Infineon On The Move

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Peter J. Fischl
Executive Vice President & CFO
Infineon Technologies AG

Disclaimer

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Agenda

- Review of market position in 2004
- New organization and restructuring
- Communication
  - Wireless: accelerating roadmap of innovations
  - xDSL: market success based on a complete product offering
- Memory Products
  - The race to 90nm on 300mm
- Asia on the move – our move to Asia
- The bottom line

Infineon: Leading European Semi Company in 2004

	Gartner		iSuppli		IC Insights	
Rank	Company	revs. in USD bn	Company	revs. in USD bn	Company	revs. in USD bn
1	Intel	30.5	Intel	31.1	Intel	30.4
2	Samsung	15.6	Samsung	15.1	Samsung	16.1
3	TI	9.7	TI	10.3	TI	10.9
4	Infineon	8.9	Infineon	9.4	Renesas	9.5
5	Renesas	8.8	Renesas	9.0	Infineon	9.4
6	Toshiba	8.8	Toshiba	8.9	Toshiba	9.0
7	STM	8.8	STM	8.8	STM	8.7
8	NEC	6.8	NEC	6.7	TSMC	7.6
9	Philips	5.7	Freescale	5.7	NEC	6.7
10	Freescale	5.7	Philips	5.7	Freescale	5.7

Sources: Gartner, Dec 2004 (prelim.) iSuppli, Dec 2004 (prelim.) IC Insights, Jan 2005 (prelim.)

Simplified Organization Around Applications And Customers – Now* 3/22 BGs/Units (4/14 so far)

Memory Products
Dr. Andreas von Zitzewitz

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

Communication
Mr 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
Mr Peter Bauer

A
- Microcontroller
- Automotive Power
- Sense & Control

I
- Power Mgmt & Drives

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

* Effective Jan 1st , 2005

Restructuring of Operations Well Underway

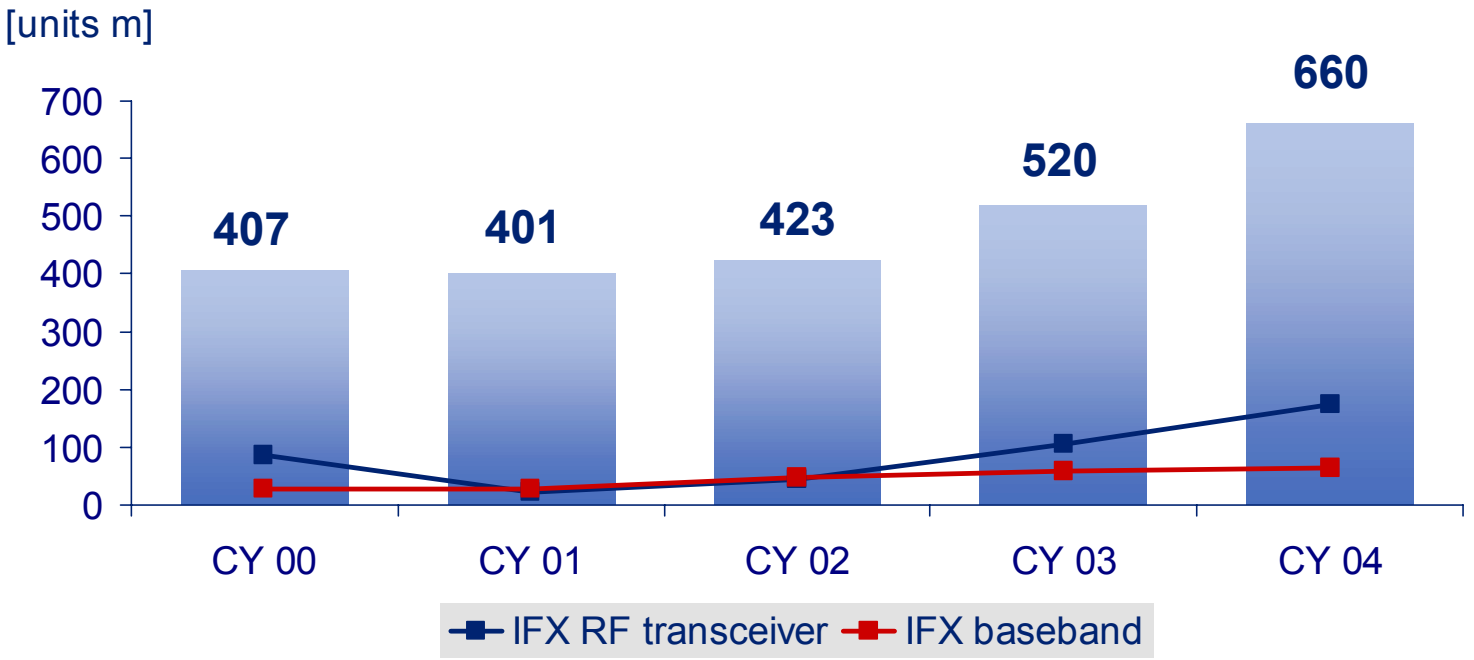
- ➢ Terminate non-core activities which we could not fund through a full blown downturn
- ➢ Exit activities which we feel we cannot achieve an adequate return in in the mid to long run

Actions taken to date:

- ✓ Sale of fiber optics transceiver business closed
- ✓ Restructuring of other FO activities in Berlin and Munich started
- ✓ Sale of venture capital activities closed
- ✓ Sale or shut down of minor emerging business activities (ongoing)
- ✓ “Smart Savings” to cut down FY05 fixed costs by about EUR 200mn
- ✓ Shut-down of 150mm front-end fab in Munich announced

Wireless Communication:
Cont'd to Gain Market Share in RF Transceiver in 2004

Worldwide Cell Phone Market 2000 to 2004

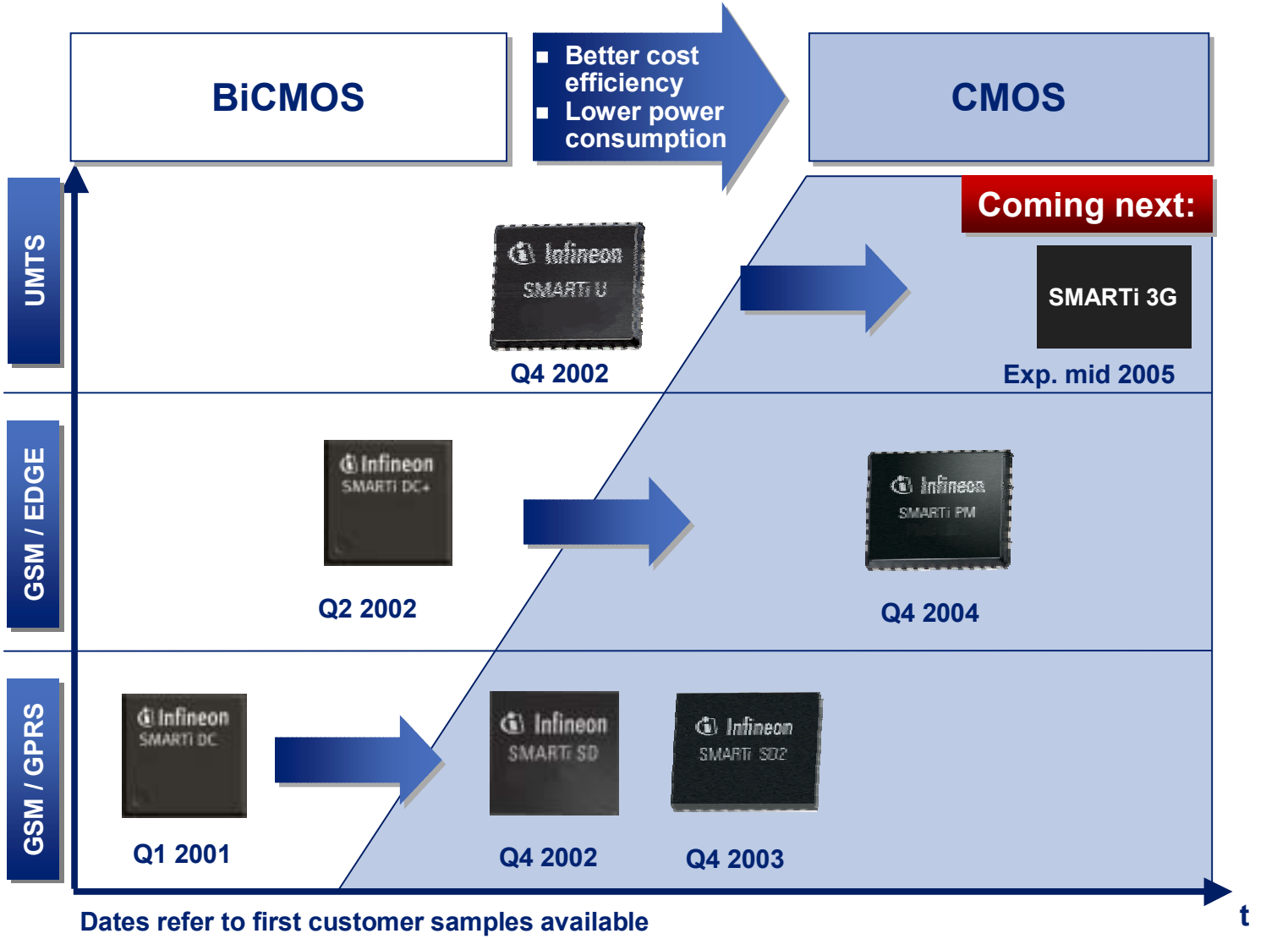


Infineon's market share [in units]:

	CY 00	CY 01	CY 02	CY 03	CY 04
RF	21%	5%	10%	21%	26%
BB	7%	7%	11%	11%	10%

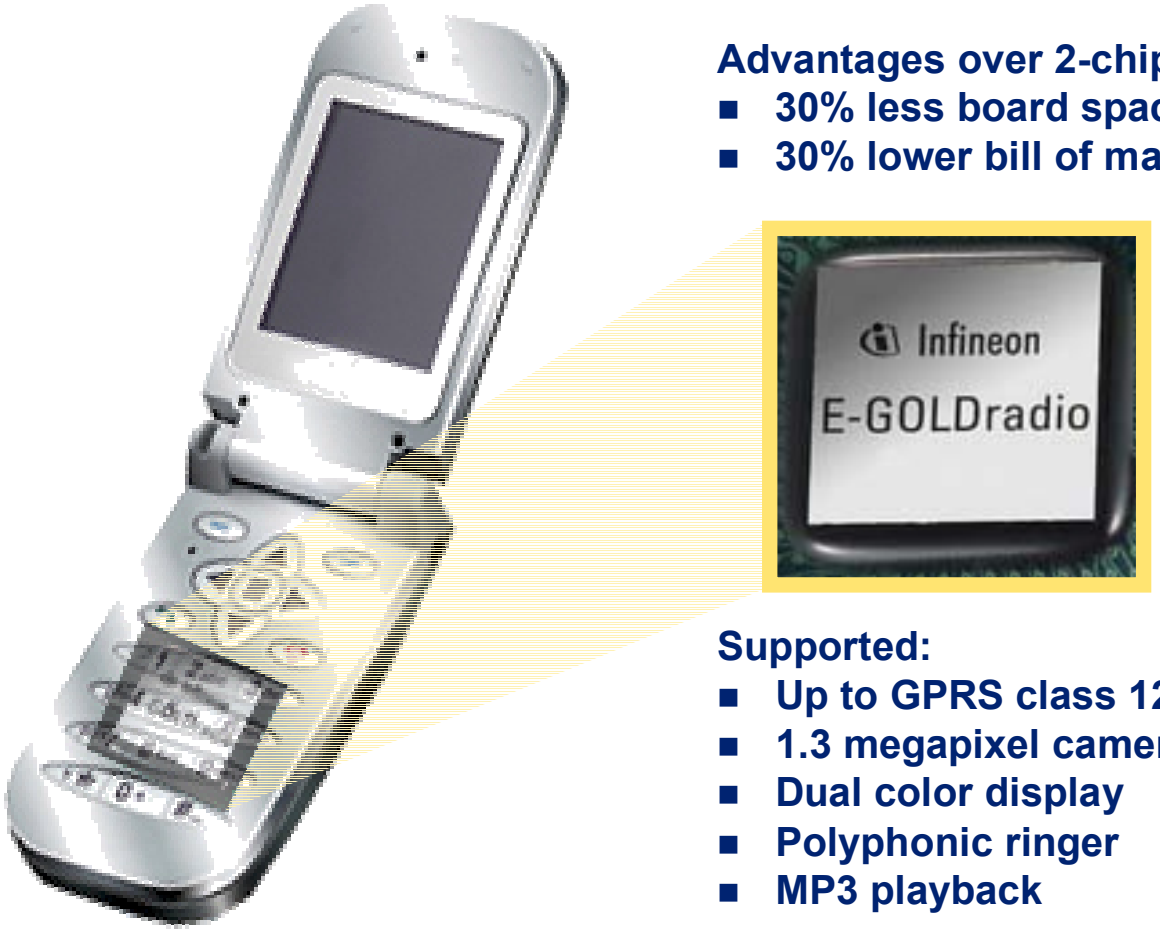
Sources: Market: Gartner, Jan 2005 / Market Share: Infineon estimate, Jan 2005

Transition of Complete RF Transceiver Portfolio to CMOS: Paving The Way For GSM/UMTS Single-chip Solutions



Successful Integration of RF CMOS Into Baseband: Sampling RF-Baseband SoC 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

Introducing The World's 1st Linux-based Dual-mode UMTS/EDGE Smartphone Reference Design

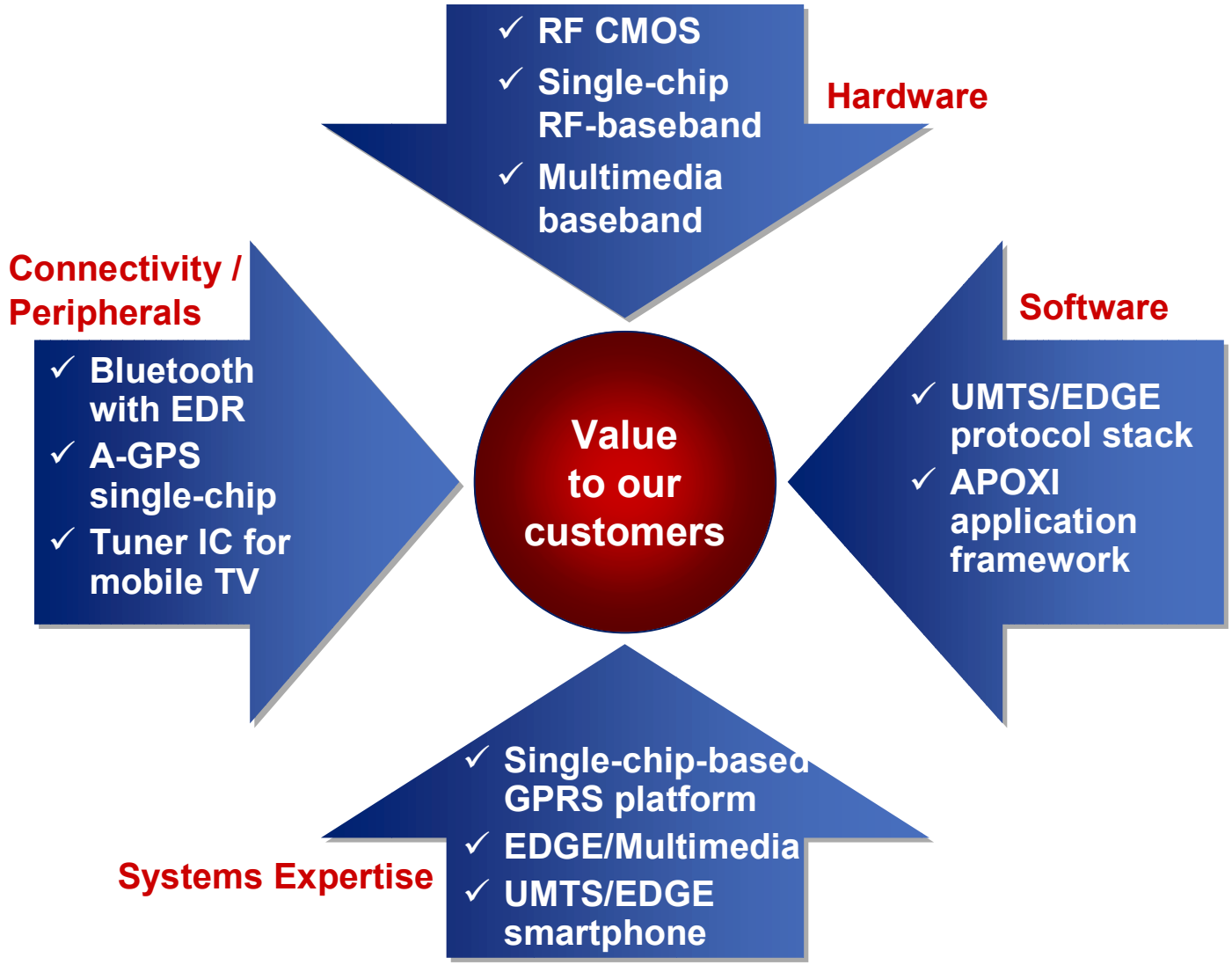
Overview

- Linux-based dual processor UMTS/EDGE reference design
- Supporting high-end features required for a UMTS phone in 2006
- Focusing on video/audio phone market
- Based on Infineon MP-U UMTS/EDGE modem platform and dual-mode protocol stack as well as a 3rd party application processor

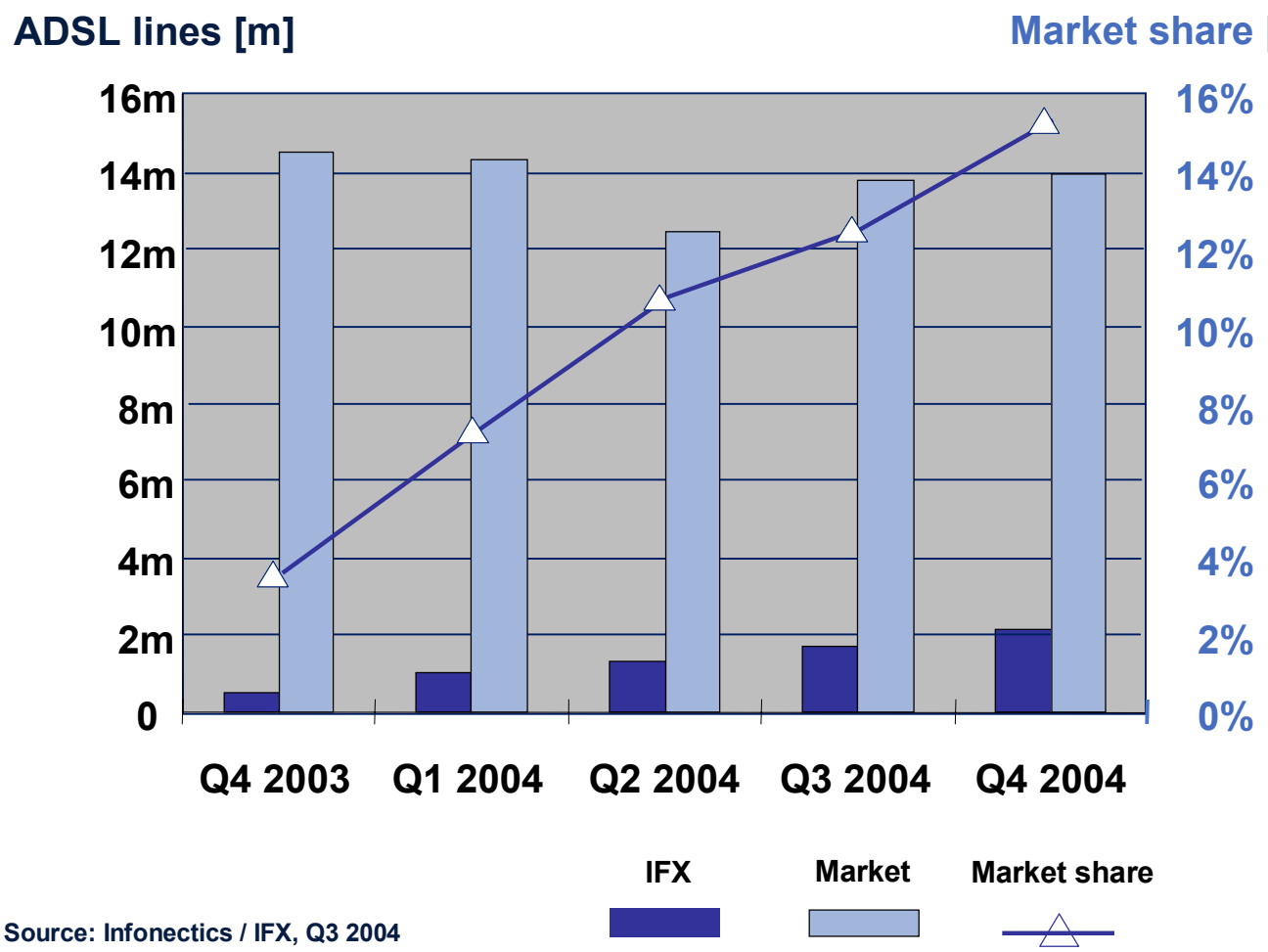
Main Features

- UMTS/EDGE dual-mode Type II
- Linux-based operating system
- Video call and video streaming
- Video recording and playback
- High-performance multimedia applications
- Up to 4 megapixel camera
- 3D audio
- 3D gaming

Wireless Solutions:
Significant Progress in All Four Core Competencies



Wireline Communication:
Cont'd to Gain Market Share With Transition to ADSL 2+

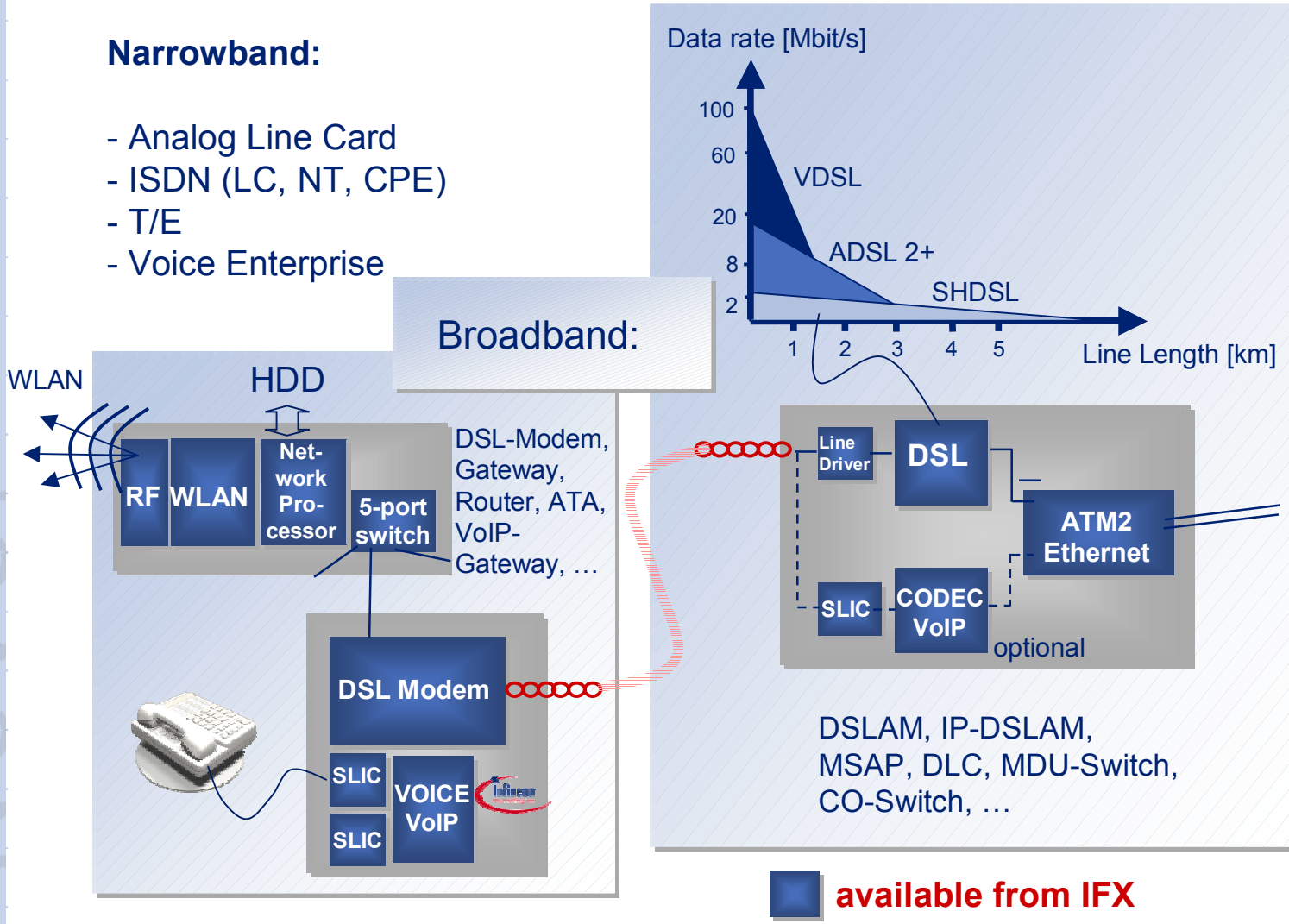


Source: Infonectics / IFX, Q3 2004

Wireline Access:
Complete Product Portfolio For Broadband Market

Narrowband:

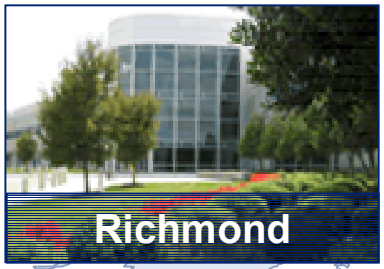
- Analog Line Card
- ISDN (LC, NT, CPE)
- T/E
- Voice Enterprise



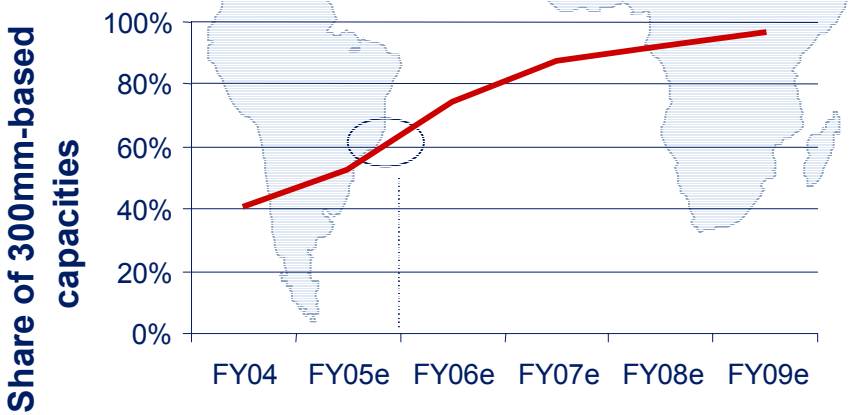
Memory Products:
Trench on Track For 90nm And 70nm Shrinks

Node	Status
90nm 	- Key innovations: - New cell layout - Bottle-shaped trench technology - IFX is 2nd manufacturer to have 90nm-based product validated by Intel - Customer samples from 200mm: 512M DDR - Successful transfer to 300mm line: yields now comparable to 200mm wafers - Volume ramp-up still expected mid-2005
70nm 	- Key innovation: High-κ dielectric fill in trench tech - First demonstrators on 300mm: 512M DDR2

Memory Products:
Continued Transition to 300mm Capacity



Winbond
Taiwan



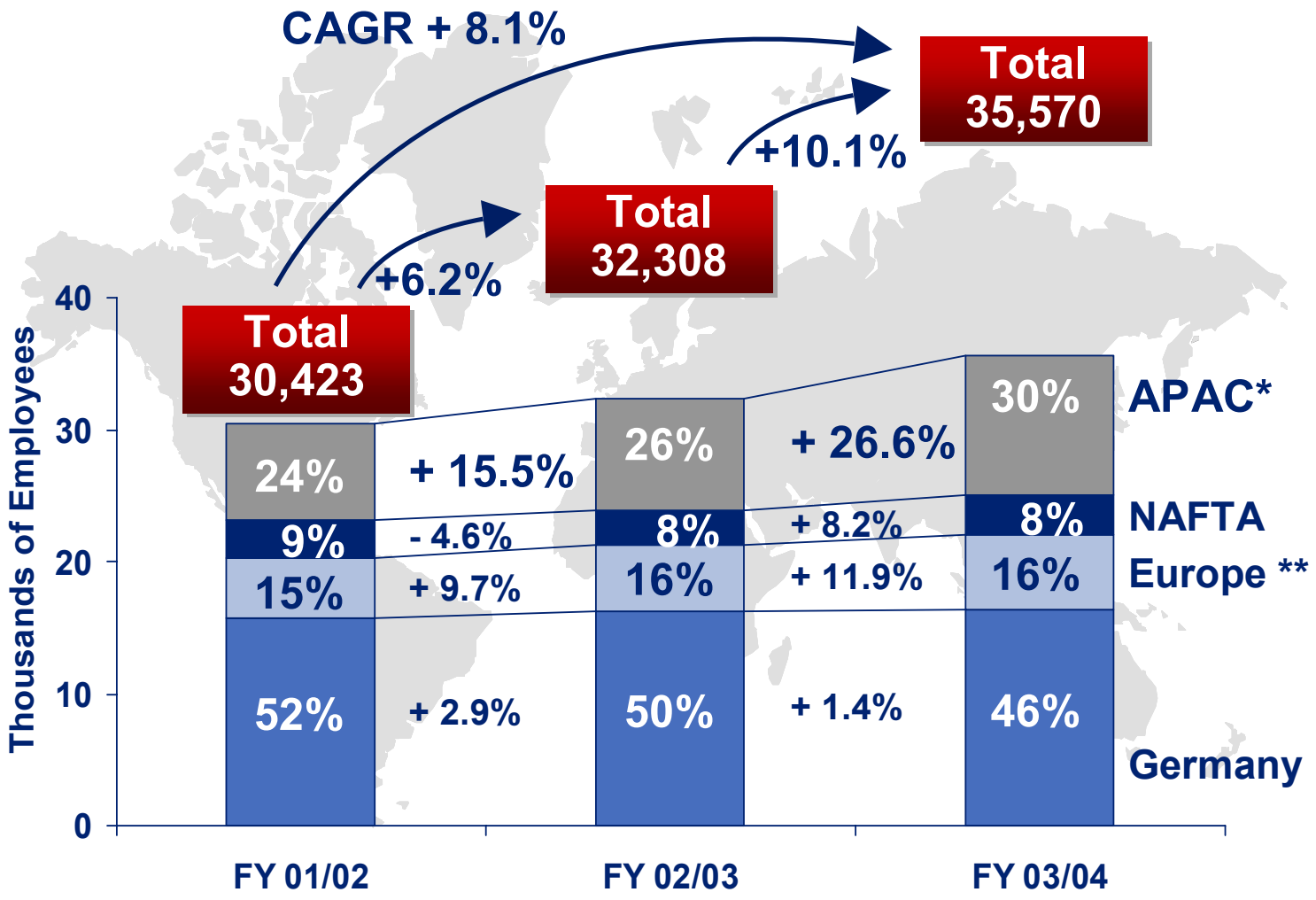
Asia Moves From Commodity to Differentiated Logic Manufacturing: Case Study I – Infineon to Built Power Logic Fab in Malaysia

- Power semiconductors face a strong and stable long-term growth
- Increase of in-house capacity is required for AIM group 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, output increase per fab is almost not possible
- 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

Asia Moves From Low Cost Manufacturing to Design Power: Case Study II – Infineon's Development Center in Xi'an, China

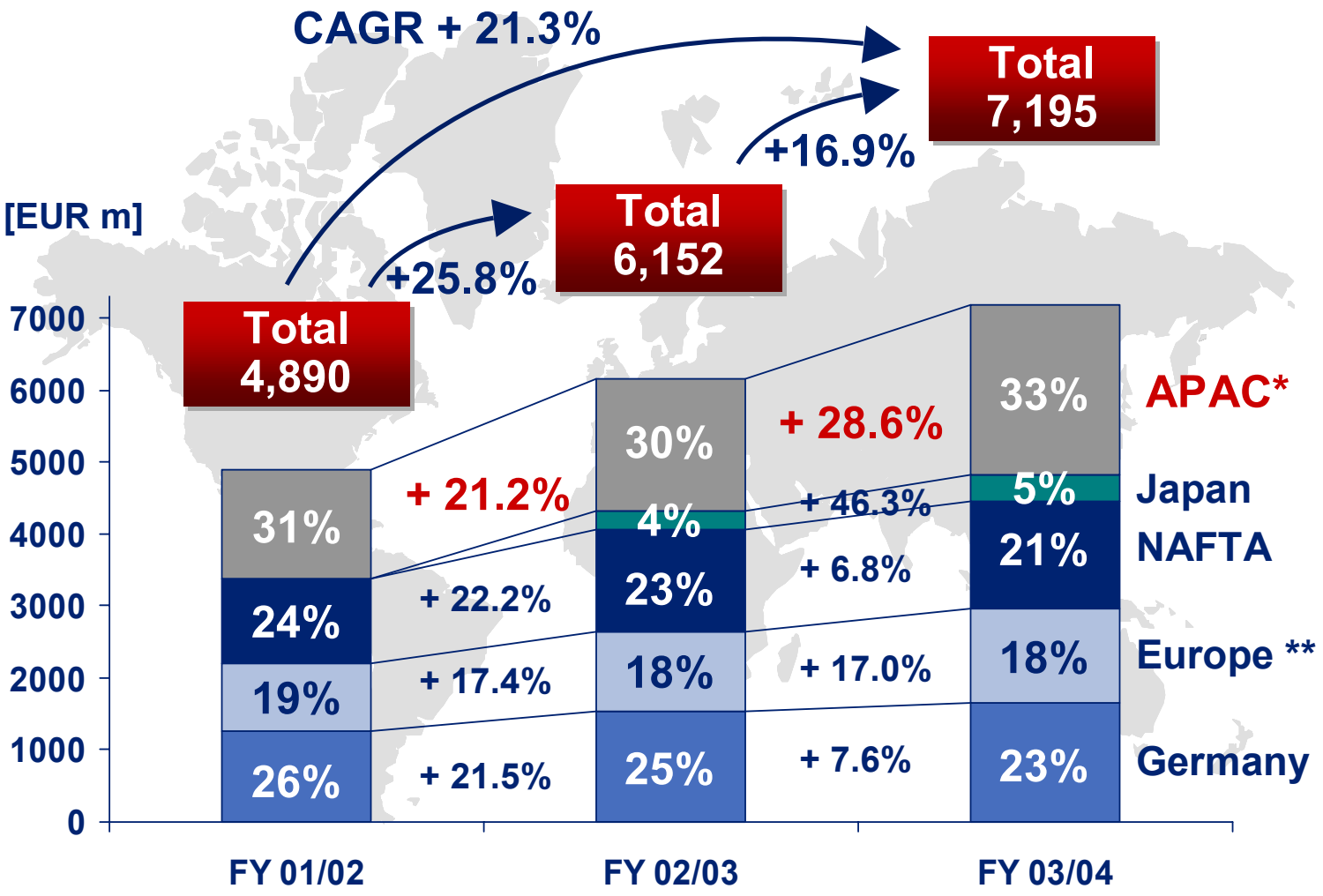
- Pros and cons identified for alternative locations
- Xi'an with firm basis in **IC industrial and software experience**
- The city has an extremely large number of **highly qualified students** whose talents could be leveraged for the IC industry
- Both **labor costs and fluctuation** are relatively **low**
- It's an **amazing city** with a **rich variety of history and culture**, which offers IFX staff an attractive work-life balance
- First product development activities started for **memory chips**
- Infineon plans to employ more than **1000 engineers** by 2007

Infineon Shifts Headcount Towards Asia Pacific Region



* Including Japan and RoW ** Excluding Germany

Activities in APAC Major Driver of Infineon Growth Story



* Including others

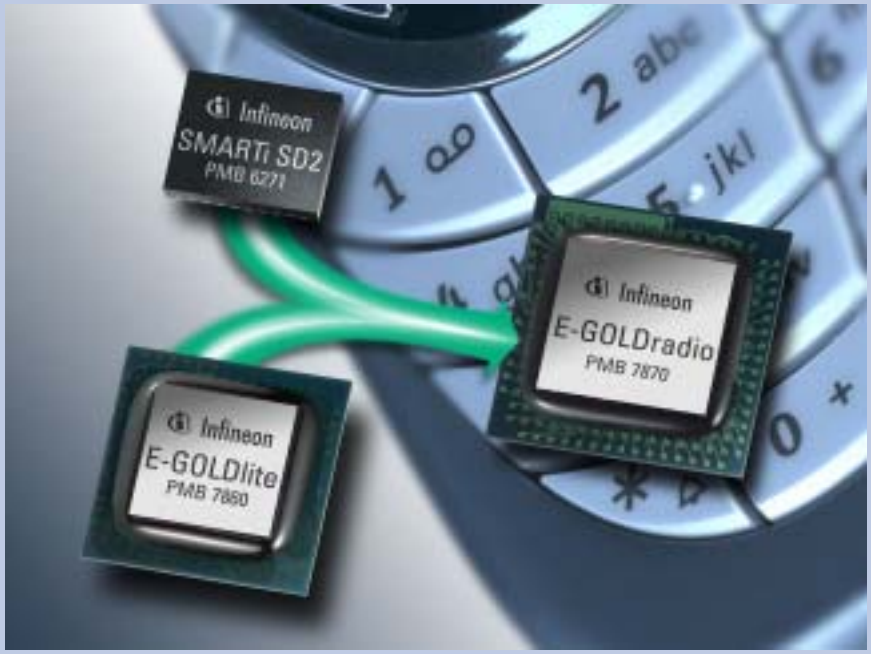
** Excluding Germany

Infineon On The Move

- ✓ After a period of rapid growth a new organization was required to improve financial performance
- ✓ With our restructuring we focus on core activities and eliminate losing operations
- ✓ We achieved significant market share gains in the wireless market based on our leading RF transceiver portfolio
- ✓ We are first with a running handset based on a single-chip radio
- ✓ We stand in the forefront with an efficient UMTS mobile platform
- ✓ We gained market share in ADSL based on our complete range of products
- ✓ We are on the right track to improve productivity by the conversion to 90 nm and further leading transition to 300mm DRAM production
- ✓ Asia on the move – Infineon on the move to Asia throughout the entire value-added chain and with a broad product portfolio

Q & A‘s

Never stop thinking…



…and setting the benchmark with our E-GOLDradio™ chip, a CMOS-based single-chip, which combines a quadband RF transceiver part with a baseband processor, and enables the world's most integrated GSM/ GPRS entry phone platform