

Infineon

**Morgan Stanley
4th Annual Technology,
Media & Telecoms Conference**

November 19, 2004

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Never stop thinking.



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Agenda

Personal Introduction

Financial Update and Outlook

Regional Strategy

Business Group Highlights

Discussion of Integrated Infineon Business Model



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Development FY04 compared to FY03

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

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

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 US-Dollar 153 million license income from ProMOS agreement expected to positively impact the quarter.



Agenda

■ Personal Introduction

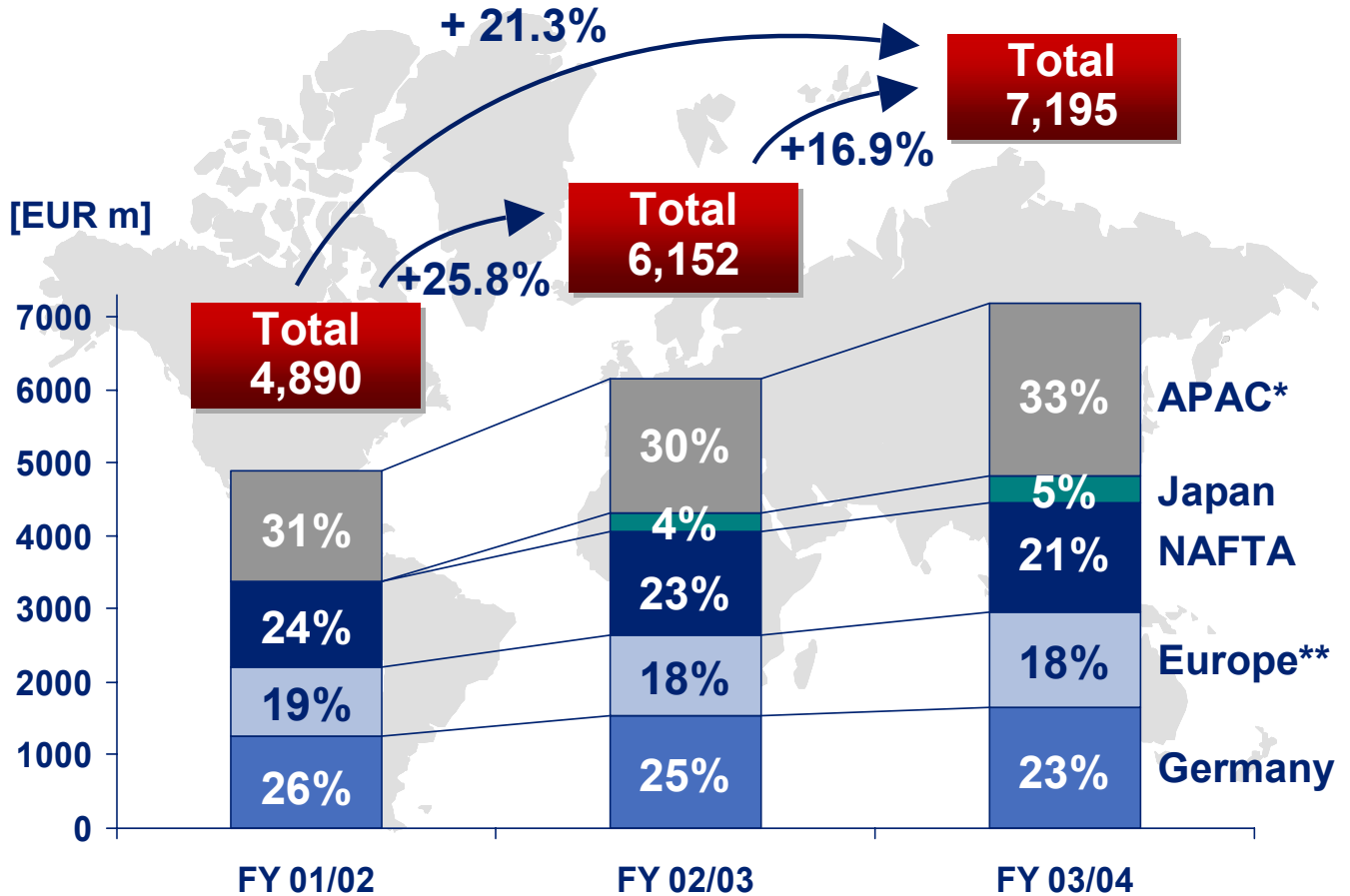
■ Financial Update and Outlook

■ **Regional Strategy**

■ Business Group Highlights

■ Discussion of Integrated Infineon Business Model

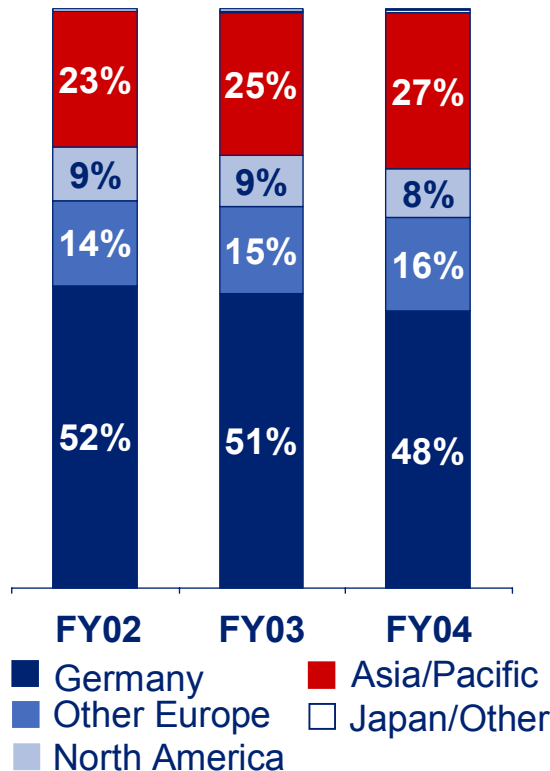
Strong growth in Asia and Japan



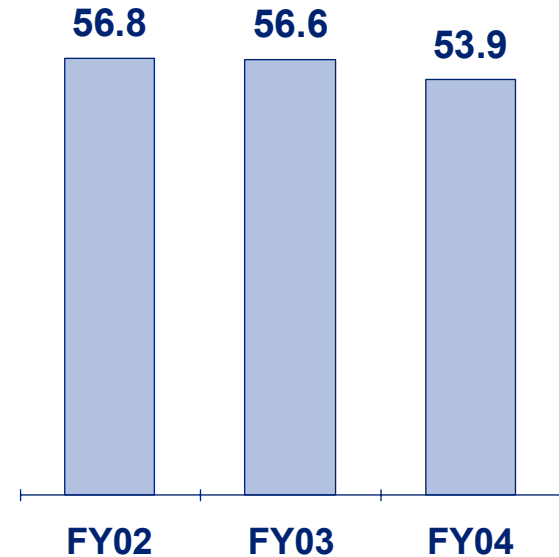
* Including rest of the world ** Excluding Germany

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

Average number of employees by geographic region¹



Total personnel expenses per employee [EUR k]



(1) May not add due to rounding.



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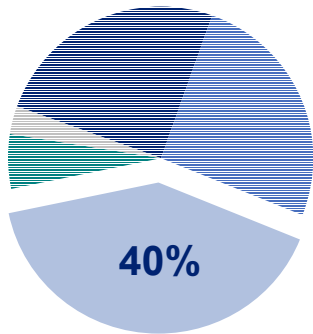
Regional Strategy

Business Group Highlights

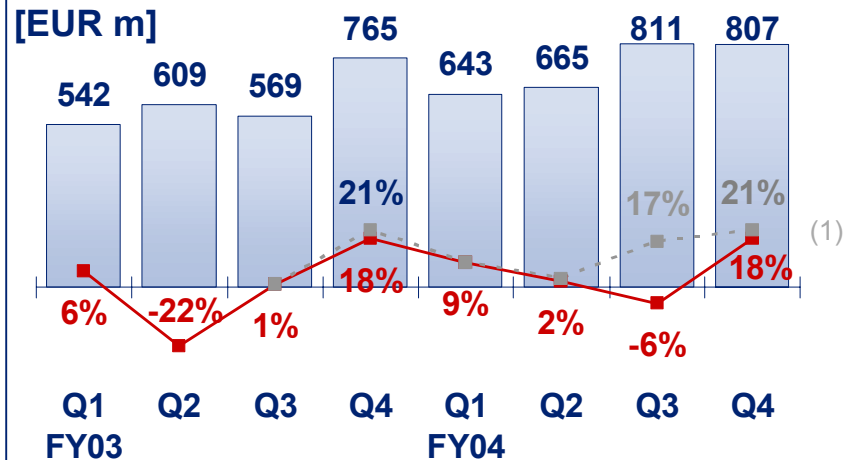
Discussion of Integrated Infineon Business Model

Memory Products: Significant margin improvement

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 share that was more than offsetting the price decline during the quarter.

(1) Excluding antitrust-related charges


110nm technology: In volume production – 90nm and 70nm: At customers and in pipeline



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

Key innovations in 90nm and 70nm:

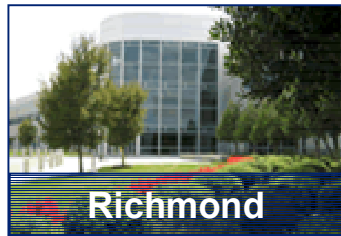
- 90nm:
 - New cell layout
 - Trench with HSG fill
 - Bottle-shaped trench
- 70nm:
 - High-κ fill in trench

Node	Status
110nm	- Mass production  256M DDR

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



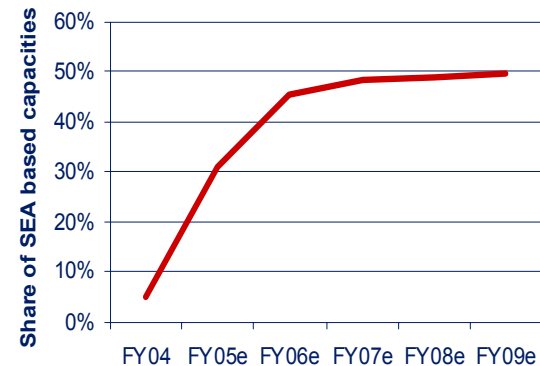
110nm: Basis for global 300mm ramp-up in 2005



Add resources in South East Asia

Capacities in South East Asia

Based on the additional capacities from SMIC, Inotera and Winbond we plan to increase the share of capacities SEA from around 5% in the current fiscal year to up to 50% in FY07



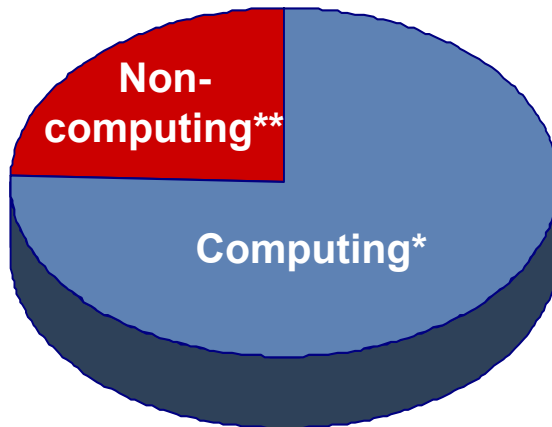
Development center in Xi'an, China



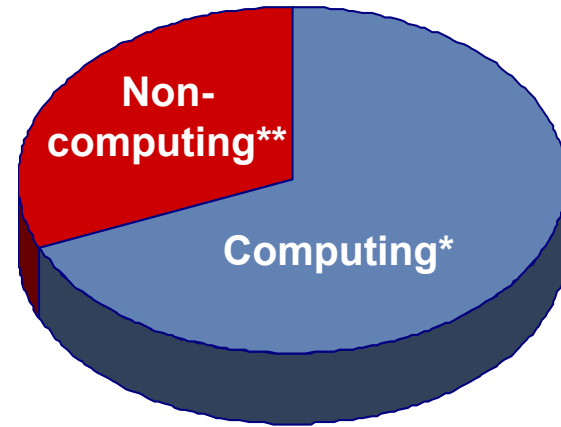
- More than 1,000 engineers planned by 2007
- Close cooperation with local universities for improved know-how transfer
- First product development activities started for memory products

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

Q1 FY04



Q4 FY04

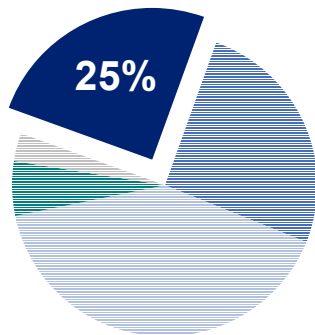


* Desktop PCs, Notebooks and Workstations; ** Infrastructure, Consumer, Mobile Applications

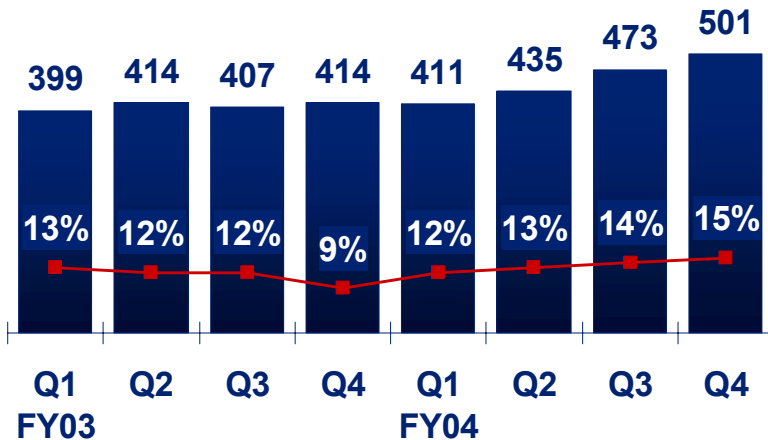
- ⇒ A leading supplier to server manufacturers
- ⇒ Leading with Mobile-RAMs
- ⇒ Increasing shipments of Graphics RAM
- ⇒ Increasing share of shipments for set-top boxes

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

**Revenue share
Q4 FY04**



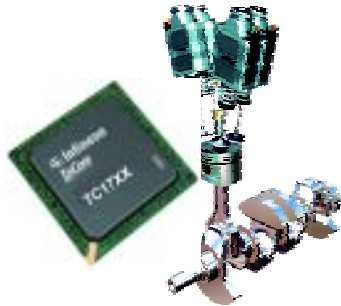
Revenues and EBIT margin



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

AI – Complete coverage of customers' needs

Defining automotive intelligence



Applications:

- Powertrain
- Safety management
- Body & convenience
- Infotainment

Products:

- Sensors
- Microcontrollers
- Power devices
- Wireless chipsets
- Silicon discretes



Converting and controlling power



Applications:

- AC/DC conversion
- DC/DC conversion
- Consumer drives
- General-purpose drives
- Tuners

Products:

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







Leading positions by increasing market shares in both segments



Infineon Automotive 2003
No. 2 World, No. 1 EU, No. 3 US

Infineon Power 2003*
No. 1 World, No. 1 EU, No. 4 US

		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%

		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 13.1 bn**
- **5Y CAGR: 7-8%**

- **Market: USD 9.4 bn**
- **5Y CAGR: 10%**

Source: Strategy Analytics, 2004

Source: IMS, 2004

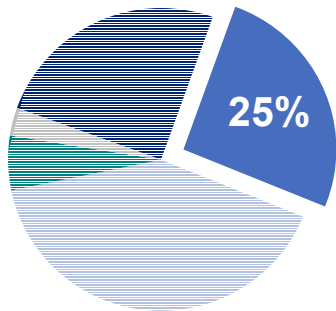
* Business Unit "Discrete Power"

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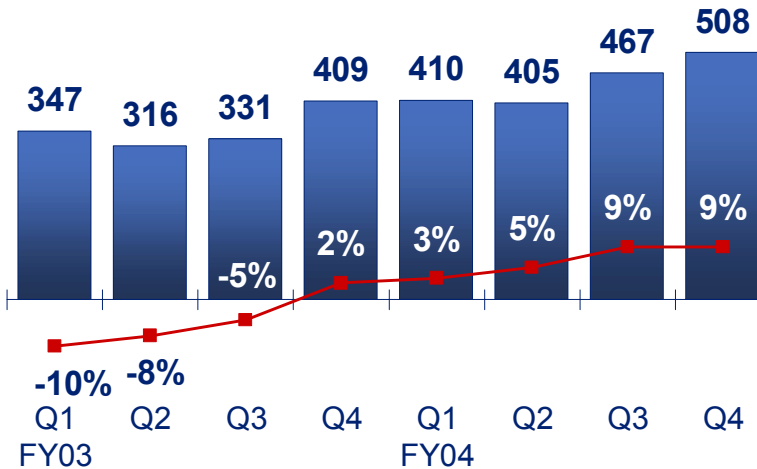
stop thinking
Never

Secure Mobile Solutions: Strong revenue growth and EBIT margin improvement

Revenue share Q4 FY04



Revenues and EBIT margin



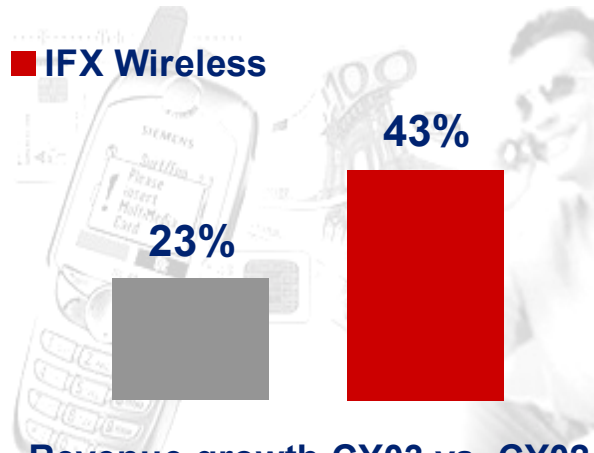
- Sequential revenue improvement was mainly driven by higher demand for mobile solutions. Mobile phone manufacturers have aggressively purchased components in anticipation of a strong holiday season.
- Sequential EBIT increase was mostly due to higher sales volumes, especially of chips for mobile solutions.

Infineon grows faster than the market

IFX Wireless

■ Wireless semiconductor market

■ IFX Wireless



Revenue growth CY03 vs. CY02

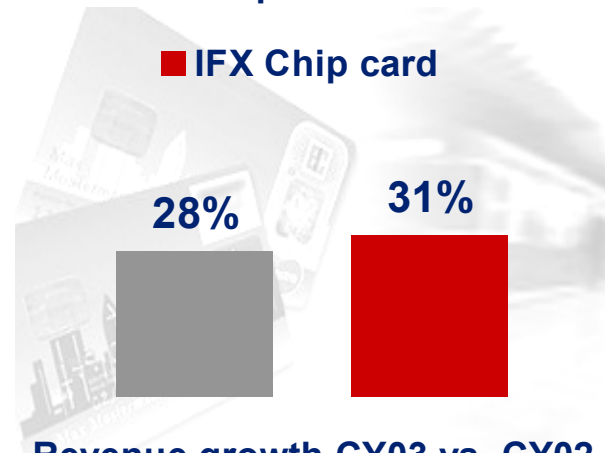
- Improved to No. 3 from No. 5 within one year
- Increased market share to 7.3%

Source: Gartner, June 2004

IFX Chip card

■ Chip card market

■ IFX Chip card



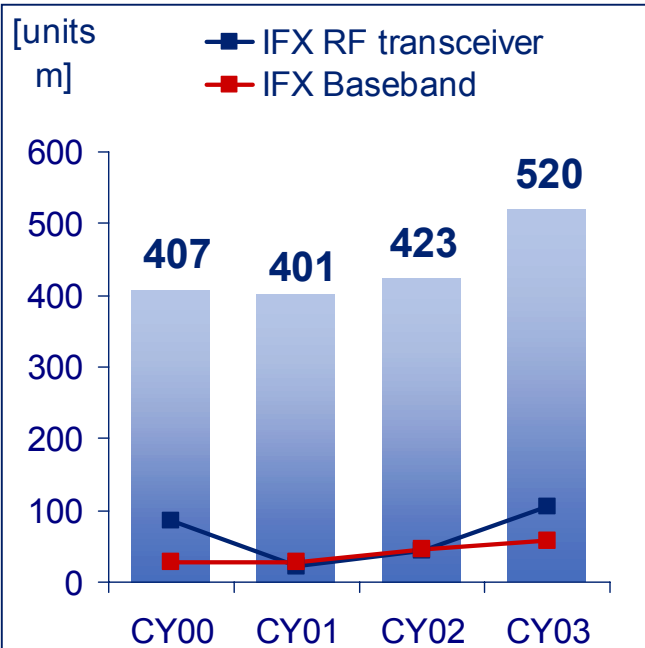
Revenue growth CY03 vs. CY02

- Clear No. 1; IFX as large as next three competitors combined
- Increased market share to 41.2%

Source: Gartner, April 2004

Continued to gain market share in RF and baseband

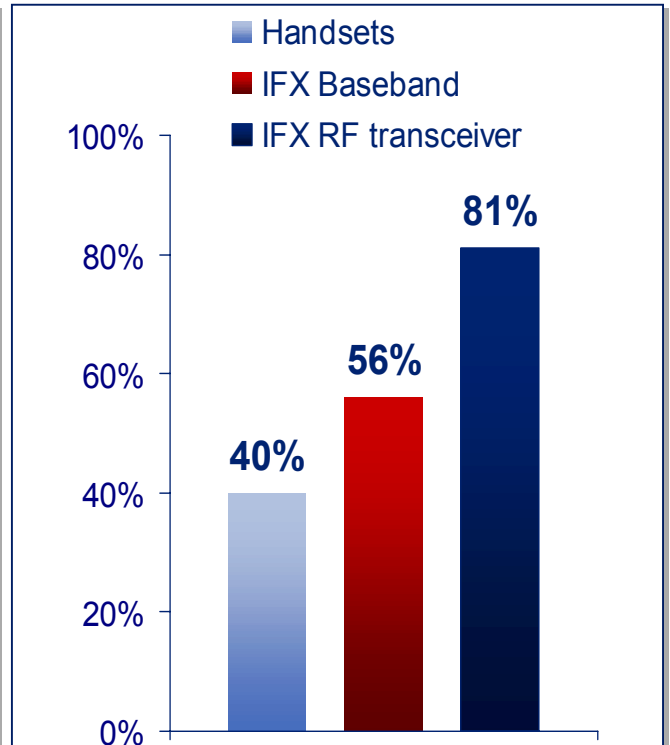
Total handset market CY00 to CY03



RF	21%	5%	10%	20%
BB	7%	7%	11%	11%

Source: Infineon, September 2004

Unit growth 1H CY04 vs. 1H CY03

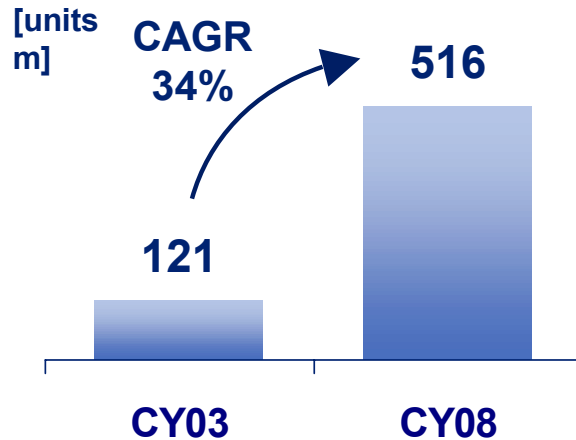


Source: Handsets: Gartner, September 2004
RF and baseband: Infineon, July 2004

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Significant growth potential from a rapidly growing contactless market through a complete product portfolio

Contactless market

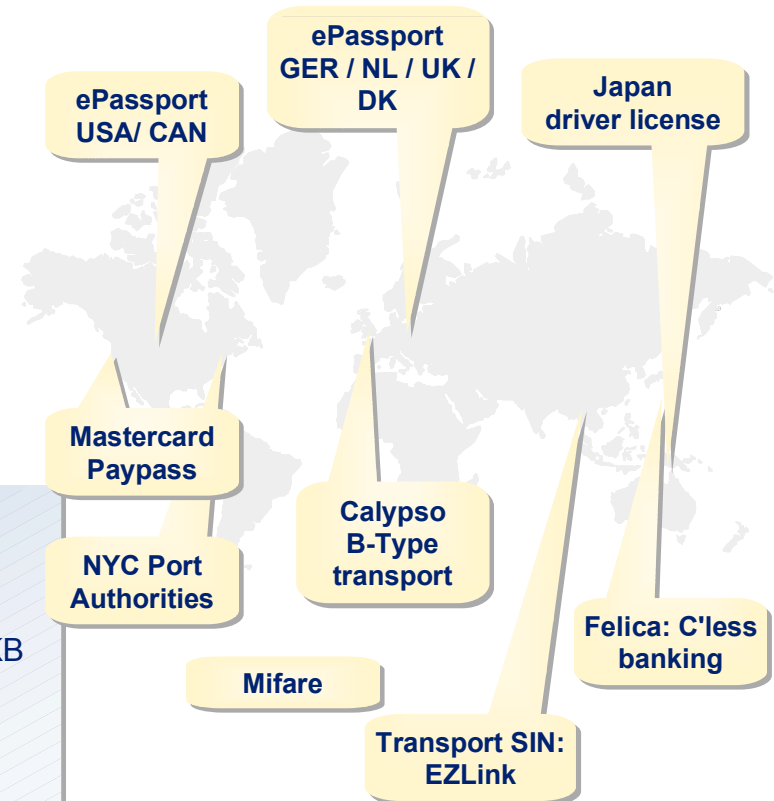


Source: Gartner Dataquest, May 2004

Complete product offering:

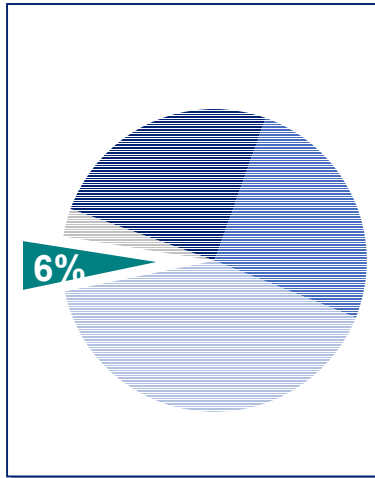
- Contactless crypto controller with 32/64KB E²PROM for passports
- Contactless security controller with 8KB E²PROM for transport and finance
- Infineon Mifare and my-d contactless memory ICs for transport and industry ID

Contactless project overview

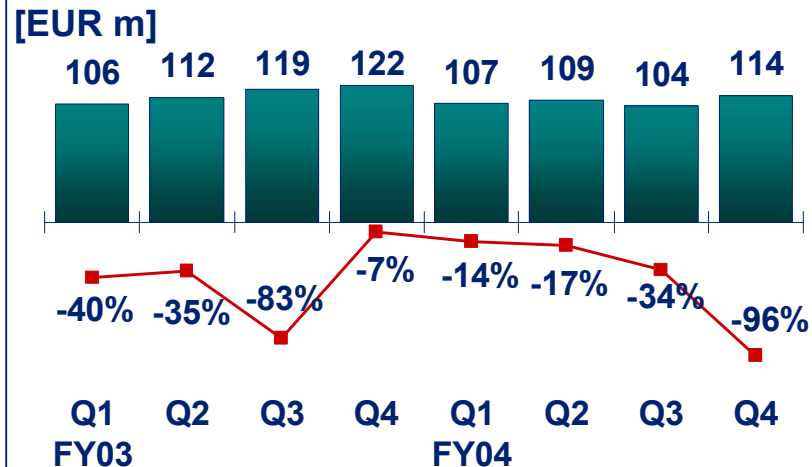


Wireline Communications: Strategic measures initiated to achieve profitability

Revenue share Q4 FY04

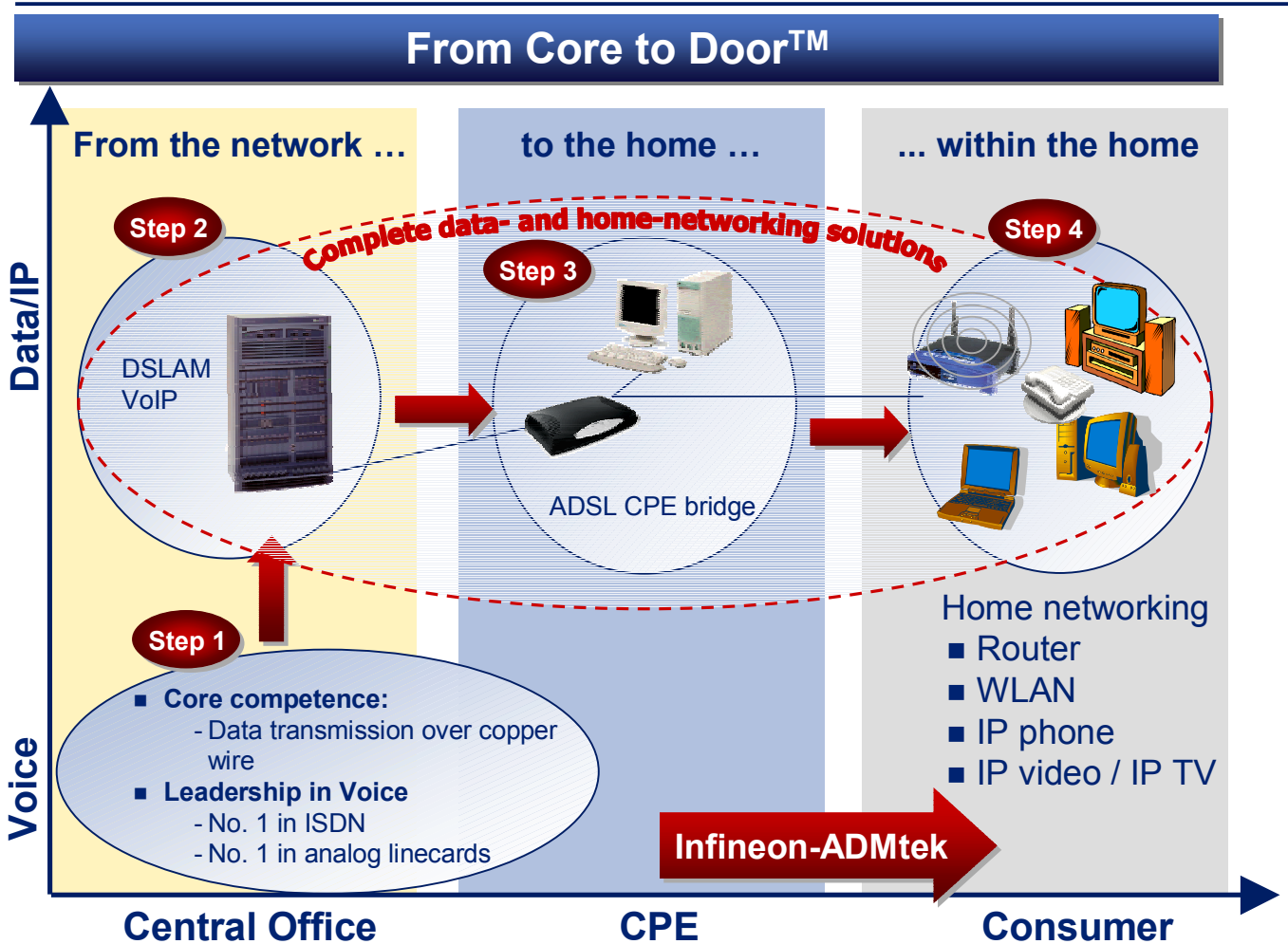


Revenues and EBIT margin



- Sequential revenue increase was mainly driven by higher sales of broadband access ADSL products.
- EBIT loss increased sequentially mainly due to impairment charges of Euro 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 provider





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Infineon has the technical competencies to target converging markets of the future

Infineon's exposure to product and industry segments

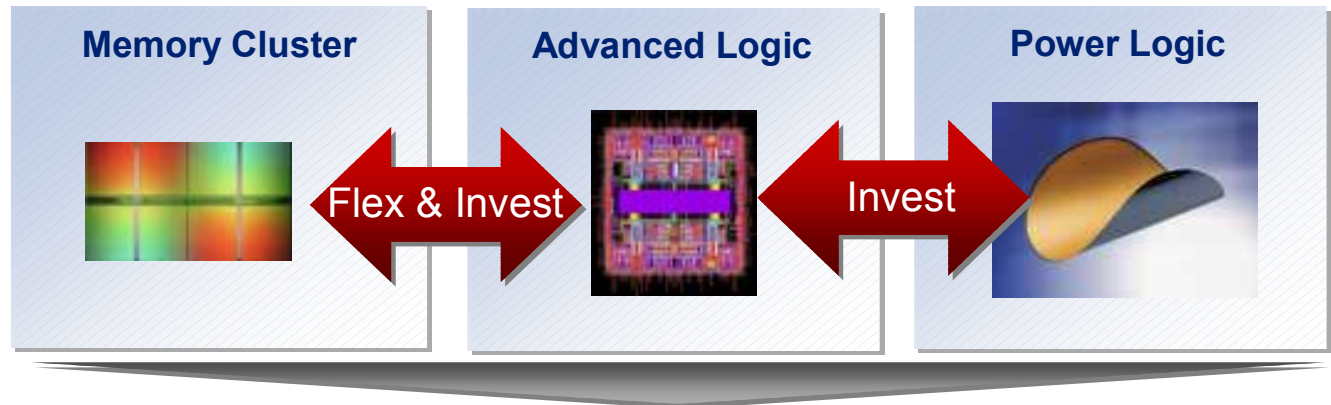
	Application Segments					
	Auto-motive	Consumer	Data Processing	Industrial	Wireless	Wireline
DRAM		●	●		●	
Flash	●	●	●	●	●	
Security / Chipcard	●	●	●	●	●	
Cellular Phone ICs	●	●			●	
RF and Wireless I/O	●	●	●	●	●	●
DSL Products / IP telephony		●				●
Ethernet over SONET			●			●
Discretes and Tuner ICs	●	●	●	●	●	●
Power Management	●	●	●	●	●	●
Microcontroller	●	●	●	●	●	●
Sensors	●			●	●	
ASICs	●	●	●	●	●	

Infineon Product & Application Competencies

Integrated manufacturing to maximized flexibility and minimized 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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