



Press Conference on Financial Status
Dr Wolfgang Ziebart, President and CEO
Munich, November 18, 2005

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President and CEO
Infineon Technologies AG

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- the spoken word prevails -

Dear Ladies and Gentlemen,

welcome to the financial year 2005 press conference of Infineon Technologies AG. Today we will update you on various important issues. I would like to start with presenting the results of our fourth quarter and then update you on the financial year 2005. After that, I will go into details about Infineon's strategic realignment.

4th quarter and financial year 2005

First of all, the results of our fourth quarter. Here, we see substantial improvements for Infineon overall. Compared to the previous quarter our revenues increased by 8 per cent to 1.7 billion Euro.

In the fourth quarter each business group improved its revenues and EBIT compared to the previous quarter.

In Memory Products we achieved a positive EBIT.

The restructuring in the area of Broadband Access was finalized. We believe that we will also achieve a positive EBIT in the next quarter.

For our Chip Cards business we have started restructuring and are making significant progress. We still expect to be profitable from end of 2006 onwards.

Furthermore, we again saw a clearly positive momentum at Wireless Platforms. Also in this area we remain confident to be profitable from end of 2006 onwards.

Now let us move on to financial year 2005, which ended on September, 30th. The year was full of changes. In the course of the year we have initiated a set of measures which were successfully implemented. These measures led to

- reducing costs by 320 million Euro through "Smart Savings" compared to our original budgets,
- discontinuation or sale of activities which do not belong to our core competencies,

- discontinuation or sale of business segments where the probability to turnaround the business and reach profitability was very low.
- Finally, the introduction of a stronger divisional structure in order to establish entrepreneurial responsibility further down in the organization and speed up processes.

The undisputable success of all these measures has been negatively affected by a number of factors. For example, prices for Memory Products declined by approximately 30 per cent last year, accounted in Euro. We also face a similar developments for Security and Chip Cards. For our products for mobile communication we had to register a massive decline in sales at one of our key customers. Also, growth of the semiconductor market slowed down. Whereas the growth rate of the industry was at 28 percent at the end of 2004, it will probably be at 7 percent for this year.

Therefore, our revenues in financial year 2005 declined in comparison to the year before by 6 per cent to 6.8 billion Euro. The negative EBIT is 183 million Euro. Overall, this amounts to a net loss of 312 million Euro for Infineon overall.

However, these figures do not show our achievements:

- In the Memory Products business we achieved a positive result in the last financial year. This has been the third year in a row with positive results.
- After quite some time, Wireline Communications again is profitable.
- We were the first one in the semiconductor industry to provide the single-chip CMOS-RF-Transceiver for GSM-, GPRS- and EDGE-Mobile Telecommunications.
- We were able to launch the worldwide first chip platform for ultra low cost mobile phones.
- And we further expanded our number 1 position in power semiconductors.
- We successfully implemented or continued our investments as scheduled.
- One example is the expansion of our plant in Richmond into a 300 mm manufacturing site; the volume production has already started there. As a consequence, Infineon now manufactures 300 mm wafers on three continents.
- Equally, the building of our fab in Kulim, Malaysia, progresses as scheduled. Here, power semiconductors will be manufactured in the future. This is a market segment with stable prospects for growth.

You have already seen our forecast. Let me summarize as follows: We are optimistic for our ongoing first quarter, in which we expect revenues slightly increasing in comparison to the last quarter.

Mr. Fischl will later on go into more details of the results subsequently.

Infineon's strategic realignment

Now I would like to address the fundamental decisions that have a direct impact on the future development of Infineon. Management Board and Supervisory Board agreed upon a strategic realignment of Infineon. The realignment is the logical consequence of the initiatives and measures up to now which I mentioned above.

Our realignment includes the creation of two focussed and independent companies, one for Logic and one for Memory Products. For the new company focused on memory products a possible IPO is the preferred option. In the future both companies will focus on their strengths and core competencies which I will explain later on.

Infineon's transformation and the separation into two companies have two essential reasons:

- (1) The synergies that existed in the past will continue to decrease.
- (2) Both entities will benefit from the separation.

First I want to address the decreasing synergies. There are basically four aspects:

1. In the past considerable synergies existed between the different areas. These existed because it made sense to re-utilize manufacturing capacities. According to this approach our Memory Products business built capacities in the latest technology node. Devices and manufacturing lines had to be regularly modernized in relatively short intervals due to the fast progress in technology. The released devices and manufacturing lines were then re-used in the manufacturing of Logic products, for example for mobile phones, and finally in the power semiconductor areas.
Accordingly, we used our capacities substantially more efficiently compared to exclusively using it for manufacturing of either Memory Products or Logic. But today we notice that the technological progress in Memory and Logic products is no longer synchronized and Logic proceeds even faster. Therefore it becomes more and more difficult to adhere to the original concept of re-utilizing DRAM-capacities for Logic.
2. In addition to that, the manufacturing technologies diverge increasingly. For Memory Products aluminium alloys will continue to be used, while Logic will shift to copper.
3. Also, we observe that in the future the semiconductor market will specialize more and more. From now on, business models and capacity requirements are drifting apart substantially. This is the fundamentally new development. Our Memory Products business aggressively moves towards 300mm manufacturing – holding a leading position in the world market. Today at Infineon we manufacture already more than 60 per cent on 300mm wafer. In the next two years we will increase this to about 90 per cent. On the contrary, for Logic there is no volume demand for such huge capacities of 300mm wafer in the foreseeable future, since advanced technologies become increasingly important in this business. At the same time, an increasing share of advanced and specialized technologies in Logic leads to a decreasing share of wafer that use the latest technology node, while in the Memory Products business the respectively smallest structure continues to be used aggressively.
4. Finally, the Memory Products business is process- and technology-oriented and it is driven mainly by standardized commodity products. Factors for success are primarily “time-to-market”, manufacturing efficiency as well as a direct access to the capital markets. On the other hand, Logic products are highly customer specific and depend on specific market conditions.

In summary: The factors for success for both businesses linked in the past are today drifting apart. Accordingly, the synergies due to re-utilization that existed in the past and yielded remarkable advantages, will decrease in the future.

Second, both businesses benefit from the separation. We decided to separate both businesses not only considering decreasing synergies, but we are rather confident that such a separation offers huge advantages for both sides.

1. In the Memory Products business the access to capital is still an important competitive factor that may even become more important in the future. Therefore, an IPO of the Memory Products business is the preferred option. Due to its independent access to the capital market, the Memory Products business is able to implement more efficiently a process driven model with focus on an aggressive expansion of capacity and the ongoing conversion to smaller structures.
2. In addition, the legal separation of both businesses facilitates to consider cooperation options for the Memory Products business as well as for parts of the Logic business. In the extreme case cooperation becomes only possible due to the separation.
3. Third, our Logic segment can use the proceeds from an IPO of Memory Products to strengthen its core business by selective acquisitions.
4. Finally, Investors will be able to selectively invest either in the Memory Products business or in the Logic business. We believe that considering these remarkable advantages and the further decreasing synergies in the future will create huge potentials for both businesses.

Future strategies

Now let me talk to you about the respective strategy of both businesses until the legal carve out and afterwards.

In the Memory Products business we continue to embark on a strategy to consistently and significantly improve results in two ways:

First, we will reduce our costs gradually and remarkably.

- Therefore, we will increase the share of 300mm manufacturing from 60 per cent to 90 per cent within the next two years.
- Second, we will further reduce the share of costs in the Euro-area to less than 50 per cent.
- Third, we will accelerate our 70nm-shrink significantly in comparison to the 110nm- and 90nm-generations.

Second, we will enlarge our product portfolio in attractive market segments. The objective is to achieve prices above the average price in the market.

Due to the trench-technology for example we produce semiconductors that have the lowest consumption of electricity in the industry. This becomes increasingly important due to the growth of mobile applications in laptops or mobile phones as well as for example in the areas of Consumer Electronics, Servers or Infrastructure. Therefore, we can significantly broaden the

spectrum of applications of our Memory Products and manage our product mix in an advanced way.

Both measures will remarkably improve our results.

In Logic we will continue to focus on our four core strengths that you can find in all our business segments. These particular strengths are:

- Analog/Mixed Signal
- Radio Frequency
- Power Semiconductor
- Embedded Control

Infineon will leverage these strengths to further develop customer-oriented solutions in combination with the company's proven application expertise in the following six areas:

- Automotive Electronics,
- Industrial Electronics and Power Management,
- Chip Cards and Security ICs,
- Radio Frequency solutions,
- Platforms for Mobile Telecommunications,
- Broadband Communications.

Already today Infineon has a leading market position in all application segments mentioned above, with good prospects to earn competitive returns. In addition, we have started various high-volume customer specific projects in the area of computer peripherals that are based on our manufacturing expertise and use the IP from these areas to increase profit.

However, our achievements are currently overshadowed by the measures to restructure the two segments Chip Cards/ICs and mobile platforms. For both we remain confident to be profitable from end of 2006 onwards. We will consequently expand our leading profitable positions in our Logic business.

Selective manufacturing strategy

In the future we embark on a selective manufacturing strategy in the Logic business. We will continue to invest in technology development and manufacturing capacities for advanced technologies, where already today Infineon has and in the future Infineon will have a clear competitive edge. Examples of Infineon's manufacturing strategy are the manufacturing sites in Regensburg, Germany and Villach, Austria as well as the building of the new fab for power semiconductors in Kulim, Malaysia. In the area of standard CMOS technologies Infineon will continue to use existing manufacturing sites in Dresden and Essonnes, France, while intensifying its established development and manufacturing partnerships. Examples are the cooperation for 90nm technology with UMC as well as the partnerships for 65nm- and 45nm-technology with Chartered Semiconductors, IBM and Samsung. From today's perspective, Infineon does not intend to build in-house 65nm capacity.

We do not rule out to further strengthen these areas with acquisitions after a successful IPO of the Memory Products business.

End

Infineon is faced with the most important change since its foundation. A change that provides immense opportunities to us as a company. A change in which opportunities outweigh risks. These changes are necessary, since market, technology and business models today are faster drifting apart than ever before.

We are convinced: Two new companies, Infineon and the new Memory Products business, will open up new potentials and markets.



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