

**Infineon**

**HVB Group  
German Investment Conference**

September 30, 2004

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Chief Operating Officer  
Infineon Technologies AG



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## Disclaimer

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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

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**Group Business Update & Financials**

**MP – Memory Products**

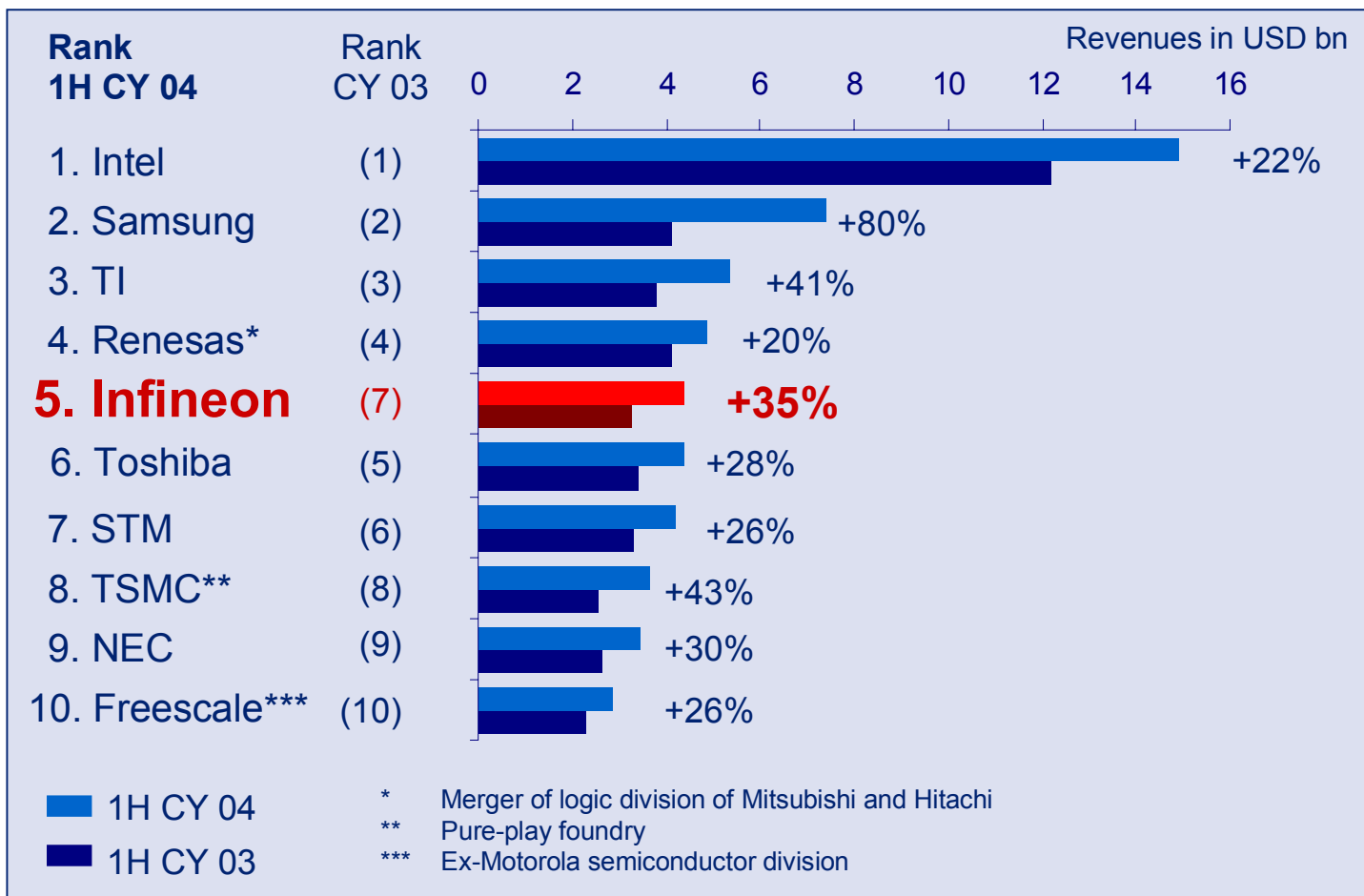
**SMS – Secure Mobile Solutions**

**COM – Wireline Communications**

**AI – Automotive & Industrial Electronics**

**Group Summary and Outlook**

# IFX: Improved Ranking in 1H CY 04



## Profitable Growth

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

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

## Operating and Free Cash Flow Significantly Improved

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

(1) Excluding purchase/sale of marketable securities

# Solid Financial Position

**Gross cash**

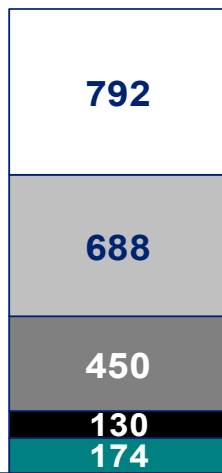
**Financial debt**

[as of June 30, 2004 in EUR mn]

**2,794**



**2,234**



- Convertible note due in Feb. 2007** (4.25%; EUR 35.43)
- Convertible note due in June 2010** (5.00%; EUR 10.23)
- Bank loan due in Sept. 2005**
- Other long-term debt**
- Short-term debt**

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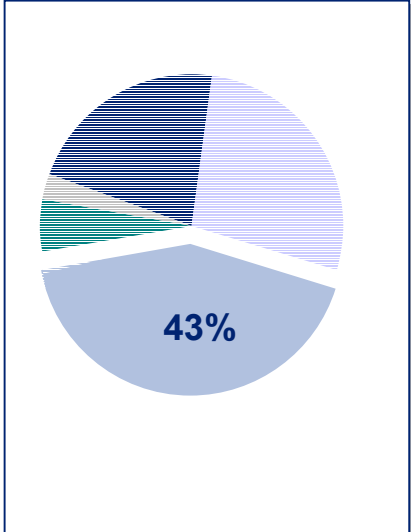
Outlook



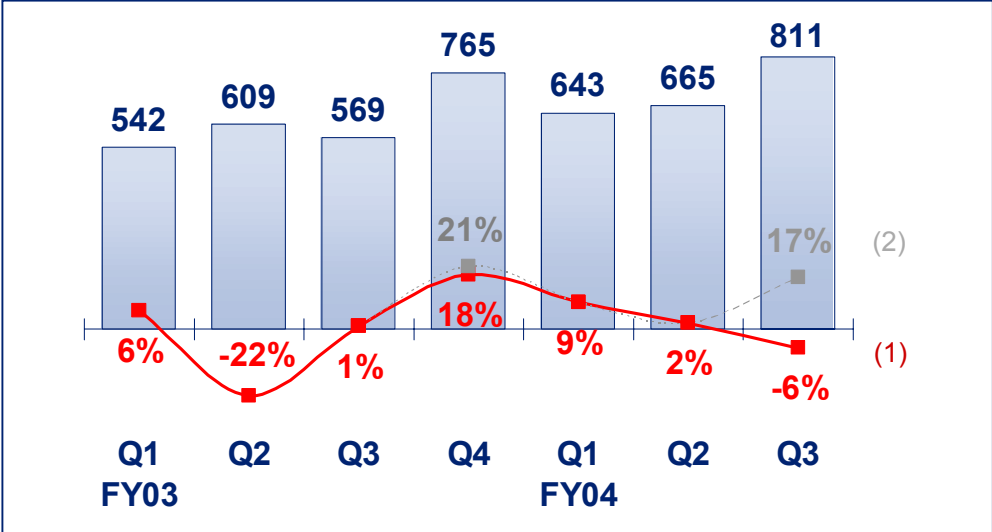
# Memory Products

## Significant EBIT Improvement Excluding Antitrust Accrual

**Revenue share Q3 FY04**



**Revenues and EBIT Margin**



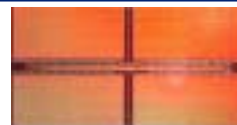
- Revenues improved by 22% sequentially mainly driven by a DRAM ASP increase from USD 4.50 to USD 5.20.
- The lower EBIT reflects an increase of EUR 184mn in the provisions for antitrust matters, which more than offset the positive effect of a higher DRAM ASP.

(1) Including provisions in connection with DRAM antitrust investigations of EUR 184mn.  
 (2) Excluding provisions in connection with DRAM antitrust investigations of EUR 184mn.

# Well Positioned in the Race for Highest Die/Wafer-Ratio

## Cell sizes

- More than 70% of capacity converted to 110nm by end of June 2004
- First functional components and modules achieved on 90nm
- First 70nm Trench technology product demonstrator manufactured

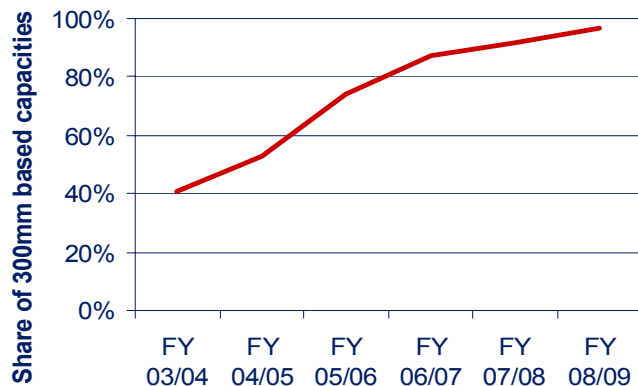


256M DDR  
110nm



512M DDR2  
70nm

## 300mm capacity



Based on the additional 300mm capacities from Inotera, SMIC, Winbond and Richmond we plan to increase the 300mm share of capacities from around 40% in the current fiscal year to above 80% in financial year 2006/07.

## Benefit Through DRAM Alliances



- Investment of about US\$ 2.2 billion
- First Chips out in April 2004
- Capacity of 24,000 WSPM expected by end CY 2004
- 300mm 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 end of '05

### Memory Development Center Dresden

- Technology: DRAM 90nm and 70nm
- Focusing development in 300mm line
- ~ 400 employees incl. 50 from Nanya



### Cooperation Expansion with Winbond

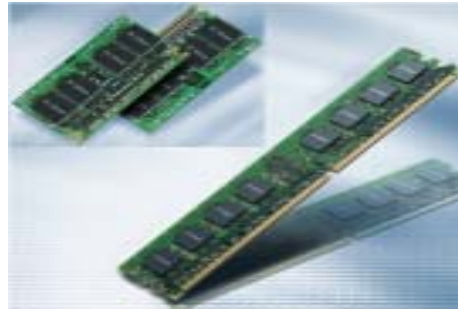
- Transfer of 90nm DRAM trench technology
- Transfer of 300mm manufacturing know-how
- Winbond manufactures exclusively for IFX
- IFX jointly develops Specialty DRAMs and receives license fees and royalties for them
- First products on 300mm by end of CY 2005

# Broad Product Portfolio Combining Commodity and Specialty Memories

## Components



## PC Modules



## Special Modules



## Graphics RAM



## Mobile-RAM



## CellularRAM



# Agenda

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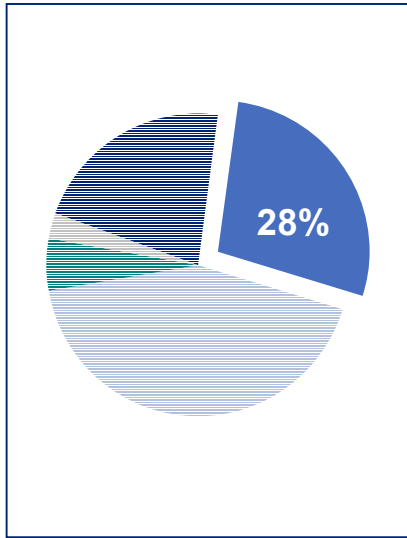
Outlook



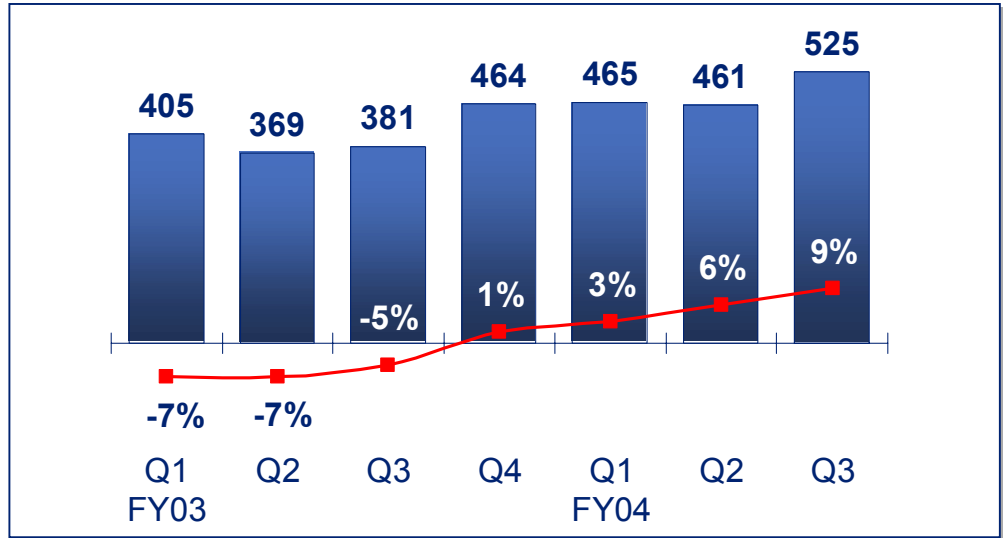
# Secure Mobile Solutions

## 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

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## Mobile Solutions

- Mobile platforms
- Baseband
- RF transceiver
- Software solutions
- Bluetooth
- Local area wireless

## Security

- Chip card ICs
  - SIM cards
  - Banking
  - Pay-TV
  - Contactless
  - ID cards
- RFID tags
- TPM security

## Discrete Semiconductors

- Transistors & diodes
- BAW filters
- Tuners

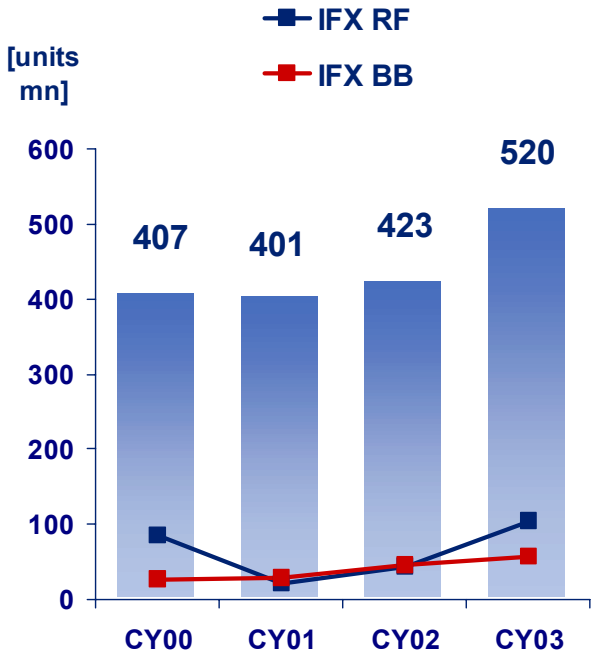
## Wireless Infrastructure

- Power amplifier
- Radio frequency
- Baseband

# After the Market Downturn in 2001, Infineon Increased Market Share

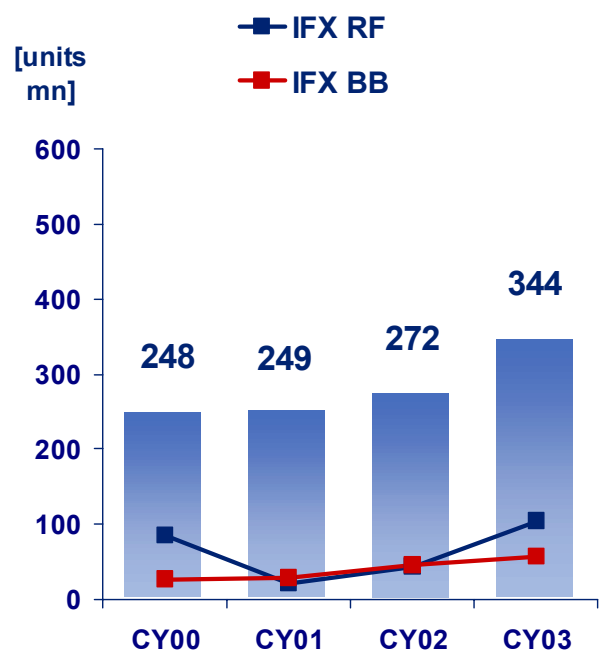
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### Total handset market



<b>RF</b>	21%	5%	10%	20%
<b>BB</b>	7%	7%	11%	11%

### GSM\* / W-CDMA



<b>RF</b>	34%	8%	16%	31%
<b>BB</b>	11%	11%	17%	17%

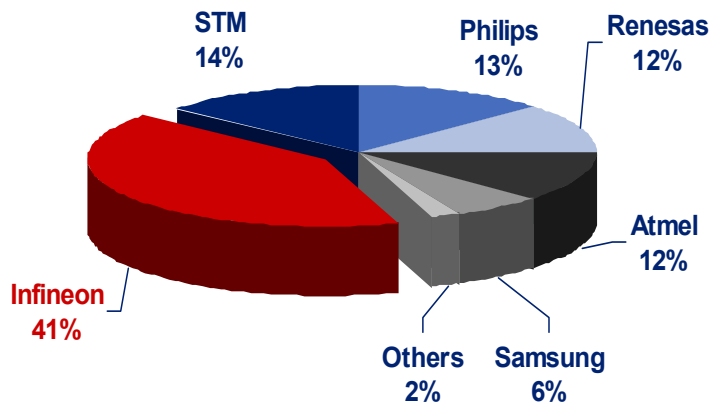
Source: Infineon, April 2004

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

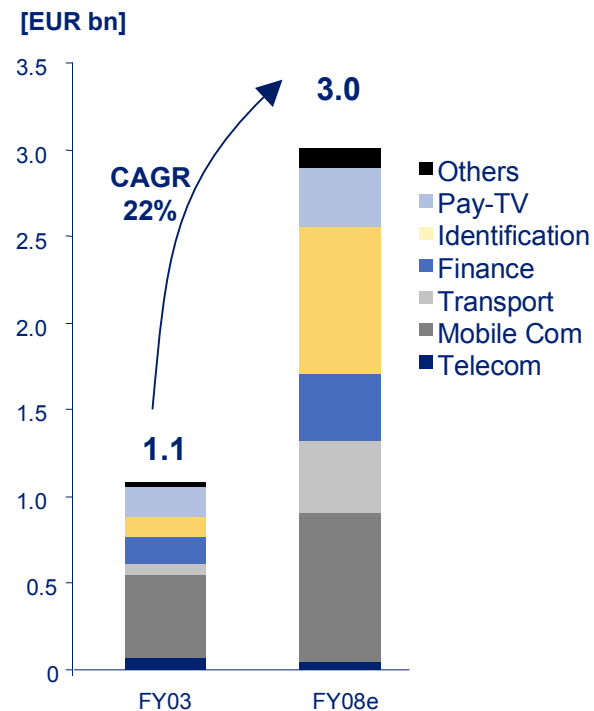


# Undisputed Leader in Fast-growing Chip Card Market

Total chip card IC market CY03



Chip card IC market development



Source: Gartner 2004, revenues 2003

Source: Infineon, Nov. 2003

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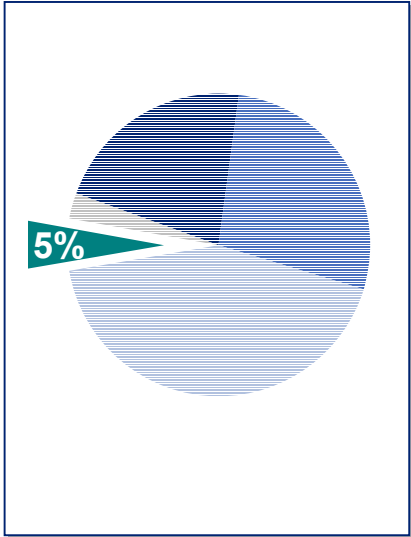
AI – Automotive & Industrial Electronics

Outlook

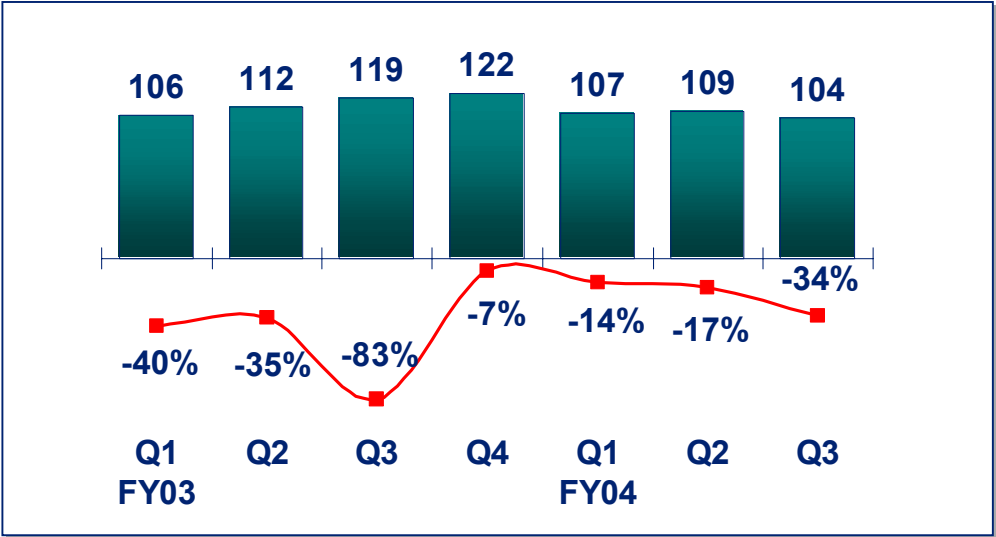
# Wireline Communications

## 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.

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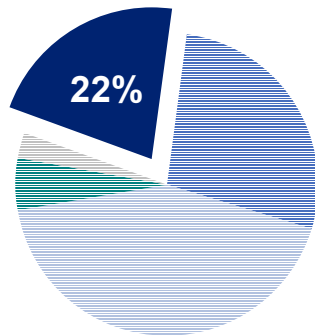
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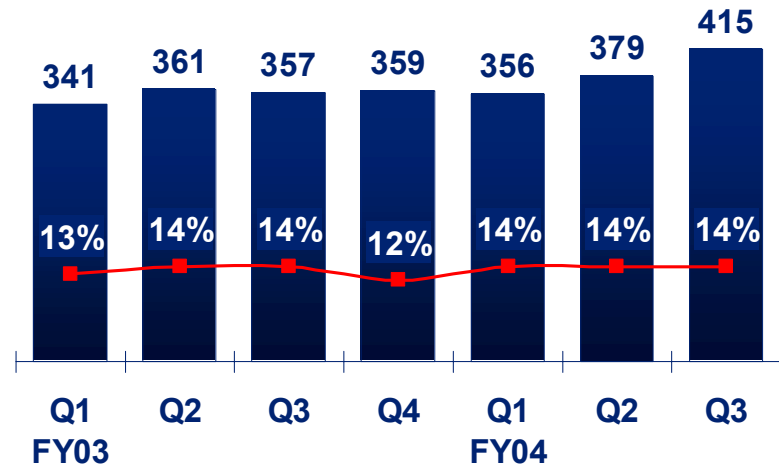
■ Outlook

# 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.	<b>Infineon (2)</b>	<b>8.7%</b>	<b>8.2%</b>
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.	<b>Infineon (1)</b>	<b>15.0%</b>	<b>15.1%</b>
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.	<b>Infineon (12)</b>	<b>2.1%</b>	<b>1.7%</b>



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



# Overall 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%



- Market Size in 2003:  
**US\$ 9.4bn**

- CAGR 2003 - 2008:  
**10.2%**

Source: IMS Research, June 2004

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**Outlook**



## Outlook for 4th Quarter of Fiscal Year 2004

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- 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.**

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