

# IFX Day 2008

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## Overview and Strategy

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Member of the Management Board  
Chief Executive Officer



Never stop thinking

# Disclaimer

This presentation was prepared as of June 02, 2008 and is current only as of that date.

This presentation includes forward-looking statements about the future of Infineon's business and the industry in which it operates. These include statements relating to future developments in the world semiconductor market, including Infineon's future growth, the benefits of research and development alliances and activities, Infineon's planned levels of future investment in the expansion and modernization of its production capacity, the introduction of new technology at its facilities, the continuing transitioning of its production processes to smaller structure sizes, cost savings related to such transitioning and other initiatives, Infineon's successful development of technology based on industry standards, Infineon's ability to offer commercially viable products based on its technology, Infineon's ability to achieve its cost savings and growth targets, and any potential disposal of Infineon's interest in Qimonda.

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# Agenda

- Strategy
- Saving Measures
- Conclusion and Outlook

# Our Strategy is in Sync with Market Facts

## Market Facts

- Customer base is consolidating
- From System-on-PCB to System-on-Chip
- Output and cost of own fab  $\leq$  65 nm outpaces growth and financing capabilities of most semiconductor companies; standard CMOS is no longer a differentiator
- Ongoing specialization in semiconductor industry

## Our Strategy

- Focus on application expertise and **system know-how**
- Portfolio management and M&A strategy that focus on **relative market position** and **margin**
- **Differentiation through innovation** in Analog and Embedded architectures
- **Fab-light model**, own fabs only where manufacturing is a differentiator

## Customer Base is Consolidating

### Automotive System Integrators

About **65%** of the market owned by the top-5 players  
Source: Strategy Analytics, March 2008

### Handset Manufacturers

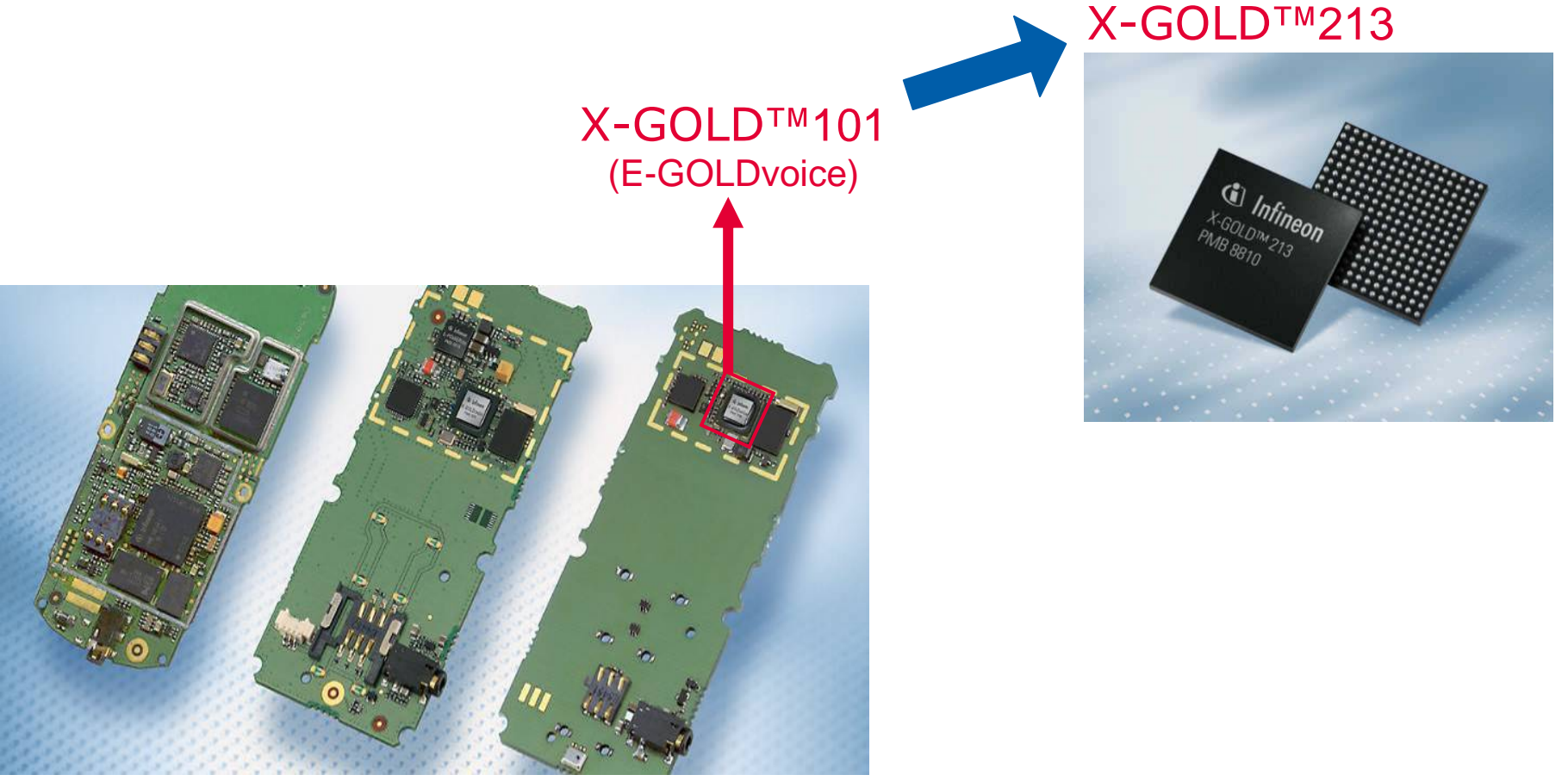
About **85%** of the market owned by the top-5 players  
Source: iSuppli, March 2008

### Chipcard Manufacturers

About **65%** of the market owned by the top-4 players  
Source: Frost & Sullivan, December 2007

# From System-on-PCB to System-on-Chip

## System-on-Chip Know-how



## Automotive Light Modules

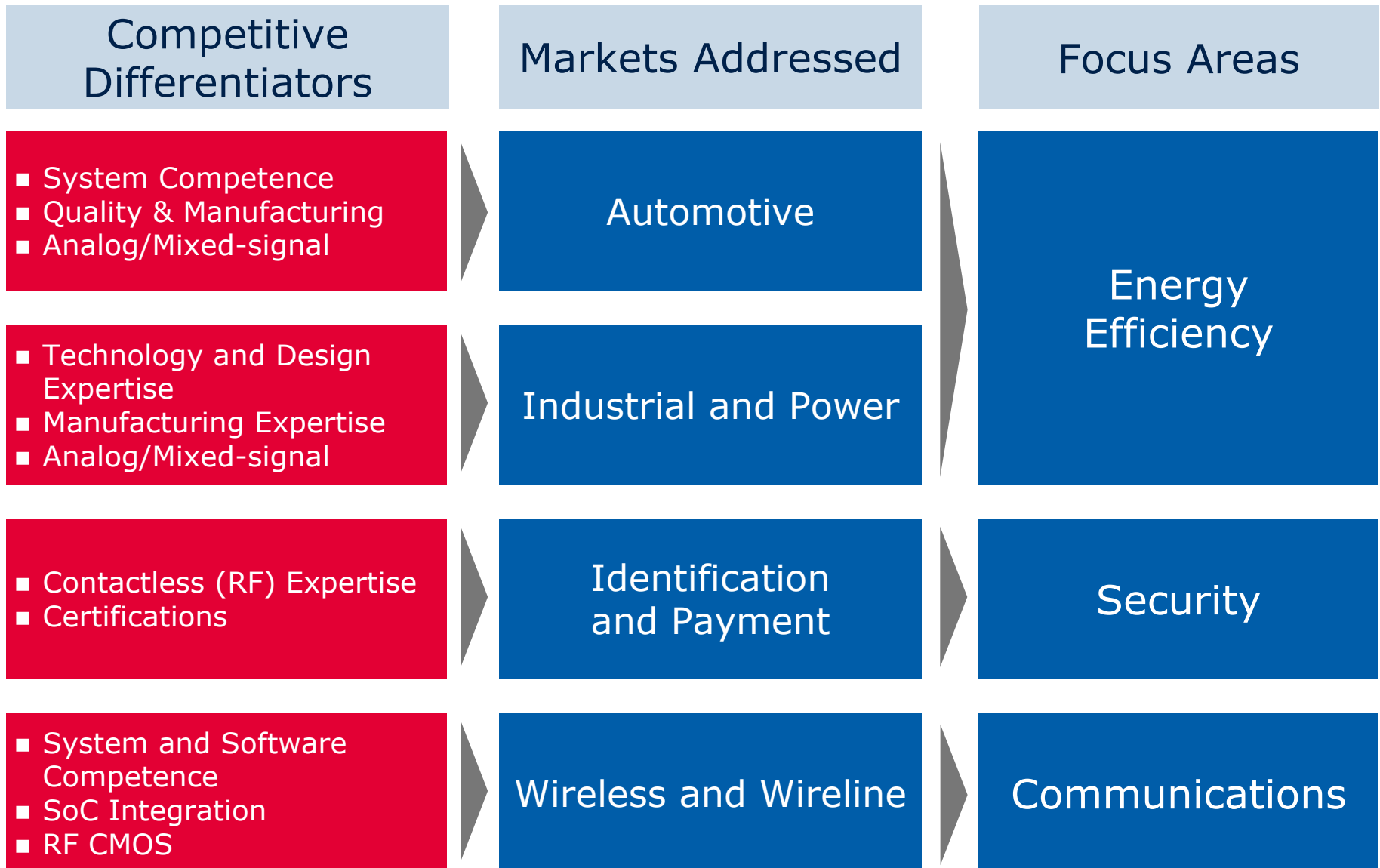


In Ancient Times

Yesterday

Today

# Competitive Differentiators in Addressed Markets Drive Growth in Focus Areas





## System Competence

Indicator lights

Mirror positioning

Mirror defrost

Mirror fold



Door lock

Puddle light

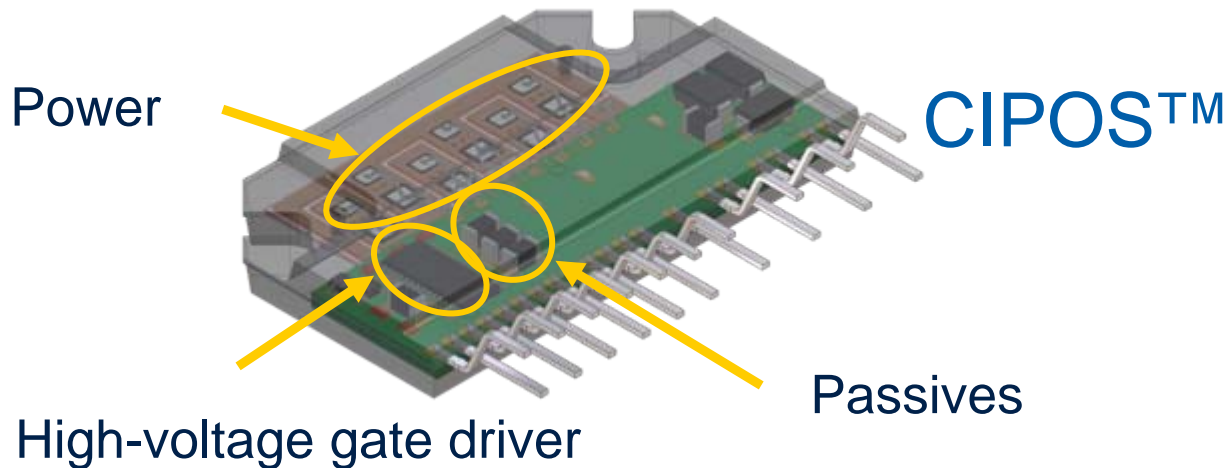


## Quality

## Analog/Mixed-signal

## Manufacturing Expertise

## Analog/Mixed-signal



## Technology and Design Expertise

## Certifications



## Contactless Expertise



## RF CMOS

## SoC Integration



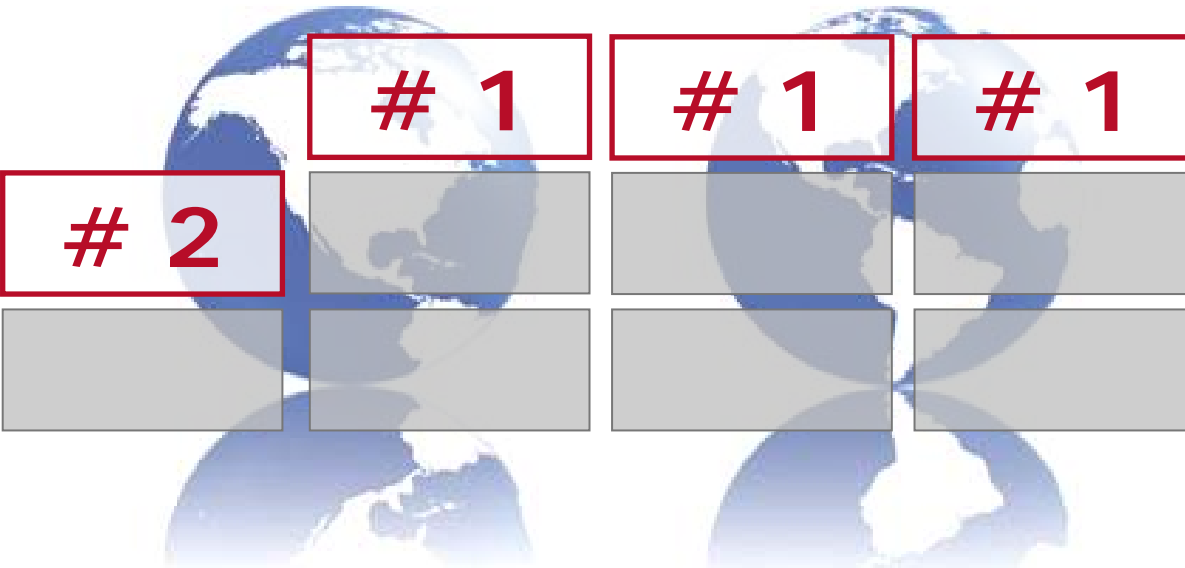
## System and Software Competence

# Absolute Size Does Not Matter as Much as Size in Addressed Markets



## AIM

Auto-motive	Industrial	Power	Chipcard
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Source: Strategy Analytics, May 2008

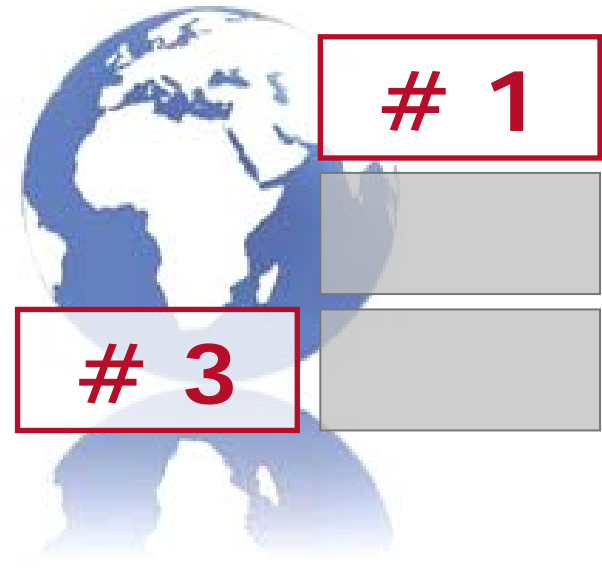
Source: Semicast, May 2008

Source: IMS, August 2007

Source: Frost & Sullivan, August 2007

## COM

Wireless ASSP	Wireline Access
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Source: iSuppli, Q1 2008

Source: Gartner, July 2007

# M&A Strategy Supports Market Share Gains in Addressed Markets



## Acquisitions



DSL Business  
from Texas Instruments



Mobile Platforms  
from LSI



Digital Power Management  
Primarion

## Divestitures



Polymer Optical Fiber  
to Avago



High-power Bipolar  
into JV with Siemens



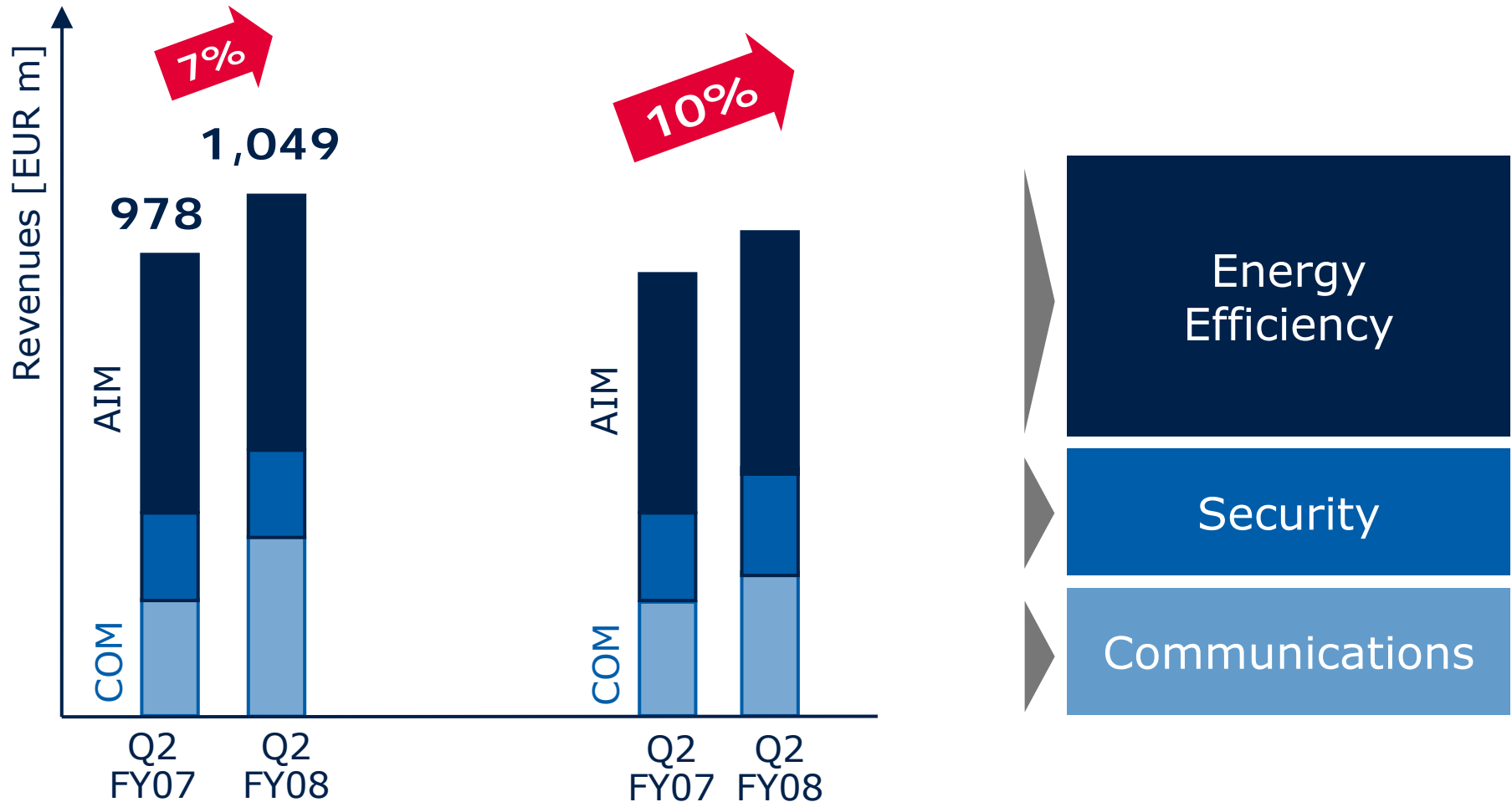
Hard Disk Drive Controller  
to LSI

# Competitive Differentiators in Markets Addressed Drive Growth in Focus Areas

„As Reported“

„Like for Like“

Focus Areas



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# Measures to Increase Earning Power

- Ramp-up of Kulim fab
- Sale of ALTIS fab
- Fabless for 65nm and beyond
- Transfer of OpEx to countries with low labor costs
- Best country-sourcing, e.g. IT to Malaysia

**New: Margin improvement program  
„IFX 10-Plus“**

1

## Portfolio management

- Focus on attractive businesses
- Increase R&D effectiveness

2

## Productivity increase in manufacturing

- Optimization of the value chain
- More aggressive cost reduction

3

## Organizational efficiency

- Increase efficiency in administration, R&D and Sales
- Organization to be even more closely aligned with target markets

Identification and execution of measures on structural improvements with the target to achieve significant additional **triple-digit EUR million savings** in FY09

# We Manufacture In-House Only Where We Can Differentiate



## Standard CMOS

- 90nm mostly fabless
- 65nm all fabless

## Power Logic, RF CMOS

- Mostly in-house
- Mostly in low-cost countries

## Standard Package & Test

- Selective outsourcing
- Mostly in low-cost countries

## Power Package & Test

- Mostly in-house
- Mostly in low-cost countries

**Target: 10% or below CapEx/Sales**

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# Conclusion and Outlook

- Strong competitive differentiators drive leading market share and growth
- Measures to further improve margin in FY 2009 despite USD/EUR rate – program “IFX 10-Plus” to achieve triple-digit EUR million savings
- In-house manufacturing only where we differentiate: 10% or below CapEx/Sales
- Separation from Qimonda ongoing



**We commit.**  
**We innovate.**  
**We partner.**  
**We create value.**



Never stop thinking