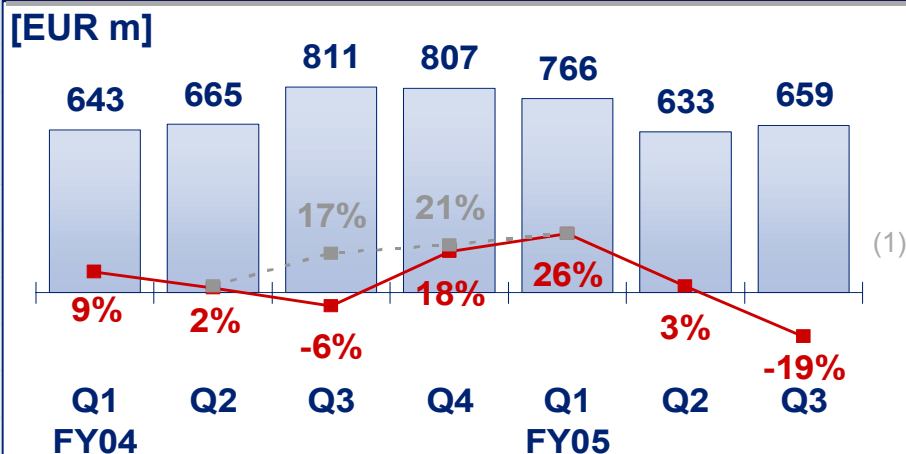
Outlook

Business Group Memory Products FQ3 Update

Revenue share Q3 FY05



Revenues and EBIT margin



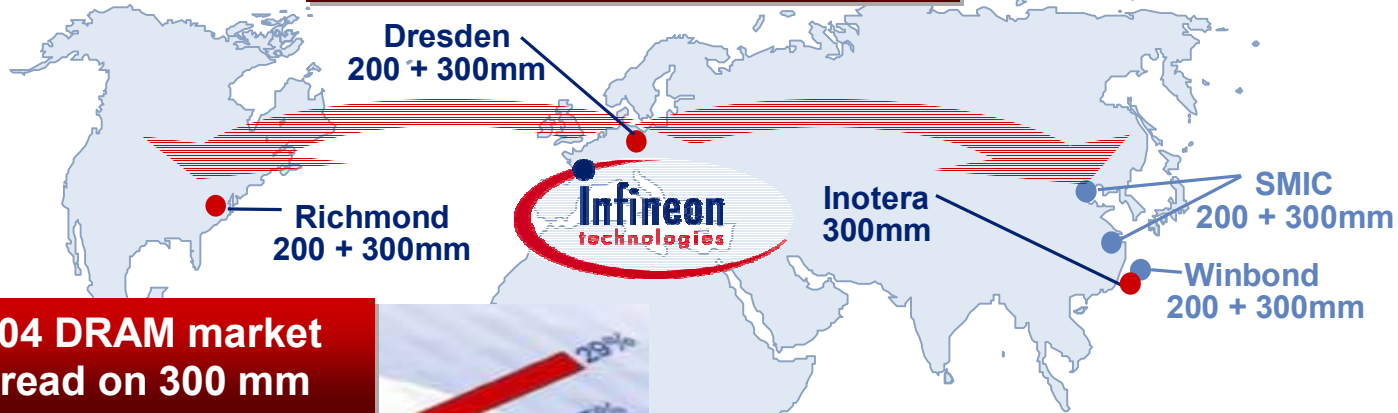
- Higher revenues and strong fully loaded cost reduction due to 45% bit-shipment growth based on bit-production growth of ~15% and inventory decrease by ~2 weeks
- EBIT decline due to ASP decline (see above) and ramp-up costs for 300mm fab in Richmond/VA

MP – Recent Business Highlights

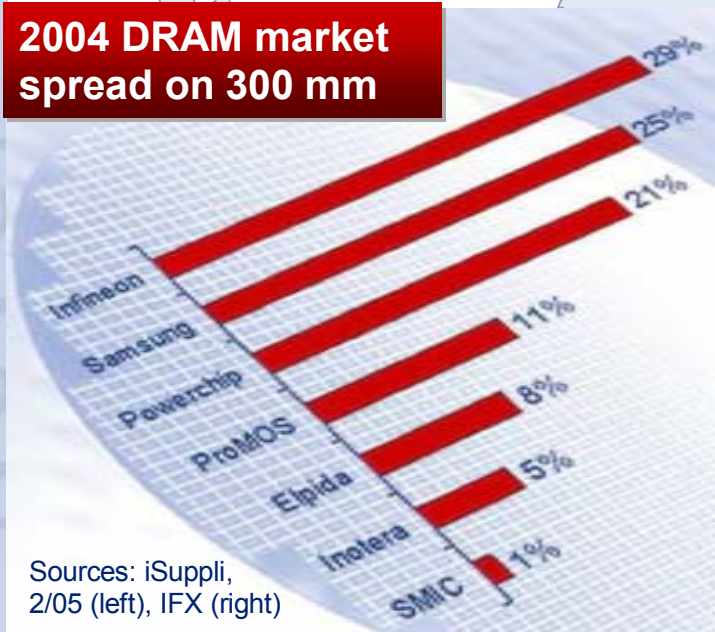
- **Started 90nm production** commercially with 512M DDR and DDR2 in volume
- Increased share of **specialty DRAMs** e.g. for infrastructure and graphics applications
- Sampling customized **8GB DDR2-400 tall registered DIMMs**
- First to provide **DDR3 samples** with full interface functionality
- IDF 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)

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

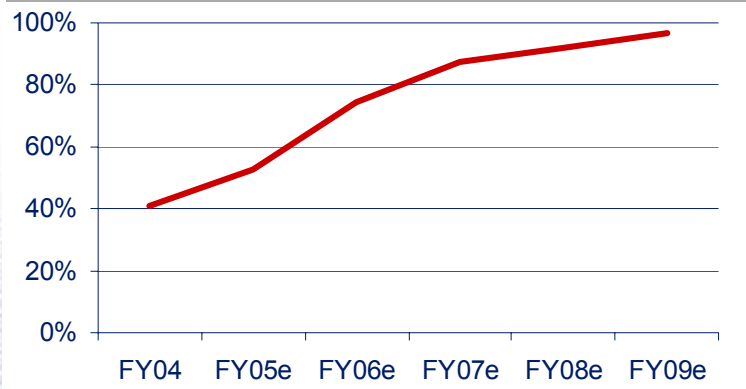
IFX memory front-end cluster



2004 DRAM market spread on 300 mm



IFX memory roadmap for 300mm



Shifting Memory Portfolio to Higher Margin Products

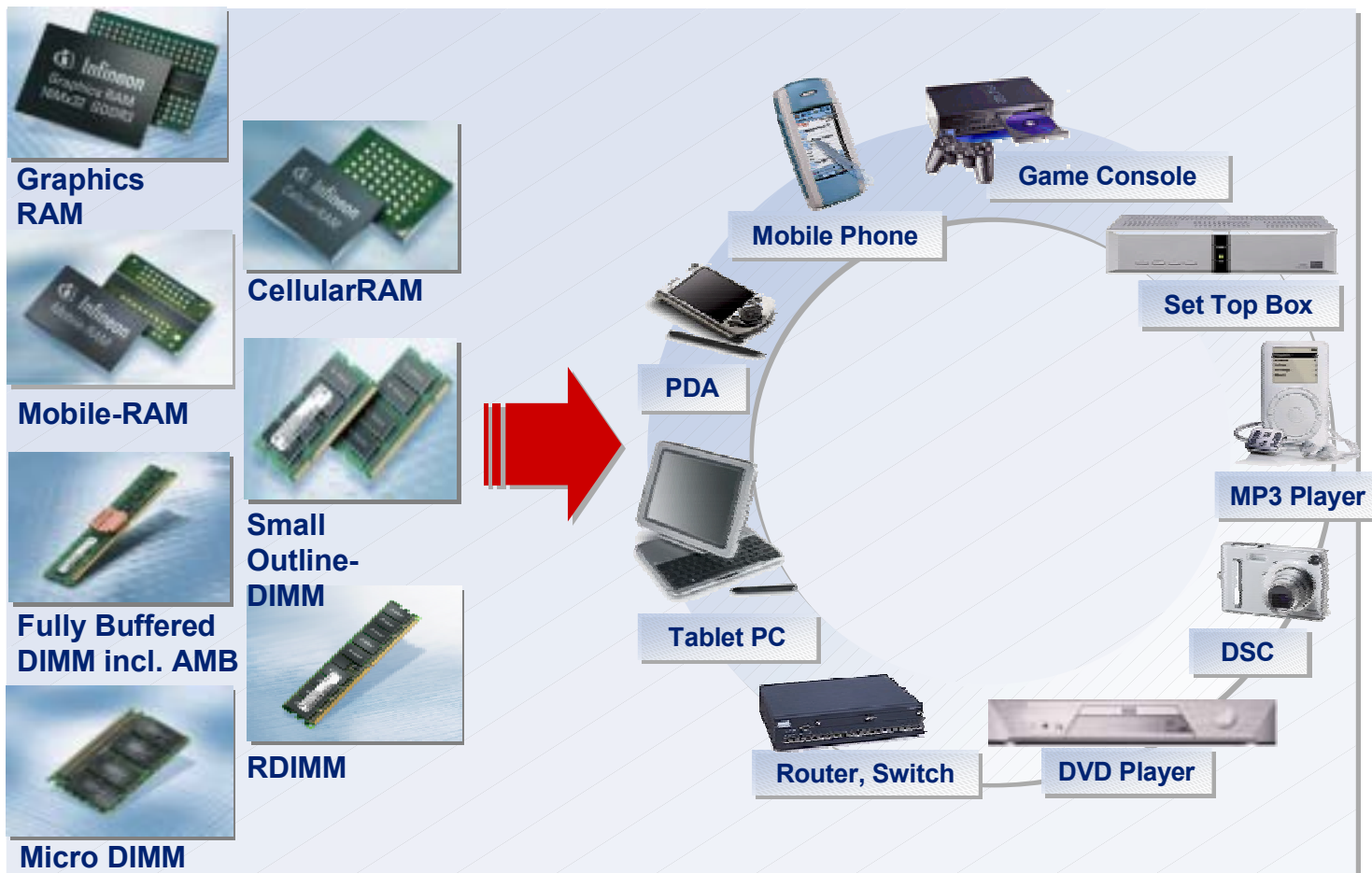


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Infineon Business Group F4Q Outlook as of July 26th

MP

- 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.

COM

- 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

AIM

- 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

Summary

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 and Depreciation ranges not expected to increase

One-off charges: substantially lower, range of EUR 20-40m

Pay back of EUR 450m credit facility from available funds

Tax expense rate: around 30%



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