IFX Day 2004

November 16, 2004 - Munich

Wireline Communication

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Infineon

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

**Competitive Position
(Overview, Financials, Market Share)**

Market Trends and Development

Strategy and Business Proposition

Summary

Agenda

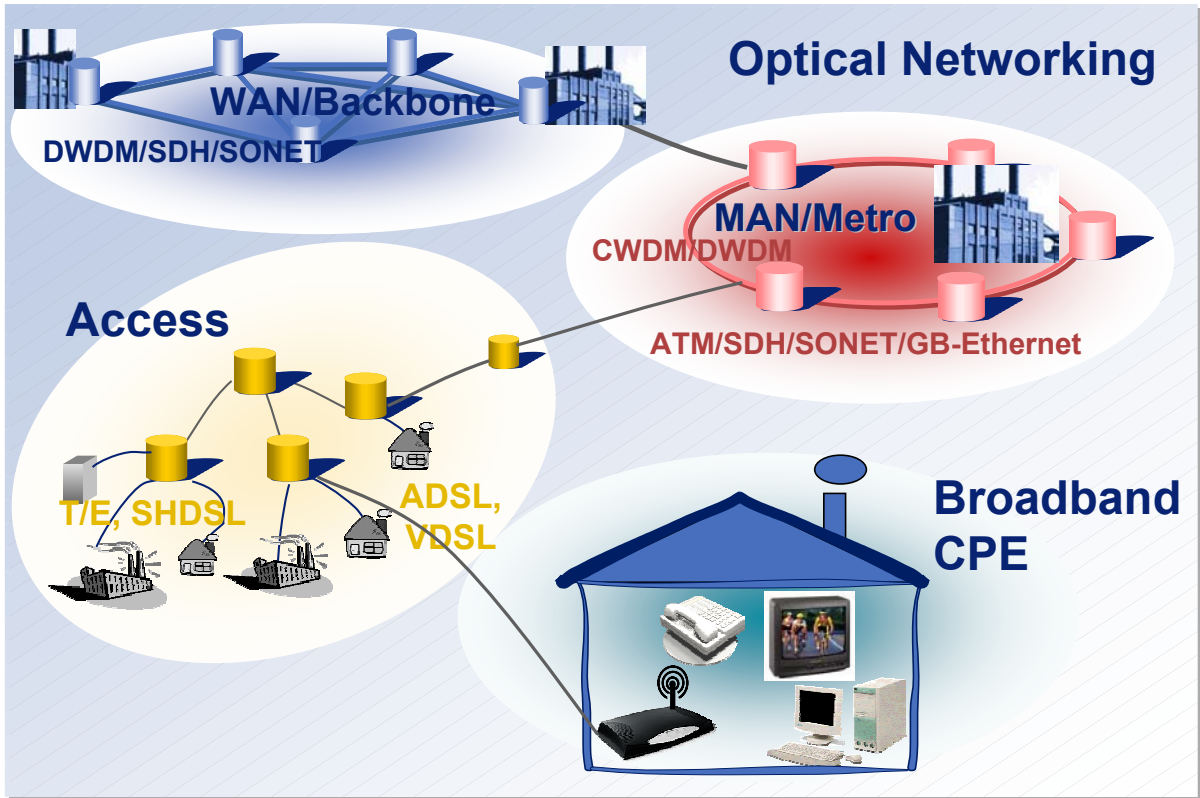**Competitive Position
(Overview, Financials, Market Share)**

Market Trends and Development
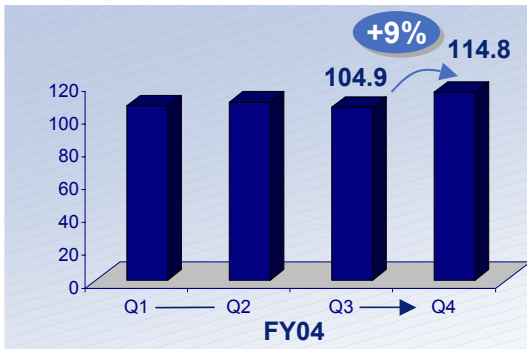
Strategy and Business Proposition

Summary

Wireline Communication (COM) provides semiconductor solutions for voice and data networks
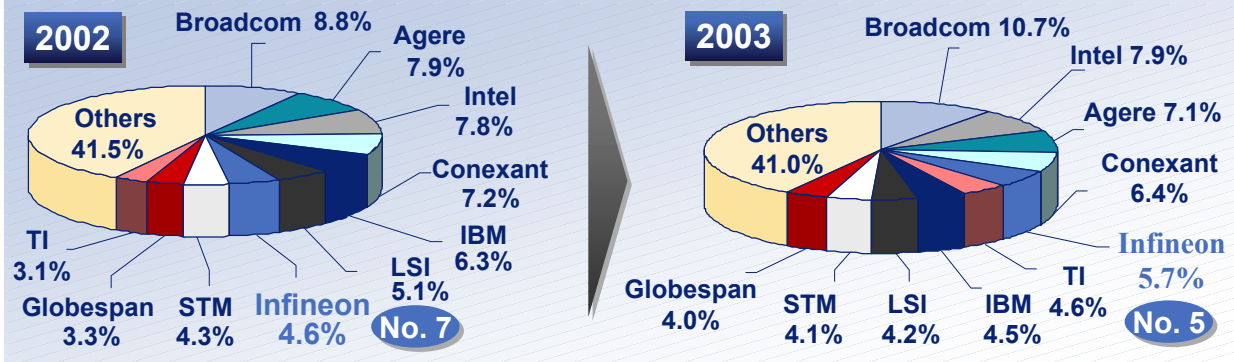
Network topology

Optical Networking

WAN/Backbone

DWDM/SDH/SONET

MAN/Metro

CWDM/DWDM

ATM/SDH/SONET/GB-Ethernet

Access

T/E, SHDSL

ADSL, VDSL

Broadband CPE

Wireline Communication –
one of the fastest growing companies in 2003

Market share comparison CY 2003 vs. 2002

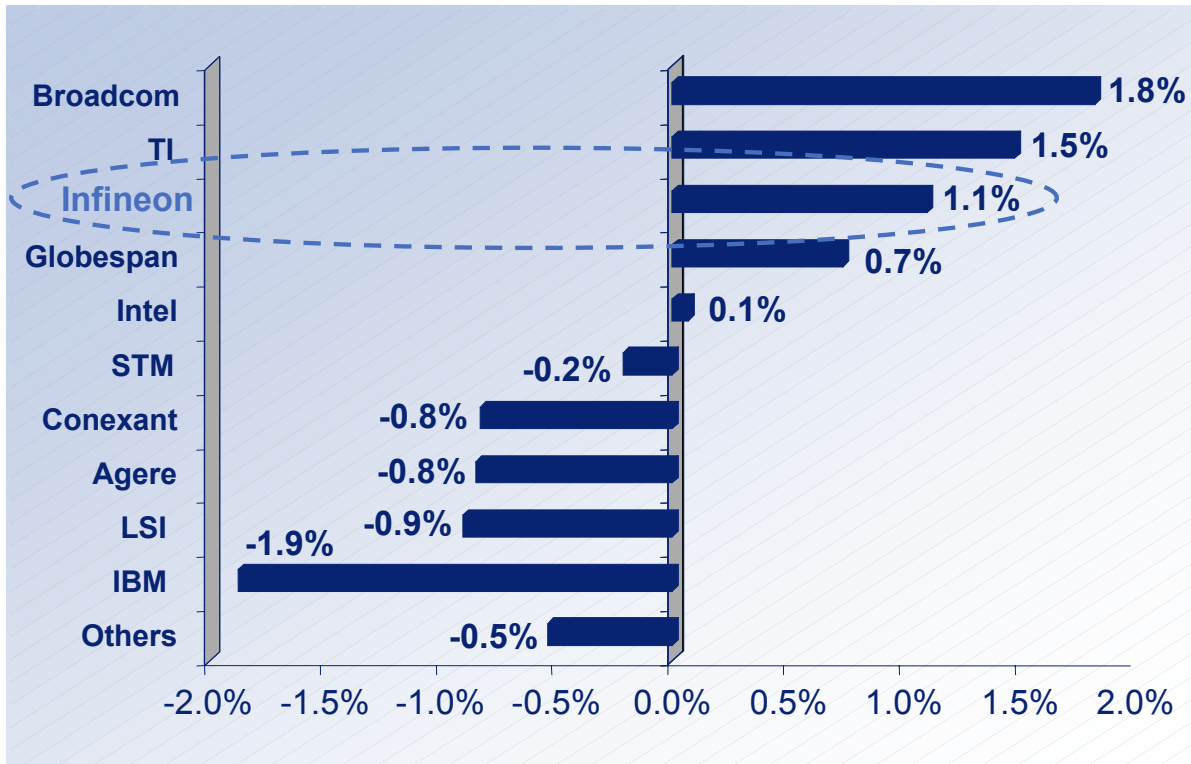| Company	Value
Broadcom	1.8%
TL	1.5%
Infineon	1.1%
Globespan	0.7%
Intel	0.1%
STM	-0.2%
Conexant	-0.8%
Agere	-0.8%
LSI	-0.9%
IBM	-1.9%
Others	-0.5%

-2.0% -1.5% -1.0% -0.5% 0.0% 0.5% 1.0% 1.5% 2.0%

* Source: Gartner, June-2004, segments combined:
Access, LAN, ATM, SONET, Switching and Network Processors

COM significantly strengthened its leading position in Voice Access and achieved key design wins in DSL

Voice Access / Standard Telecom

- **Leading market position** in traditional telecom infrastructure*:
  - **No. 1 T/E Carrier**
    - **(from 23% in 2002 to 28% in 2003)**
  - **No. 1 Analog Linecards**
    - **(from 23% in 2002 to 33% in 2003)**
- **Excellent competitive position**

NORTEL NETWORKS
SIEMENS
ALCATEL
ZTE中兴
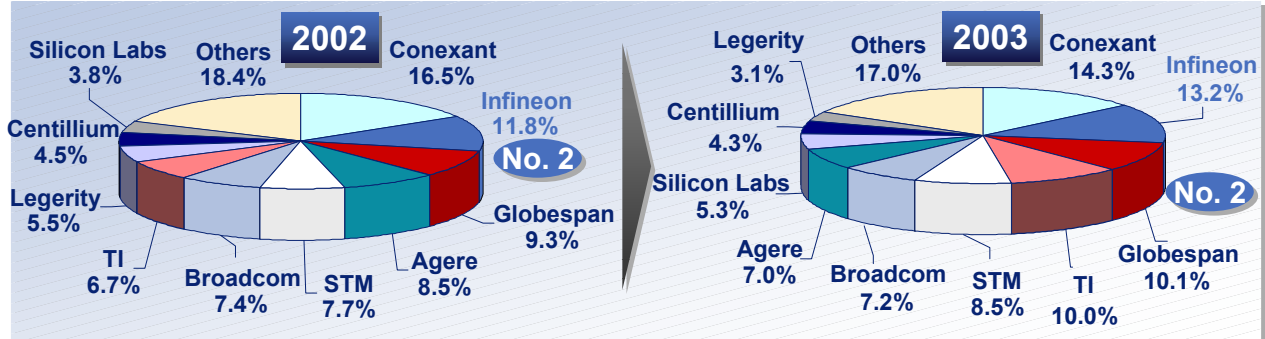MOTOROLA intelligence everywhere™

Broadband Access

- **Strong position** in VDSL QAM leveraged into aggressive roadmap towards VDSL2
- **No. 2** in SHDSL
- Design wins with important ADSL-CO Tier-1 Accounts in EU / Asia / NAFTA

ECI TELECOM
ALCATEL
ZTE中兴
SIEMENS

In the Access market, COM gained 1.4%-points market share from 2002 to 2003

2002
- Silicon Labs 3.8%
- Others 18.4%
- Conexant 16.5%
- Infineon 11.8% **No. 2**
- Globespan 9.3%
- Agere 8.5%
- STM 7.7%
- Broadcom 7.4%
- TI 6.7%
- Legerity 5.5%
- Centillium 4.5%

2003
- Legerity 3.1%
- Others 17.0%
- Conexant 14.3%
- Infineon 13.2%
- Centillium 4.3%
- Silicon Labs 5.3%
- Agere 7.0%
- Broadcom 7.2%
- STM 8.5%
- TI 10.0%
- Globespan 10.1% **No. 2**

* Source: Gartner, June-2004, segments combined:
   Analog & Fax ICs, DSL, Cable, SLIC/CODEC, T/E, Analog Linecards

Never stop thinking

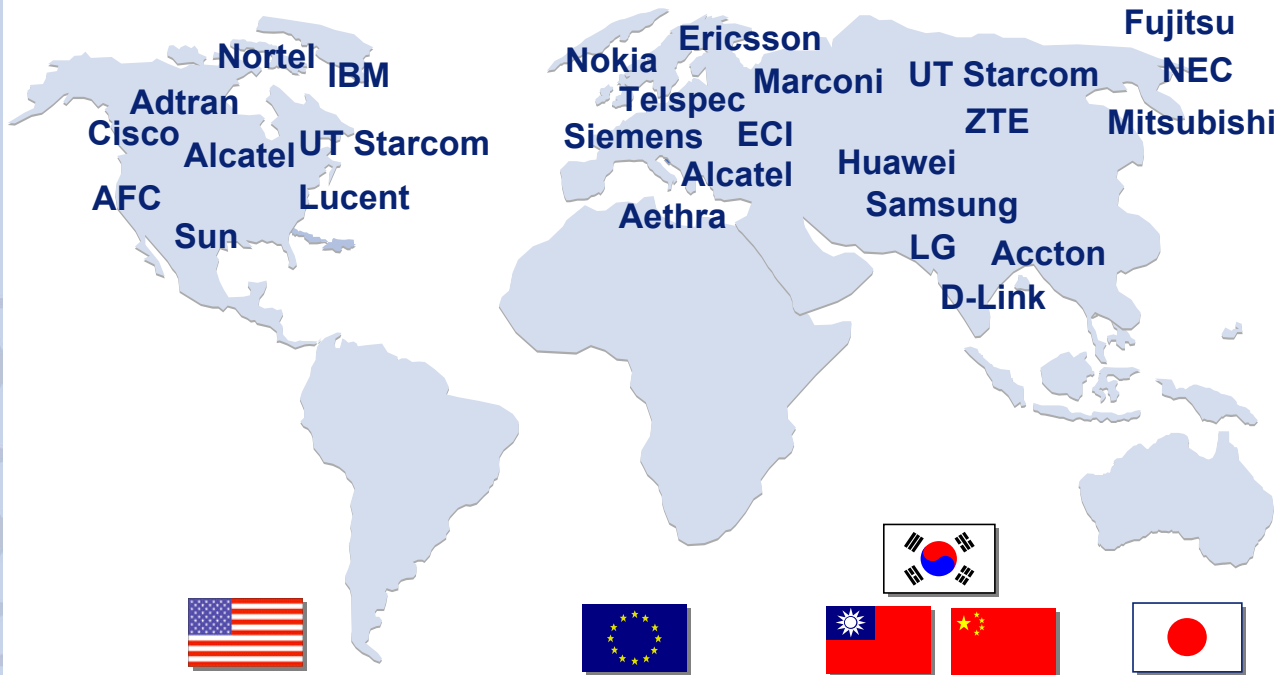# COM – a global player with a worldwide customer base

NAFTA	Europe	APAC	Japan

NAFTA: Nortel, IBM, Adtran, Cisco, Alcatel, UT Starcom, AFC, Lucent, Sun

Europe: Nokia, Ericsson, Marconi, Telspec, Siemens, ECI, Alcatel, Aethra

APAC: UT Starcom, ZTE, Huawei, Samsung, LG, Accton, D-Link

Japan: Fujitsu, NEC, Mitsubishi

Agenda

**Competitive Position
(Overview, Financials, Market Share)**

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Facing continually eroding voice revenue streams, carriers are now going IP TV

Never stop thinking (vertical text, left margin)

Recent press releases

Gartner — strategic Perspective

Market Analysis

Incumbents Are Finally Moving Toward Triple-Play Services

Abstract: Former fixed-line incumbent carriers and their consumer product portfolios. However, their s... and goals.

By Andrew Chetham and Susan Richardson

France Telecom — Morgan Stanley

Reuters: FTE.PA Bloomberg: FTE FP ADR: FTE.N

Company Update — October 14, 2004

FT delivering on its Broadband strategy.

...stment conclusion

...including Broadband and TV. The pricing is ...urrent offer, allowing FT to narrow the gap with ...round three axes: a simple triple-pay product, ...nsive DSL coverage of the French population.

North America US
Communications Wireline Services

13 May 2004 **Deutsche Bank**

Wireline industry

FTTP - No other way to entertain

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CREDIT SUISSE | **FIRST BOSTON**
Equity Research

Cable/Telecom Battle Continues; SBC Begins FTTN and ADSL2+ Trials

- On June 22, SBC announced that it is beginning trials this summer to deploy fiber to the node as it looks to increase bandwidth and begin to offer video service. SBC plans to make a decision on commercial rollout in the first half of 2005, which will be predicated upon the results of the field trial as well as the regulatory environment/rulings.

ANALOGIC TECH

UTStarcom boxes promise IP TV over DSL nets

By Robert Keenan
EE Times
Oktober 11, 2004 (9:18 AM EDT)

WAYNE, N.J. — UTStarcom Inc. is offering a combination of three systems to allow operators to deliver video services over DSL networks: a content engine and a streaming/storage server for central-office environments, and a customer premises equipment media console.

"Triple Play" is the next step

In the future, voice, data, and video will converge and share a common IP network

One-third of the carriers offers already Triple Play and another third will follow soon

Triple play adoption

- Plan to offer in 2005 or later 17%
- Already offer 29%
- Plan to offer in 2004 19%
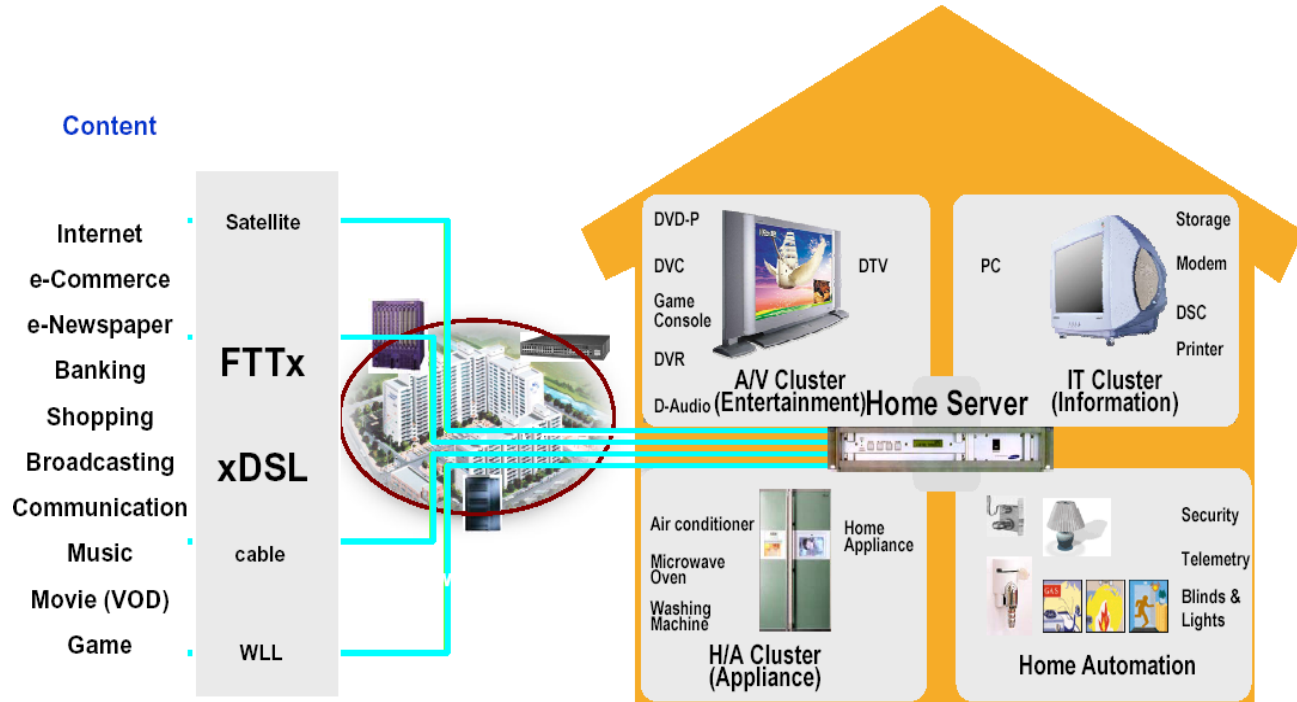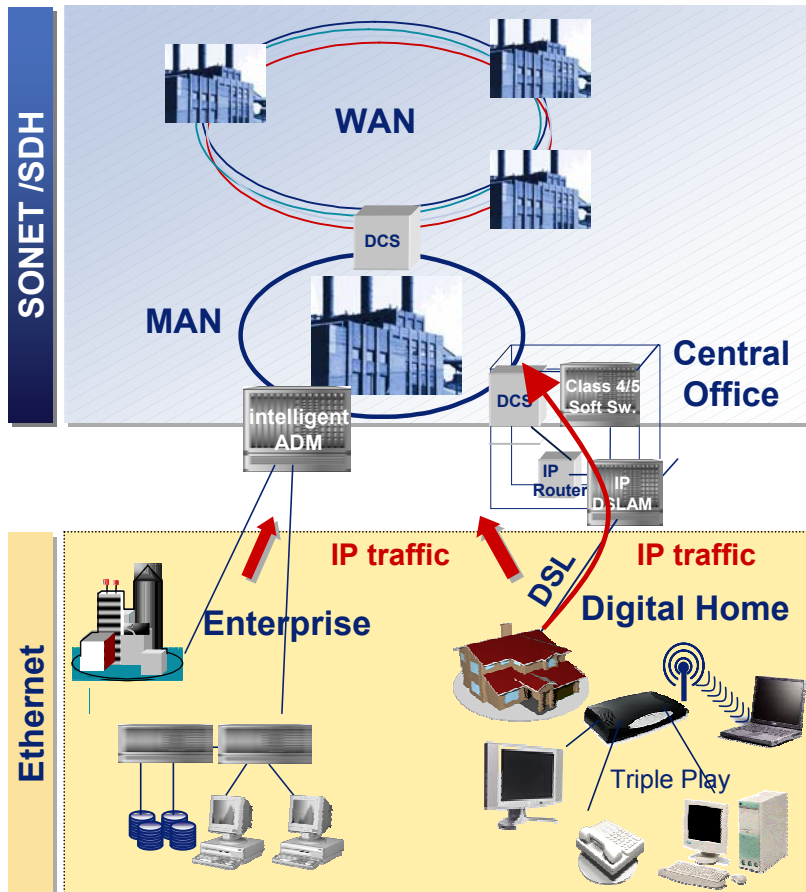- No plans to offer 35%

Examples of TV offerings:

- Telefonica Spain
- PCCW Hong Kong
- Korea Telecom
- Chungwha Telecom
- France Telecom
- Fastweb
- Bell Canada
- others

Source: Alcatel, 2004

In the future, various content and services will be directly delivered and distributed via broadband in our homes

Content

Internet
e-Commerce
e-Newspaper
Banking
Shopping
Broadcasting
Communication
Music
Movie (VOD)
Game

Satellite
FTTx
xDSL
cable
WLL

DVD-P
DVC
Game Console
DVR
D-Audio
A/V Cluster (Entertainment)
DTV

Home Server

PC
IT Cluster (Information)
Storage
Modem
DSC
Printer

Air conditioner
Microwave Oven
Washing Machine
H/A Cluster (Appliance)
Home Appliance

Security
Telemetry
Blinds & Lights
Home Automation

Increasing data traffic from enterprises and households will push Ethernet into the Metro Network

WAN

DCS

MAN

SONET /SDH

Central Office

intelligent ADM

DCS

Class 4/5 Soft Sw.

IP Router

IP DSLAM

IP traffic

IP traffic

DSL

Enterprise

Digital Home

Triple Play

Ethernet

Comments

- Residential broadband access based services will increase MAN bandwidth demand per user by magnitudes: from several 100 kbps to several 10 Mbps.

- Data services converge on IP / Ethernet.

- Existing Infrastructure dominated by SONET/SDH.

- Ethernet over SONET preserves the large base of installed infrastructure.

Agenda

Competitive Position
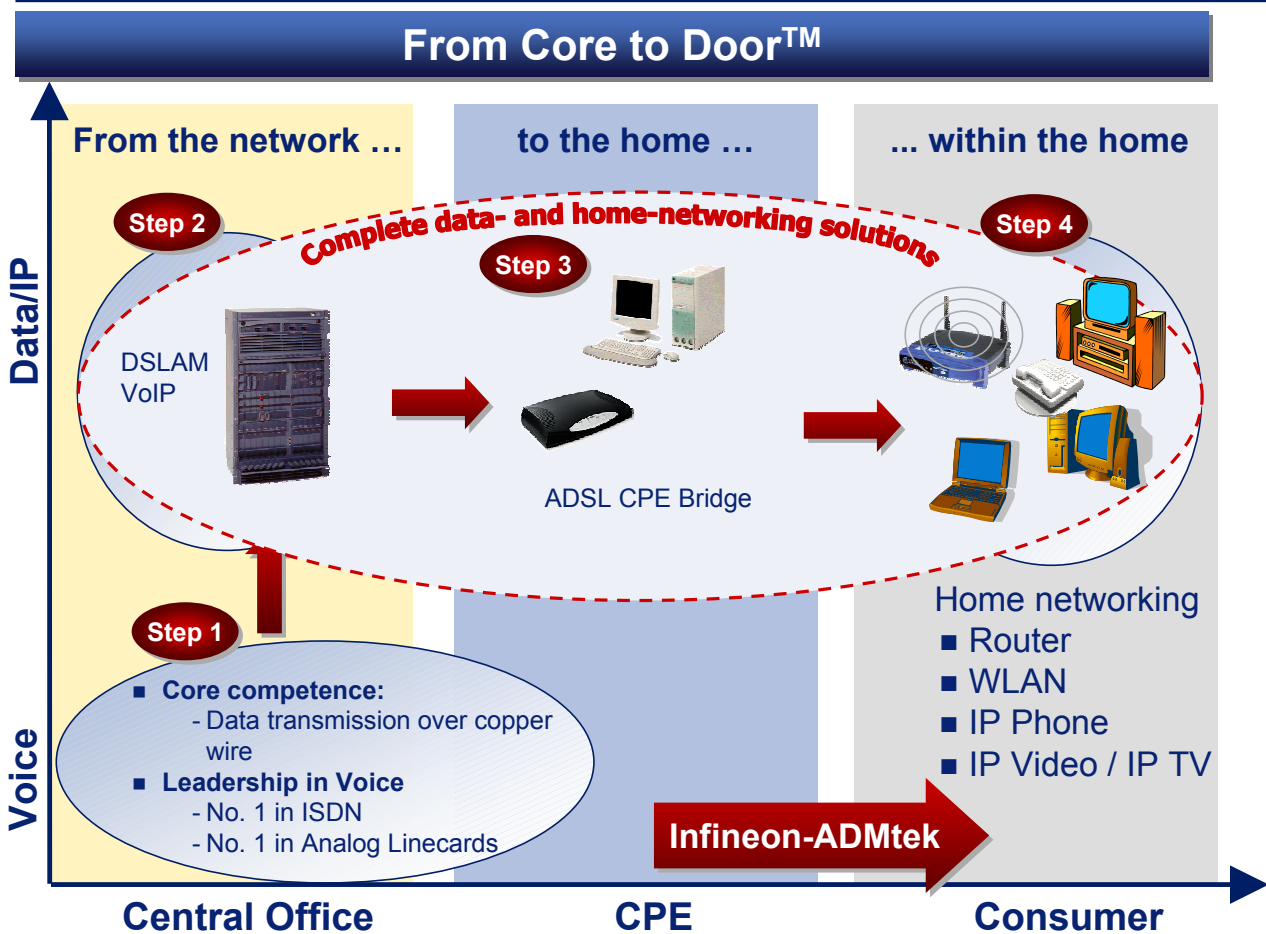(Overview, Financials, Market Share)

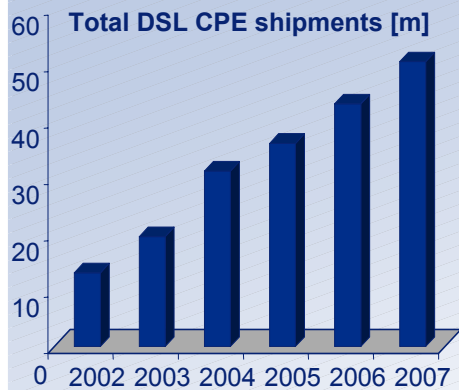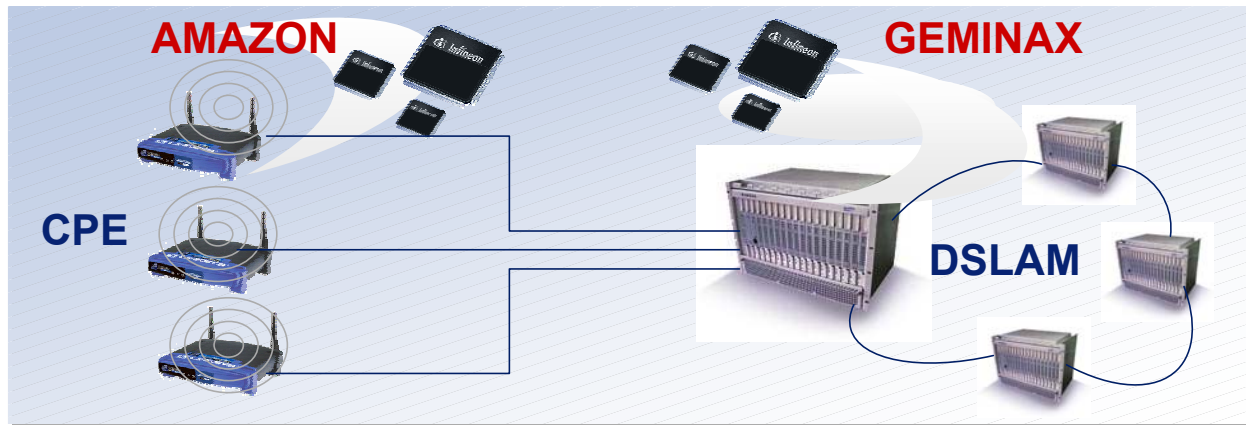Market Trends and Development

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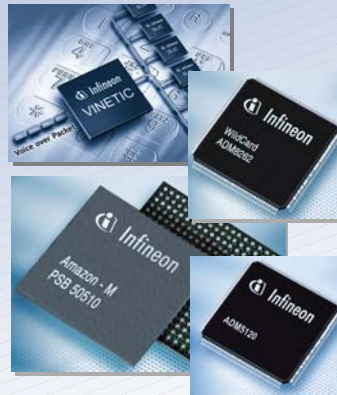# Transforming from the leading traditional telecom voice vendor into a data- and home-networking solution provider

From Core to Door™

From the network …   **to the home …**   **... within the home**

Data/IP

Step 2

Complete data- and home-networking solutions

Step 3

Step 4

DSLAM
VoIP

ADSL CPE Bridge

Home networking
- Router
- WLAN
- IP Phone
- IP Video / IP TV

Step 1

- **Core competence:**
  - Data transmission over copper wire
- **Leadership in Voice**
  - No. 1 in ISDN
  - No. 1 in Analog Linecards

Voice

Infineon-ADMtek

Central Office   **CPE**   **Consumer**

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Wireline Communications offers a complete portfolio of end-to-end broadband access solutions

AMAZON

GEMINAX

CPE

DSLAM

Total DSL CPE shipments [m]

60 | 50 | 40 | 30 | 20 | 10 | 0

2002 2003 2004 2005 2006 2007

Source: Infonetics, 2Q04 (includes Modems, Routers, IADs)

- Services supported:
  - Triple Play Fast Internet, Video and Voice
  - Advanced security features
  - Wireless LAN
  - VoIP
- Complete reference design including VoIP and WLAN features
- Strong interest from all major CPE providers

Never stop thinking

VoIP technology is becoming a high-volume application and a successful solution for ATA

DSL Modem

DSL Connection

Internet

ATA
(Analog Telephone Adaptor)

VONAGE
THE BROADBAND PHONE COMPANY

New carriers can offer phone service based on DSL access

Small Ethernet Switch	Network Processor
SLIC	VOICE VoIP

- COM offers a ready-to-build reference design based on:
  - VoIP processor VINETIC
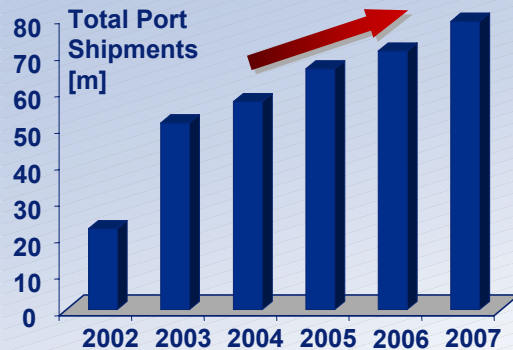 - SLICs
  - ADMtek's NP 5120

- Recent design win at leading CPE equipment suppliers

COM is well positioned in the fast growing DSL market through a complete portfolio, subsystem integration, ...

... and its own fabs

DSL market development

Total Port Shipments [m]

Chart (bar chart) Total Port Shipments:
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007

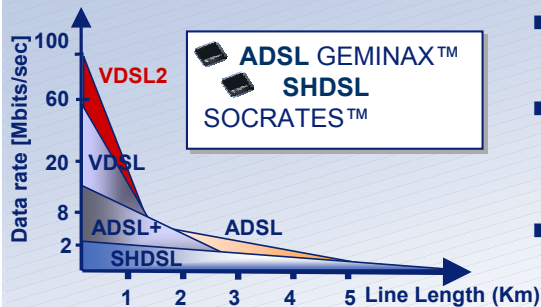Y-axis: 0, 10, 20, 30, 40, 50, 60, 70, 80

Source: Infonetics, 2Q04

- Worldwide subscriber growth fueled by "Triple Play"
- Strong growth in Asia:
  - China targets 75 m broadband users before the 2008 Olympics begin
  - South Korea and Japan continues to benefit from proactive regulation and economic incentive by the government
- "Every corner of the United States should be in reach of high-speed Internet links by 2007"
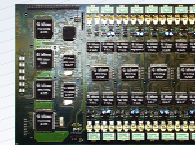
George W. Bush, 2004

COM business proposition

Complete xDSL portfolio:

Chart: Data rate [Mbits/sec] vs Line Length (Km)
Y-axis: 2, 8, 20, 60, 100
X-axis: 1, 2, 3, 4, 5
Labels: VDSL2, VDSL, ADSL+, ADSL, SHDSL

ADSL GEMINAX™
SHDSL SOCRATES™

Subsystem integration:

- Complete xDSL Linecard solutions
- Extend voice leadership into data solutions
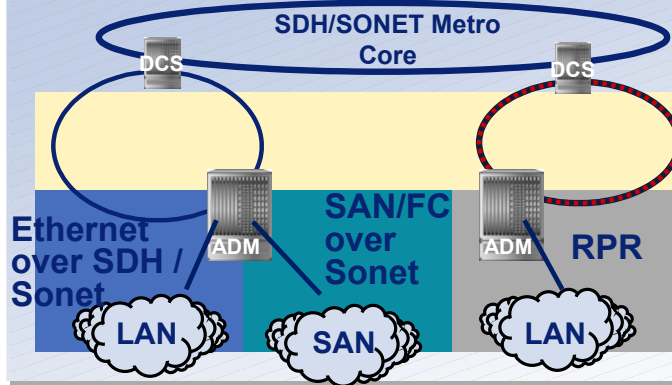- Integrated Voice & Data (IVD)

Competitive cost Position:

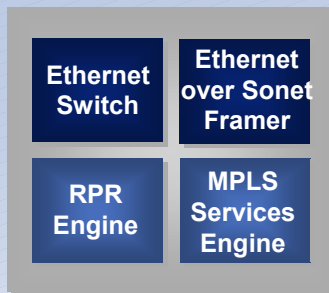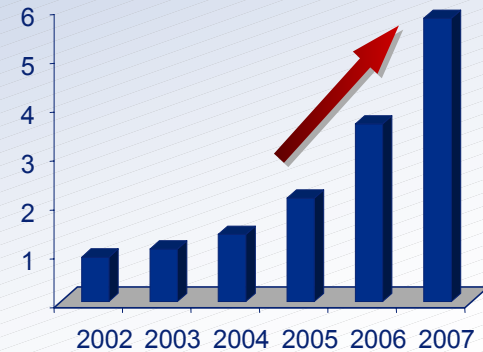- Strong Position in Standard Telecom
- Own Fabs
- IVD

COM offers "any data" over SONET/SDH solutions with flexible ASSPs

Intelligent Metro Edge/Access Solutions

SDH/SONET Metro Core

DCS

DCS

ADM

ADM

Ethernet over SDH / Sonet

SAN/FC over Sonet

RPR

LAN

SAN

LAN

Total Metro Ethernet port shipments [m]*

6
5
4
3
2
1

2002 2003 2004 2005 2006 2007

Ethernet Switch	Ethernet over Sonet Framer
RPR Engine	MPLS Services Engine

Infineon
PEB u761
MetroMapper™ 2.5G

"any data" linecard solution platform:

- COM solutions enable customers to lead service providers into converged data centric networks with standard compliant modular ASSP solutions allowing "any data" (Ethernet, Fibre Channel) over SONET/SDH

- Key design wins at most telecommunication equipment providers

* Source: Infonetics, 2Q04

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- Stable revenue development in a difficult market environment

- Significant cost reductions and streamlining of portfolio

- Continued share gain in the wireline semiconductor market
  - Improved from No. 7 in 2002 to No. 5 in 2003 (Gartner, June 2004)
  - Strengthened leadership position in Voice Access

- Complete broadband portfolio and excellent competitive position
  - All xDSL flavors
  - Innovative IVD solution
  - Early entry into VDSL2

- Jump-start into CPE business through ADMtek acquisition
  - Both ends of the copper cable (xDSL CO and CPE)
  - Close proximity to Taiwanese ODMs and favorable cost position

- Early lead in Ethernet over Sonet (EoS) market with key design wins for almost all major telecommunication equipment providers

COM is well-positioned for the future by offering complete "Core to Door" semiconductor solutions!

Never stop thinking

Never stop thinking.