

**Infineon**

# Q1 FY06 Presentation

March Quarter 2006

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Never stop thinking



## Disclaimer

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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.

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## Results Overview

[EUR m]	Q1 FY06	Q4 FY05	Q1 FY05
<b>Net sales</b>	<b>1,674</b>	<b>1,731</b>	<b>1,816</b>
<b>Gross margin</b>	<b>19%</b>	<b>26%</b>	<b>39%</b>
<b>R&amp;D expenses</b>	<b>311</b>	<b>290</b>	<b>329</b>
in % of sales	19%	17%	18%
<b>SG&amp;A expenses</b>	<b>173</b>	<b>172</b>	<b>162</b>
in % of sales	10%	10%	9%
<b>EBIT</b>	<b>(122)</b>	<b>(43)</b>	<b>211</b>
<b>EBIT excluding one-off's</b>	<b>(122)</b>	<b>21</b>	<b>95</b>
in % of sales	(7%)	1%	5%

## Logic Business Profitable in Q1 FY 2006

	Revenue	EBIT
<b>Automotive, Industrial &amp; Multimarkets</b>	<b>EUR 652m</b>	<b>EUR 51m</b>
<b>Communication Solutions</b>	<b>EUR 334m</b>	<b>EUR -21m</b>
<b>total</b>	<b>EUR 986m</b> 59% of IFX revenue	<b>EUR 30m<sup>(1)</sup></b>

(1) Prior to inclusion of results of other operating segments and corporate & reconciliation

# Maintaining a Net Cash Position

[EUR m]

**Q1 FY06**

<b>Operating cash flow</b>	<b>102</b>
<b>Capex</b>	<b>(405)</b>
<b>Other investments <sup>(1)</sup></b>	<b>128</b>
<b>Free cash flow</b>	<b>(175)</b>

**Dec. 31, 2005**

[EUR m]

<b>Gross cash</b>	<b>Net cash</b>	<b>Total debt</b>
<b>1,887</b>	<b>161</b>	<b>1,726</b>



- 4.25% convertible due Feb. 2007
- 5.00% convertible due June 2010
- Other long-term debt
- Short-term debt

(1) Excluding purchase / sale of marketable securities, increase mainly due to full consolidation of Altis.

## Infineon Business Group Q2 FY06 Outlook as of Jan 24th

### AIM

- Estimating AIM revenues to increase slightly. EBIT margin to contract largely due to annual price reduction in auto, growing R&D.
- Awaiting slight sales growth in auto, seasonal decline in industrial ICs. Chipcard ICs returning to some revenue growth with time frame for turnaround plan confirmed.
- FY 06 EBIT margin flat to up vs FY 05 despite expenses for Perlach fab closure and Kulim fab ramp

### COM

- Expecting COM revenues to decline due to seasonality.
- Expecting deterioration in EBIT given revenue decline and already lean cost base.
- Wireline business continues to operate profitably with strong broadband momentum.
- Turnaround in wireless platforms expected in 4 to 6 quarters.

### MP

- Expect bit production to increase by more than 20% q-o-q given additional shipments from Richmond 300 ramp and foundry partners.
- Bit shipments to follow suit. Weeks of inventory likely to decline q-o-q. FLC to benefit accordingly.
- On track with 90nm ramp-up (revenue cross over achieved December 2005) as well as with 70nm development.



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Financials and Outlook

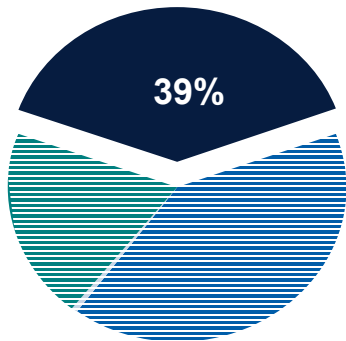
**AIM Review**

COM Review

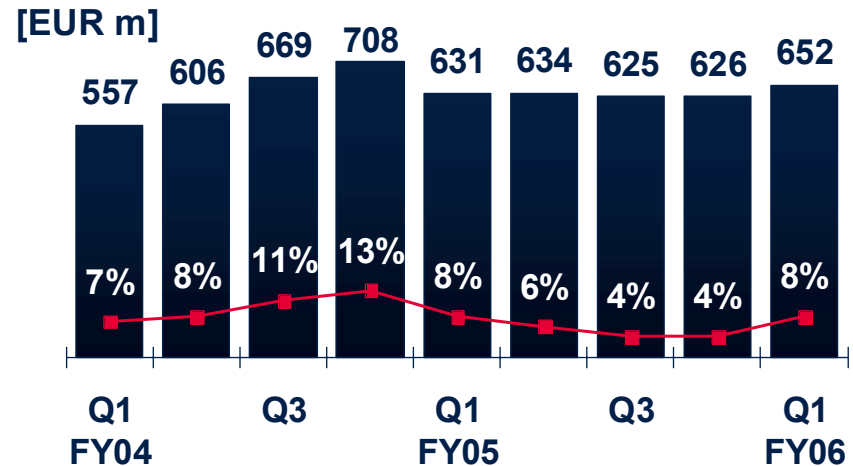
MP Review

# Business Group Automotive, Industrial & Multimarket Q1 FY06 Update

## Revenue share Q1 FY06



## Revenues and EBIT margin



- Revenue growth due to seasonality in industrial business (power supplies and motherboards) and strength in automotive sales across the board, in particular tire pressure monitoring systems.
- Strongly improved EBIT despite Kulim / Perlach costs due to higher sales, improved profitability, in particular in automotive.

# AIM Fields of Activities

Revenue in Q1 FY 2006: EUR 652 million

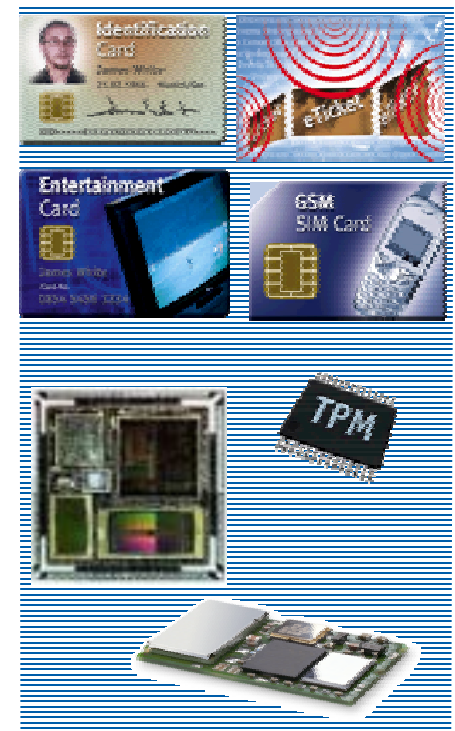
## Automotive [MC], [AP], [SC], [POF]



## Industry [PMD], [DS]

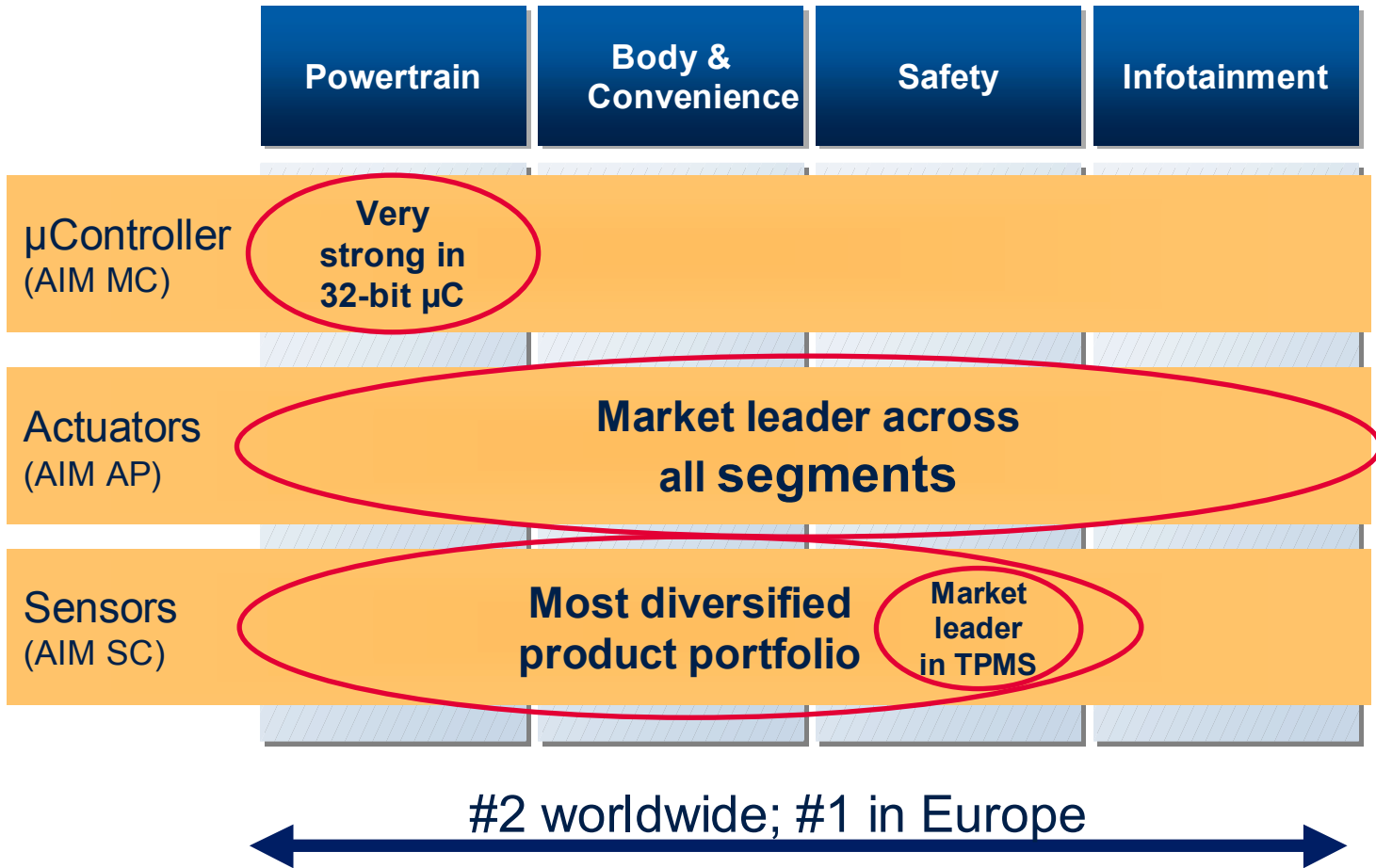


## CCC<sup>1</sup> [CC], [ADS]



(1) CCC = Communications, Consumer, Computing

# The Automotive Business Segmentation



# The Automotive Business Segmentation

## Market Driver

### $\mu$ Controller

- higher gasoline efficiency
- pollution reduction (e.g. Euro-Norm)
- higher computing power; trend towards 32-bit

### Actuators

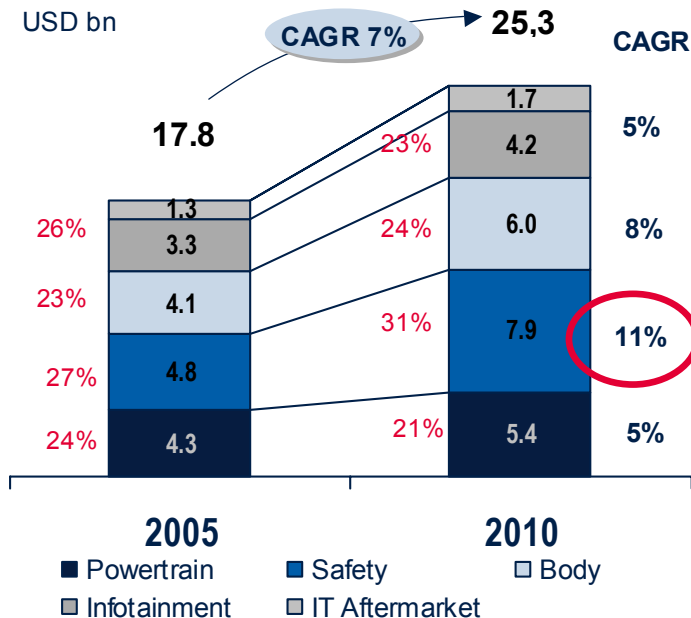
- growing comfort and convenience
- replacement of electro-mechanical components
- Hybrid power technologies

### Sensors

- higher efficiency
- growing number of safety features (e.g. TPMS, ABS, EPS, ESP, RADAR, Night Vision, lane departure warning, Active Cruise Control, etc.)

# Safety Is The Key Innovative Application Segment, Powertrain Is Influenced By Increasing Emission/Fuel Consumption Requirements

## Automotive SC Demand by Application



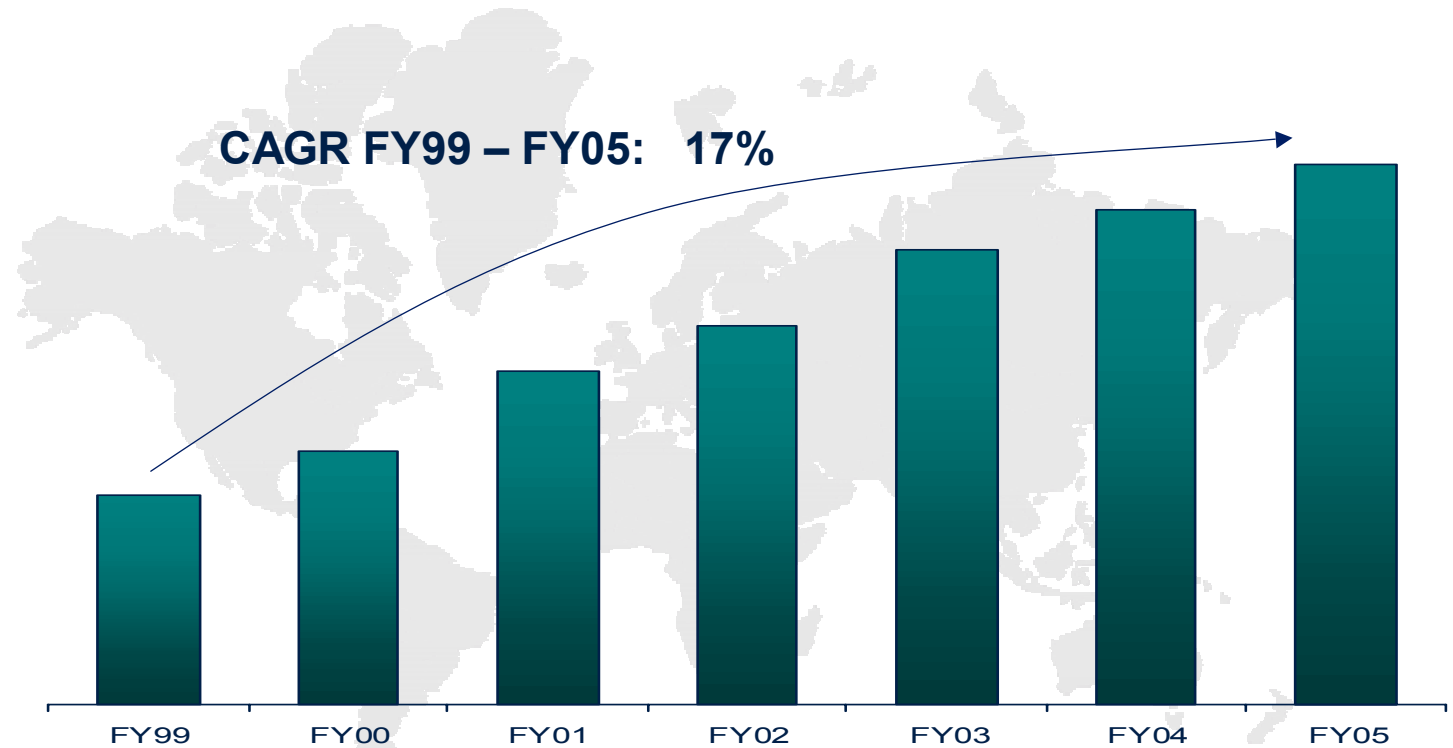
## Key Trends

- WW silicon content per vehicle to grow from \$200 ('02) to \$300 ('09)
- Increasing sensor content is key to intelligent vehicles - US TPMS ruling proceeds as published
- Airbag, ABS, ESP will achieve broad penetration rates, first driver assistance applications visible
- LED and relais replacement are key design topics in body segment
- Integration of consumer application into the vehicle pushes standardized interfaces (Bluetooth, USB, Telematics)

**Semiconductors are key enabling technology for increased automotive performance**

# Infineon is Market Leader in Automotive Power

## Revenue development



# The Industry Business Segmentation

	<b>Applications</b>	<b>Growth Driver</b>
<b>Power Management</b>	<ul style="list-style-type: none"> <li>power supplies and voltage regulators for PC, DVD, LCD, etc.</li> </ul>	<ul style="list-style-type: none"> <li>energy efficiency</li> <li>environment protection</li> <li>natural resources</li> </ul>
<b>Power Conversion</b>	<ul style="list-style-type: none"> <li>trains</li> <li>power distribution</li> </ul>	<ul style="list-style-type: none"> <li>increasing energy consumption</li> <li>growth in APAC</li> </ul>
<b>Industrial Drives</b>	<ul style="list-style-type: none"> <li>consumer drives</li> <li>general-purpus drives</li> </ul>	<ul style="list-style-type: none"> <li>inductive cooking</li> <li>wind / solar energy</li> <li>industry automation</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>medical</li> </ul>	<ul style="list-style-type: none"> <li>aging of population</li> <li>increasing health care spending</li> </ul>





# Infineon Strengthened No. 1 Position in Power Semis; Improved to No. 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
- IGBT
- power modules
- thyristors
- diodes

### ■ Microcontrollers

- 8-bit controller
- 16-bit controller
- 32-bit controller (TriCore)

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

## Chip Card: Measures Taken so Far

<b>Restructuring</b>	<ul style="list-style-type: none"><li>■ cost cutting and R&amp;D budget reduction successfully implemented</li></ul>
<b>MicroSlim</b>	<ul style="list-style-type: none"><li>■ qualified at Top-5 customers</li><li>■ growing acceptance</li></ul>
<b>FCOS</b>	<ul style="list-style-type: none"><li>■ qualified</li><li>■ volume production started</li></ul>
<b>32-bit controller</b>	<ul style="list-style-type: none"><li>■ volume production started</li></ul>

<b>In short</b>	<ul style="list-style-type: none"><li>✓ confirming breakeven in December quarter 2006</li><li>✓ turnaround expected in March quarter 2006</li></ul>
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Financials and Outlook

AIM Review

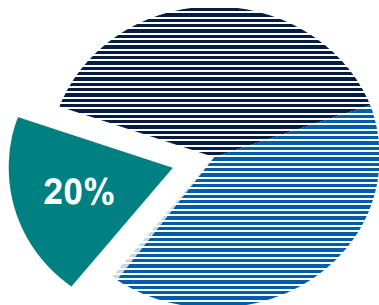
**COM Review**

MP Review

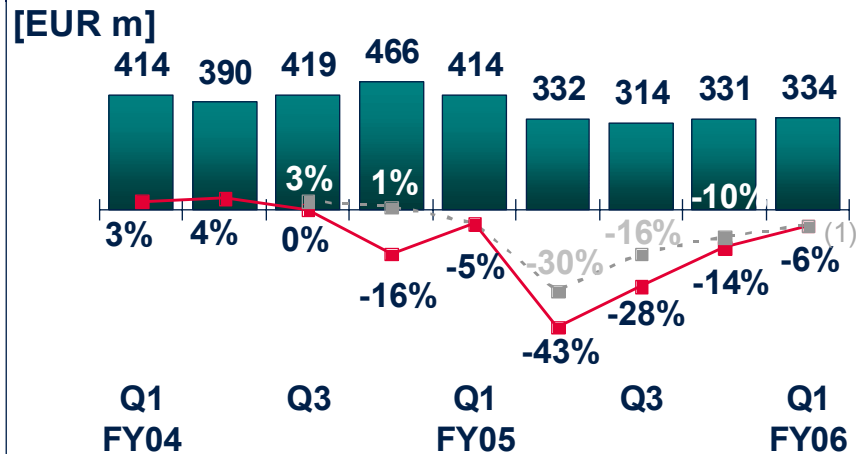
# Business Group Communication Solutions

## Q1 FY06 Update

### Revenue share Q1 FY06



### Revenues and EBIT margin



- COM revenue increased slightly given seasonally strong RF shipments and broadband access demand.
- Significant improvement of EBIT as a result of higher revenues, a favourable product mix and further optimization of R&D expenses.

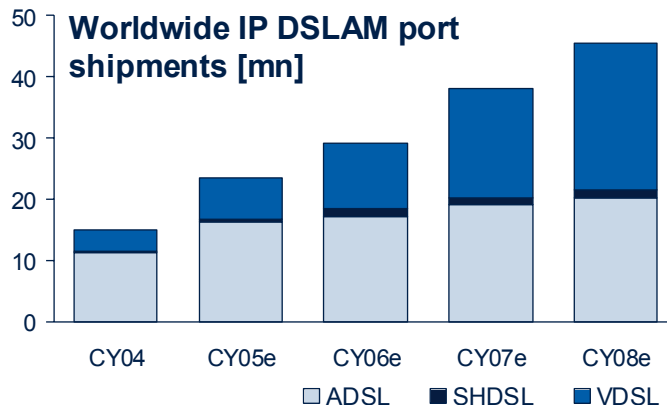
## Growth Driver: xDSL

### DSL market development

**Triple play services and network replacement drive DSL demand**

For example:

- Deutsche Telekom intends to provide Germany's 50 largest cities with up to 50Mbit/s broadband lines by 2007
- By mid-2006, already 2.9 million households can use the new technology



Source: Infonetics, Q2 2005

### Infineon's position

#### VDSL2 leadership

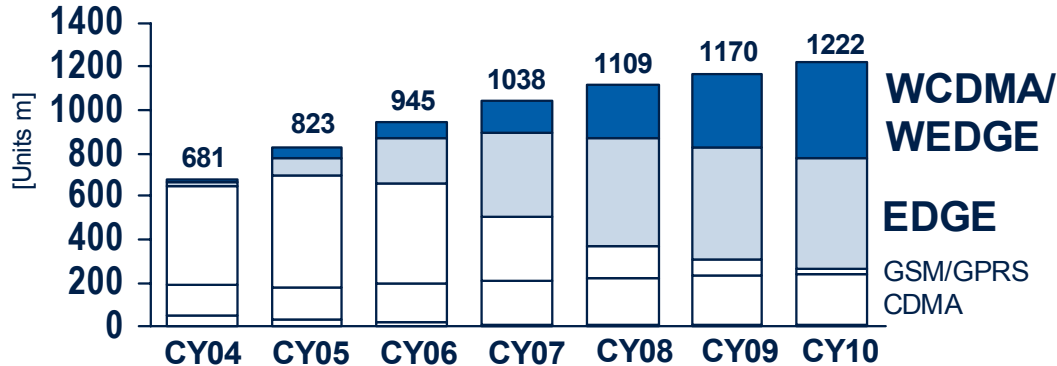
- We offer the first fully standard compliant VDSL2 chip solution
- Several major OEM's decided to start VDSL2 designs based on our chipset
- First VDSL2 revenues already achieved in Q4 CY05

#### Expanding ADSL2/2+ customer base

- Design-wins at several new major OEM's during CY05

# Growth Driver: 3G and EDGE CMOS RF Transceiver

## 3G and EDGE mobile phone market development



Source: Strategy Analytics, January 2006.

## Infineon's position in 3G and EDGE RF transceivers

### No. 1 RF transceiver supplier\* and leader in RF CMOS:

- 1st to introduce RF CMOS EDGE single-chip transceiver
- 1st to introduce RF CMOS 3G single-chip transceiver
- 1st to introduce RF CMOS WEDGE transceiver

### Translating RF CMOS leadership into design-wins:

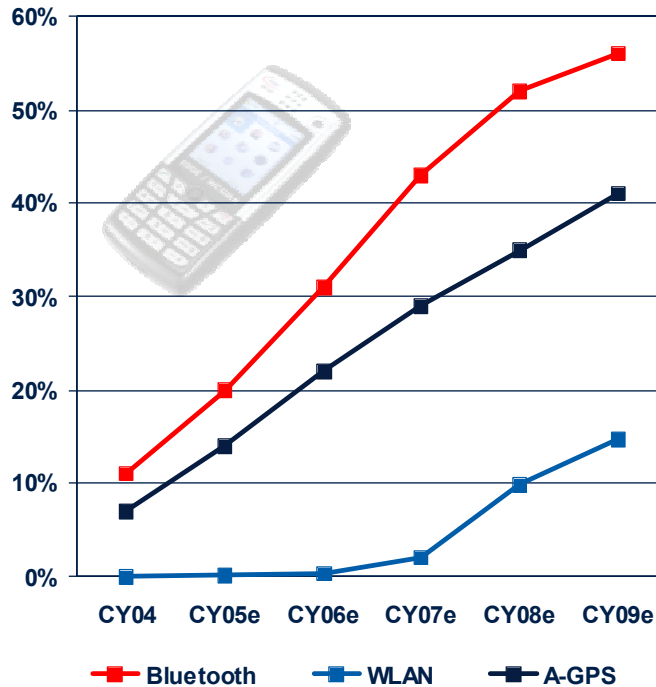
- Several WEDGE and EDGE mobile phone platforms ramping up in 2H CY06 will be based on IFX CMOS transceivers

\* Source: Gartner, July 2005

# Growth Driver: Connectivity for Mobile Phones

## Growth driver

Increasing demand for connectivity in mobile phones:



## Infineon's position



### Bluetooth

- Customers: BenQ, Panasonic
- Bluetooth 2.0 + EDR solution sampling since early 2005
- Design win at new OEM



### A-GPS

- World's first RF/BB single-chip solution sampling since early 2005
- Design-wins at 2 mobile phone platforms



### WLAN

- 802.11 a/g single-chip for mobile phones available in 2006
- VoIP functionality integrated
- UMA support

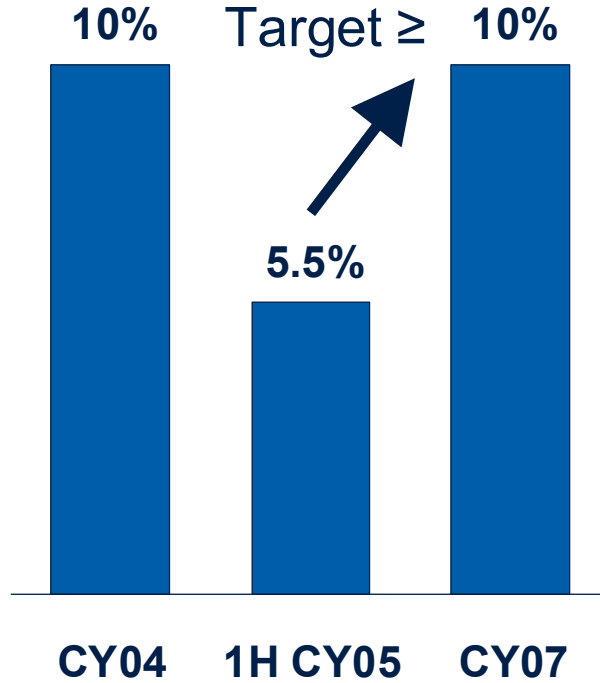


### UWB

- Single-chip for mobile phones in development

# Competitive Mobile Phone Platform Offering Leads to Several Design-wins

## IFX market share in baseband



## Design-wins

Customer	Platform	Ramp-up
<b>BenQ</b>	GSM/GPRS feature phones	2006
<b>BenQ</b>	EDGE Multimedia	2006
<b>OEM</b>	<b>2x</b> EDGE Multimedia	<b>2006</b>
<b>OEM</b>	<b>UMTS/EDGE Multimedia</b>	<b>2006</b>
<b>OEM</b>	GSM ULC	2006
<b>ODM</b>	GSM ULC	2006
<b>ODM</b>	<b>GSM ULC</b>	<b>2006</b>

Text in bold and italic: Added during Q4 CY05

Source: Mobile phone sales: Gartner, September 2005.  
Baseband sales: Infineon July 2005



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Financials and Outlook

AIM Review

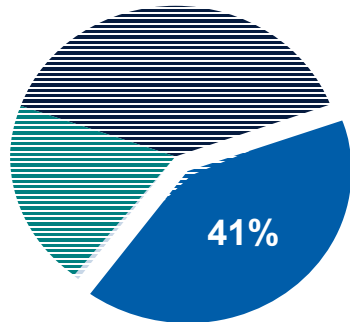
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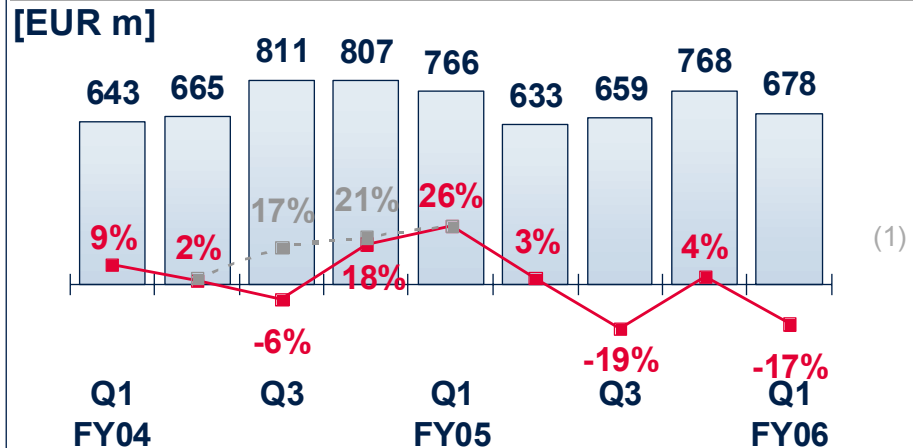
# Business Group Memory Products

## Q1 FY06 Update

### Revenue share Q1 FY06

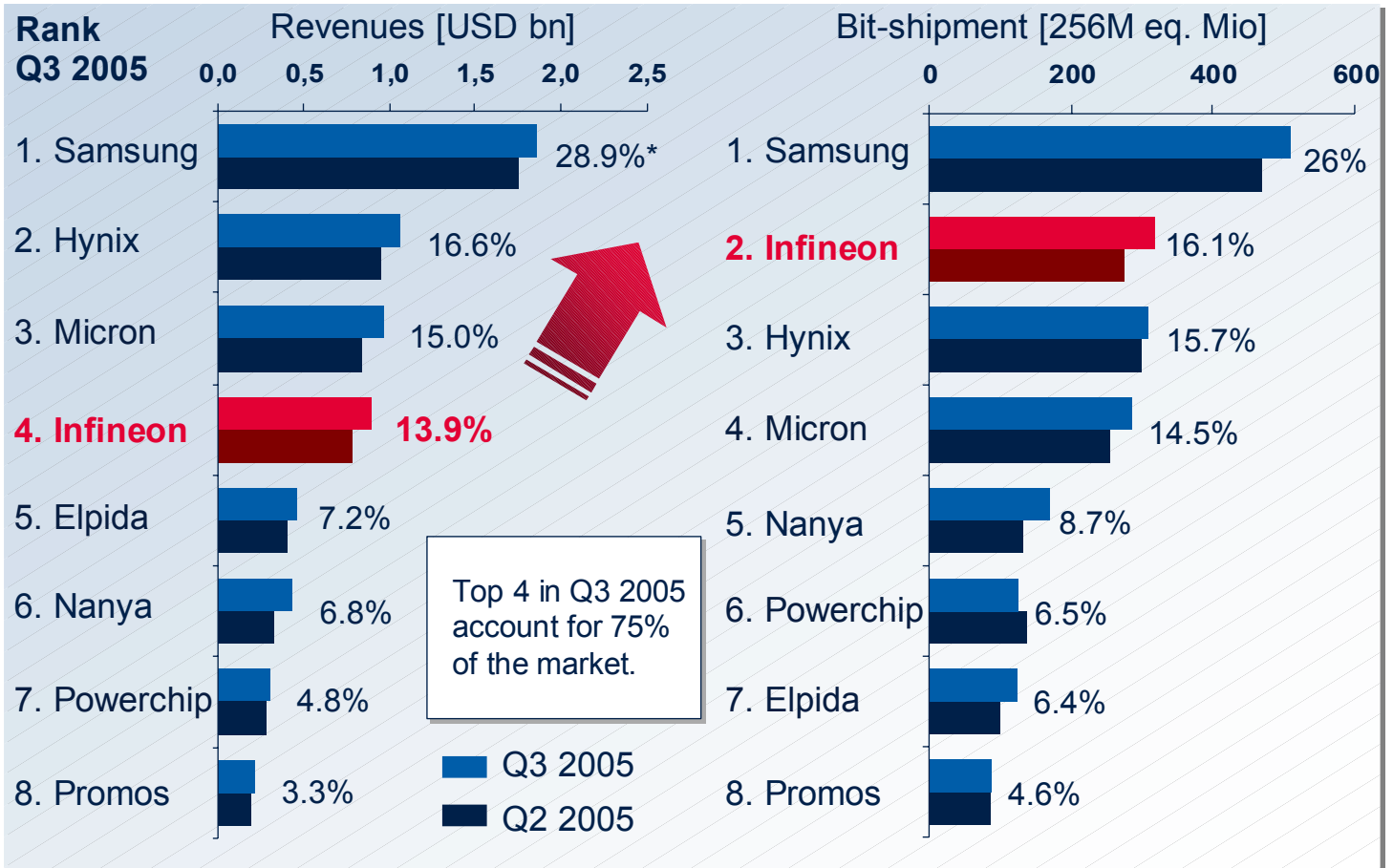


### Revenues and EBIT margin



- Conservative approach to shipments in light of strong price decline; built 1.0 to 1.5 weeks of inventory.
- ASP down especially on weak DDR2 pricing. FLC up q-o-q on Richmond ramp, inventory valuation, OpEx, delays in specialties.
- 90nm ramp on schedule with revenue crossover Dec. 2005. Richmond 300mm well under way.

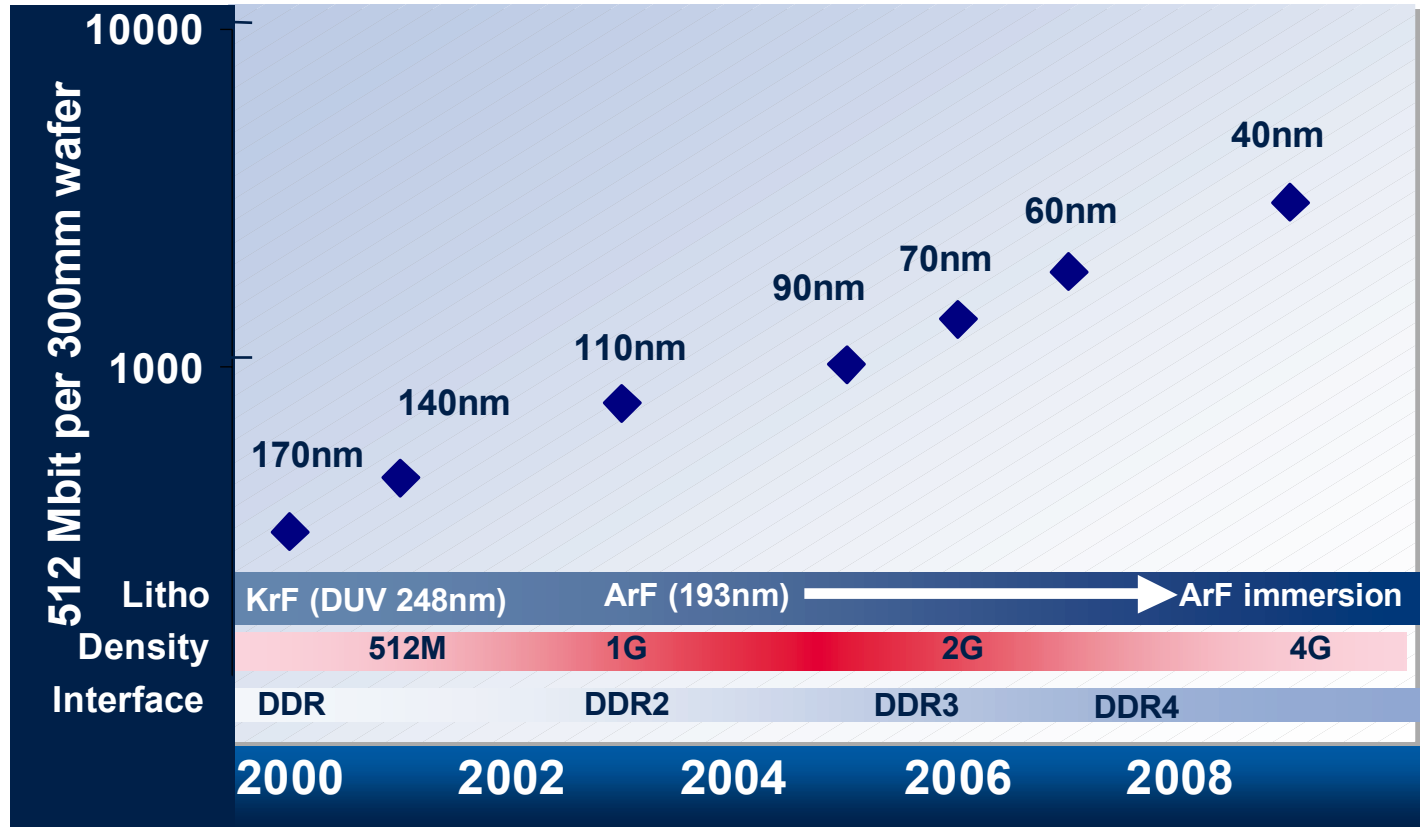
# IFX MP, the Leading Trench Innovator: Number 4 in Sales, Number 2 in Bit Shipments



Source: iSuppli, November 2005 \* prelim. Market share Q3 2005

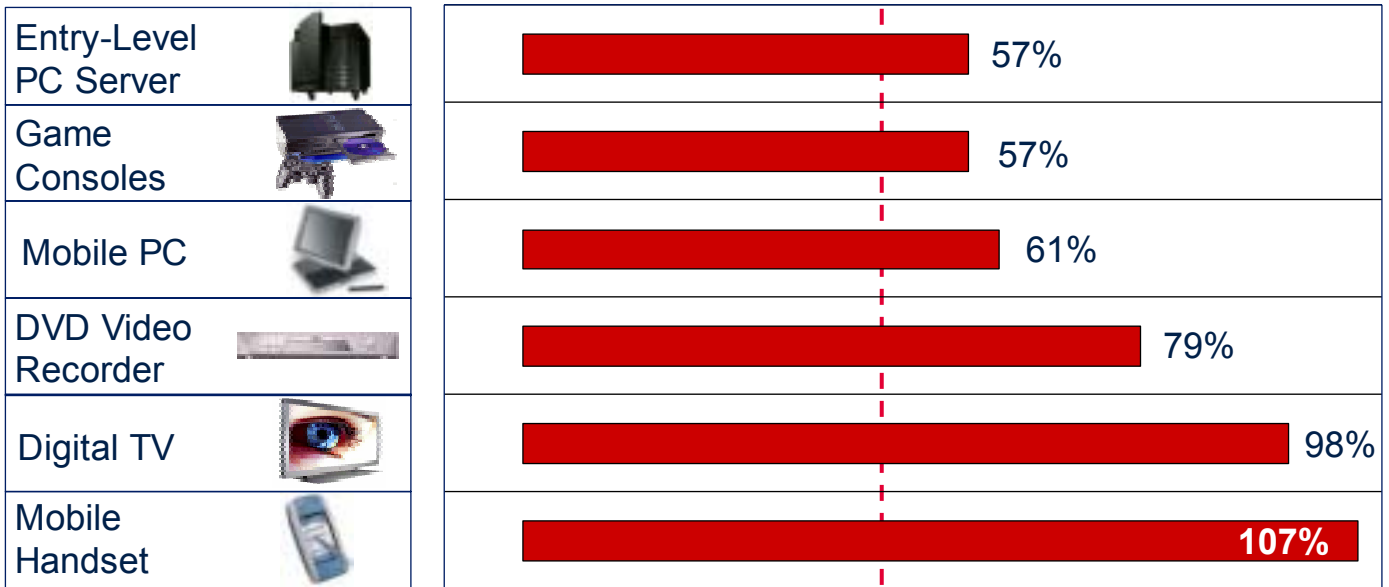
# DRAM Trench Technology Roadmap

## IFX MP and Nanya Jointly Develop 70nm and 60nm



# Bit Growth Driven by Emerging Applications





**Expected CAGR 2004 – 2009 of Bit-Demand: 50% on average\***



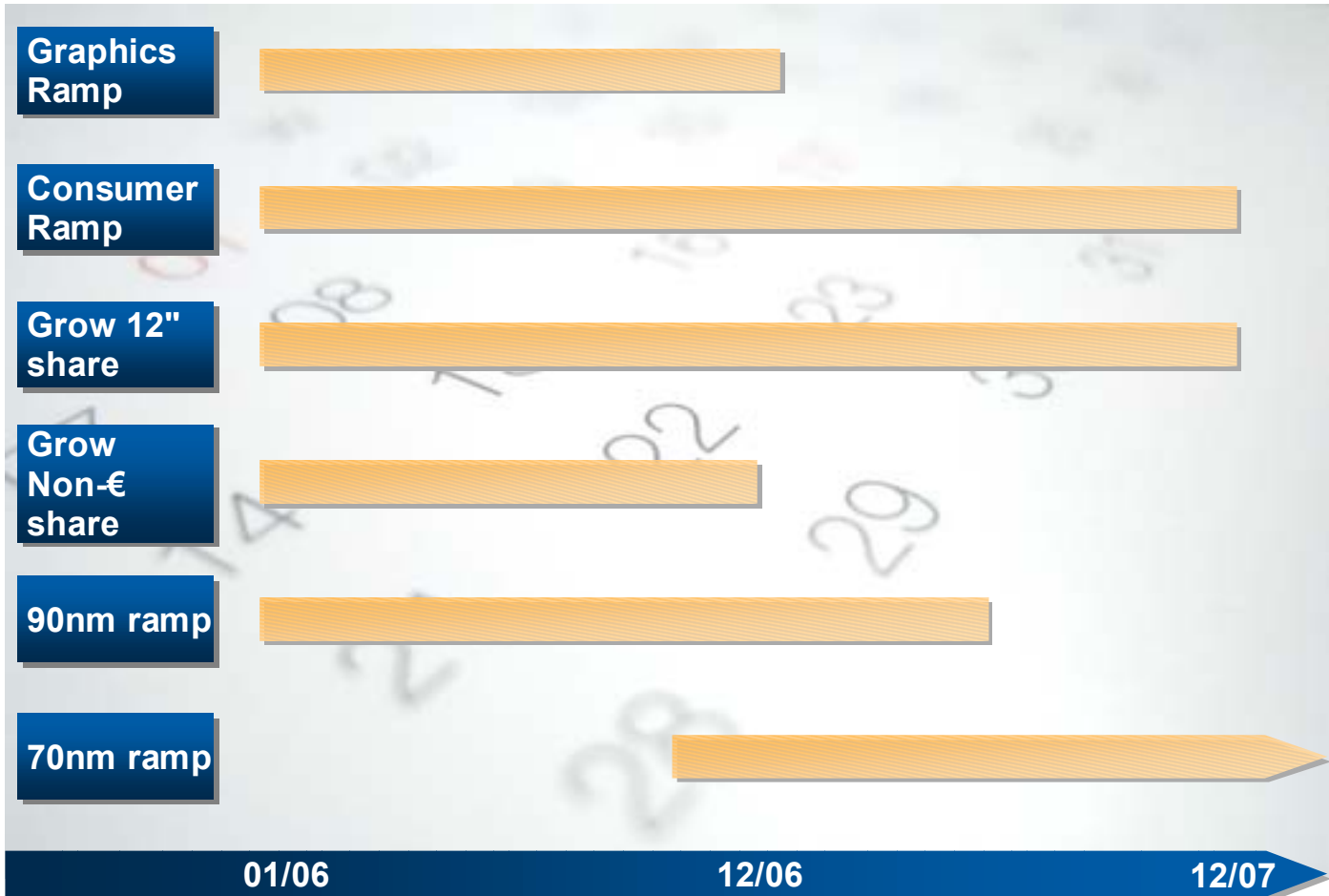
\* Source: iSuppli, Q3 2005

- Strongest Bit-growth in mobile communication and consumer applications

# Low-power is important factor in addressing new markets

Applications	Low-Power demand	Design-wins
<b>Server</b> 	Ensure stability of systems with ultra-dense DRAM packing: low heat radiation	E.g. IBM
<b>DTV</b> 	Slim cases without ventilation: low heat radiation	E.g. SONY
<b>Mobile Phone</b> 	Increase battery lifetime of mobile devices	Top-6 OEM
<b>Graphics</b> 	Hot graphics require cool Graphics RAM	E.g. ATI

# Trends and Developments in the MP Business Group





**Never stop thinking.**

