

Infineon

IFX Day 2004

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Financial Update

Peter J. Fischl

Executive Vice President and
Chief Financial Officer



Never stop thinking.



Disclaimer

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.

Agenda

■ **Group business update**

■ **Group financials**

■ **Business group financials**

■ **Outlook**

Q4 and FY04 financial highlights

- FQ4 revenues increased by 4% sequentially
- FQ4 EBIT improved to Euro 113 million, up from Euro 2 million in the prior quarter
- EBIT was negatively affected by impairment and antitrust related charges of Euro 132 million in FQ4 compared to Euro 186 in the prior quarter
- Solid gross cash position of Euro 2.5 billion
- Net cash position of Euro 548 million
- Strong operating cash flow of Euro 1.86 billion in FY04
- Positive free cash flow of Euro 206 million in FY04

Recent operational and strategic highlights

Memory Products

- Q4 FY04 fully loaded cost-target achieved
- Converted more than 80% of manufacturing capacity to 110nm
- First functional modules on 90nm technology
- Completion of first ramp-up phase of Inotera
- Broadened product portfolio with innovative, higher-value DRAMs
- DDR2 portfolio fully qualified
- Received supply chain excellence award from SUN
- Reached agreement regarding licenses to ProMOS

Automotive & Industrial

- New safety standard in the U.S. for TPMS, effective September 2005, initiated an increase in demand for TPMS sensors
- Received Frost & Sullivan 2004 Market Leadership Award in the European semiconductor market for passenger cars

Recent operational and strategic highlights (cont'd)

Secure Mobile Solutions

- Successful ramp-up of world's first single-chip CMOS GSM/GPRS RF transceiver
- Increased sales of baseband and RF transceivers ICs in FY04
- Achieved high market acceptance of new Microslim security controllers for high-security applications

Wireline Communications

- Successful launch of ADSL CPE product
- Design wins for analog telephone adapter at leading CPE equipment providers
- Design win for analog linecards at a major telecom equipment provider

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■ Business group financials

■ Outlook

Results for Q4 FY04 compared to Q3 FY04

[EUR m]	Q3 FY04	Q4 FY04	Change
Net sales Growth (%)	1,908	1,993	85 4%
Gross margin	36%	38%	
R&D in % of sales	308 16%	331 17%	23
SG&A in % of sales	194 10%	174 9%	(20)
EBIT in % of sales	2 0%	113 6%	111
Therein impairment and antitrust-related charges	(186)	(132)	

Development FY04 compared to 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)	

Impairment and antitrust-related charges in Q4 FY04 and FY04

[EUR m]	Q4 FY 2004	FY 2004
Impairment charges	(114)	(136)
Antitrust-related charges	(18)	(209)

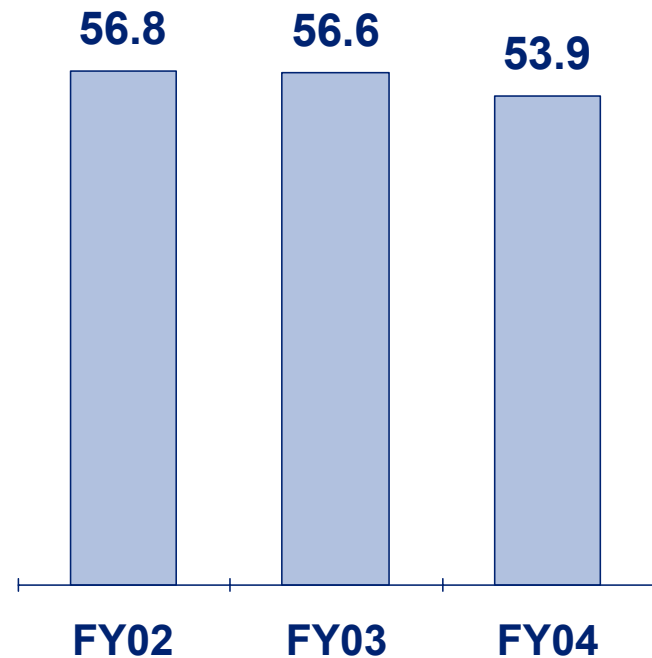
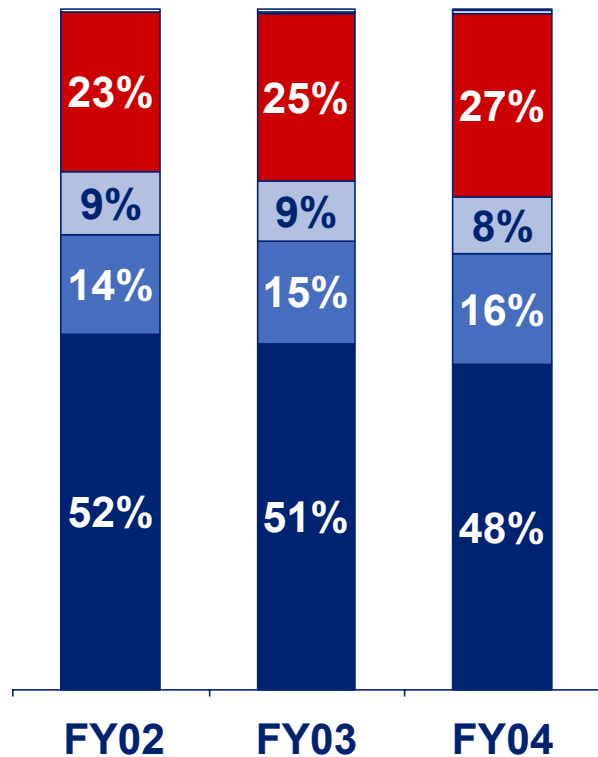
Operating and free cash flow significantly improved

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

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]

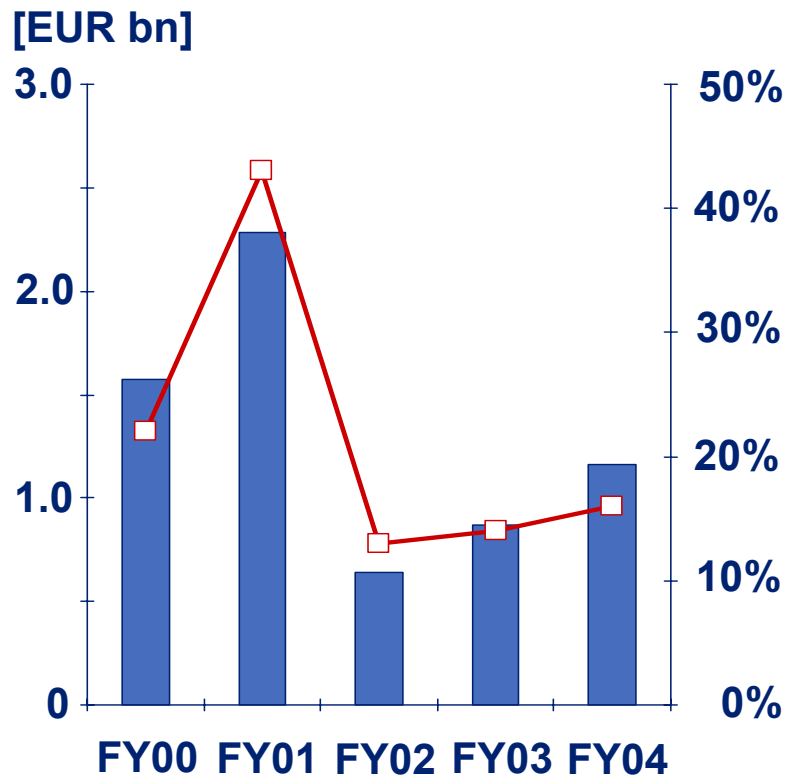


Germany
 Asia/Pacific
 Other Europe
 Japan/Other
 North America

(1) May not add due to rounding.

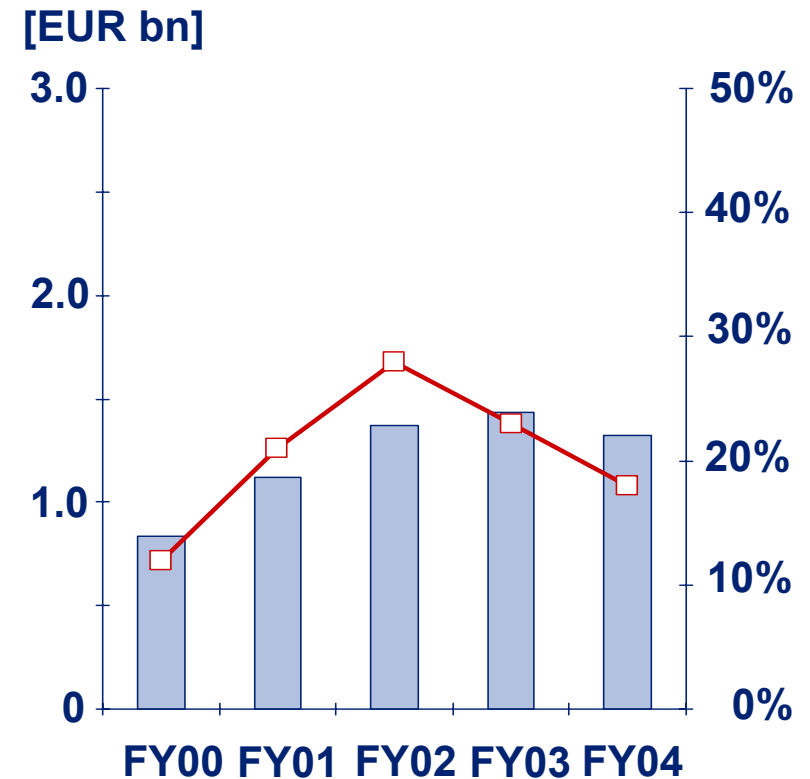
Prudent capital expenditure leads to lower depreciation

Capex



■ Capex (lhs)
 — Capex/Sales ratio (rhs)

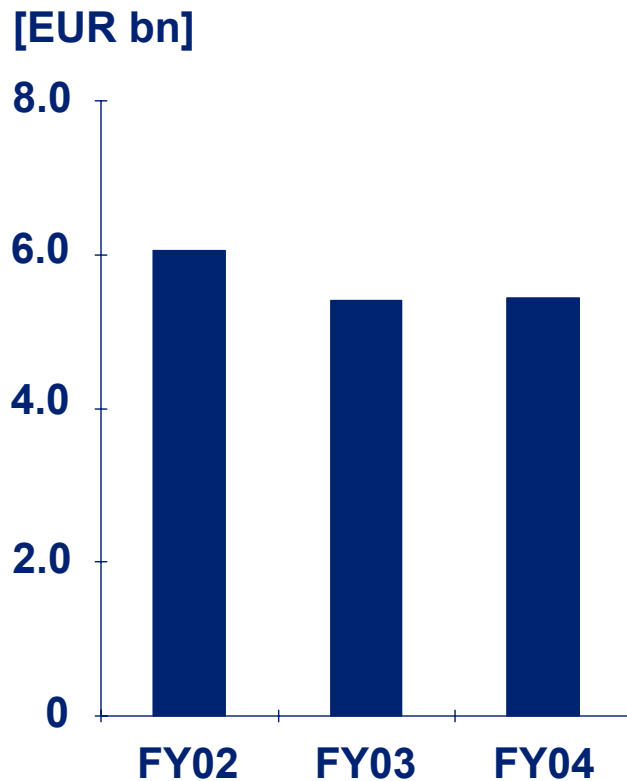
Depreciation and amortization



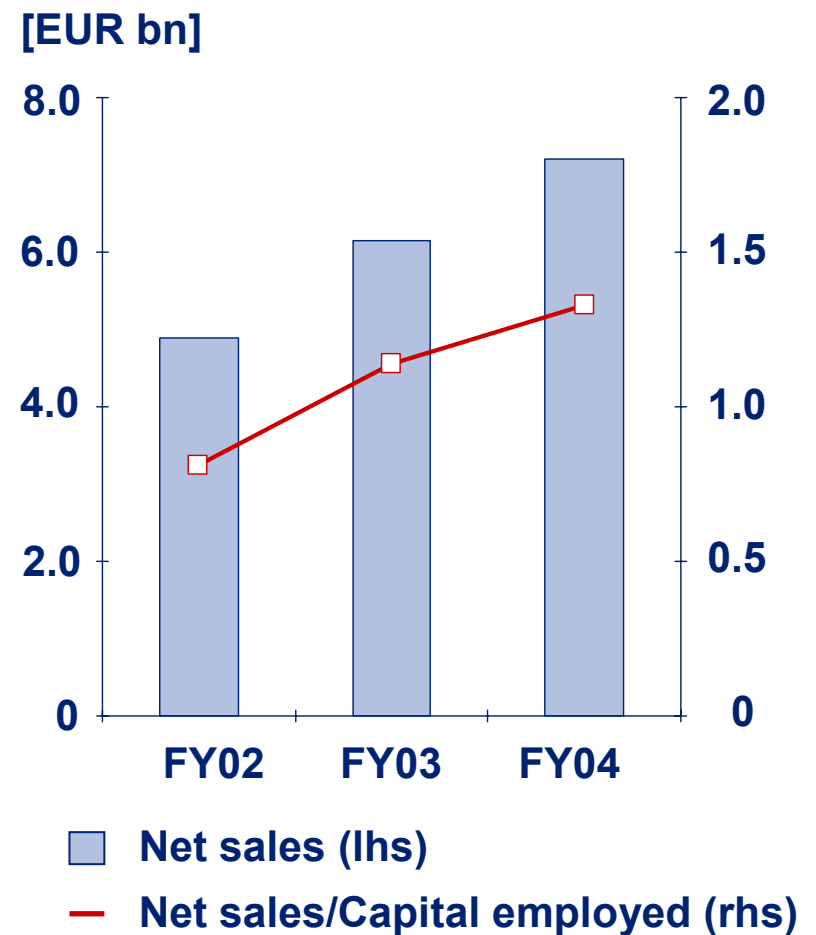
■ Depreciation and amortization (lhs)
 — Depreciation/Amortization/Sales ratio (rhs)

Capital efficiency improved further

Capital employed



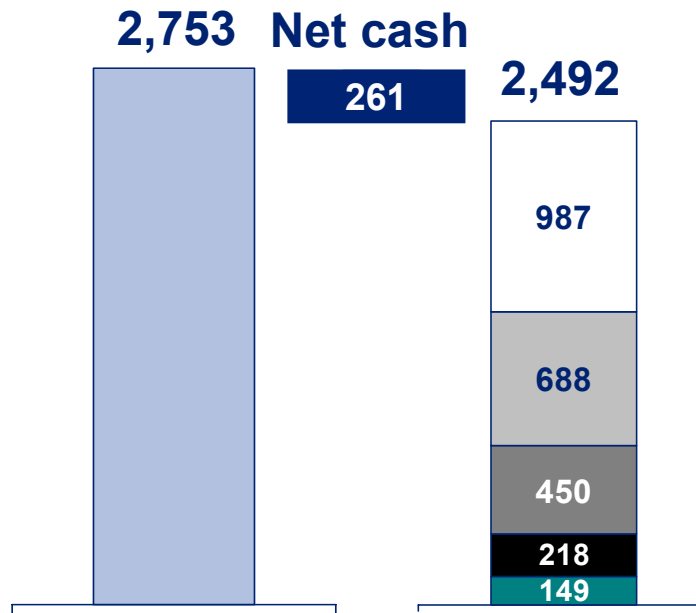
Net sales/Capital employed



Solid financial position

Sept. 30, 2003

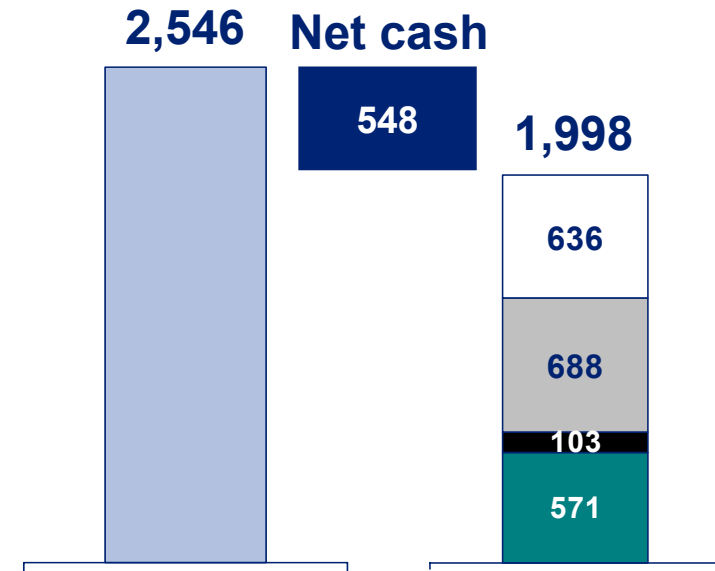
[EUR m]



- Gross cash
- 4.25% convertible note due Feb. 2007
- 5.00% convertible note due June 2010

Sept. 30, 2004

[EUR m]



- Bank loan due in Sept. 2005
- Other long-term debt
- Short-term debt

Note: Since restricted cash no longer includes amounts for the repayment of debt, the gross and net cash positions exclude restricted cash
Euro 450 million bank loan is included in short-term debt at Sept. 30, 2004

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■ Group business update

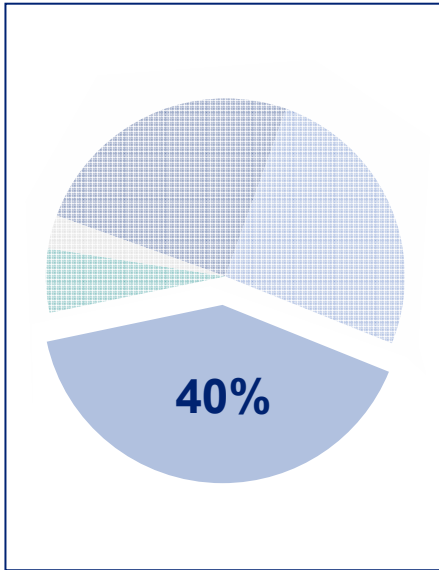
■ Group financials

■ **Business group financials**

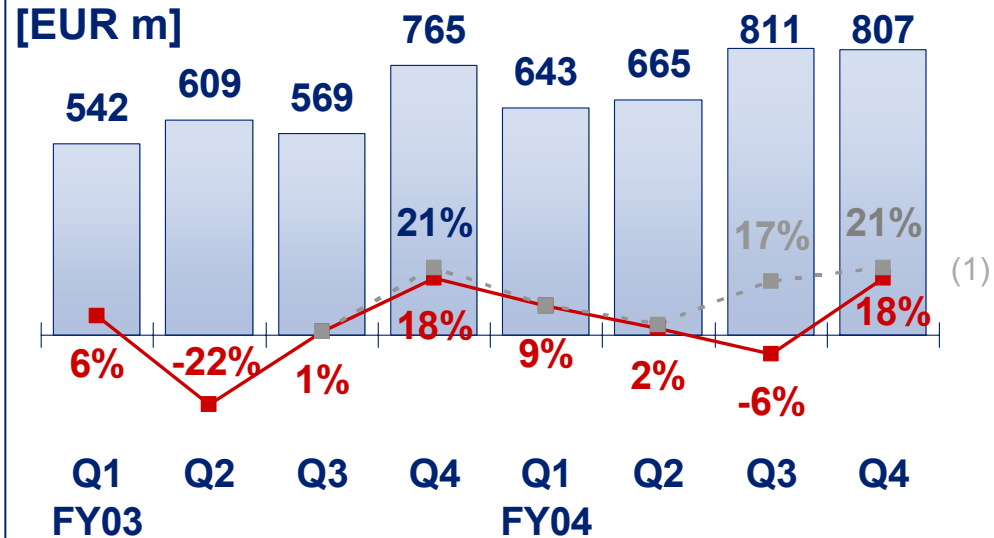
■ Outlook

Memory Products: Significant margin improvement

Revenue share Q4 FY04



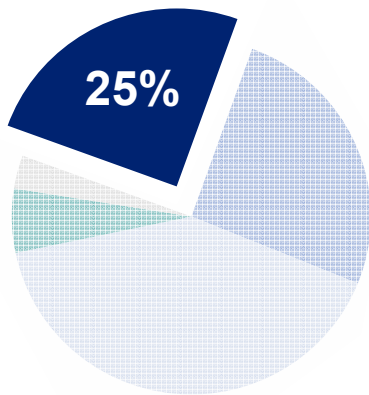
Revenues and EBIT margin



- 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.

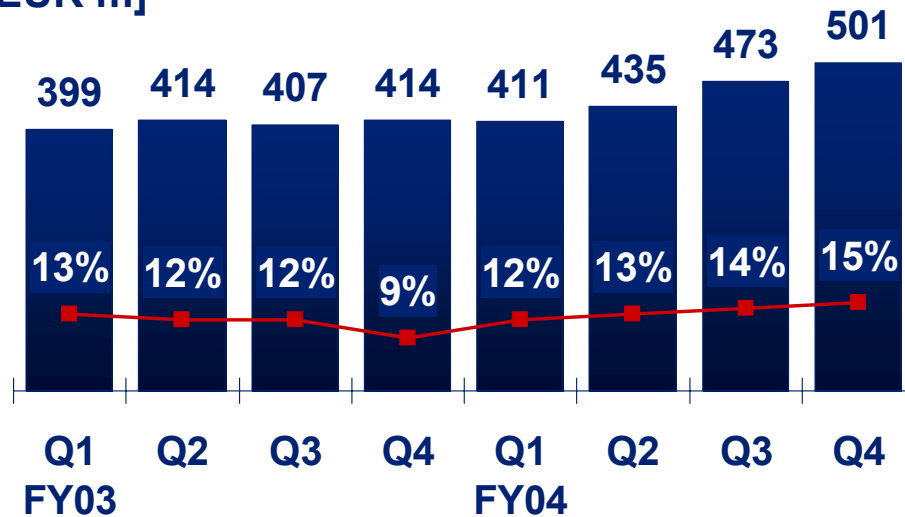
Automotive & Industrial: Record revenues and stable margins at a high level

Revenue share Q4 FY04



Revenues and EBIT margin

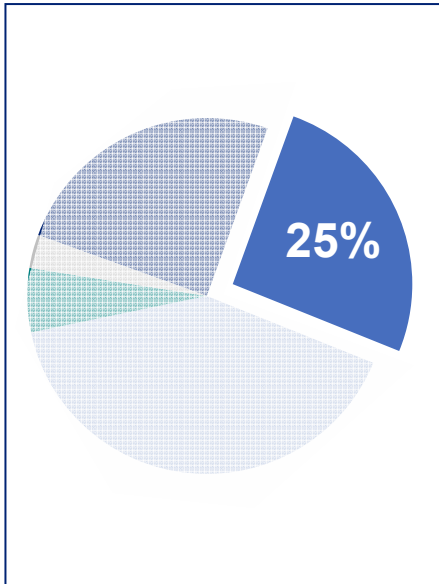
[EUR m]



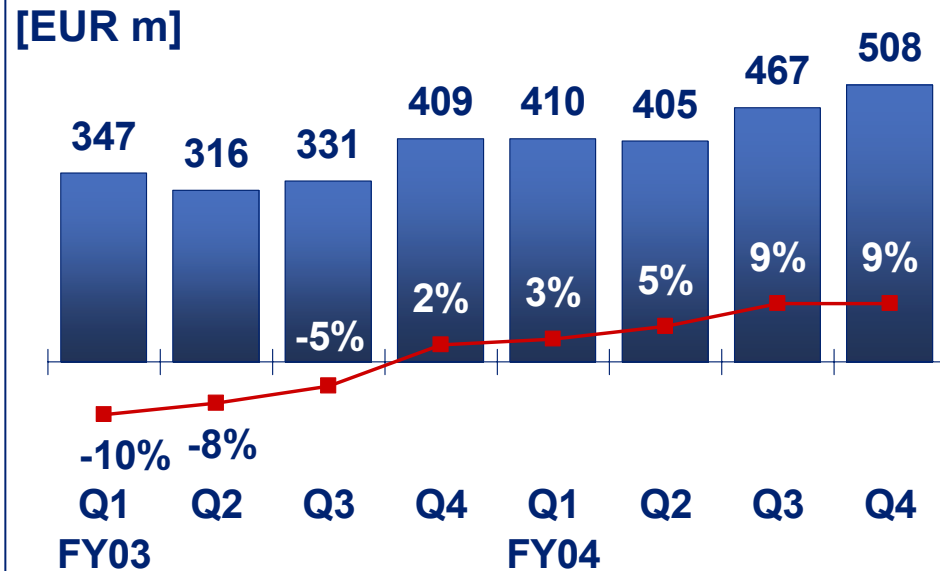
- Sequential revenue increase was mostly due to increased sales of products for power management & supply, high-power applications and sensors.
- Sequential EBIT increase reflected primarily higher sales volumes.

Secure Mobile Solutions: Strong revenue growth and EBIT margin improvement

Revenue share Q4 FY04



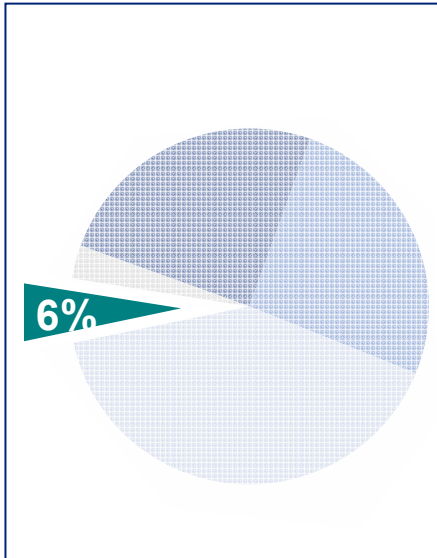
Revenues and EBIT margin



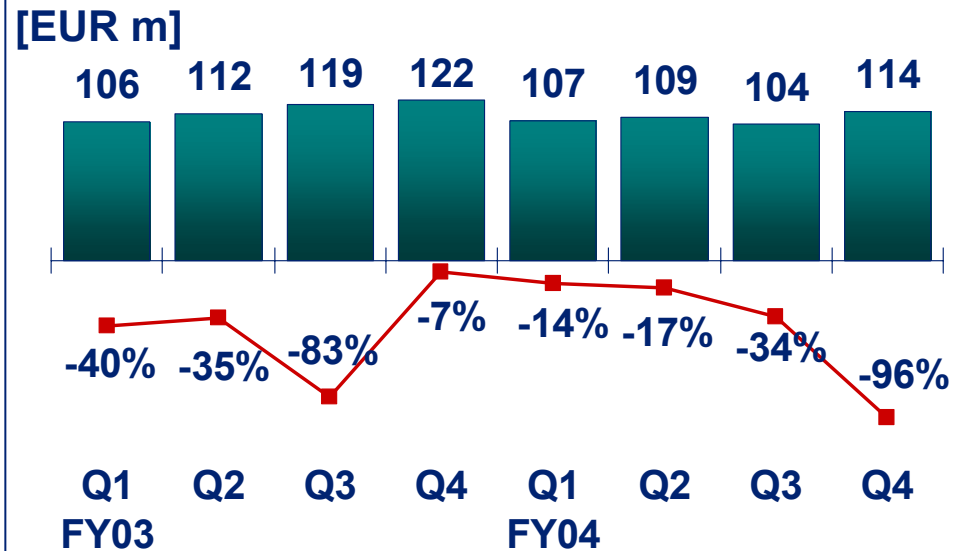
- Sequential revenue improvement was mainly driven by higher demand for mobile solutions. Mobile phone manufacturers have aggressively purchased components in anticipation of a strong holiday season.
- Sequential EBIT increase was mostly due to higher sales volumes, especially of chips for mobile solutions.

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 mio, predominantly related to the acquisition of Catamaran Communications, Inc.

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■ Group Business Update

■ Group Financials

■ Business Group Financials

■ **Outlook**

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.



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