

# Infineon

## IFX Day 2003

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### Infineon on Track

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Never stop thinking.

## 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.

# Infineon On Track

## Executing the Corporate Strategy Agenda 5-to-1

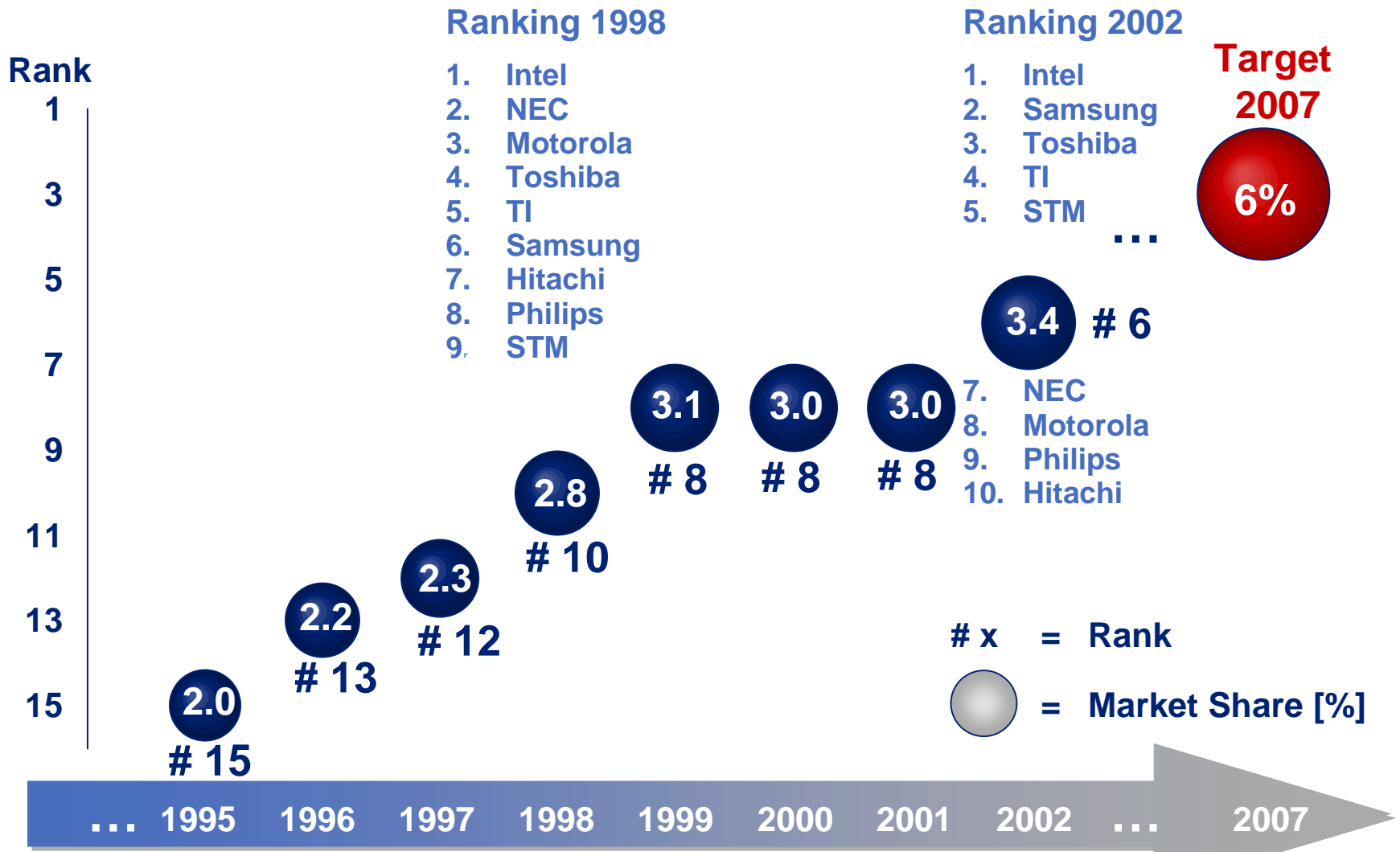
### Strategic Objectives

Within the framework of the **Agenda 5-to-1**, Infineon intends:

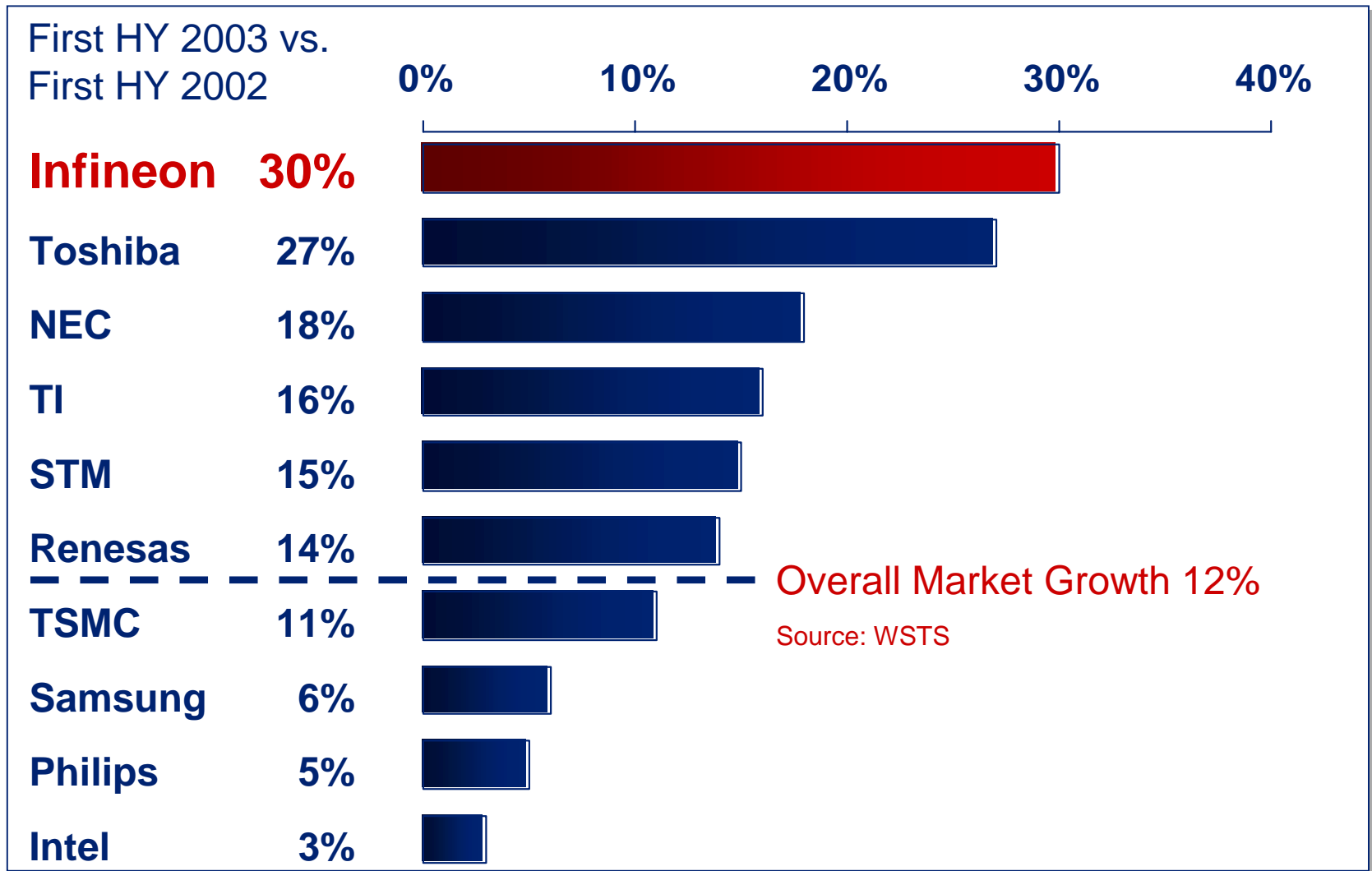
- 5 to focus within **5 YEARS (2002-2007)**
- 4 to become a **TOP 4** global semiconductor player
- 3 by achieving a minimum **TOP 3** position in each segment served
- 2 with a **TOP 2** financial performance in all businesses against competition
- 1 and being the **NUMBER 1** semiconductor company pioneering the solutions business



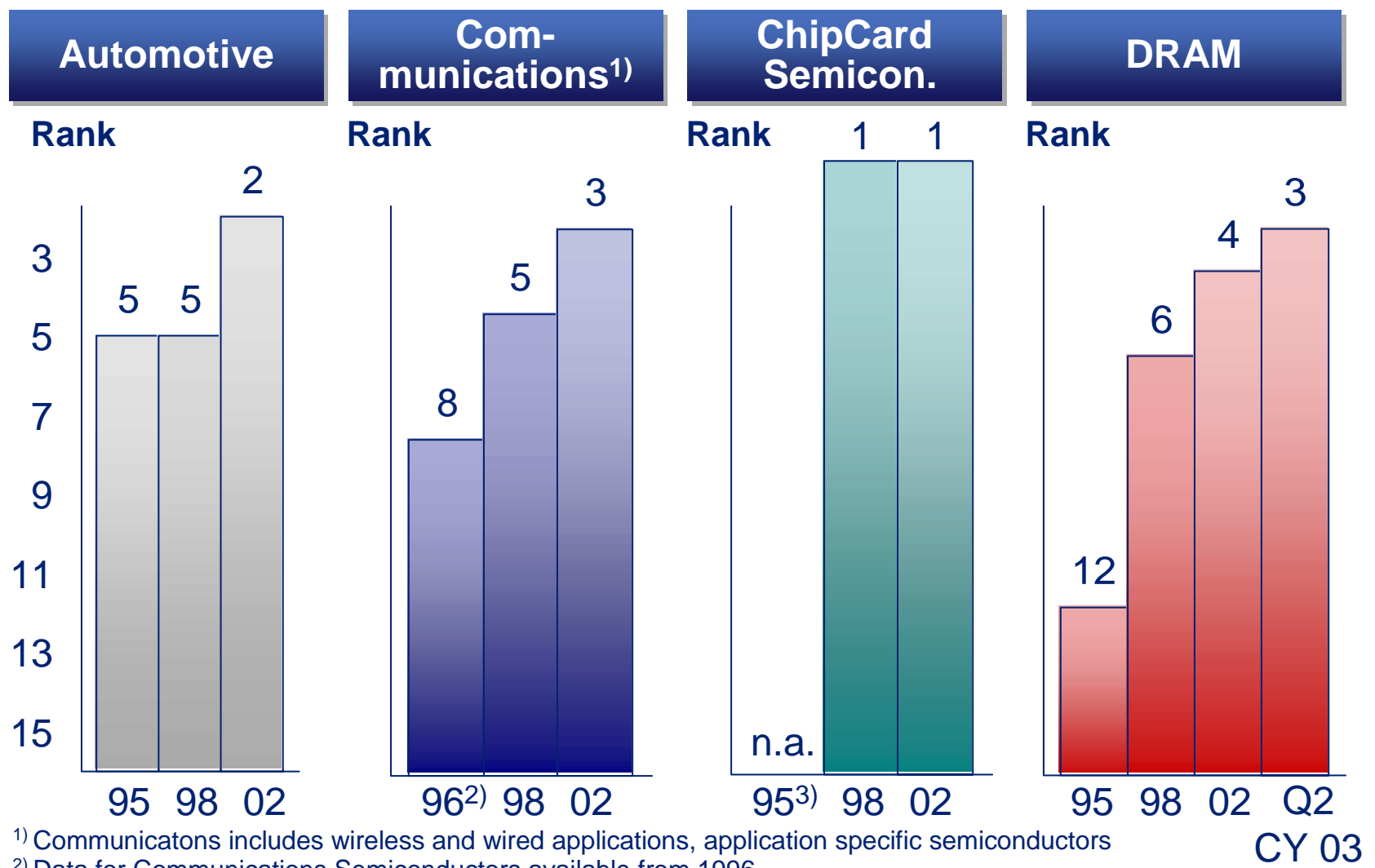
# On Track: Infineon on the Way to the Top ...



# ... Outgrowing the Other Top 10 Semiconductor Companies in the first Half Year 2003 ...



# ... with an Improved Ranking in All Targeted Applications Markets



<sup>1)</sup> Communications includes wireless and wired applications, application specific semiconductors

<sup>2)</sup> Data for Communications Semiconductors available from 1996

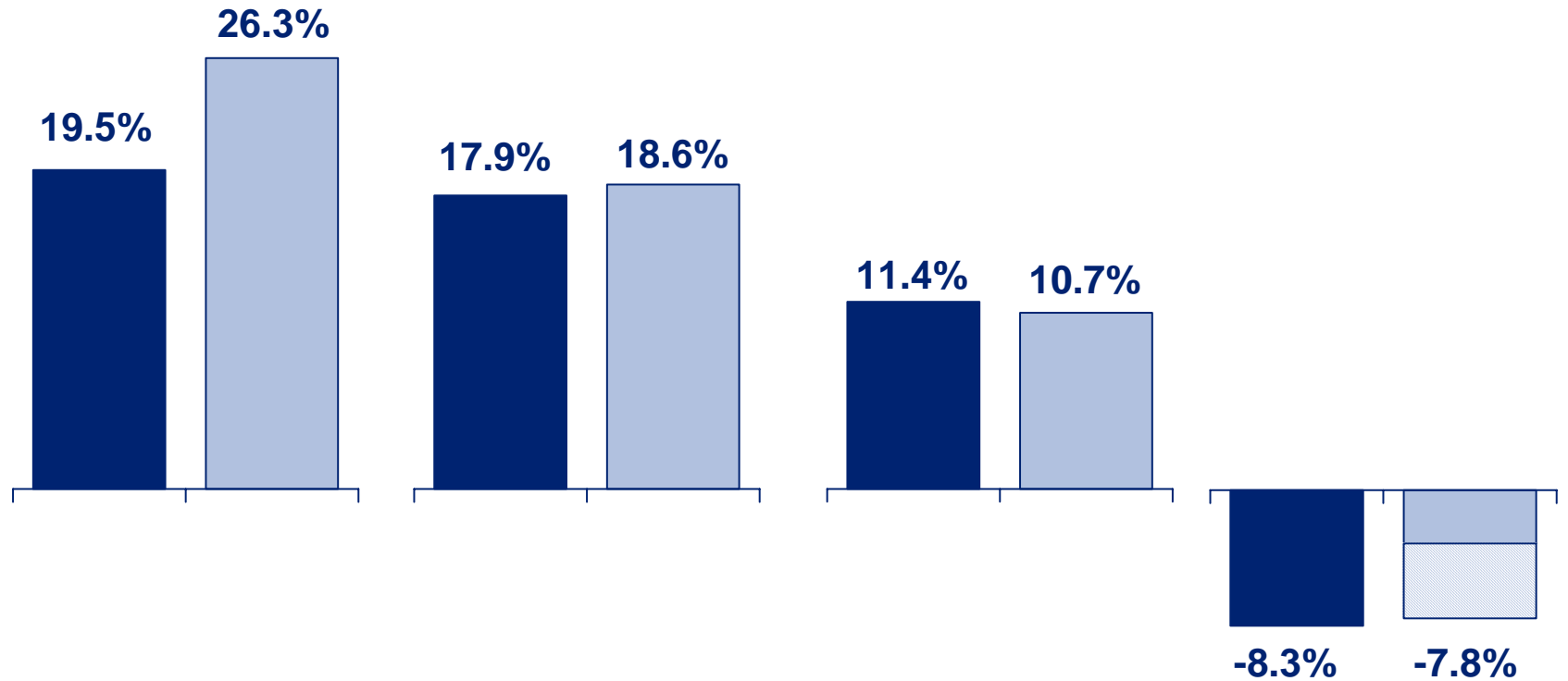
<sup>3)</sup> Data for ChipCard Semiconductors available from 1998

Source: Gartner Dataquest, May 2003; Strategy Analytics

# On Track: Margins Improved ...

<b>Gross Margin</b>	<b>R&amp;D</b>	<b>SG&amp;A</b>	<b>EBIT Margin</b>
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[% of total revenues]



**Q3 FY 02**
 **Q3 FY 03**

EUR 68m impairment charge for Catamaran Communications in Q3 FY 03

## ... and a Solid Financial Position Achieved

9 Months Ended (EUR m)	June 30, 2002	June 30, 2003
Gross Cash Position <sup>1)</sup>	1,962	2,437
PP&E, net <sup>2)</sup>	4,568	3,975
Long Term Debt	1,712	2,367
Operating Cash Flow	58	288

1) Includes: cash and cash equivalents, marketable securities, restricted cash

2) Property, plant and equipment, net



# On Track: Infineon Presence in China is Strengthened ...



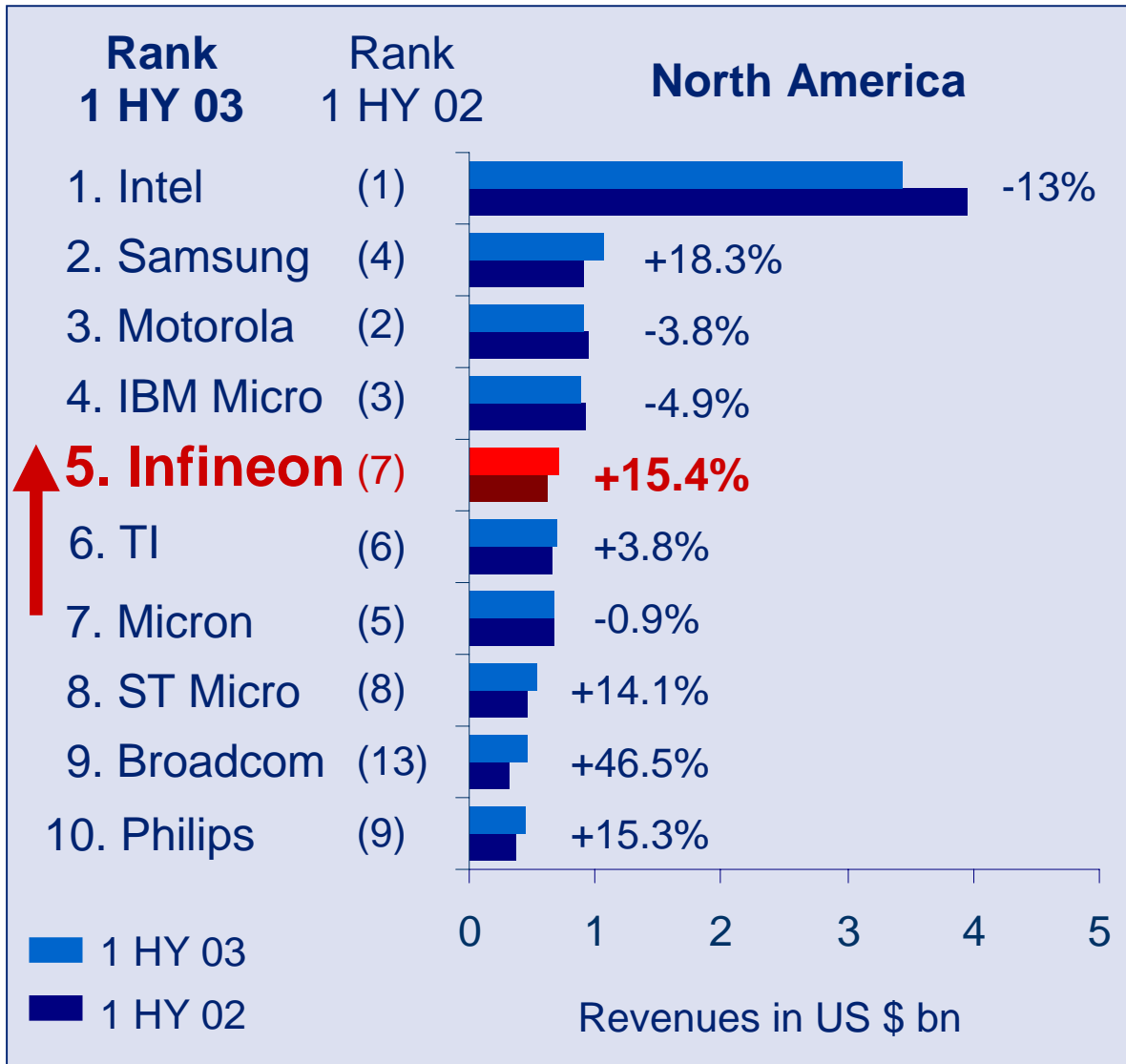
- Infineon sales grew by 30% in Q1-Q3 FY03 vs. Q1-Q3 FY02
- Aiming at a Top 4 position with > 10% market share
- Shanghai new headquarters
- Holding structure
- Frontend and backend production
- Extensive partnership network
- Enhanced university co-operations

● IC industrial base only

○ Software base only

● Cities with both bases

# ... and Market Share in North America Growing Significantly



- Infineon sales growth +8% in Q1-Q3 FY 03 vs. Q1-Q3 FY 02 (in EUR)
- Aiming at a Top 5 position with 5% market share in the NAFTA by 2005
- Additional headquarter Raleigh
- New office in New York
- Focusing on MP and AI
- Focusing on consulting, service, joint projects
- Enhancing sales organization
- Strengthening R&D networks

# On Track: Cash Optimized Growth and Flexibility Reached through New Partnerships and Acquisitions ...

## Manufacturing

- **Co-operation with SMIC in China: First volume shipments**
- **Inotera Joint Venture with Nanya for development and production**
- **Joint Venture with Chinese CSVIC for assembly and test**

## Product Portfolio

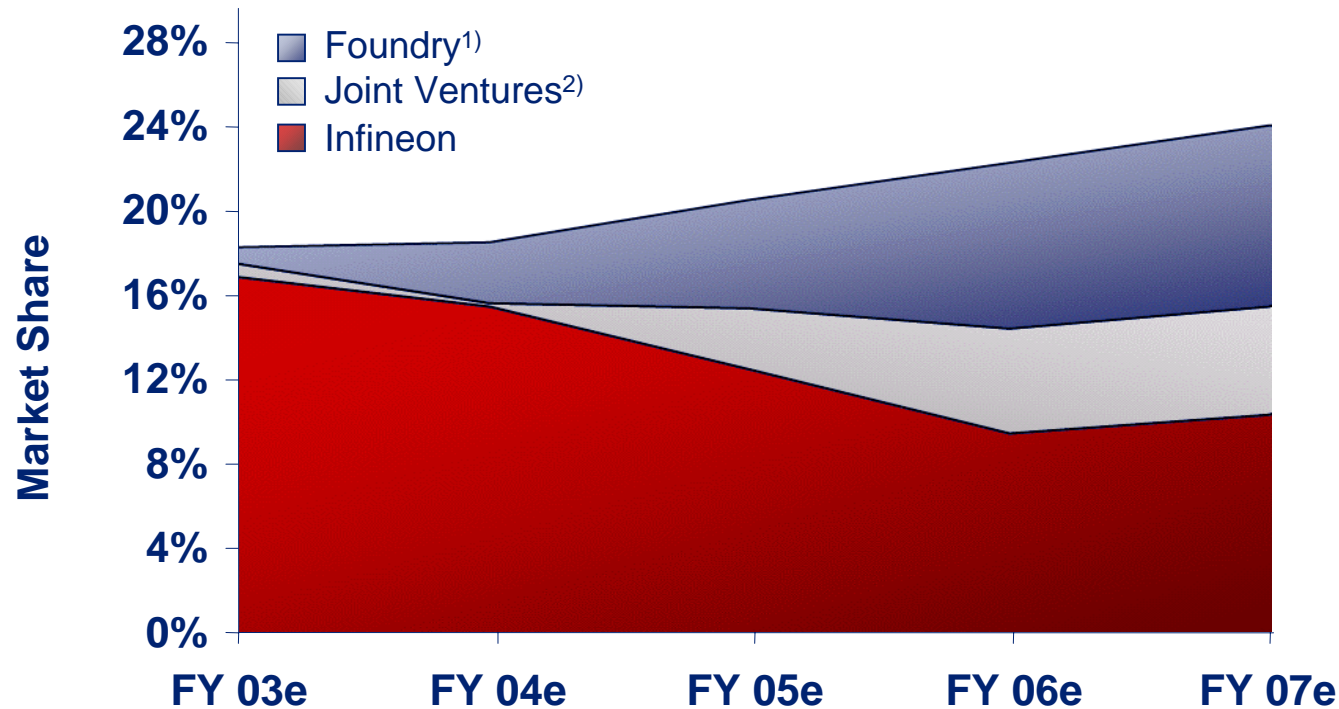
- **Joint Venture with Saifun: Infineon Technologies Flash GmbH & Co**
- **SensoNor acquisition to expand portfolio of automotive sensors**
- **Joint Venture for fiber optics components with Taiwanese UEC**
- **Security co-operation with the German Federal Ministry of the Interior**

## Innovation

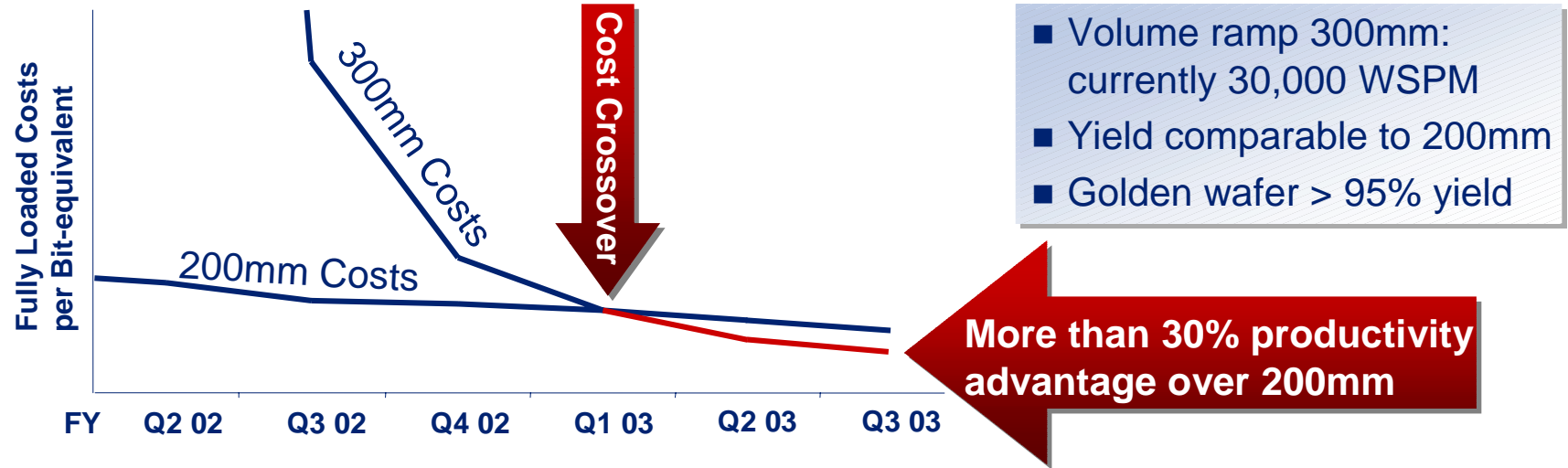
- **Collaboration with IBM and Chartered on 65nm technology**

## ... with the DRAM Manufacturing Concept as an Example for a Partnership Network

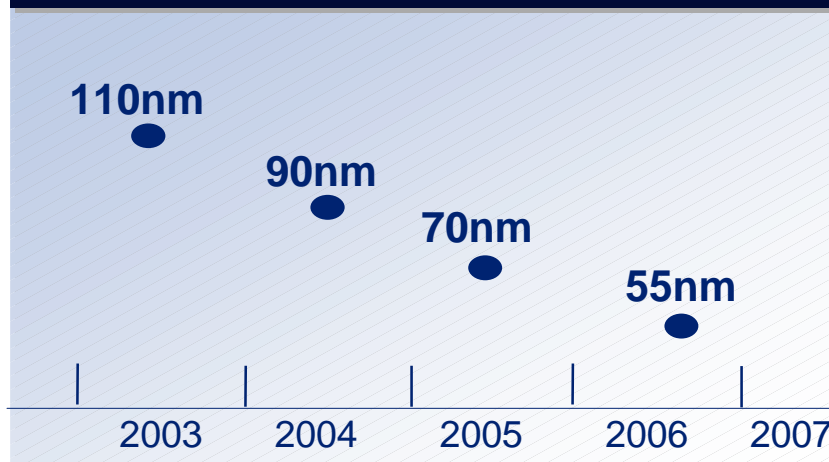
- Aiming at 50% of Infineon's DRAM capacities to be provided by JV partners and foundries within the next five years
- Exchanging IP for capacity to optimize investment and support growth
- Share investments, costs, and risks in co-operations with partners



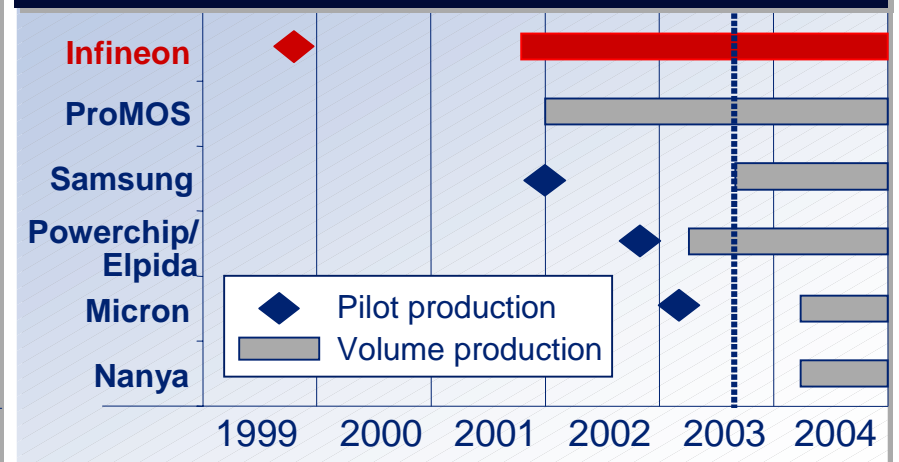
# On Track: Leading in DRAM Technology and Productivity



## DRAM Feature Sizes Roadmap



## DRAM 300mm Competitive Landscape





# On Track: Infineon Benefits from DRAM-Logic Synergies

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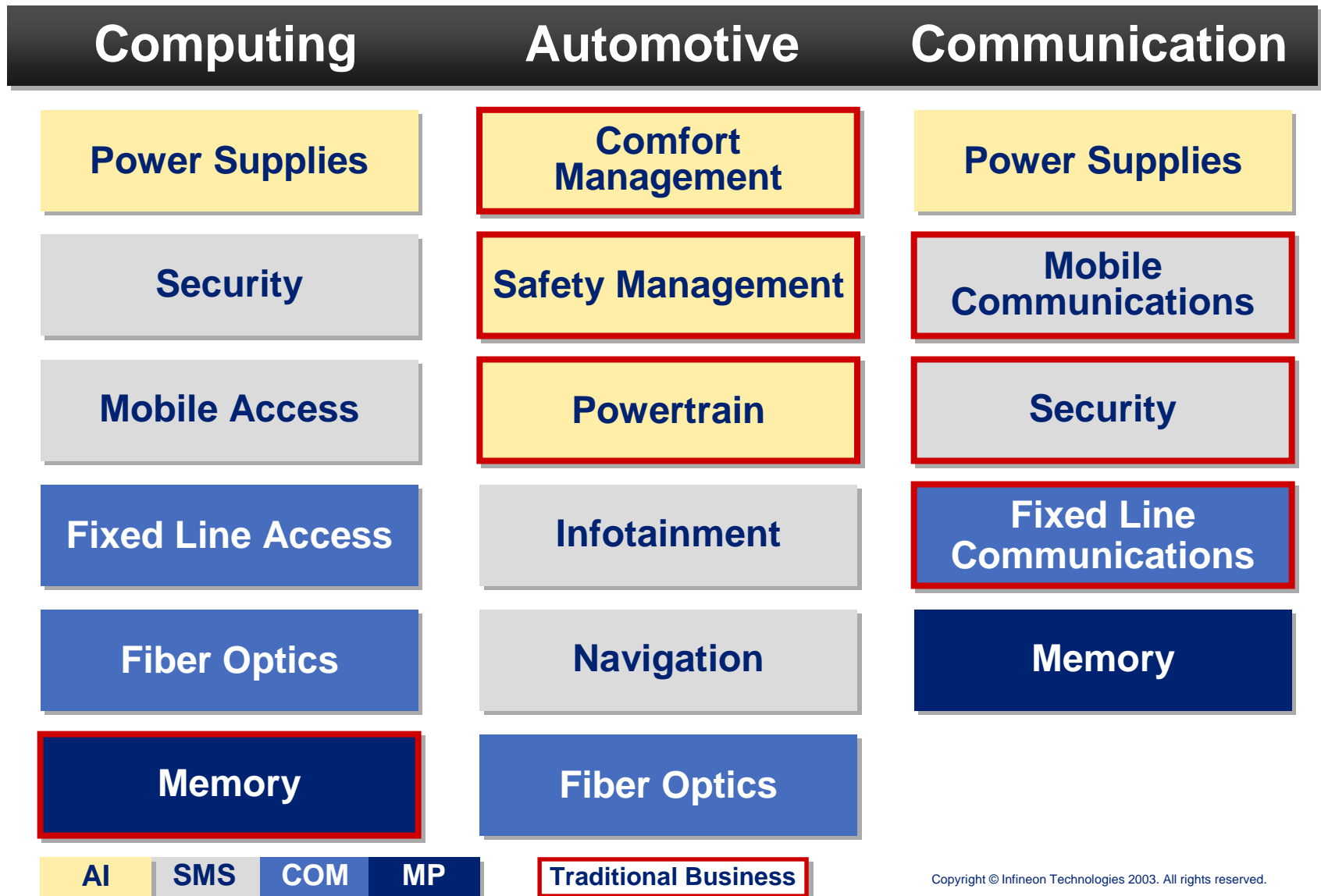
## Manufacturing

- Logic manufacturing know how benefits from memory manufacturing
- Shared production capabilities
- Synergies in production equipment

## Markets

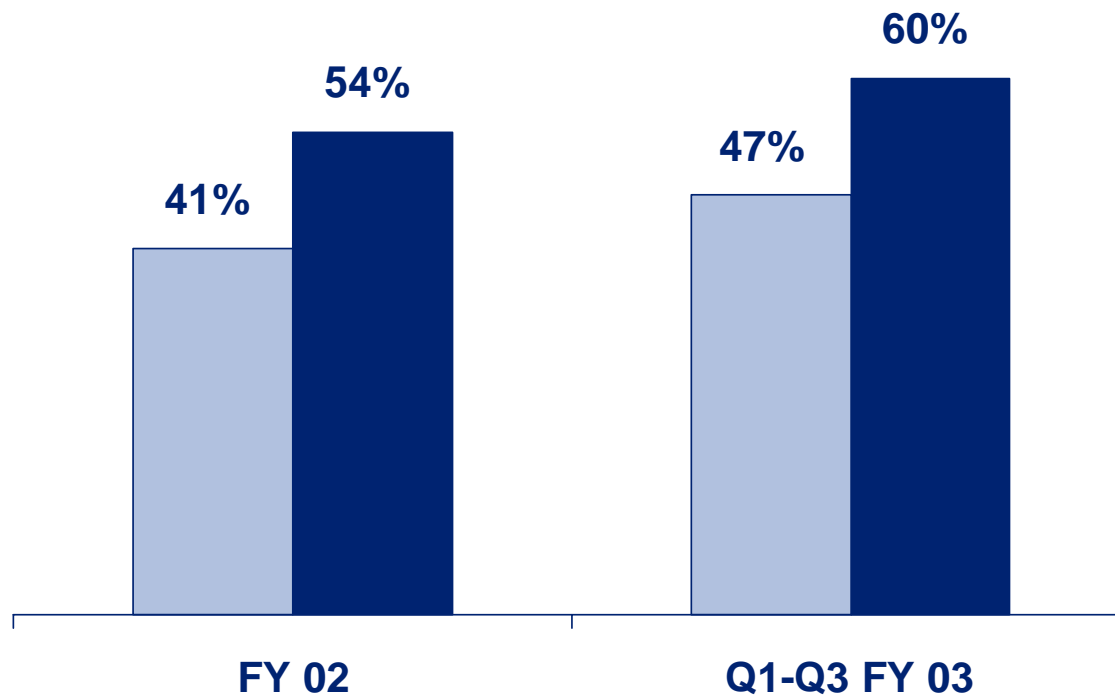
- Sufficient size as a semiconductor enterprise is necessary in the ongoing consolidation process
- DRAM and Logic necessary in offering comprehensive system solutions

# On Track: Capitalizing on Cross Divisional Business



# On Track: Strengthening Strategic Relationships with Key Customers

[% of total revenues]



■ Top 10    ■ Top 20

- Acer
- Avnet
- Bosch
- Dell
- Delphi
- Ericsson
- Flextronics
- HPQ
- Gemplus
- Giesecke & Devrient
- IBM
- Kingston Technology
- Matsushita
- Micronas
- Nokia
- Siemens
- Silicon Application
- Solectron
- Sony
- Sun

**TOP 20<sup>1)</sup>**

<sup>1)</sup> Top 20 customers in alphabetic order



## On Track: Infineon Builds Additional Software Competencies and Capacities ...

- **Software is a key enabler for Infineon hardware business**
- **Additional revenue potential as**
  - Customers shift software development efforts to their suppliers
  - Additional software services and support are becoming essential

- Infineon currently builds additional competencies and capacities:
  - The **Business Groups are expanding their software activities** according to customer requirements
  - **Bangalore:**  
Established as **Infineon Center of Competence** for high level software methodology and software development
  - **Expansion in progress in Bangalore:**  
By end 2003 the capacity will be **150 people. Mid-term more than 800** highly qualified engineers will work in Bangalore
  - **Shanghai:** Build **software competence for mobile communications**
  - Together with a **partner network** Infineon will work as **large virtual software development center**

## ... and Defines Solutions Business ...

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### Solutions Business

- Focuses on customers' business requirements
- Builds on our core competencies and knowledge from each relevant step in the value chain
- **Combines products, software and services along the value chain**
- Provides measurable improvements to the customers' economic performance
- Generates highly profitable revenue streams for Infineon

## ... and Achieved first Results on the Way to a Solutions Provider

- Wearable technology solutions
  - linking and managing the textile and electronics value chains
- RF-ID solutions
  - linking technology and business competence to optimize and influence supply chain processes (e.g. libraries and farming)
- Complete biomolecular analysis solution (optical biochip)
  - for biological discovery, genetic screening and diagnosis, drug development and management
- Trusted platform modules
  - system for secure computing



## A Unique Lifestyle Solution: Optical Biochips

- Complete biomolecular analysis solution
- Applicable for biological discovery, development of drugs, pharmaceutical screening, genetic diagnosis, and individualized disease management
- Value proposition: Low cost, simple and significantly more efficient medical diagnosis
- Future services will include consulting and system integration





## On Track: Since Infineon Day 2002 Infineon

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- Grew faster than the market: Best revenue growth in first HY 2003 of all top 10 semiconductor companies
- Improved ranking in all targeted application markets
- Improved margins and achieved solid financial position
- Strengthened presence in growth regions
- Set up several successful joint ventures, partnerships, co-operations, and acquisitions
- Bolstered DRAM technology and productivity lead
- Benefitted from DRAM-Logic synergies and capitalized on cross divisional selling
- Strengthened strategic relationships with our key customers
- Defined solutions business
- Achieved first results on the way to becoming a solutions provider



**Never stop thinking.**