

Infineon

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Never stop thinking.



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Agenda

Group Business Update & Financials

MP – Memory Products

SMS – Secure Mobile Solutions

COM – Wireline Communications

AI – Automotive & Industrial Electronics

Outlook

Agenda

Group Business Update & Financials

MP – Memory Products

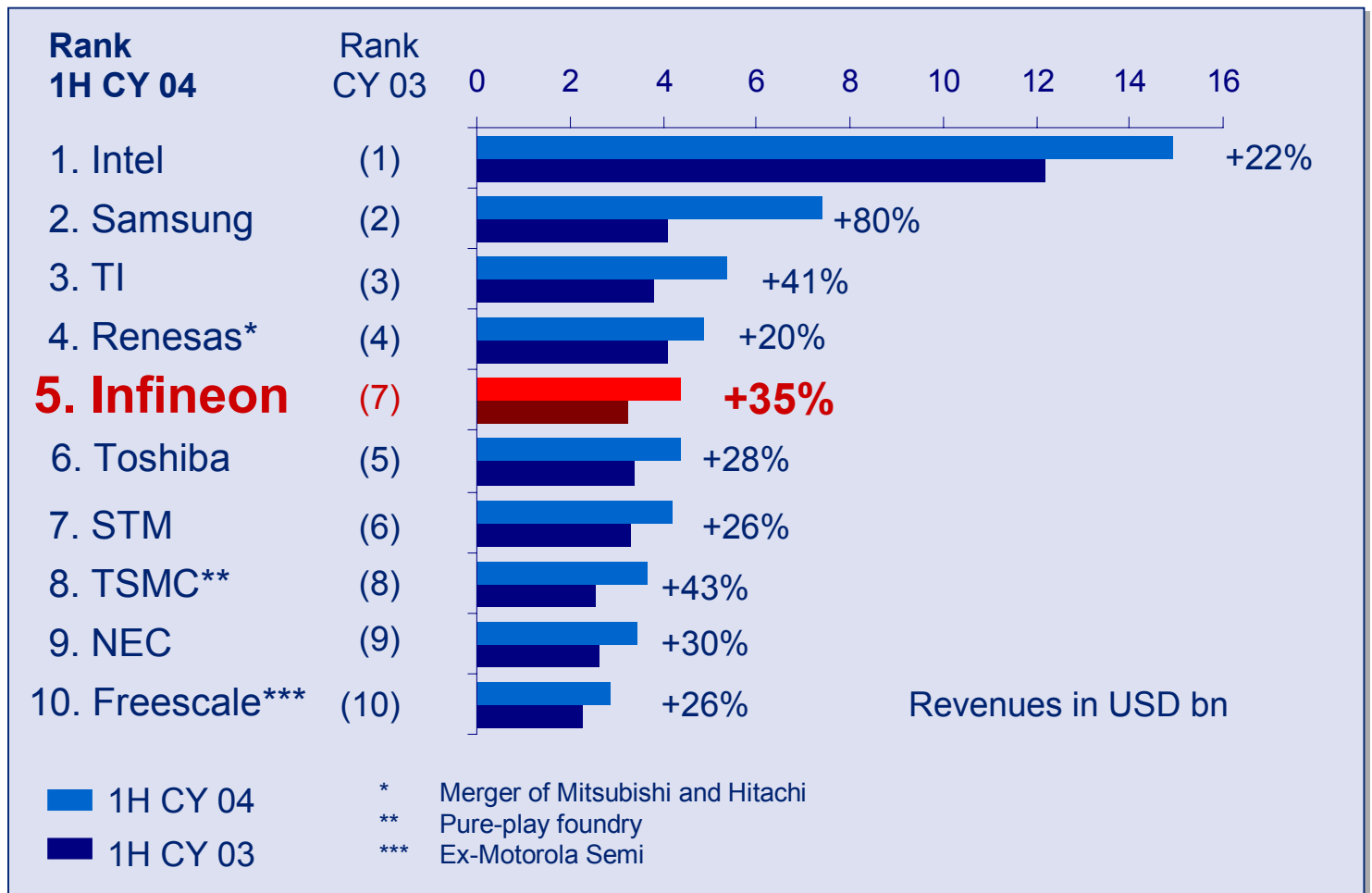
SMS – Secure Mobile Solutions

COM – Wireline Communications

AI – Automotive & Industrial Electronics

Group Summary and Outlook

IFX: Improved Ranking in 1H CY 04



Source: IC Insights, July 2004

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Recent Operational and Strategic Highlights

Memory Products

- Converted majority of manufacturing capacity to 110nm.
- First product demonstrator on 70nm technology.
- Infineon and IBM present worldwide first 16-Mbit-MRAM.
- Announced to start equipping 300mm fab in Richmond early CY 05.
- Opening of 300mm JV Inotera in Taiwan.
- Opening of second backend module in Porto, Portugal.
- Expansion of foundry agreement with Winbond.

Wireline Communications

- Agreed to sell fiber optics business to Finisar.
- Design wins for ADSL2/2+ CO chipset at ZTE and ECI Telecom.
- Launch of first single-chip ADSL2/2+ CPE product.

Recent Operational and Strategic Highlights

Secure Mobile Solutions

- Start of volume shipments of worlds first single chip CMOS GSM/GPRS RF transceiver.
- Start of volume shipments of enhanced multi-media baseband S-GOLDlite.
- Strengthened No. 1 position in Chip Card ICs in CY 03 by increasing market share to 41% up from 40% in CY02 ⁽¹⁾.

Automotive & Industrial

- Strengthened worldwide No. 2 position in automotive semiconductor market in 2003 by achieving the No. 3 position in North America up from No. 4 in CY 02.
- Achieved worldwide No. 1 position for power semiconductors in CY 03 up from No. 4 position in previous ranking ⁽²⁾ .

(1) Source: Gartner, 2004

(2) Source: IMS Research, 2004



Profitable Growth

[EUR mn]	Q2 FY 04	Q3 FY 04	Change	9M FY 03	9M FY 04	Change
Net sales	1,671	1,908	237	4,396	5,202	806
Growth (%)			14%			18%
Gross Margin	33%	36%		23%	34%	
R&D	304	308	4	792	888	96
in % of sales	18%	16%		18%	17%	
SG&A	176	194	18	494	544	50
in % of sales	11%	10%		11%	10%	
EBIT⁽¹⁾	71	2	-69	(366)	143	509
in % of sales	4%	0%		(8%)	3%	
EBIT excl. DOJ	71	186	115	(366)	327	693
In % of sales	4%	10%		(8%)	6%	

(1) Including accrual in connection with DRAM antitrust investigations of EUR 184 mn in Q3 FY 04 and 9M FY 04.

Operating and Free Cash Flow Significantly Improved

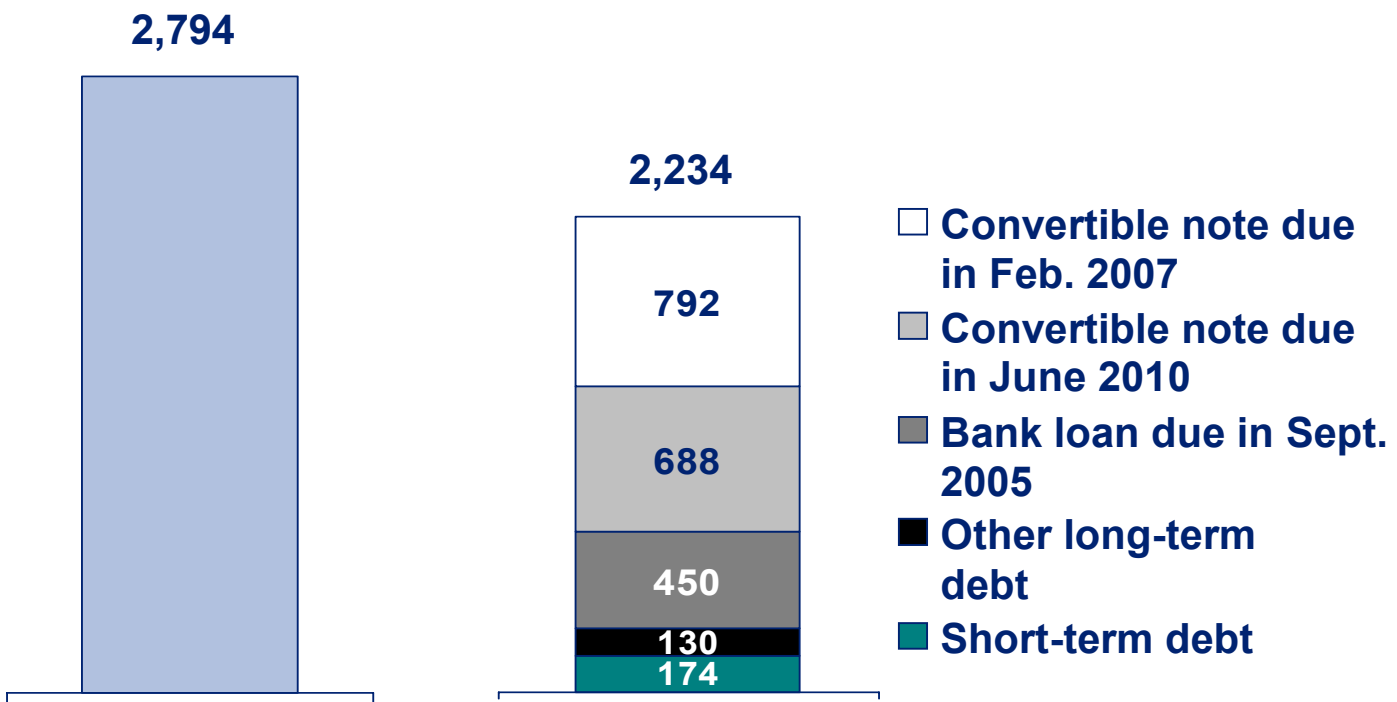
9 months ended	Jun 30, 2003	Jun 30, 2004
[EUR mn]		
Operating cash flow	288	1,289
Capex	(677)	(740)
Other investments	(52)	(413)
Free cash flow⁽¹⁾	(441)	136

(1) Excluding purchase/sale of marketable securities

Solid Financial Position



[as of June 30, 2004 in EUR mn]



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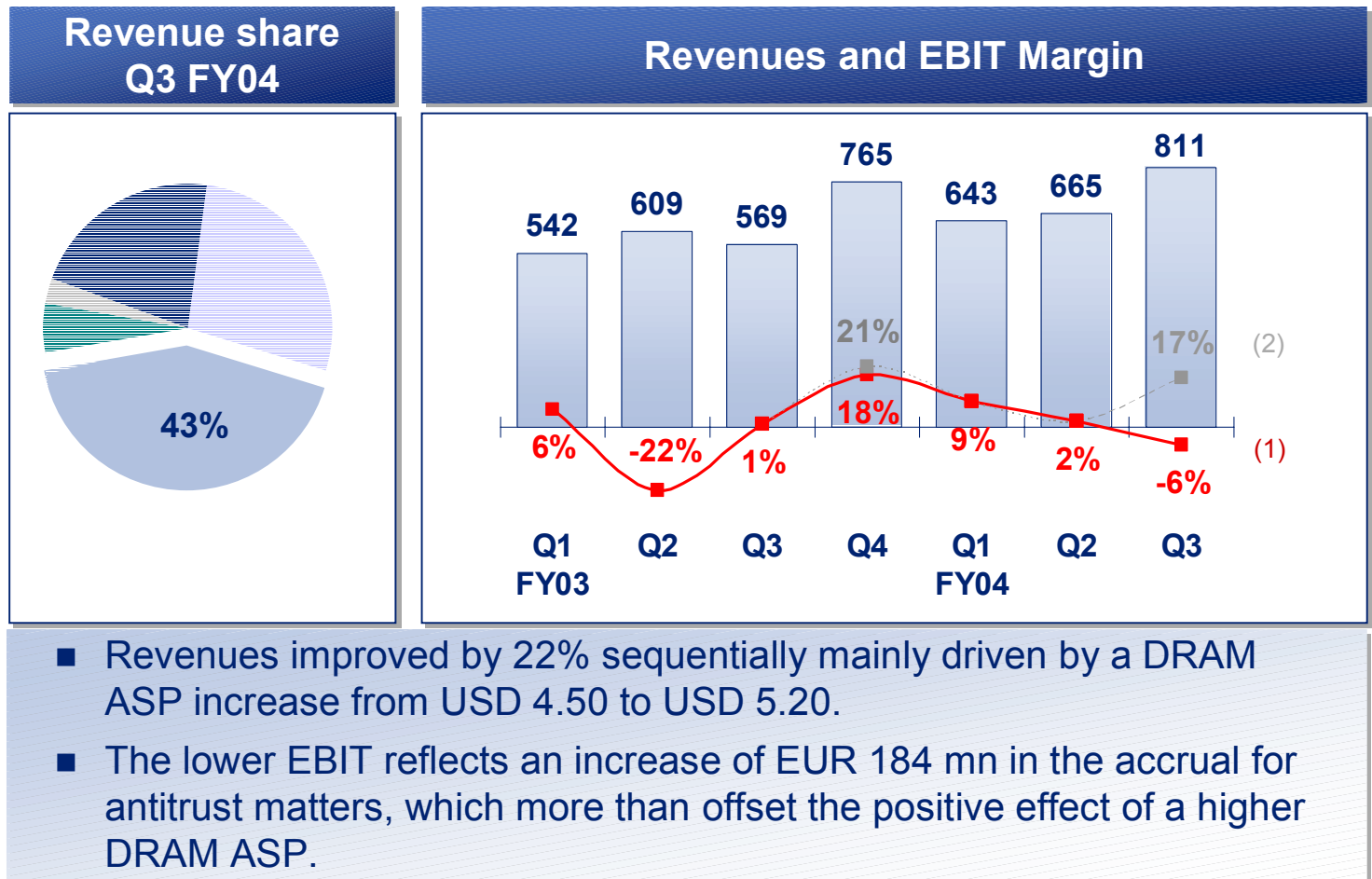
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Outlook

Memory Products

Significant EBIT Improvement Excluding Antitrust Accrual



(1) Including accrual in connection with DRAM antitrust investigations of EUR 184 mn.

(2) Excluding accrual in connection with DRAM antitrust investigations of EUR 184 mn.

Steady Progress of Taiwanese Partnerships



- Expanded existing cooperation in August, 2004:
 - Transfer of 90nm DRAM technology and 300mm know-how to Winbond
 - Receive capacity share of newly build Winbond 300mm facility.
 - Joint development of specialty DRAMs for mobile applications.
- Benefits for Infineon:
 - Increasing capacities without invest.
 - Expanding product development resources without costs.
- Timeline:
 - Beginning of construction of new 300mm facility: July 2004.
 - First products from the new 300mm plant are expected for end of 2005.
 - First joint product design finished: Mid of 2005.

Inotera: Facts and Figures



- Investment of about \$2.2 billion.
- First chips out in April 2004 and 24,000 WSPM expected by end CY 2004.
- 12" capacity of up to 54,000 WSPM by End of 2005.
- First products: 256M DDR and 512M DDR2 in 110nm technology.
- Largest DRAM manufacturing module worldwide when completed.

MP Commodity DRAMs

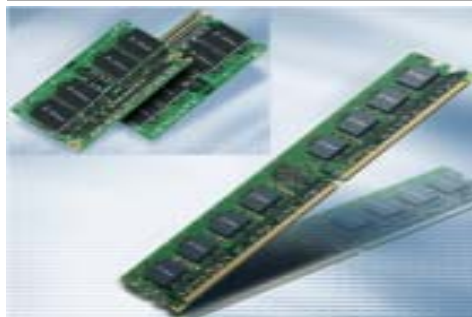
Target Applications:

- Module
- Router
- Desktop PC
- Workstation
- Notebook PC
- Sub-Notebook PC
- High-end Workstation
- Server

Components



PC Modules



Special Modules



Product Features:

Interfaces: SDR, DDR, DDR2
 Densities: 128Mb – 1Gb
 Organizations: x4, x8, x16
 Packages: TSOP, FBGA
 Speeds: PC133 – DDR2-533

Interfaces: SDR, DDR, DDR2
 Formfactors: Unbuffered, SO-DIMM, MicroDIMM
 Densities: 128MB – 2GB
 Speeds: PC2100 – PC2-4200

Interfaces: SDR, DDR, DDR2
 Formfactors: Registered, FB-DIMM
 Densities: 128MB – 4GB
 Speeds: PC2100 – PC2-4200

MP Specialty DRAMs – High Speed and Low Power

Target Applications:

- Graphics Cards in Desktop PCs
- Notebook Graphics
- Smart Phones (2.5G / 3G)
- PDAs
- Feature Phones (2.5G/ 3G)

Graphics RAM



Mobile-RAM



CellularRAM



Product Requirements:

- High Bandwidth
- Low power
- Small form factor
- Ultra Low Power
- Small form factor
- SRAM Performance
- High memory density at DRAM cost level

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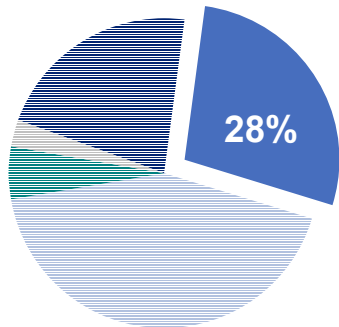
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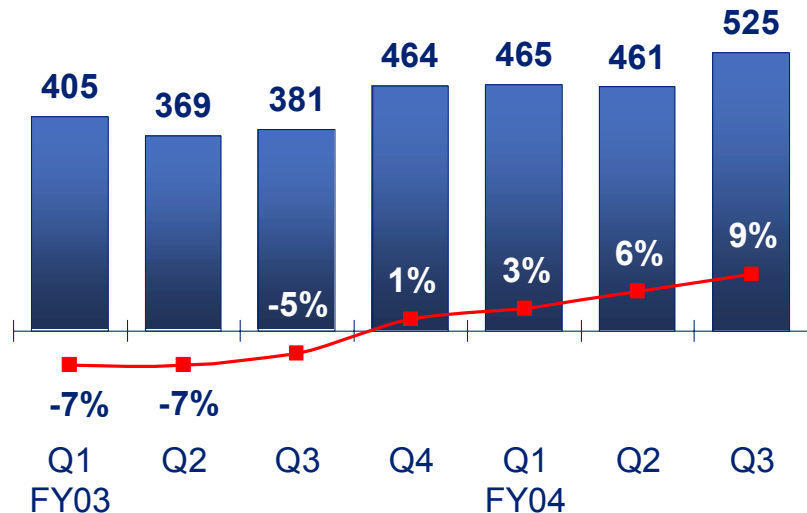
Secure Mobile Solutions

Steady EBIT Margin Improvement

Revenue share
Q3 FY04

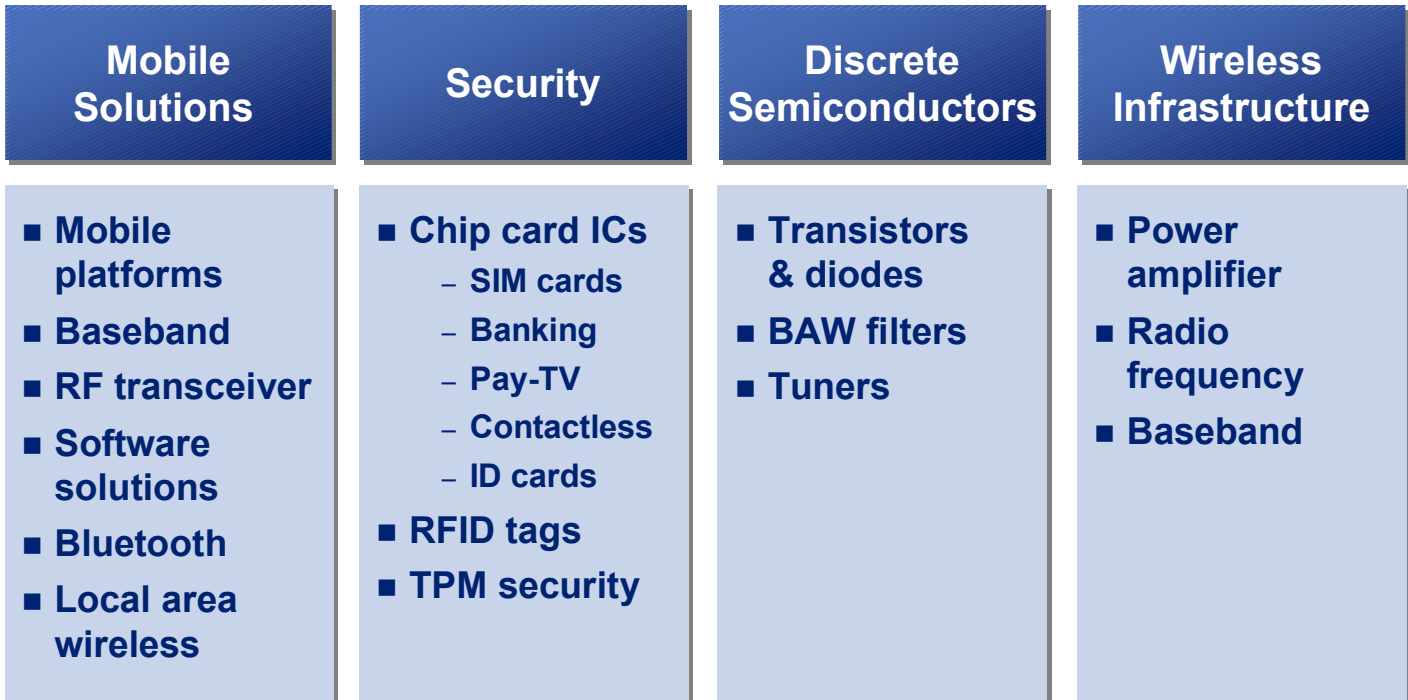


Revenues and EBIT Margin



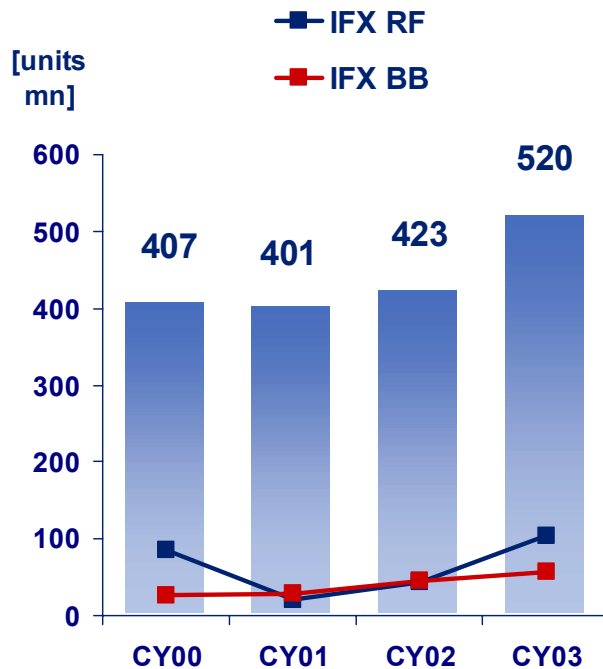
- Revenues increased 14% sequentially primarily driven by a stronger security products business and higher demand for mobile solutions products.
- Significant EBIT margin increase resulted primarily from higher volume shipments, productivity improvements and improved product mix.

A New Streamlined, Market-oriented Organization



After the Market Downturn in 2001, Infineon Increased Market Share

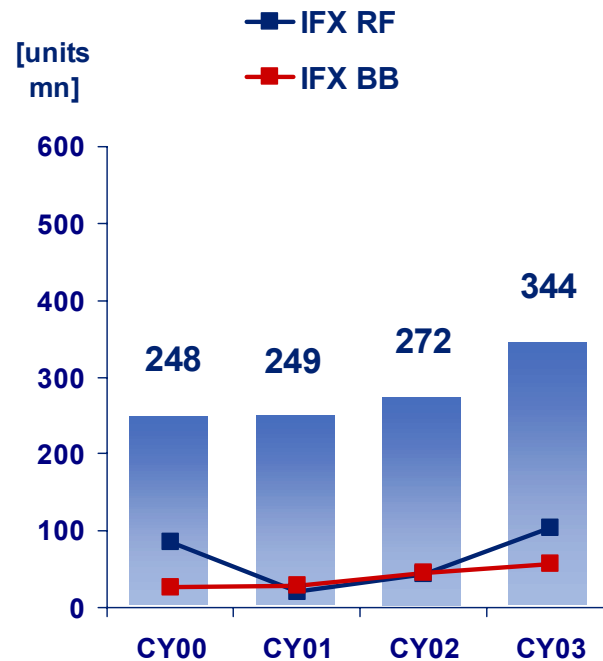
Total handset market



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

Source: Infineon, April 2004

GSM* / W-CDMA

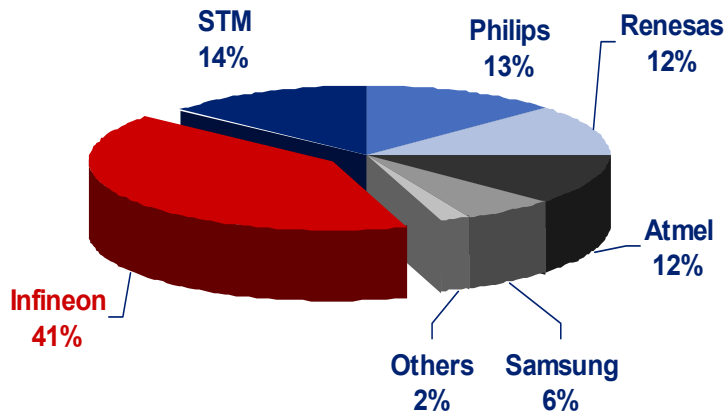


RF	34%	8%	16%	31%
BB	11%	11%	17%	17%

* GSM / GPRS / EDGE Copyright © Infineon Technologies 2004. All rights reserved.

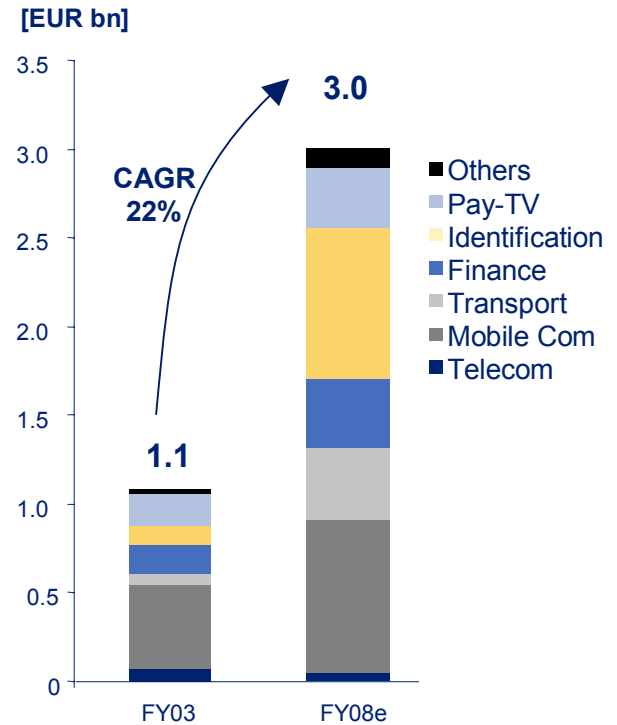
Undisputed Leader in Fast-growing Chip Card Market

Total chip card IC market CY03



Source: Gartner 2004, revenues 2003

Chip card IC market development



Source: Infineon, Nov. 2003

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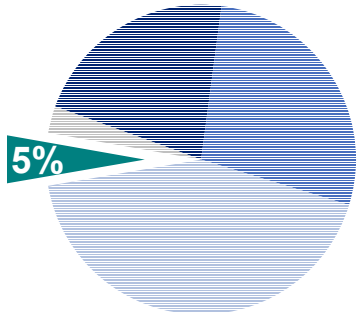
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Wireline Communications

Strategic Measures Initiated to Achieve Profitability

Revenue share Q3 FY04



Revenues and EBIT Margin

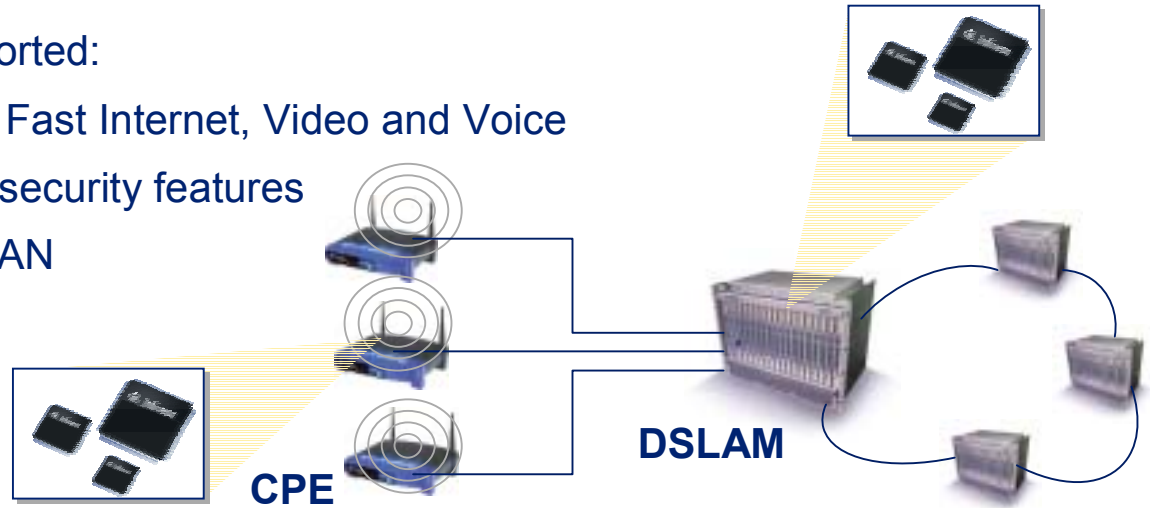


- Revenues decreased 5% sequentially, mainly due to lower revenues from narrowband access products and the optical business.
- EBIT margin decline was mostly due to charges associated with the acquisition of ADMtek and lower revenues.

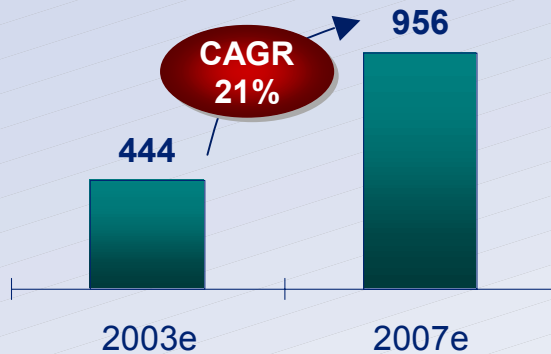
End-to-End Solutions for Broadband Access

■ Services supported:

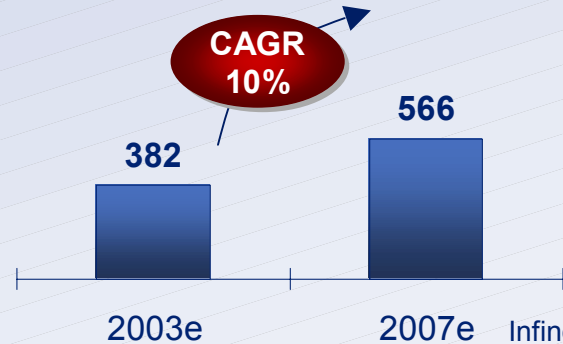
- Triple play Fast Internet, Video and Voice
- Advanced security features
- Wireless LAN
- VoIP



DSL-CPE-Market [USD mn]



DSL-CO-Market [USD mn]



Analog Line Interface: VINETIC – Enabling the Migration to VoIP and Broadband Solutions



Analog Line Card:

- 7th generation of CODEC/SLIC
- more than 300 mio channels shipped in more than 120 countries; very broad portfolio and integration level

Options :

■ **VoIP :**
 all VoIP DSP functions:
 echo canceling, voice compression,
 packet generation, jitter buffer

■ **IVD :**
 broadband SLIC, operates
 splitterless with GEMINAX chip set

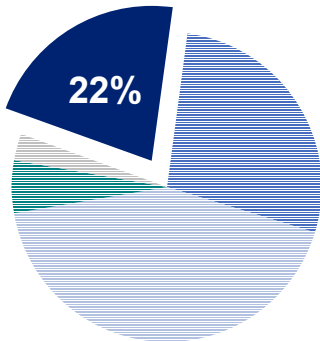
	CODEC	Standard	VoIP
SLIC			
Standard		analog LC	VoIP LC
Broadband		DSLAM+ TDM	DSLAM+VoIP

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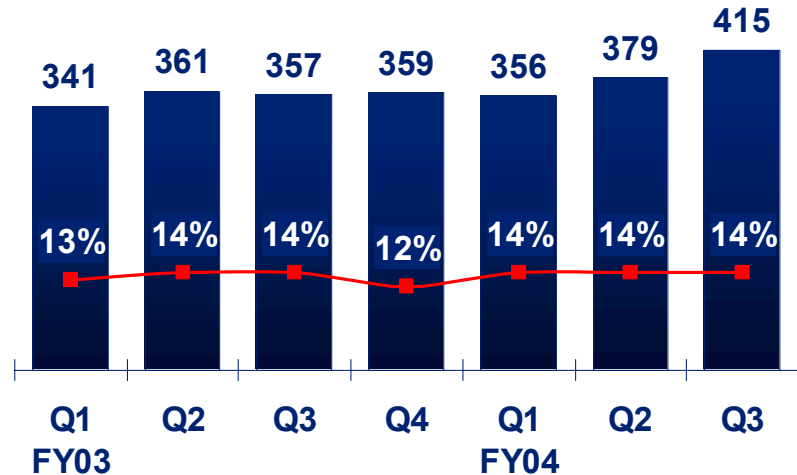
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Automotive & Industrial Margins Stabilizing at High Levels

**Revenue share
Q3 FY04**



Revenues and EBIT Margin



- Revenues increased 9% sequentially driven mainly by continued demand for automotive and industrial power solutions and positive developments in the AC/DC power supplies business.
- Stable EBIT margin and steady market share expansion.

Automotive Semiconductor Rankings 2003

including Incar Entertainment



		2003	2002
1.	Motorola	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 (1)	15.0%	15.1%
2.	Bosch	13.8%	11.4%
3.	Motorola	12.8%	12.6%
4.	STM	8.6%	7.7%
5.	Philips	8.1%	7.7%
6.	TI	4.3%	5.0%
7.	Intel	3.4%	3.9%



		2003	2002
1.	Renesas	23.3%	n.a.
2.	Toshiba	19.3%	19.8%
3.	NEC	16.1%	16.3%
4.	Fujitsu	6.7%	6.0%
5.	Sanken	4.0%	4.4%
6.	STM	3.0%	2.6%
7.	TI	2.3%	1.8%
8.	Infineon (12)	2.1%	1.7%



		2003	2002
1.	Motorola	22.6%	22.2%
2.	Delphi	7.5%	7.5%
3.	Infineon (4)	6.6%	6.2%
4.	STM	5.9%	4.8%
5.	Philips	5.8%	6.9%
6.	ON	3.9%	4.8%
7.	TI	4.2%	4.6%



Power Semiconductor Rankings 2003

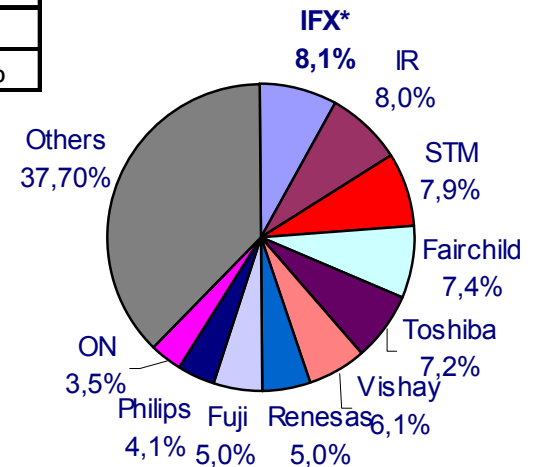
Discretes and Modules

Rank 2003	Rank 2001	Supplier	2003	2001	Change
1	4	Infineon*	8,1%	6,6%	1,5%
2	2	IR	8,0%	7,6%	0,4%
3	6	STM	7,9%	6,3%	1,6%
4	3	Fairchild	7,4%	6,7%	0,7%
5	1	Toshiba	7,2%	8,6%	-1,4%
6	5	Vishay	6,1%	6,3%	-0,2%
7		Renesas	5,0%		
8	10	Fuji	5,0%	4,0%	1,0%
9		Philips	4,1%	3,2%	0,9%
10	10	ON	3,5%	4,1%	-0,6%



* incl. EUPEC

- Market Size: 9.358' US\$ (2003)
- CAGR: 10,2% (03-08)



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Outlook for 4th Quarter of Fiscal Year 2004

- Overall growth in revenues and earnings expected for fourth quarter.
- Generally no major changes seen in the **automotive** market; continued price pressure from car manufacturers and seasonal growth of the PC market with positive effect on Industrial segment are going to result in moderate growth for AI.
- Continued challenging market environment in **Wireline Communications**; growth in ADSL, optical networking and CPE business is expected to be offset by continuing lower demand for traditional telecom products.
- Continued positive development for **Secure Mobile Solutions**.
- Favorable supply-demand-balance for **Memory Products** expected for the last quarter of this fiscal year 2004.



**To create
Semiconductor Solutions,
enabling the Technology
Lifestyle of the Individual
in the 21st Century.**

Never stop thinking.