INFINEON TECHNOLOGIES AG
Form 6-K
January 27, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

January 26, 2004

INFINEON TECHNOLOGIES AG

St.-Martin-Strasse 53

D-81541 Munich

Federal Republic of Germany

Tel: +49-89-234-0

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ý Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

This Report on Form 6-K contains a quarterly report of Infineon Technologies AG dated January 26, 2004 for the Company s first quarter of the 2004 financial year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INFINEON TECHNOLOGIES AG

Date: January 26, 2004	By: /s/ Ulrich Schumacher
	Dr. Ulrich Schumacher
	Chairman, President and Chief Executive Officer
	By: /s/ Peter J. Fischl
	Peter J. Fischl
	Chief Financial Officer

1st QUARTER FY 2004

Quarterly Report of Infineon Technologies AG · December 31, 2003

Never stop thinking.

INFINEON TECHNOLOGIES AG

QUARTERLY REPORT

FOR THE THREE MONTHS PERIOD ENDED

December 31, 2003

INDEX

OVERVIEW OF FINANCIAL RESULTS

First Quarter of 2004 Financial Year

First quarter revenues were Euro 1.62 billion, down 8 percent sequentially, and up 13 percent year-on-year

First quarter net income was Euro 34 million, down from Euro 49 million in the previous quarter, and significantly up from a net loss of Euro 40 million year-on-year

EBIT amounted to Euro 70 million, up slightly from Euro 67 million sequentially, significantly improved from negative Euro 29 million year-on-year

Despite continuing pricing pressure, all business groups except Wireline Communications showed positive EBIT

Infineon Technologies, the world s sixth largest semiconductor manufacturer, ended the first quarter of its 2004 financial year on December 31, 2003 with revenues of Euro 1.62 billion, reflecting a decrease of 8 percent sequentially, but an improvement of 13 percent on a year-on-year basis.

Net income amounted to Euro 34 million, compared to net income of Euro 49 million in the previous quarter and a net loss of Euro 40 million year-on-year. The sequential earnings performance reflected among other improved earnings in the Secure Mobile Solutions business group, as well as lower earnings from the Memory Products business group.

Basic and diluted earnings per share for the first quarter of fiscal year 2004 were Euro 0.05, declining from Euro 0.07 per share in the previous quarter but improving from a loss per share of Euro 0.06 year-on-year.

Revenues

The sequential revenue decrease was due mostly to continued price decline throughout all business segments, as well as the negative impact of the weakening US-dollar exchange rate.

Segment revenue developments during the first quarter of the 2004 financial year as compared to the previous quarter and the first quarter of the 2003 financial year were as follows:

The Automotive & Industrial segment s first quarter revenues amounted to Euro 356 million, down 1 percent sequentially and up 4 percent year-on-year. The sequential revenue performance mainly reflected continued pricing pressure, as well as the impact of the weakening US-dollar.

Wireline Communications revenues were Euro 107 million in the first quarter, down 12 percent from the previous quarter, and up 1 percent year-on-year. The sequential revenue decrease was due mainly to lower revenues in the fiber optics market, partially offset by growth in Access revenues. Revenues were also negatively impacted by the weakening US-dollar, and ongoing price decline. Within the Access business, revenues in the ADSL and SHDSL business enjoyed significant growth.

Secure Mobile Solutions first quarter revenues were Euro 465 million, almost consistent with the previous quarter, and up 15 percent compared to the first quarter of last year. The significantly better than expected revenue performance was generated by robust seasonal sales of mobile communications devices which was offset by a weaker security project business, as well as the phasing out of some cordless and Gallium Arsenide activities.

The Memory Products group s first quarter revenues were Euro 643 million, down 16 percent sequentially, but up 19 percent compared to the first quarter of the last fiscal year. The sequential revenue decline is mainly attributable to lower sales volumes and lower prices, as well as the negative impact of the weakening US-dollar exchange rate. The volume decline was a consequence of the focus on price quality in the sales strategy, and the flexible use of silicon foundry capacities.

In the Other Operating Segments, first quarter revenues increased to Euro 47 million, up 18 percent compared to the previous quarter, and up 27 percent on a year-on-year basis.

Revenues outside Europe constituted 57 percent of total revenues, decreasing from 59 percent in the previous quarter. Sales in North America were 20 percent of total revenues in the first quarter, down sequentially from 24 percent, whereas sales in the Asian market represented 36 percent of total revenues, increasing from 34 percent in the previous quarter.

Operating Results

Quarterly EBIT (earnings before interest and taxes) was Euro 70 million versus Euro 67 million in the previous quarter and significantly improved from an EBIT loss of Euro 29 million in the first quarter of the last fiscal year. This development is in line with our expectations and consistent with our business roadmap. We had positive results in three of our four business groups. Despite continued price decline and the weakening US-dollar, we made full use of productivity and cost advantages, and were thus still able to improve our EBIT.

For our segments, the developments during the first quarter of the 2004 financial year as compared to the previous quarter and the first quarter of the 2003 financial year were as follows:

The Automotive & Industrial segment s first quarter EBIT improved to Euro 48 million, compared to Euro 44 million in both the previous quarter and in the first quarter of the last fiscal year. The sequential EBIT improvement mainly reflects the non-recurrence of costs related to the acquisition and first time consolidation of SensoNor in the previous quarter. Furthermore, the business group continued to increase productivity.

Wireline Communications EBIT showed a loss of Euro 15 million versus a loss of Euro 8 million in the previous quarter, but improved significantly compared to a loss of Euro 42 million year-on-year.

Despite only slightly higher revenues, Secure Mobile Solutions EBIT increased significantly to Euro 14 million, compared to Euro 4 million in the previous quarter, and a loss of Euro 28 million year-on-year. The quarterly EBIT improvement reflected both an improved product mix and higher productivity despite continuing pricing pressure. Cost reductions were achieved from the restructuring of the microelectronics business previously acquired from Ericsson.

The Memory Products EBIT decreased sequentially to Euro 57 million, down from Euro 134 million in the previous quarter, and up from Euro 31 million on a year-on-year basis. The sequential EBIT decline was mainly caused by the non-recurrence of a gain on the sale of ProMOS shares in the previous quarter, the impact of the exchange rate, and, to a lesser extent, by falling prices and reduced bit shipments.

In Other Operating Segments, EBIT showed a loss of Euro 5 million compared to a loss of Euro 26 million in the previous quarter, and a positive EBIT of Euro 6 million in the first quarter of fiscal year 2003. The sequential earnings increase reflected an improved performance of the ASIC & Design Solutions (ADS) business and lower impairment charges compared to the previous quarter.

In Corporate and Reconciliation, EBIT loss was reduced to Euro 29 million compared to a loss of Euro 81 million in the prior quarter and a loss of Euro 40 million a year ago, principally reflecting reduced idle capacity costs and lower restructuring charges.

Expenditures for Research and Development in the first quarter totaled Euro 276 million, or 17 percent of sales, down from Euro 297 million, or 17 percent of sales, sequentially. The decrease was due mainly to lower R&D expenditures in the Memory Products business group, as well as the nonrecurrence of in-process R&D charges in the Automotive & Industrial business group in the previous quarter.

SG&A expenses totaled Euro 174 million, or 11 percent of total revenues, compared to Euro 185 million, or 11 percent of total revenues, in the previous quarter. The decrease in absolute terms was due mainly to lower professional fees as well as cost control efforts.

3

Liquidity

Infineon s gross cash position, representing cash and cash equivalents, marketable securities and restricted cash, remained at Euro 2.8 billion. The net cash position, representing the gross cash position less debt, increased to Euro 355 million from Euro 328 million at the end of the previous quarter.

Business development

Infineon successfully launched its first NAND-compatible flash chip and entered the world s flash memory market with a 512-Megabit memory chip based on TwinFlash technology. Production of these chips has begun at the company s 200-mm DRAM facility in Dresden. Furthermore, the business group started sampling of its Mobile RAM with densities of 128-Megabit and 256-Megabit, and its 500-Megahertz DDR 3 Graphics-RAM, all based on the company s 110-nanometer technology. Inotera Memories Inc., the company s joint venture with the Taiwanese company Nanya, began to move in 300mm production equipment in December 2003.

In line with the business group s long-term regional strategy, the Automotive business achieved significant design wins with application-specific chipsets for safety and power train applications, especially in the NAFTA region. In its Industrial business, the group successfully launched the new LightMOS IGBT family to complete the portfolio for the electronic lamp ballast application.

Within the Access business, revenues in the ADSL and SHDSL business enjoyed significant growth. Further important design wins were made at leading customers such as Siemens ICN.

There was continued strong demand for the company s cellular components, such as baseband and RF-products, as well as for products of the platform solution business. In addition, new order intake for silicon discretes achieved the highest level of the past five quarters. The Security business unit successfully began new projects for electronic passports and driver s licenses. To accelerate its development from a semiconductor manufacturer to a system partner for complete mobile platform solutions, Infineon entered into an agreement in the first quarter of fiscal year 2004 to take on approximately 145 Siemens ICM software developers. By this move, Infineon extended its know-how in the industry-leading protocol stack for Siemens mobile phones.

Outlook for the 2004 financial year

All business indicators show that the semiconductor industry is finally in an upswing phase, and the worst crisis ever experienced in the semiconductor market seems to be over. With the market back on track, we also see positive business development for the current fiscal year. All segments are expected to show stable growth in 2004.

We expect good growth in the automotive segment despite strong continuing pricing pressure. This reflects the introduction of new car models with higher semiconductor content but only limited overall growth in worldwide automotive production. Even though the weakening US-dollar exchange rate will impact the business, we anticipate growth of the Automotive & Industrial segment in fiscal year 2004 in line with the market.

For the second quarter of the 2004 financial year, we expect a return to growth in revenues in the Wireline Communications segment. Revenue growth could, however, be hampered by a further weakening US-dollar. For the 2004 financial year, we see solid growth for the Wireline Communications segment. In addition, we are preparing strategic options for Fiber Optics by carving out the business into a separate legal entity. We are in the process of evaluating potential strategic partners to maximize the value of the business.

For the second quarter, we expect a slight sequential decrease in revenues in the Secure Mobile Solutions segment due to seasonally-reduced demand after Christmas, and continued phasing out of some cordless business. We expect stable development of the wireless infrastructure and silicon discretes businesses. We are confident that demand for security controllers will grow steadily until the end of the 2004 financial year, mainly as a result of major design wins at identification projects. The ongoing convergence of multimedia applications should also reinforce growth in the wireless business in the second half of the 2004 financial year.

Historically, the beginning of the calendar year shows declining prices for Memory Products based on reduced demand for PC units after the Christmas season. We expect our bit shipment to increase in the second quarter of the 2004 financial year. Main production growth for the rest of the fiscal year will be driven by the conversion of our production process to 110-nanometer technology and the ramp-up of capacities at foundry partners. We expect demand to grow in 2004 as a result of corporate replacement of older equipment and the ramp-up of DDR2-based desktop PCs and servers.

While pricing pressure persists in most of our business segments, we see more tangible signs of a recovery in the semiconductor industry, particularly strongly increasing utilization rates in our own fabs and foundries and more aggressive booking behavior from our customers. Despite our cautious optimism, we will relentlessly continue to reduce costs, focus our product portfolio and become more flexible and faster than our competitors. Based on this effort, we are confident to again outgrow the market and improve our profitability relative to industry benchmarks.

Infineon Technologies AG and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

For the three months ended December 31, 2002 and 2003

(in millions, except for share data)

	December 31, 2002 (millions)	December 31, 2003 (millions)	December 31, 2003 ($ millions)
Net sales:			
Third parties	1,209	1,363	1,716
Related parties	232	260	328
Total net sales	1,441	1,623	2,044
Cost of goods sold	1,039	1,105	1,391
Gross profit	402	518	653
Research and development expenses	265	276	348
Selling, general and administrative expenses	172	174	219
Restructuring charges	1	2	3
Other operating expenses (income), net	7	(2)	(3)
Operating (loss) income	(43)	68	86
Interest income (expense), net	1	(23)	(30)
Equity in earnings (losses) of associated companies	18	(1)	(1)
Loss on associated company share issuance	(2)		
Other non-operating (expense) income, net	(4)	1	1
Minority interests	2	2	3
Income (loss) before income taxes	(28)	47	59
Income tax expense	(12)	(13)	(16)
Net (loss) income	(40)	34	43
Earnings (loss) per share - basic and diluted	(0.06)	0.05	0.06

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries

Condensed Consolidated Balance Sheets

September 30, 2003 and December 31, 2003

	September 30, 2003 (millions)	December 31, 2003 (millions) (Unaudited)	December 31, 2003 ($ millions) (Unaudited)
Assets:			
Current assets:			
Cash and cash equivalents	969	585	737
Marketable securities	1,784	2,179	2,745
Trade accounts receivable, net	876	891	1,122
Inventories	959	932	1,174
Deferred income taxes	113	114	144
Other current assets	605	570	718
Total current assets	5,306	5,271	6,640
Property, plant and equipment, net	3,817	3,668	4,620
Long-term investments, net	425	549	692
Restricted cash	67	64	81
Deferred income taxes	705	706	889
Other assets	485	498	627
Total assets	10,805	10,756	13,549
Liabilities and shareholders equity:			
Current liabilities:			
Short-term debt and current maturities	149	142	179
Trade accounts payable	877	818	1,030
Accrued liabilities	644	655	825
Deferred income taxes	39	52	66
Other current liabilities	425	429	540
Total current liabilities	2,134	2,096	2,640
Long-term debt	2,343	2,331	2,937
Deferred income taxes	32	27	34
Other liabilities	630	647	815
Total liabilities	5,139	5,101	6,426
Shareholders equity:			
Ordinary share capital	1,442	1,442	1,816
Additional paid-in capital	5,573	5,574	7,022
Accumulated deficit	(1,261)	(1,227)	(1,546)
Accumulated other comprehensive loss	(88)	(134)	(169)

Total shareholders equity	5,666	5,655	7,123
Total liabilities and shareholders equity	10,805	10,756	13,549

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries

Condensed Consolidated Statements of Shareholders Equity (Unaudited)

for the three months ended December 31, 2002 and 2003

(in millions, except for share data)

	Issued Ordinary shares							
	Shares	Amount	Additional paid-in capital	Retained earnings/ Accumulated deficit	Foreign currency translation adjustment	Additional minimum pension liability	Unrealized gain (loss) on securities	Total
Balance as of October 1, 2002	720,784,218	1,442	5,569	(826)	(5)	(20)	(2)	6,158
Net loss				(40)				(40)
Other comprehensive (loss) income					(41)		1	(40)
Total comprehensive loss								(80)
Issuance of ordinary shares:								
Acquisition of Catamaran	96,386		1					1
Treasury stock	(43,026)							
Deferred compensation, net			2					2
Other equity transactions			(10)					(10)
Balance as of December 31, 2002	720,837,578	1,442	5,562	(866)	(46)	(20)	(1)	6,071
Balance as of October 1, 2003	720,880,604	1,442	5,573	(1,261)	(81)	(18)	11	5,666
Net income				34				34
Other comprehensive loss					(38)		(8)	(46)
Total comprehensive loss								(12)
Deferred compensation, net			1					1
Balance as of December 31, 2003	720,880,604	1,442	5,574	(1,227)	(119)	(18)	3	5,655

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the three months ended December 31, 2002 and 2003

	December 31, 2002 (**millions)**	**December 31, 2003** (**millions)**	**December 31, 2003** **($ millions)**
Net (loss) income	(40)	34	43
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	353	328	414
Deferred compensation	2	1	1
Provision for doubtful accounts	2	2	3
Gain on sale of marketable securities		(3)	(4)
Loss on sale of businesses		1	1
Loss (gain) on disposal of property, plant, and equipment	(1)	1	1
Equity in (earnings) losses of associated companies	(18)	1	1
Loss on associated company share issuance	2		
Minority interests	(2)	(2)	(3)
Impairment charges		5	6
Deferred income taxes	(4)		
Changes in operating assets and liabilities:			
Trade accounts receivable	(116)	(35)	(44)
Inventories	(199)	10	13
Other current assets	91	(51)	(64)
Trade accounts payable	(21)	(53)	(67)
Accrued liabilities	(20)	15	19
Other current liabilities	12	74	93
Other assets and liabilities	(37)	(8)	(10)
Net cash provided by operating activities	4	320	403