

Infineon

**Sanford C. Bernstein
Strategic Decisions Conference**

September 28, 2005 – London

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



Never stop thinking.



Disclaimer

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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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Automotive, Industrial & Multimarket

Communication

Memory Products

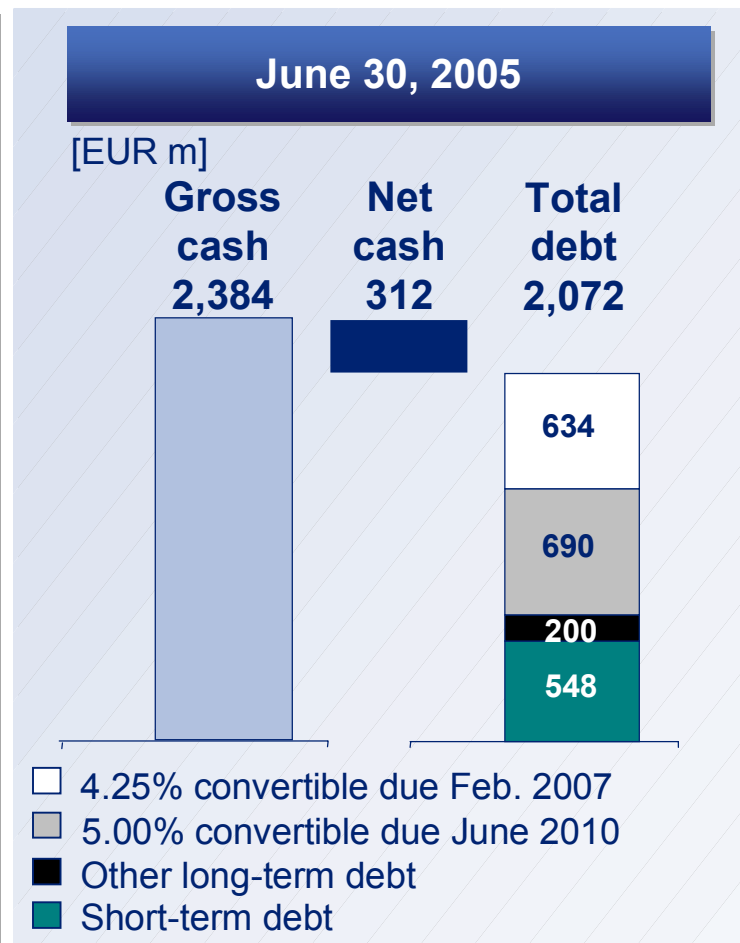
Outlook

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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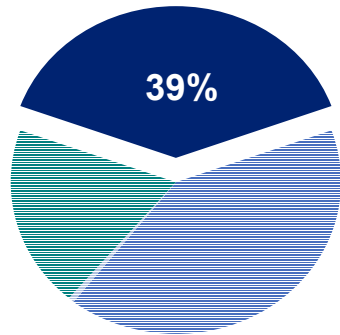
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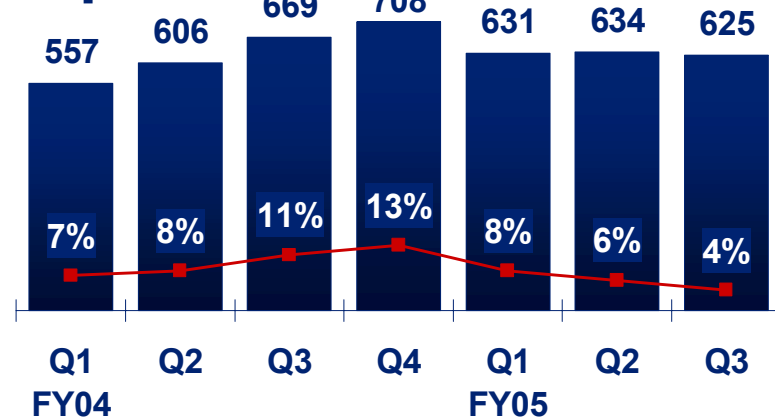
Business Group Automotive, Industrial & Multimarket FQ3 Update

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

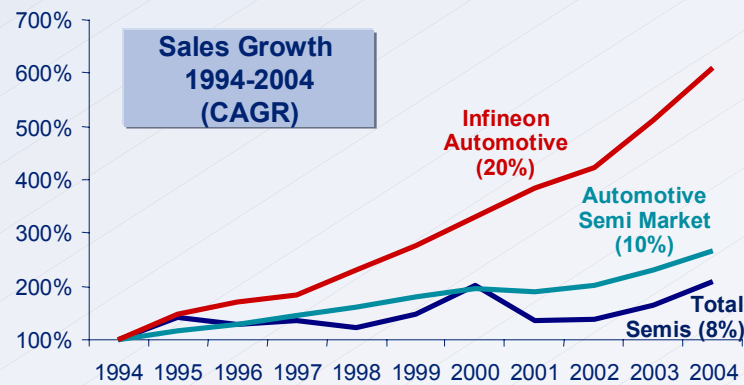
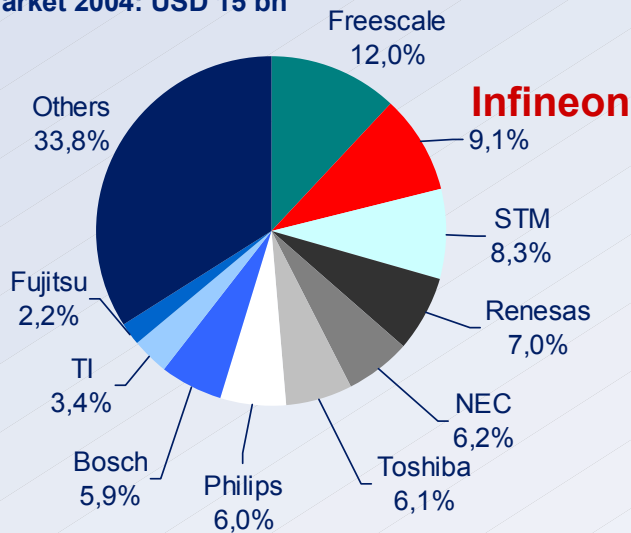
IFX products

- 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

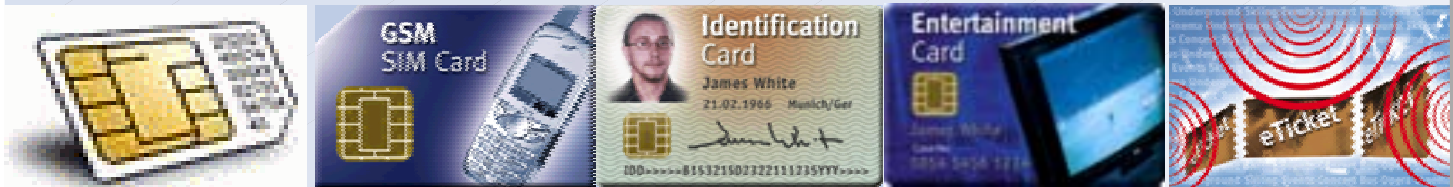


New Automotive and Industrial Power Fab in Malaysia on Track for Ramp-up in 2006



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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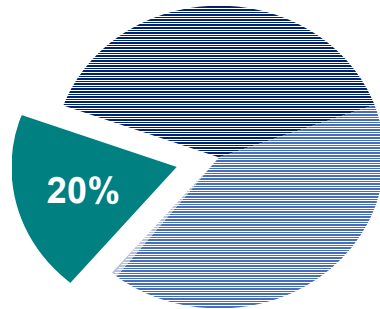
Memory Products

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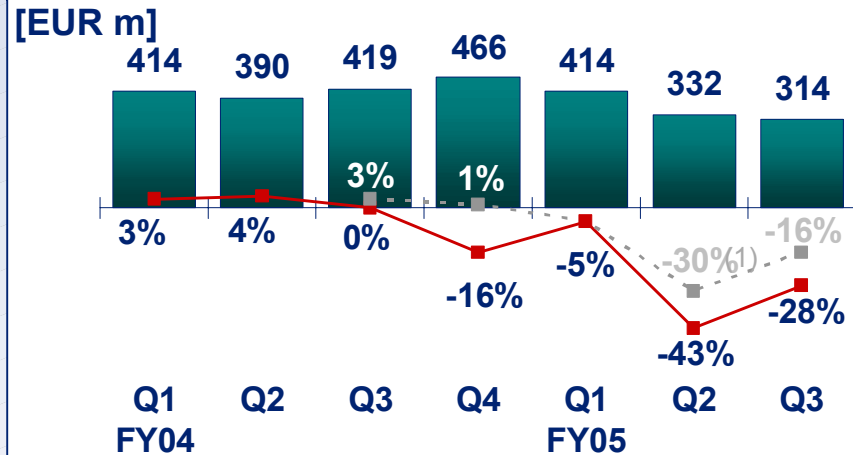
Business Group Communication

FQ3 Update

Revenue share Q3 FY05



Revenues and EBIT margin



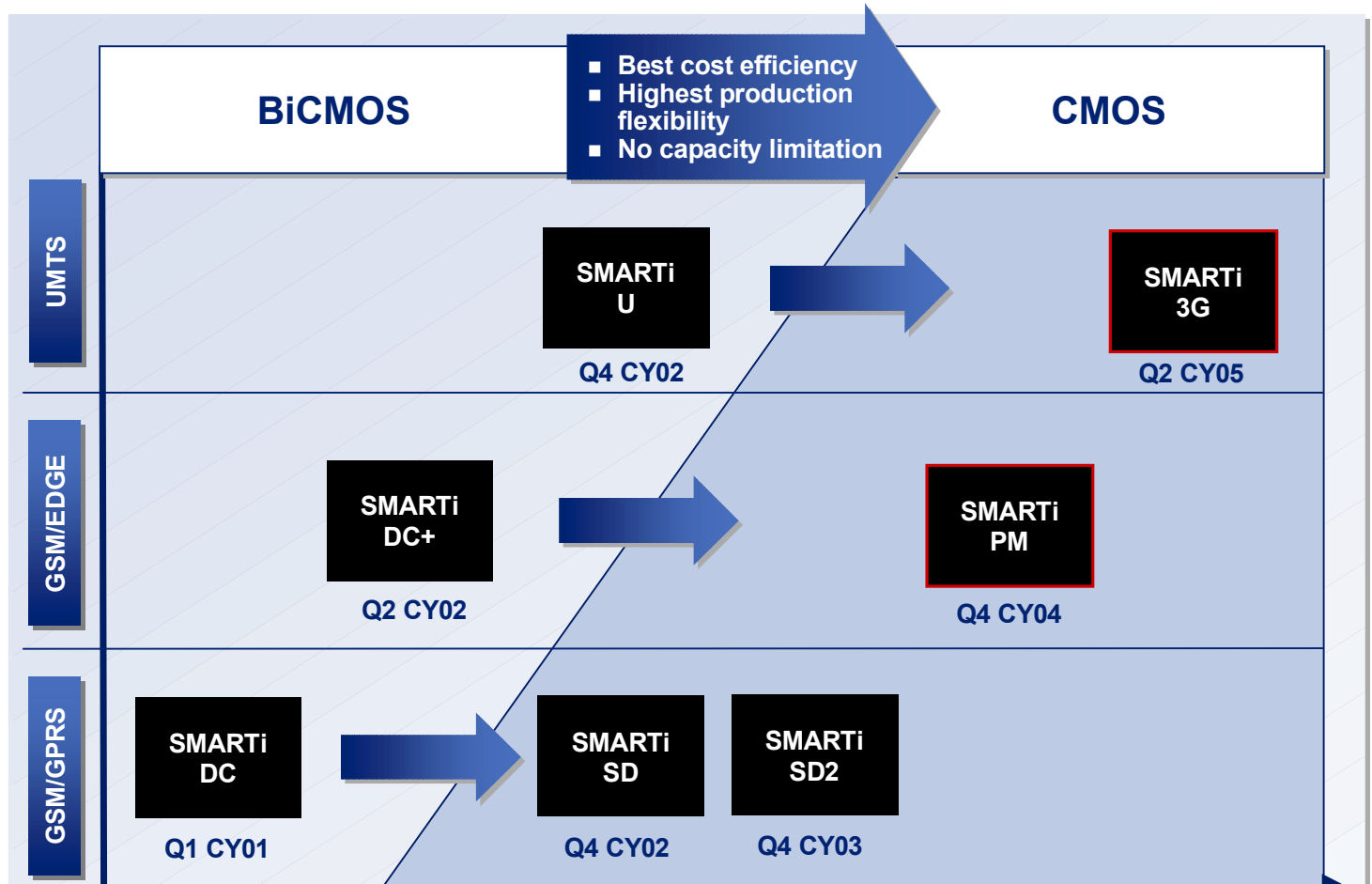
- Revenues decreased slightly due to pricing pressure and further decline in demand from baseband customers
- Significant improvement of EBIT because of reduction of idle capacity costs, lower inventory charges, and lower R&D costs

(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



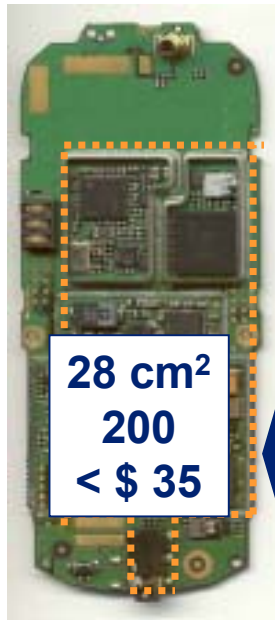
Dates refer to first customer samples available

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



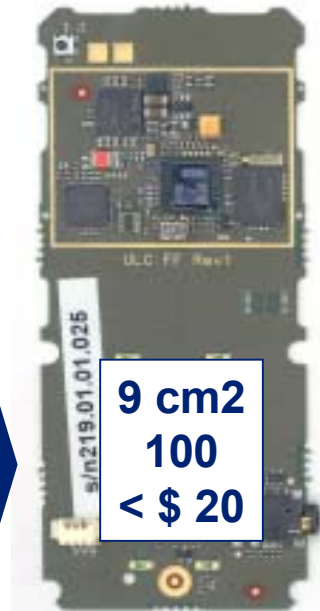
28 cm²
200
< \$ 35

E-Gold radio RF+BB chip



PCB size area
 PCB Components
 Phone BOM

ULC Phone

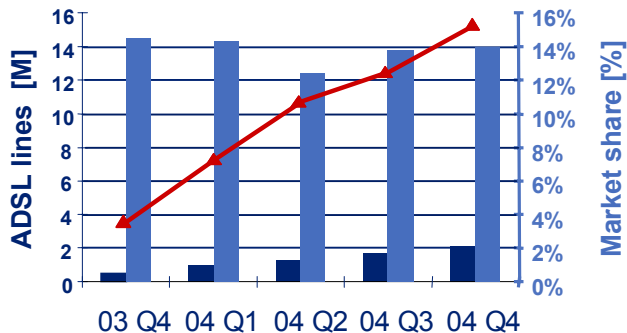


9 cm²
100
< \$ 20

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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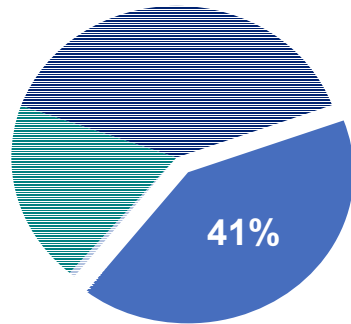
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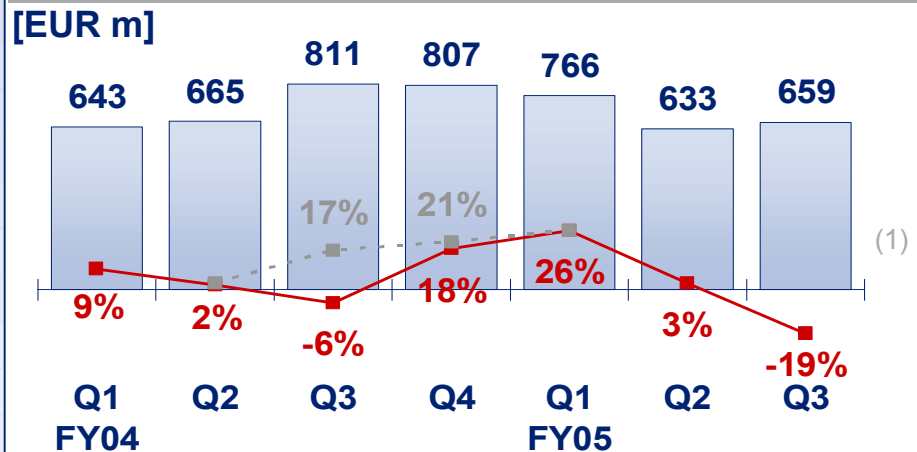
Outlook

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Revenue share Q3 FY05



Revenues and EBIT margin



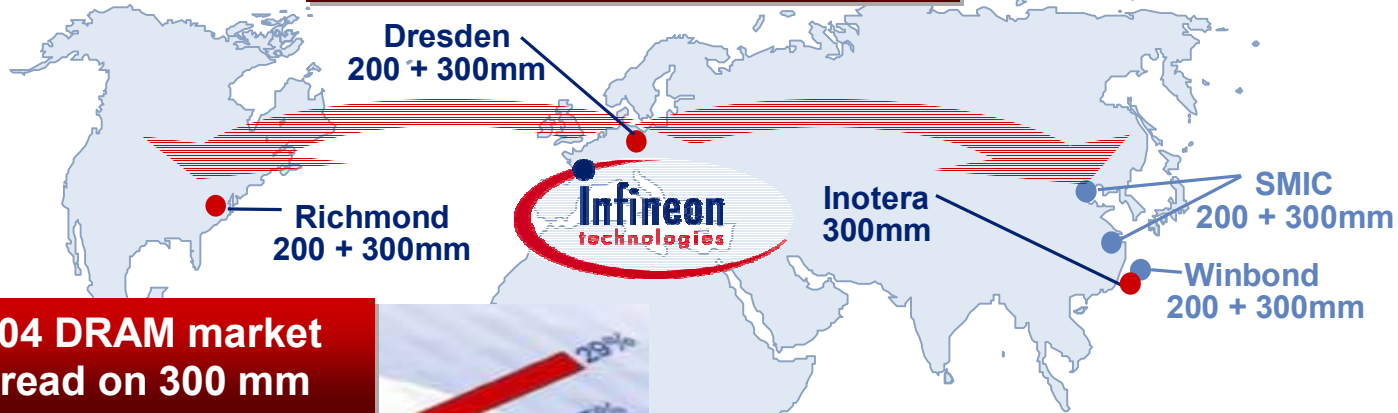
- Higher revenues and strong fully loaded cost reduction due to 45% bit-shipment growth based on bit-production growth of ~15% and inventory decrease by ~2 weeks
- EBIT decline due to ASP decline (see above) and ramp-up costs for 300mm fab in Richmond/VA

MP – Recent Business Highlights

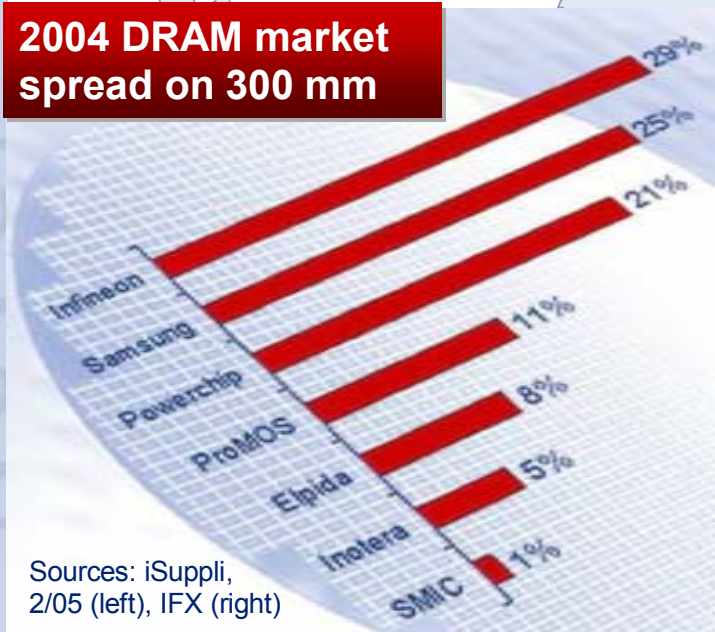
- **Started 90nm production** commercially with 512M DDR and DDR2 in volume
- Increased share of **specialty DRAMs** e.g. for infrastructure and graphics applications
- Sampling customized **8GB DDR2-400 tall registered DIMMs**
- First to provide **DDR3 samples** with full interface functionality
- IDF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

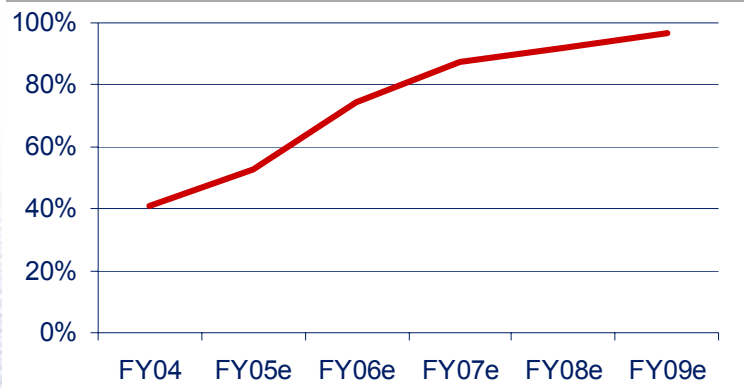
IFX memory front-end cluster



2004 DRAM market spread on 300 mm



IFX memory roadmap for 300mm



Shifting Memory Portfolio to Higher Margin Products

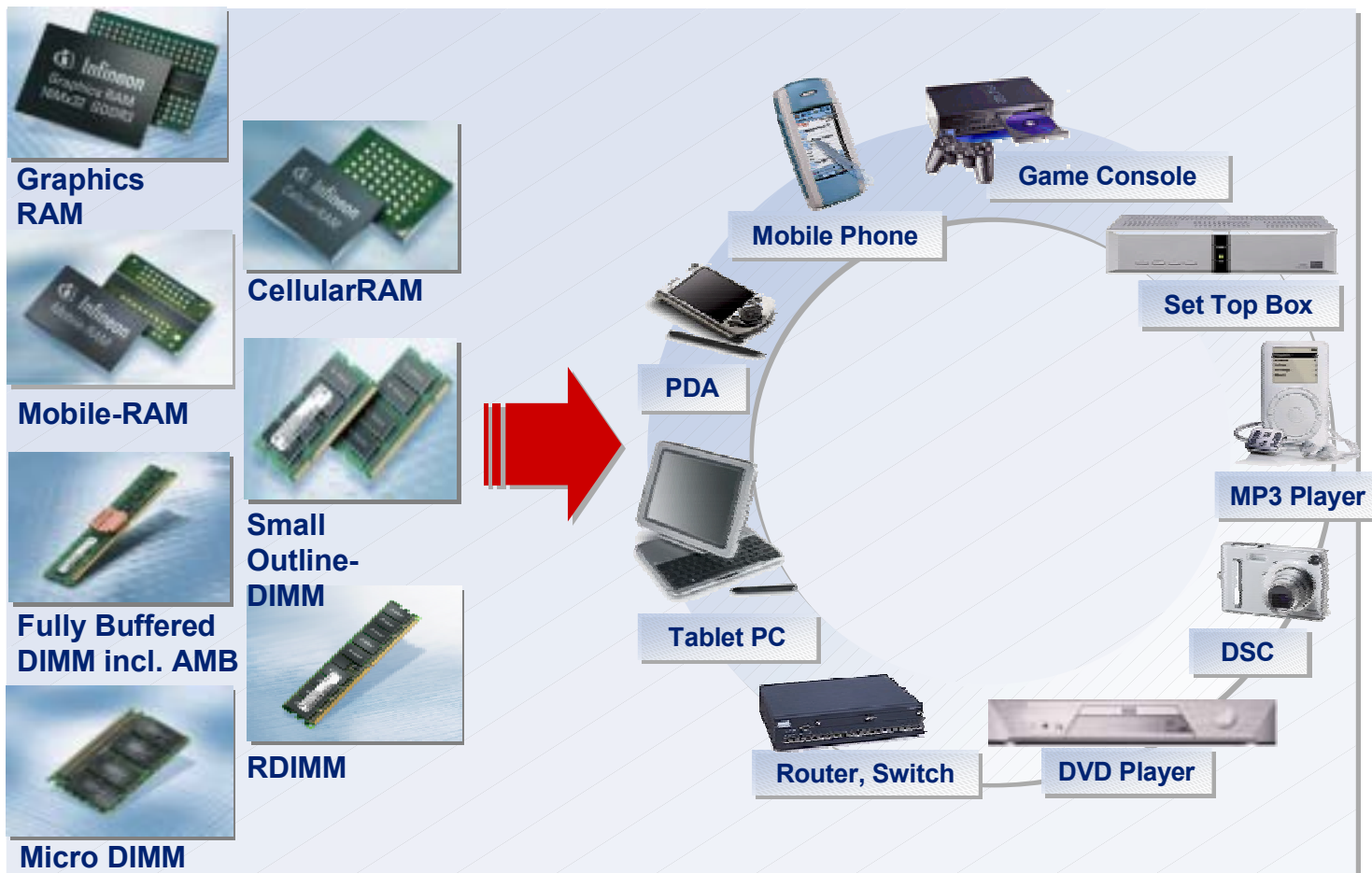


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Infineon Business Group F4Q Outlook as of July 26th

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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