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Infineon technologies

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Disclaimer

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Agenda

- **Financial Update and Outlook**
- Regional Strategy
- Business Group Highlights
- Infineon's Integrated Business Model

Financial and Market Development FY04 vs. FY03

[EUR m]	FY03	FY04	Change
Net sales Growth (%)	**6,152**	**7,195**	**+1,043** +17%
Gross margin	**25%**	**35%**	
R&D in % of sales	**1,089** 18%	**1,219** 17%	**+130**
SG&A in % of sales	**679** 11%	**718** 10%	**+39**
EBIT in % of sales	**(299)** (5%)	**256** 4%	**+555**
Therein impairment and antitrust-related charges	(126)	(345)	

Solid Financial Position – Operating and free cash flow significantly improved

[EUR m]	FY03	FY04
Operating cash flow	730	1,857
Capex	(872)	(1,163)
Other investments (1)	89	(488)
Free cash flow	(53)	206

- Solid gross cash position of EUR 2.546 billion at Sept 30th, with a Net cash position of EUR 548 million

(1) Excluding purchase/sale of marketable securities

Outlook for first quarter of fiscal year 2005

➢ *Expectations for a slowdown in several application segments due to higher inventory levels compared to the previous quarters.*

- For **automotive electronics**, continuing price pressure and no major changes in demand for semiconductors expected, but weaker market for the **industrial segment**. In combination with seasonal effects, slight reduction in revenues and earnings expected.
- In **Wireline Communications** no growth expected due to continuing pricing pressure and marketplace inventory corrections. EBIT loss expected to be significantly reduced if and when sale of Fibre Optics to Finisar is closed.
- For **Secure Mobile Solutions** significant reduction in revenues anticipated, driven mainly by market slowdown and higher inventories in the Asian mobile phone market.
- For **Memory Products** business in line with normal seasonal demand expected. Based on additional capacities from Inotera joint venture, Infineon anticipates an increase of bit production.
- Non-recurring USD 153 million license income from ProMOS agreement expected to positively impact the quarter.

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- Financial Update and Outlook
- **Regional Strategy**
- Business Group Highlights
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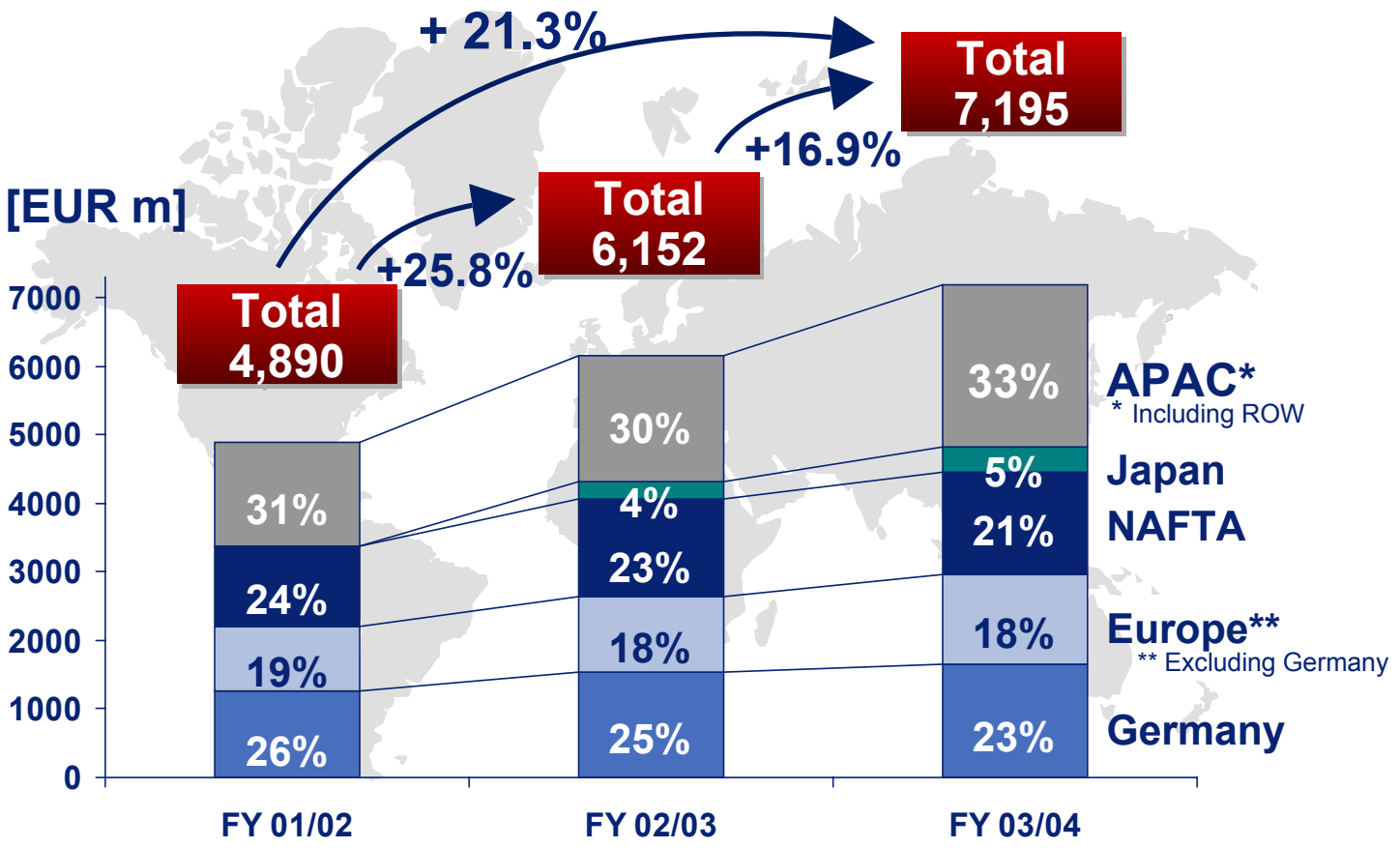
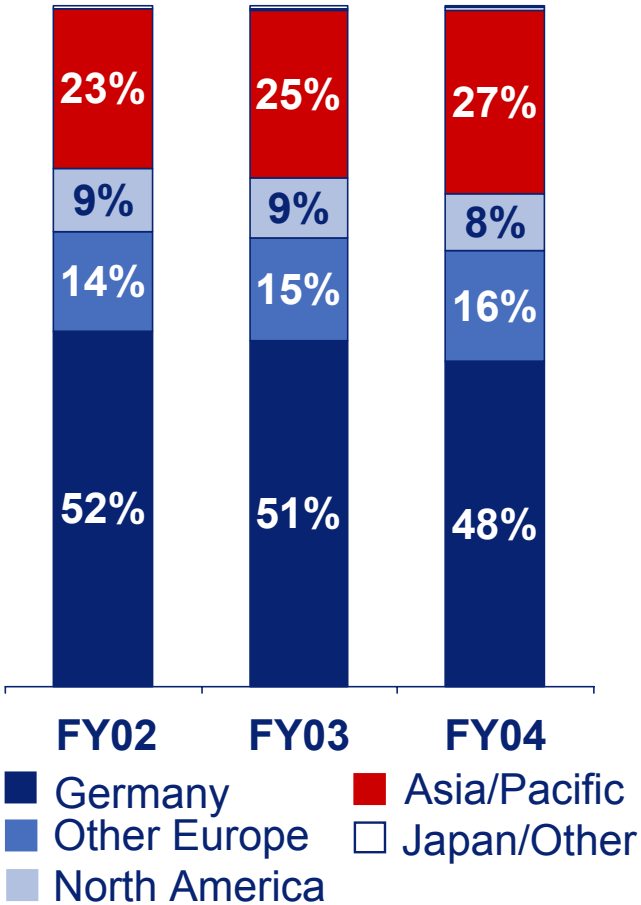
Our focus and investments in Asia and Japan continues resulting in strong growth



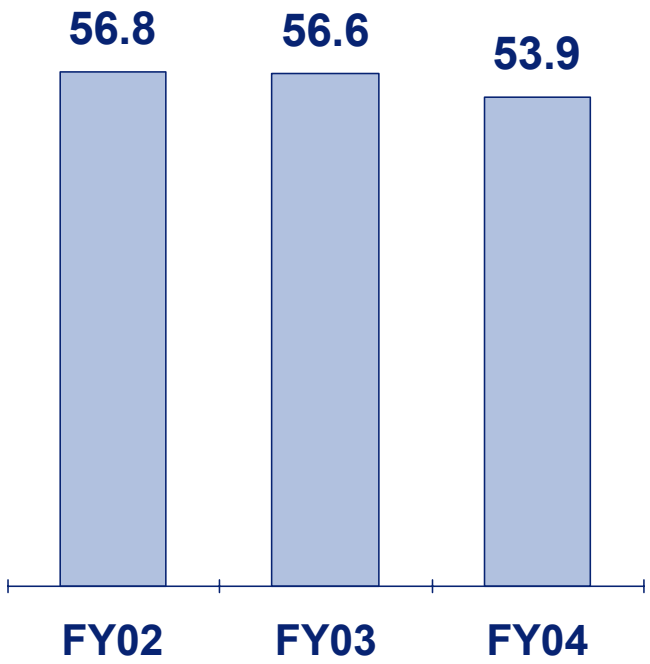
- **Dec 8th announcement**: Infineon to build new fab for power semiconductors, targeted at Automotive & Industrial applications in Kulim High Tech Park, Malaysia, representing an USD 1 billion investment in the next years

Increasing proportion of employees in lower-cost regions leads to lower personnel expenses

Average number of employees by geographic region[1]



Total personnel expenses per employee [EUR k]



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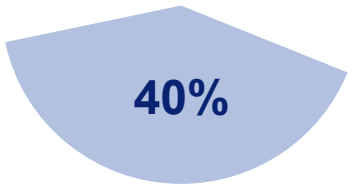
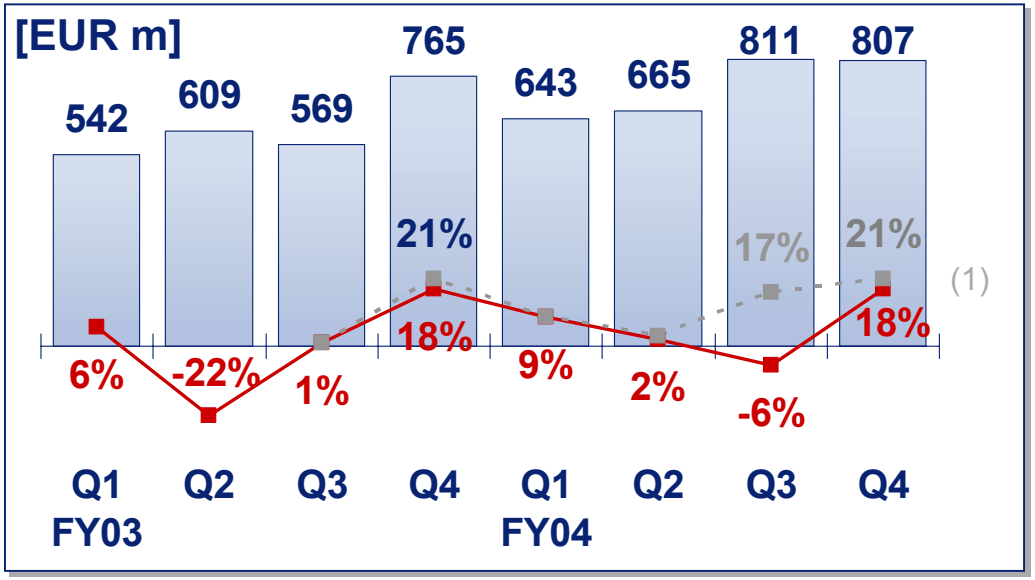
Memory Products:Significant margin improvement with focus now on shrink acceleration to 90 nm

Revenue share Q4 FY04



Revenues and EBIT margin

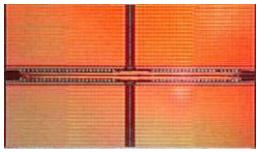


- Sequential revenue decrease was mainly caused by a lower ASP and a weakening US-Dollar, which could not be completely compensated by higher sales volumes.
- Sequential EBIT increase before antitrust-related charges was driven by higher bit shipments in combination with cost reductions attributable to a higher 110nm technology share that was more than offsetting the price decline during the quarter.

110nm technology: In volume production
90nm and 70nm: Qualification at customers and in pipelin

Key facts on 110nm:

- Best wafer yield >93.9%
- Know-how in 193nm litho extended
- All process parameters well established
- More than 80% of all capacities converted to 110nm end FY04

Node	Status
110nm	- Mass production  256M DDR

Key innovations in 90nm and 70nm:

- 90nm: - New cell layout
  - Bottle-shaped trench
- 70nm: - High-κ fill in trench

Node	Status
90nm 	- Customer samples from 200mm: 512M DDR - Transfer to 300m line - Ramp-up expected mid 2005
70nm 	- First demonstrators on 300mm: 512M DDR2

110nm: Basis for global 300mm ramp-up in 2005 with 90nm to ramp in 300mm

Richmond

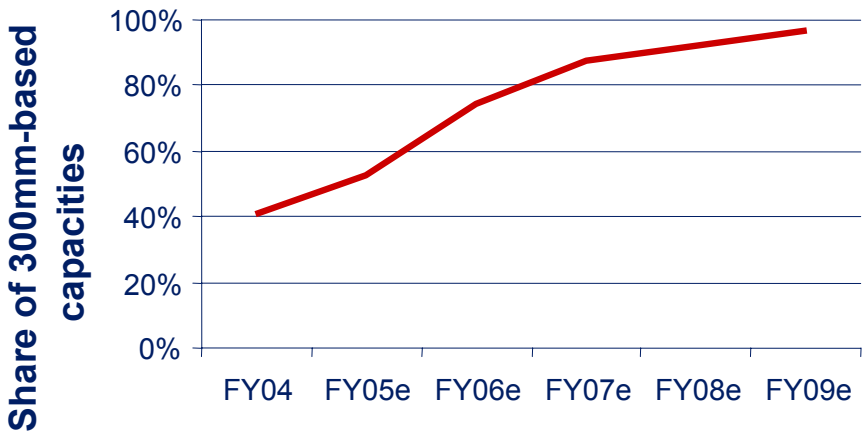
Dresden

Beijing

Winbond

Taiwan

Taiwan



Benefit through alliances with partners

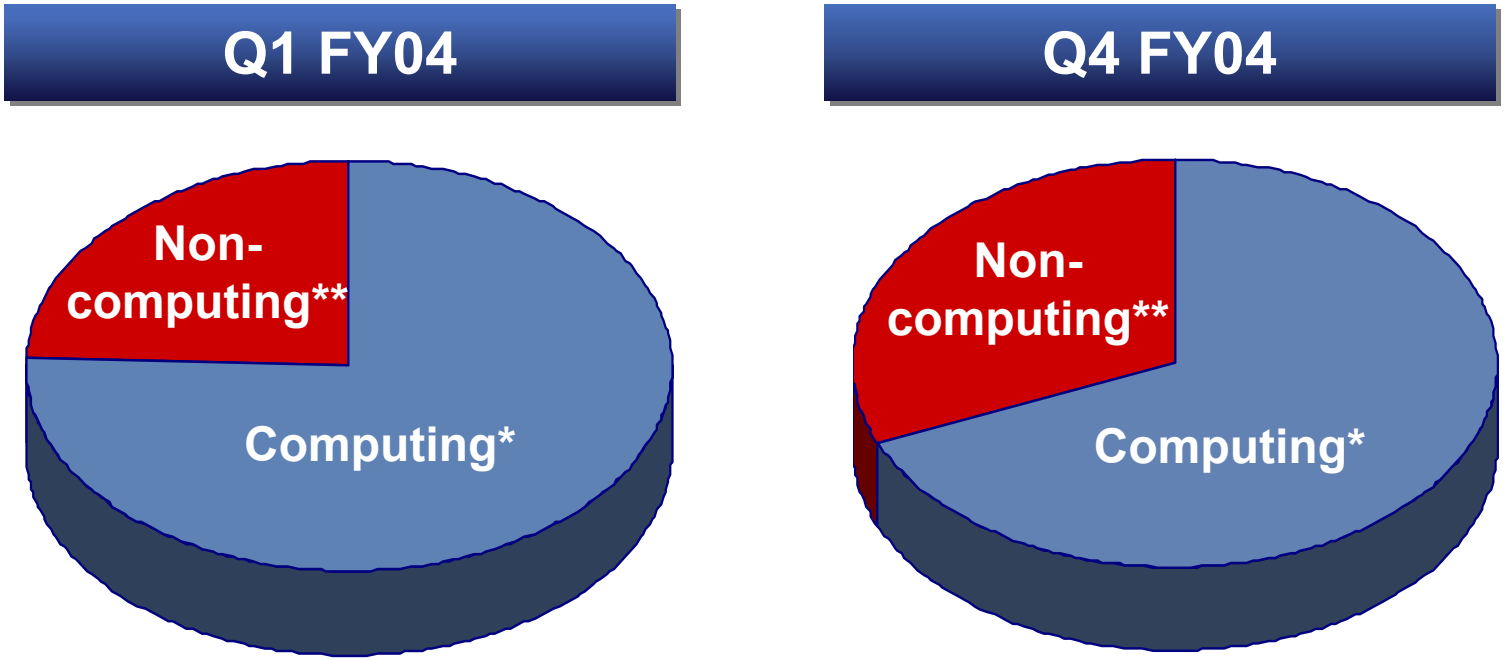
inotera memories

- Investment of about USD 2.2 billion
- Capacity of 24,000 WSPM reached 2 months ahead of schedule in October 2004 (50:50 for JV partners)
- 300mm capacity of up to 54,000 WSPM by end of 2005 (50:50 for JV partners)
- First products: 256M DDR and 512M DDR2 in 110nm technology
- Largest DRAM manufacturing module worldwide when completed end of 2005

Memory development center in Dresden

- Approximately 400 employees including 50 from Nanya
- Technology development relocated: DRAM 90nm and 70nm
- Focusing development in 300mm line

Bit shipment share of non-computing applications increased to more than 30% in Q4 FY04

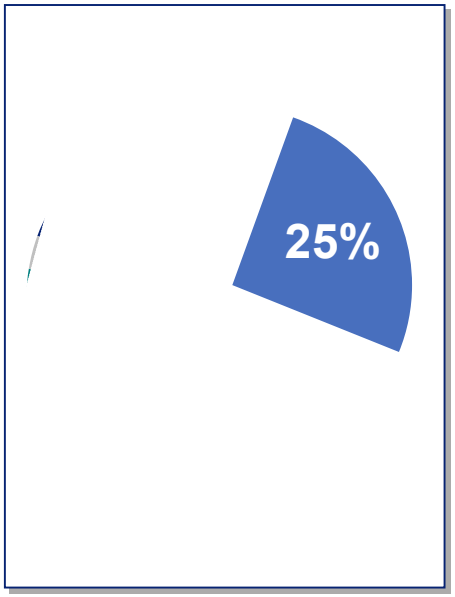


* Desktop PCs, Notebooks and Workstations; ** Infrastructure, Consumer, Mobile Applications

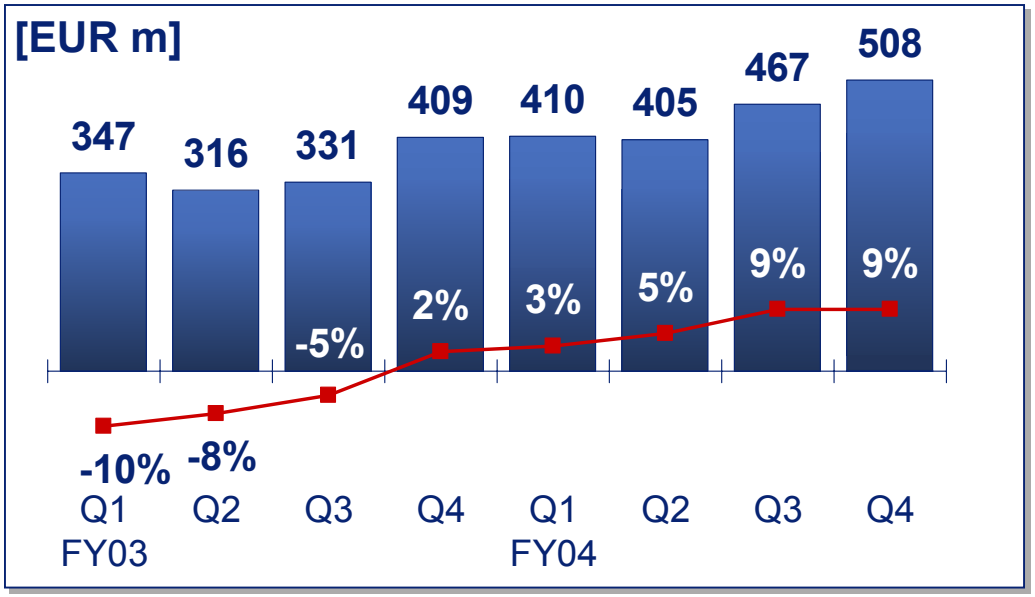
- ⇨ A leading supplier to server manufacturers
- ⇨ Leading with Mobile-RAMs, with Cellular RAM solution
- ⇨ Increasing shipments of Graphics RAM GDDR3 @ 500Mhz
- ⇨ Increasing share of shipments for set-top boxes

Secure Mobile Solutions:
Strong revenue growth and EBIT margin improvement

Revenue share Q4 FY04



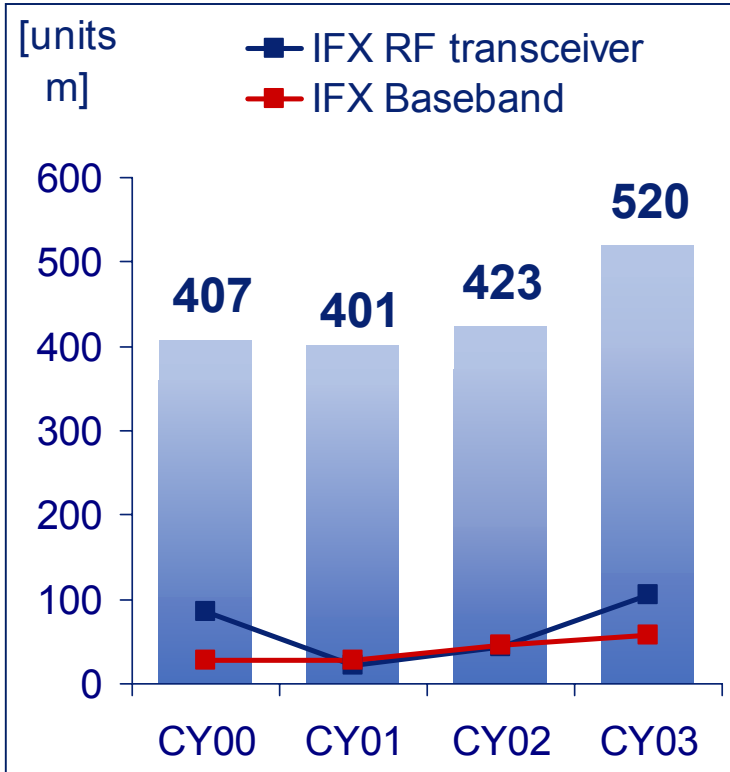
Revenues and EBIT margin



- Sequential revenue improvement was mainly driven by higher demand for mobile solutions. Mobile phone manufacturers have aggressively purchased components in anticipation of a strong holiday season.

Continued to gain market share in RF and baseband

Total handset market CY00 to CY03

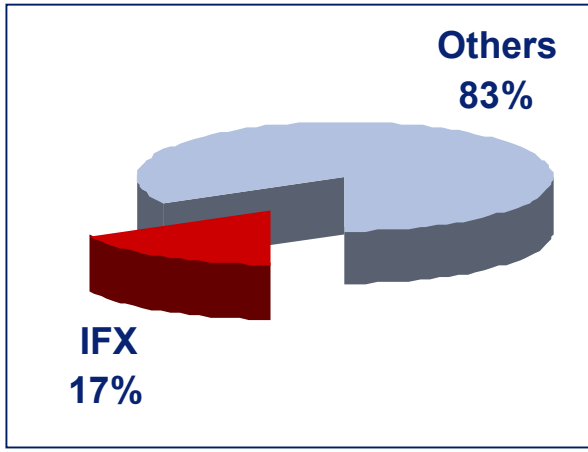


	CY00	CY01	CY02	CY03
RF	21%	5%	10%	20%
BB	7%	7%	11%	11%

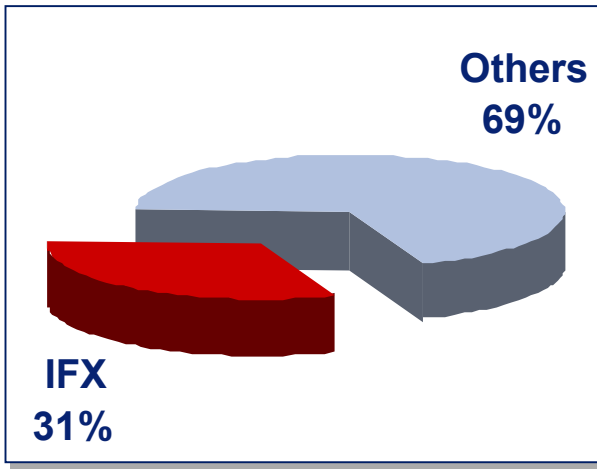
Source: Infineon, September 2004

GSM/GPRS/EDGE Based

BB



RF



Infineon leading the introduction of RF CMOS as mainstream technology for all RF transceivers

RF CMOS benefits:

- Efficient and simple digital circuitry
- Takes advantage of CMOS shrink potential
- Enables RF/Baseband integration roadmap
- Synergies with mainstream production technologies

Customer benefits:

- Reduced power consumption
- BOM savings
- Fastest time to market
- Increased manufacturing flexibility

Next step: Monolithic integration

2004

RF CMOS transceiver:
- Volume production
- 130nm CMOS
- Single-chip digital RF solution

Baseband:
- Volume production
- 130nm CMOS
- Integrates:
  - Digital baseband
  - Mixed signal
  - SRAM

Customer benefits:
- Lower system cost
- Smaller PCB area
- Less complexity

2005

Single-chip: RF and baseband

Infineon wireless product and service offering

Design and consulting center

Mobile phone platform package

Chipset

Customer

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Infineon providing up to 80% of silicon content in customized solution platforms for our customers

Solution design and software for 2G, 2.5G and 3G

Connectivity
- Bluetooth™ ICs

RF Section & Power Amplifier
- RF ICs
- Power Amp ICs

Baseband
- Power Management ICs
- Baseband ICs

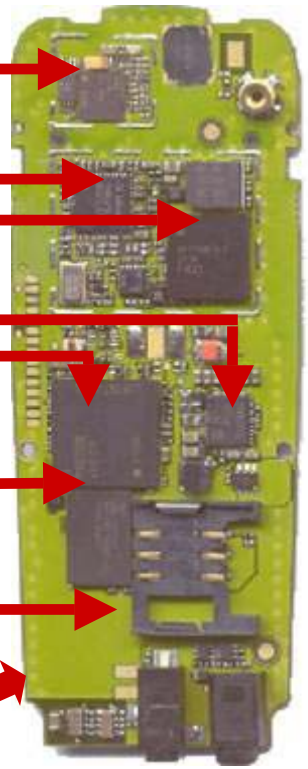
Software
- Protocol Software
- Application Software

Authentication
- SIM

Discretes
- Silicon Discretes

Storage
- Memory

Sensors
- Cover detection



PCB Reference Design (Fully Type Approved)

Software-Expertise

Security Expertise

MOBILERAM CellularRAM

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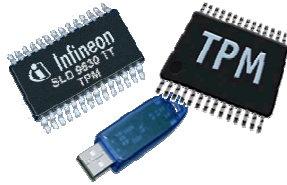
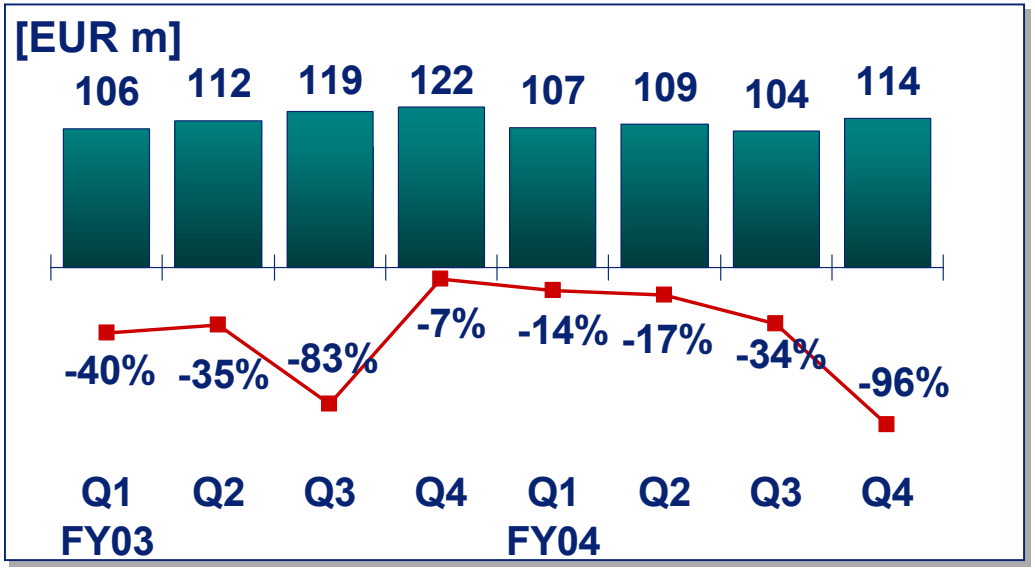
Well positioned with > 41% market share on Smart Card serving the key growth markets

	Contact-based chip cards	Contactless chip cards, RFID	Security ICs
 **Communications** Prepaid Mobile			
 **Payment** Credit/Debit, e-purse **Transport, ticketing**			
 **Identification** ePassport, nat. ID, social, access, RFID, e-Government			
 **Entertainment** Pay TV, gaming, video/audio			

Wireline Communications:
Strategic measures initiated to achieve profitability

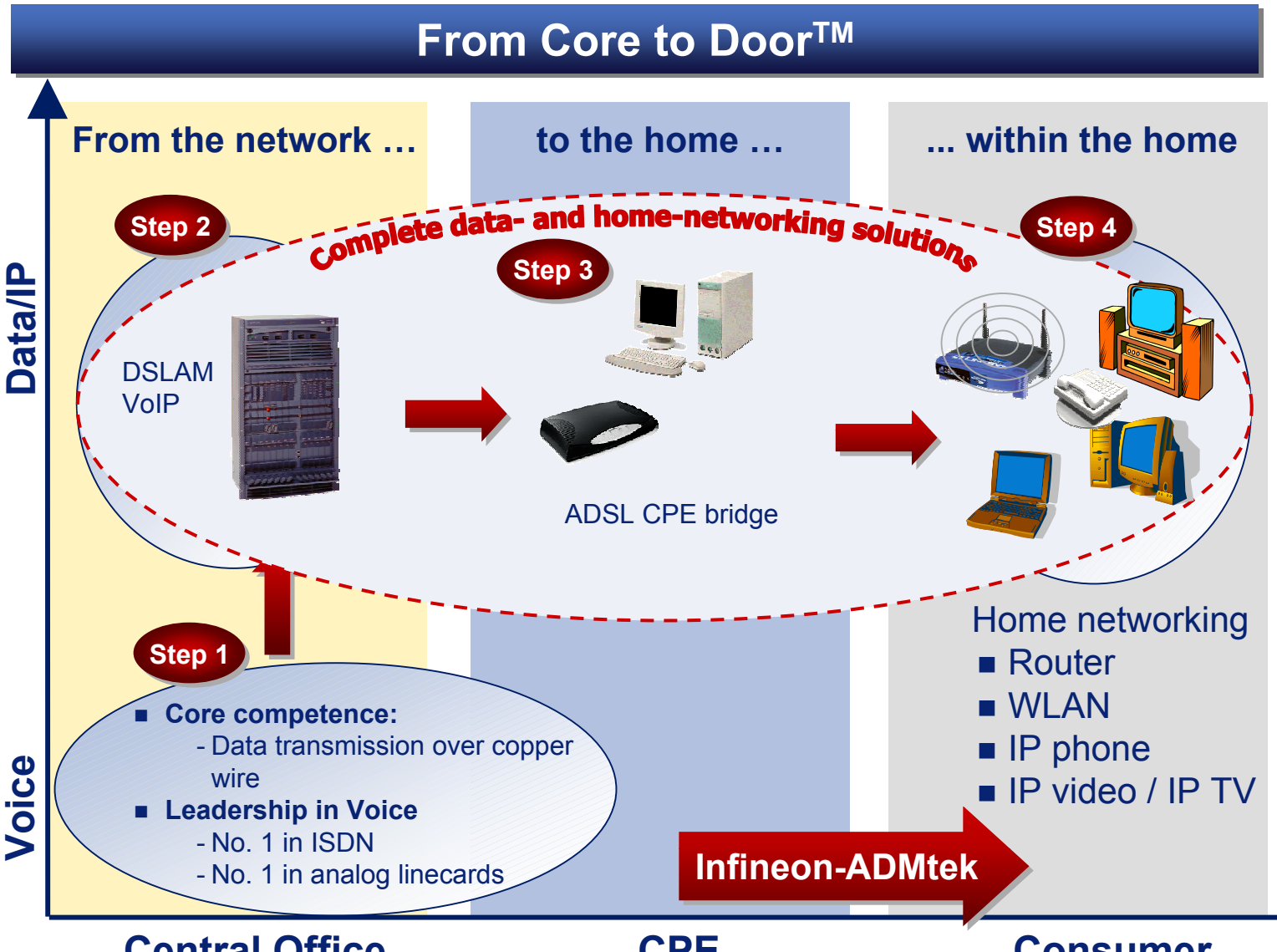
Revenue share Q4 FY04

Revenues and EBIT margin



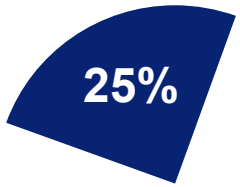
- Sequential revenue increase was mainly driven by higher sales of broadband access ADSL products.
- EBIT loss increased sequentially mainly due to impairment charges of EUR 80 million, predominantly related to the acquisition of Catamaran Communications, Inc.

Transforming from the leading traditional telecom voice vendor into a data- and home-networking solution provide

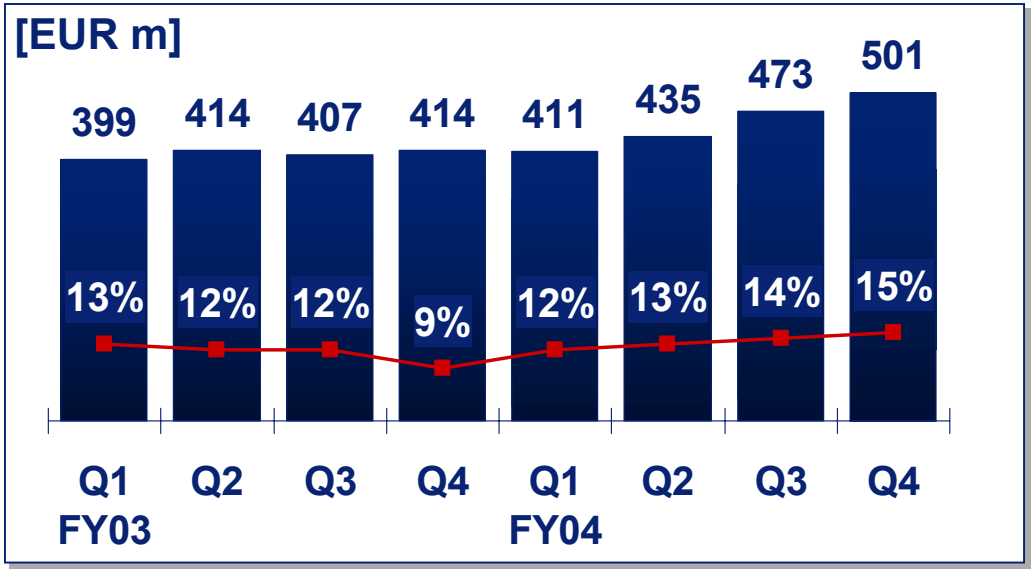


Automotive & Industrial:
Record revenues and stable margins at a high level

Revenue share Q4 FY04



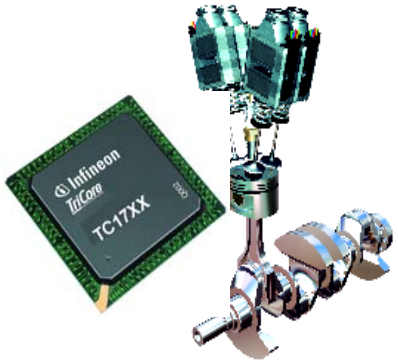
Revenues and EBIT margin



- Sequential revenue increase was mostly due to increased sales of products for power management & supply, high-power applications and sensors.

AI – Complete coverage of customers' needs

Defining automotive intelligence



Applications:
- Powertrain
- Safety management
- Body & convenience
- Infotainment

Products:
- Sensors
- Microcontrollers
- Power devices
- Silicon discretes

Converting and controlling power

Applications:
- AC/DC conversion
- DC/DC conversion
- Consumer drives
- General-purpose drive

Products:
- Sensors
- Microcontrollers
- Thyristors / diodes
- Discrete power
- IGBT modules and bipolar modules
- Power ICs
- Silicon discretes

Leading positions by increasing market shares in both segments

Infineon Automotive 2003
No. 2 World, No. 1 EU, No. 3 U.S.

		2003	2002
1.	Freescale	12.9%	13.4%
2.	**Infineon (2)**	**8.7%**	**8.2%**
3.	STM	7.6%	6.6%
4.	Renesas	7.0%	n.a.
5.	Bosch	6.4%	5.2%
6.	Toshiba	6.1%	6.2%
7.	NEC	6.0%	6.1%
8.	Philips	5.7%	5.9%

- Market: USD 13.1 billion
- 5 yr CAGR: +7-8%

Infineon Power 2003*
No. 1 World, No. 1 EU, No. 4 U.S.

		2003	2002
1.	**Infineon (4)**	**8.1%**	**6.6%**
2.	IR	8.0%	7.6%
3.	STM	7.9%	6.3%
4.	Fairchild	7.4%	6.7%
5.	Toshiba	7.2%	8.6%
6.	Vishay	6.1%	6.3%
7.	Renesas	5.0%	n.a.
8.	Fuji	5.0%	4.0%

- Market: USD 9.4 billion
- 5 yr CAGR: +10%

* Business Unit "Discrete Power"

Source: Strategy Analytics, 2004/IMS 2004

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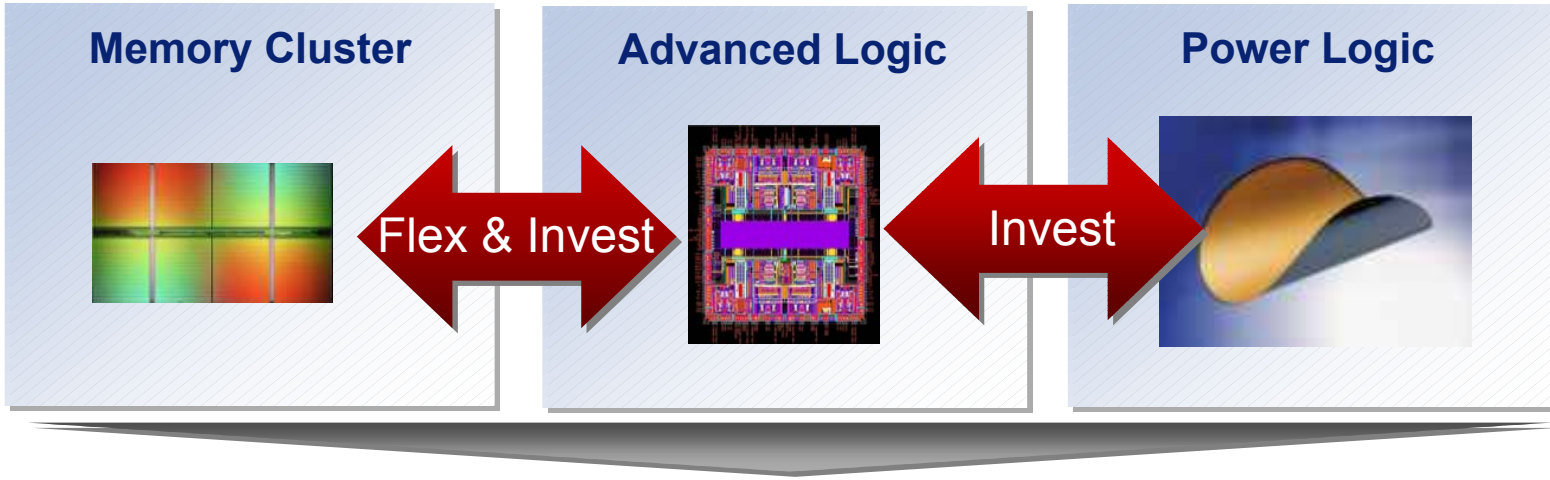
- **Infineon's Integrated Business Model**

Integrated manufacturing to maximize our flexibility and minimize cost

Maximize: Opportunities during market upturns
Minimize: Impact of downturns and investments

- Internal flexibility: Between MP and Advanced Logic Cluster
- External flexibility: Silicon foundries and subcontractors
- Cost optimization: Reuse of depreciated equipment for power technologies



Flexibility: Silicon foundries and subcontractors

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