

# First Quarter FY 2008

## Quarterly Update

Infineon Technologies AG  
Investor Relations



Never stop thinking

# Disclaimer

This presentation was prepared as of February 7, 2008 and is current only as of that date.

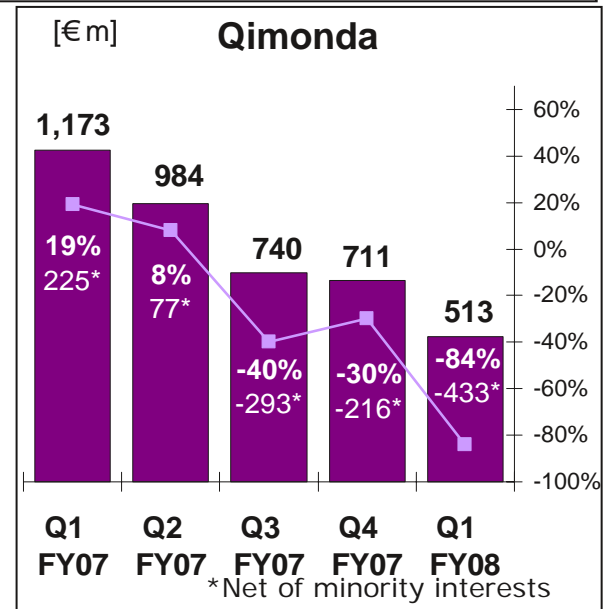
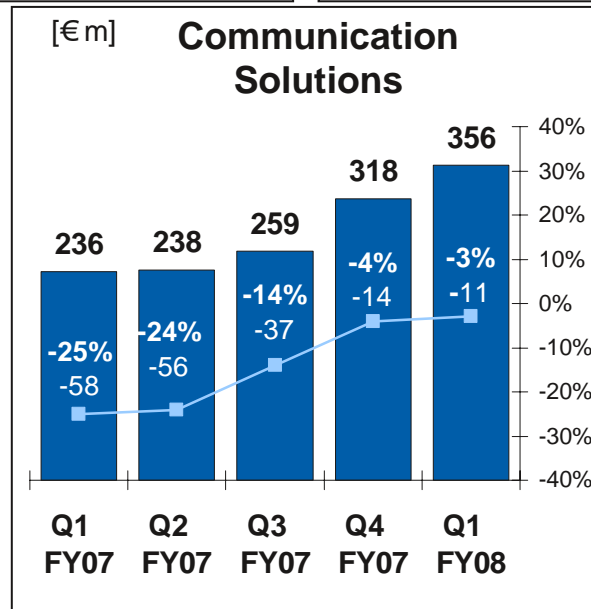
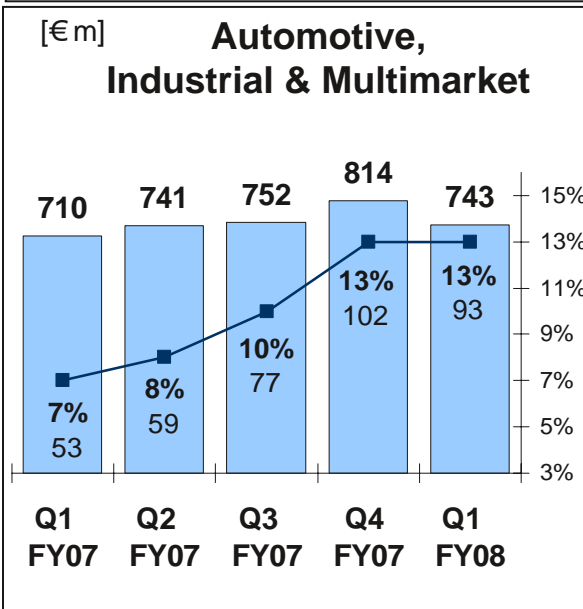
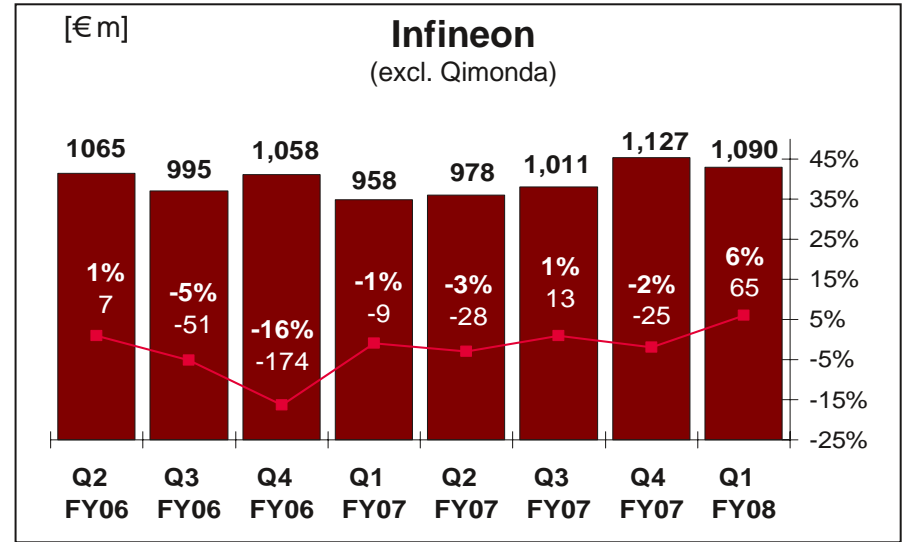
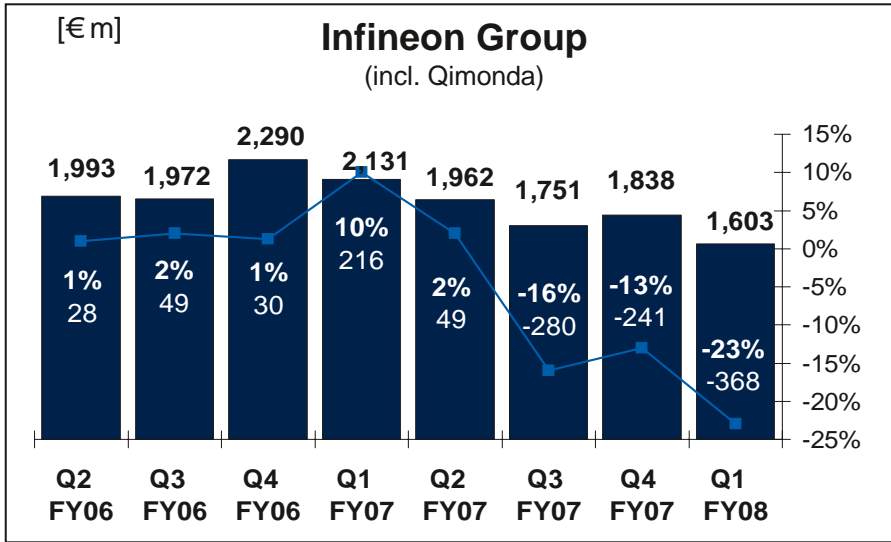
This presentation includes forward-looking statements about the future of Infineon's business and the industry in which it operates. These include statements relating to future developments in the world semiconductor market, including the market for memory products, Infineon's future growth, the benefits 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 the impact of the carve-out of Qimonda, the group's memory products business, its initial public offering, and any further sales of Qimonda shares or other corporate financing measures in that regard.

These forward-looking statements are subject to a number of uncertainties, including trends in demand and prices for semiconductors generally and for Infineon's products in particular, the success of Infineon's development efforts, both alone and with partners, the success of Infineon's efforts to introduce new production processes, the actions of competitors, the availability of funds for planned expansion efforts, and the outcome of antitrust investigations and litigation matters, as well as the other factors mentioned in this presentation and those described in the "Risk Factors" section of the annual report of Infineon on Form 20-F filed with the U.S. Securities and Exchange Commission on December 7th, 2007 or contained in the company's quarterly reports. As a result, Infineon's actual results could differ materially from those contained in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements.

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# First Quarter FY 2008 Results

## Revenues of € 1.60bn; EBIT of € -368m



Effective Oct 1, 2007, the Company has reclassified certain financial income, inter-company IT-charges and income (loss) from marketable securities from its logic segments (AIM, COM) into the Corporate and Eliminations segment. Prior periods have been reclassified to be consistent with the revised reporting structure and presentation

# Infineon excluding Qimonda

## Second Quarter FY 2008 Outlook



### IFX

- Revenues excluding Qimonda to decrease a mid single-digit percentage q-o-q; EBIT before charges anticipated to decline, but to remain positive with low single-digit margin.

### COM

- Revenues expected to decline by a mid-teens percentage q-o-q due to seasonality and lower than expected volumes in certain mobile phone platform projects.
- Negative EBIT at around -€30m

### AIM

- Revenues to be approximately flat q-o-q; EBIT margin is expected to be in the range of eight to nine percent.
- Automotive to increase; Industrial & Multimarket to decrease due to seasonality; Security & ASIC unchanged

### OOS, C & E

- Combined EBIT loss broadly unchanged q-o-q; expected charges to be insignificant.

# Developing Infineon – 5 Levers

1 Growth: Energy Efficiency, Communications, Security

2 Earnings: targeting ~10% EBIT margin FY 09 with headwinds growing, low to mid single-digit EBIT margin in FY 08

3 Capital Intensity: from 12% CapEx/Sales in FY 07 towards ~10% in FY 08, even lower possible thereafter

4 Solid Capital Structure

5 Strategy: Qimonda divestiture, selective acquisitions to strengthen the platform



Growth:  
Energy Efficiency, Communications, Security

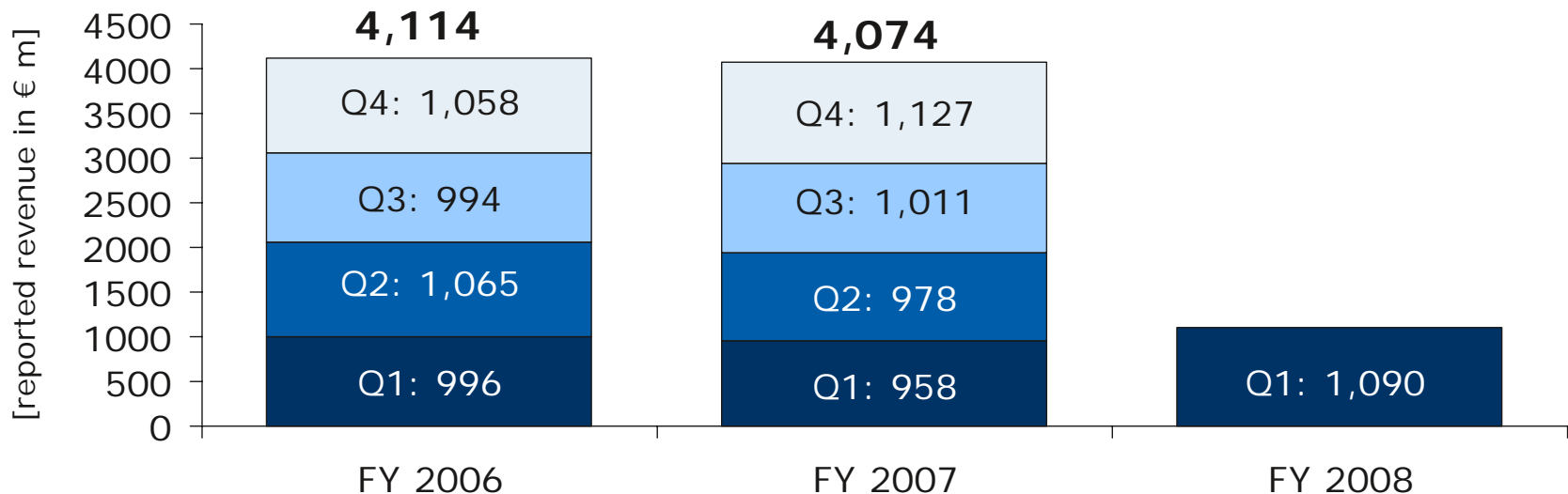
# Organic Growth of Infineon at Constant Currency



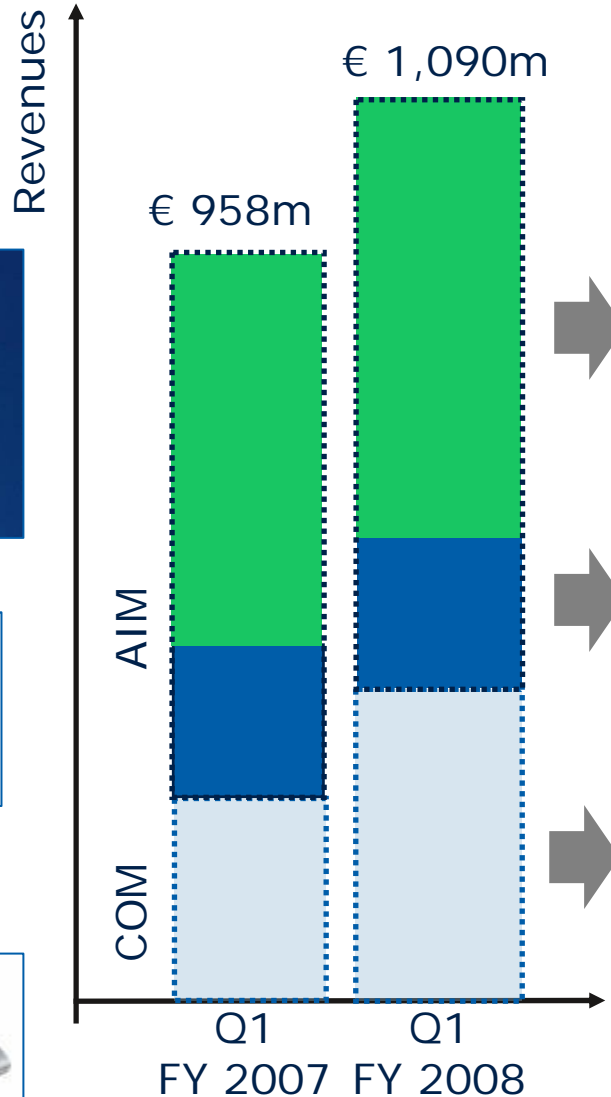
## Growth Rate

- excluding acquisitions, divestitures
- calculated on constant Q1 FY08 FX rates

	y-o-y	q-o-q
Infineon excl. QI	+15%	-3%
Automotive, Industrial & Multimarket	+13%	-4%
Communication Solutions	+31%	+1%



# Powerful Demand Drivers



## Energy Efficiency:

- Growth in power ICs as world needs to handle energy consumption
- Reduction of fuel consumption and CO<sub>2</sub> emissions in automobiles

## Security:

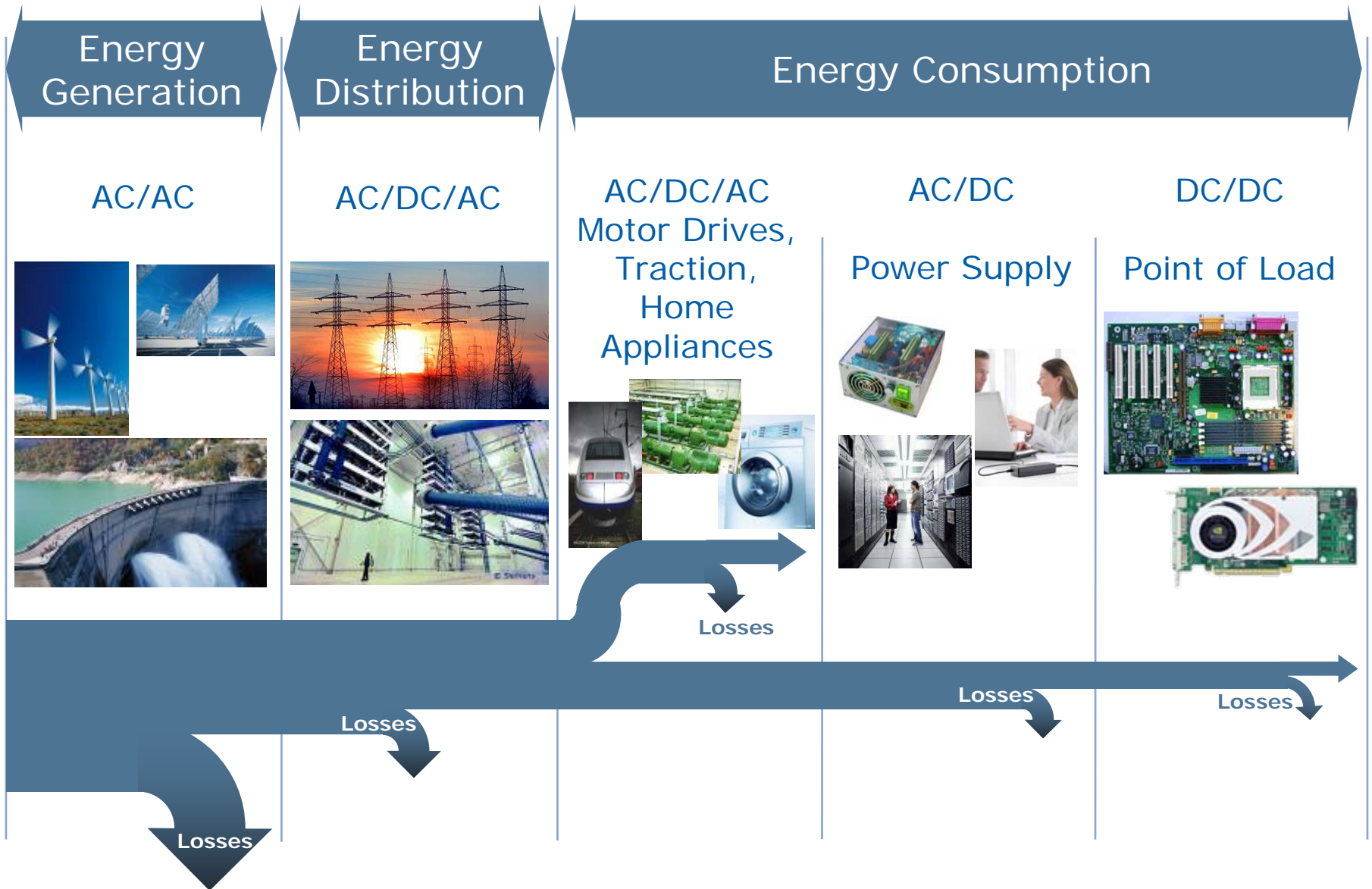
- Growth in identification (e. g. ePassport), banking and others

## Communications:

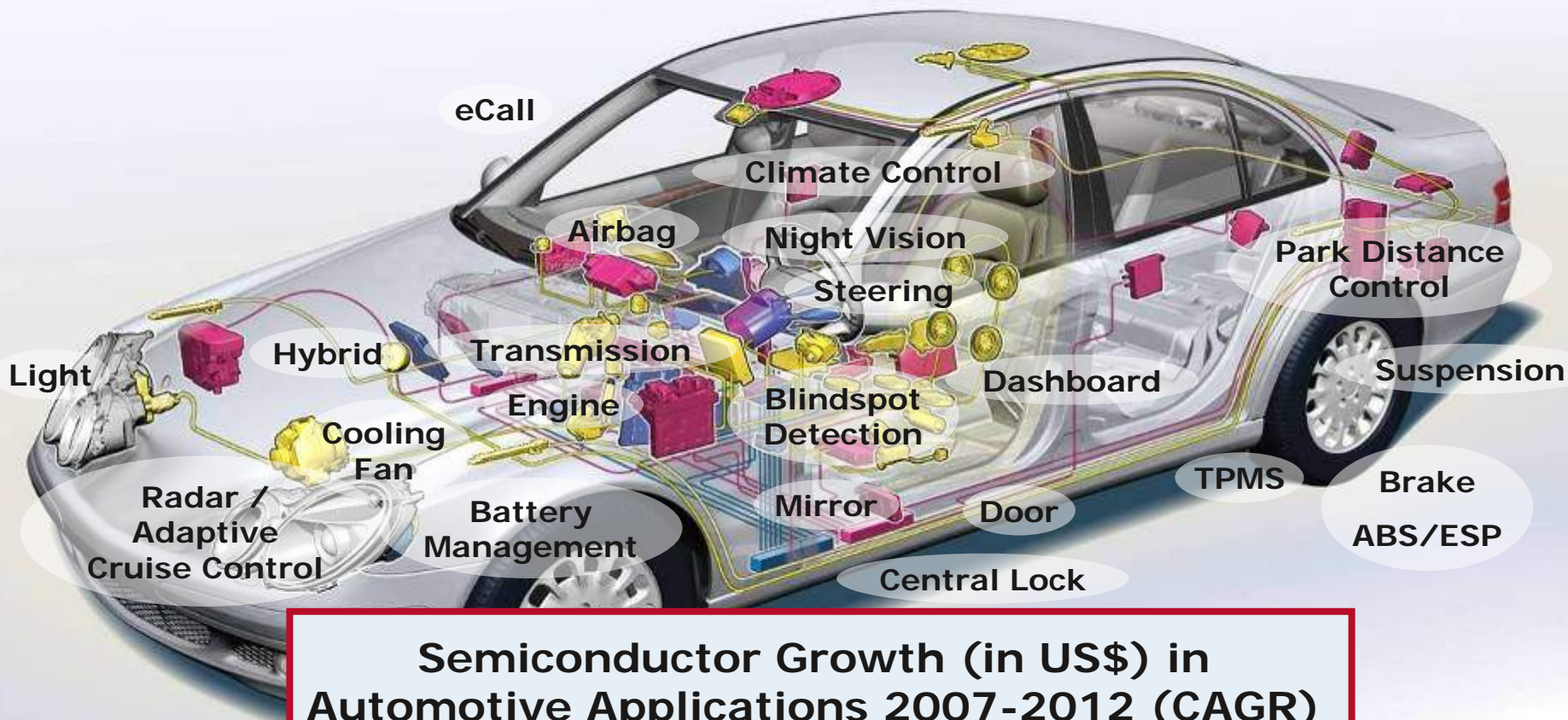
- Growth out of design-wins in mobile platforms; focus on single-chip and 7.2 Mbps HSDPA
- Strong RF transceiver and wireline access businesses



# Energy Efficiency: Our Products Help Reduce Losses Along the Entire Energy Distribution Chain



# New Applications Driving Growth In Automotive Semiconductors



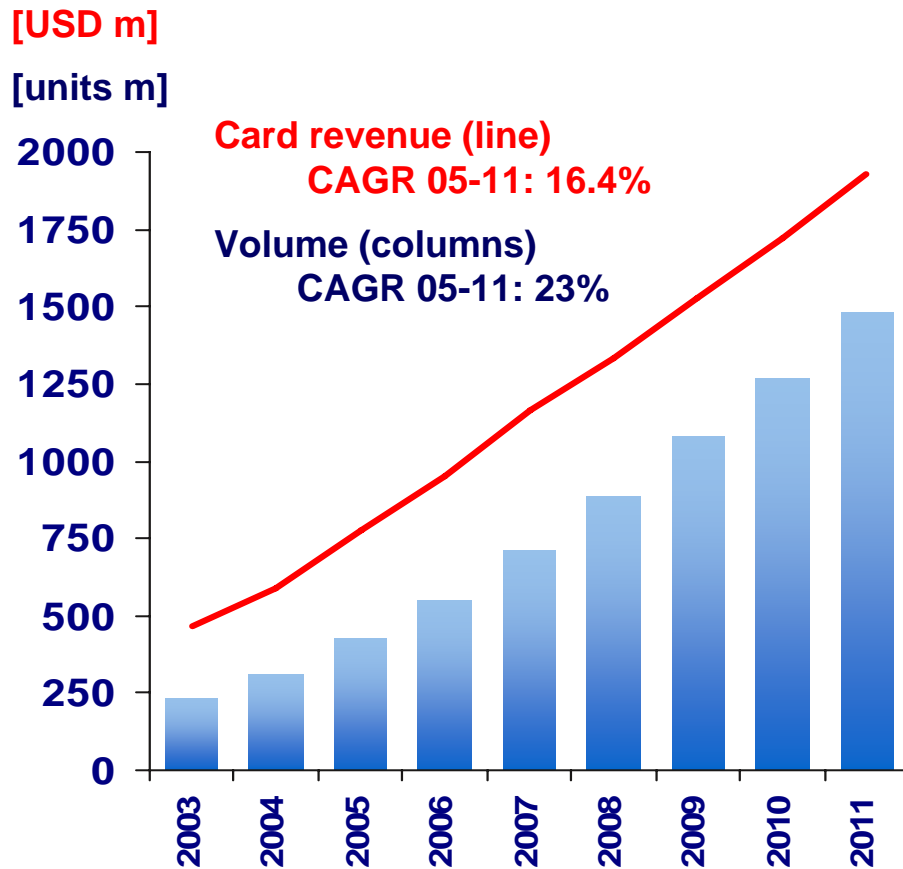
## Semiconductor Growth (in US\$) in Automotive Applications 2007-2012 (CAGR)

Body	8.9%
Safety	10.1%
Powertrain	6.9%
Infotainment	5.4%

Source: Strategy Analytics, 2007

# Security: Growth in Payment Chip Card ICs

## Finance and loyalty card market Unit development



Source: Frost & Sullivan, 2007



## Key trends

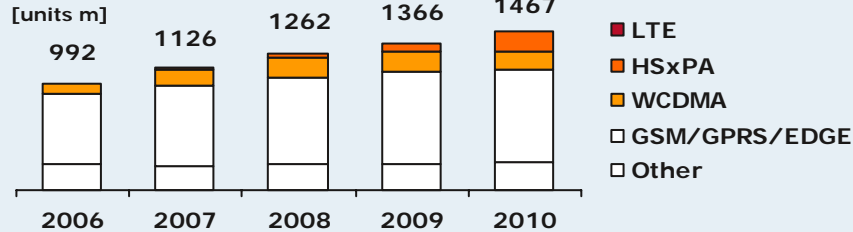
### Strong growth in low-cost phones

Share of low-cost phones<sup>1)</sup>



### Strong growth in 3G

Mobile phone shipments<sup>1)</sup>



### Share of merchant solutions to increase

**Nokia renews its chipset development strategy**  
August 08, 2007

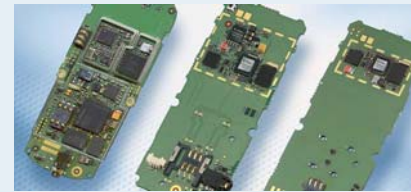
Espoo, Finland - Nokia today announced that it is introducing a licensing and multisourcing model for its chipset strategy.

**Vodafone launches first ultra-low cost handsets**  
May 24, 2007

Vodafone-only branded handsets to increase access to mobile technology for millions in Emerging Markets.

## Key success factors

### Integration



- RF/Mixed signal integration capabilities to enable single-chip solutions migrating from ULC phones to feature phones

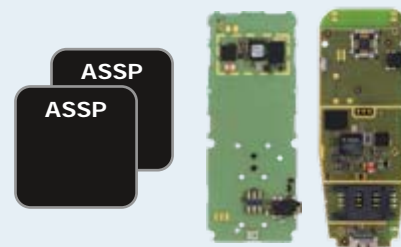
### System and software competence



Protocol stack

- System design and mobile software competence to handle increasing complexity in high-end phones

### ASSPs / Mobile platforms



- ASSP portfolio and proven mobile platform solutions for GSM/GPRS, EDGE and 3G markets

1) Source: ABI Research, Mobile Device Market Data, Q4 2007



# Complete Mobile Phone Platform Solutions for Major Growth Markets



Target markets	2G/2.5G GSM/GPRS		2.75G EDGE		3.5G HSDPA	
Platform	XMM™1010 (ULC2)	XMM™1130	XMM™2130	XMM™2060 (MP-Elite)	XMM™2080	XMM™6080 (MP-EH)
Baseband	<b>X-GOLD™101</b> (130nm CMOS)	<b>X-GOLD™113</b> (65nm CMOS)	<b>X-GOLD™213</b> (65nm CMOS)	<b>X-GOLD™206</b> (130nm CMOS)	X-GOLD™208	X-GOLD™608
RF CMOS transceiver					SMARTi PM	SMARTi 3GE
Power-management					X-PMU™600	X-PMU™611
FM-radio						
Protocol stack	✓	✓	✓	✓	✓	✓



Integrated in one chip

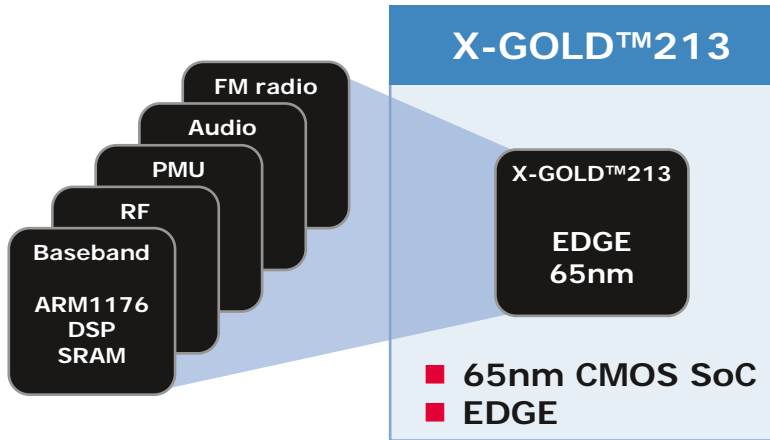
# Music and Mobile Internet for Emerging Markets: Introducing 65nm Single-Chip Solutions



## 65nm single-chip solution

## Benefits

EDGE

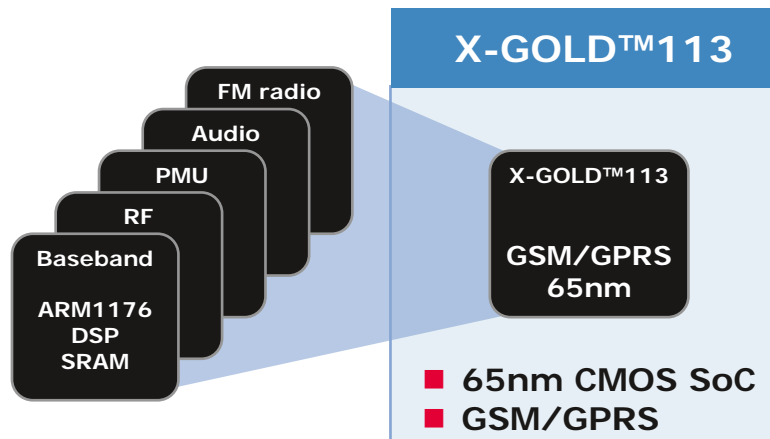


### Lowest-Cost Browsing & Messaging

- Web browser, MMS, Java
- FM stereo RDS receiver
- Audio and video player
- Camera
- QVGA display
- USB 2.0, Memory card
- Digital microphones
- Connectivity options: Bluetooth, A-GPS, WLAN



GSM/GPRS



### Lowest-cost Music

- FM stereo RDS receiver
- Audio and video player
- QVGA display
- USB 2.0, Memory card
- Stereo headset, class-D amplifier
- Connectivity option: Bluetooth



# Infineon Has All it Takes to Further Grow the Wireless Business



## ■ Strong position in single-chip solutions:

- Shipped more than 50 million single-chip solutions
- IFX is world's first to ramp EDGE single-chip solution
- Sampling 65nm single-chip solutions for GSM/GPRS and EDGE markets



## ■ Strong momentum in 3G platforms:

- 3G RF transceiver in production or achieved design win at four Top-5 OEMs
- Proven 3G platform solution
- HSDPA platform ramp in 1H 2008
- Proven 3G protocol stack



## ■ Infineon serves all Top-5 OEMs:

- Nokia (RF, design-win for single-chip platform)
- Samsung (EDGE and 3G RF, GPRS and EDGE platforms)
- Motorola (design-win for 3G RF)
- Sony Ericsson (3G RF)
- LG Electronics (Single-chip and EDGE platforms)



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Earnings: targeting ~10% EBIT margin FY 09  
with headwinds growing, low to mid single  
digit EBIT margin in FY 08



# We Target ~10% EBIT Margin in FY 2009

	FY 2006 <sup>*)</sup>	FY 2007 <sup>**)</sup>		FY 2008e	FY 2009e
	[€ m]				
Sales	4,114	4,074	 growth: high single- digit %		
Gross Profit (Gross margin)	1,308 (32%)	1,353 (33%)			
R&D	816	747			
SG&A	546	509			
EBIT (EBIT margin)	-217 (-5%)	-49 (-1%)		<i>low to mid single-digit margin</i>	<b>~10%</b>

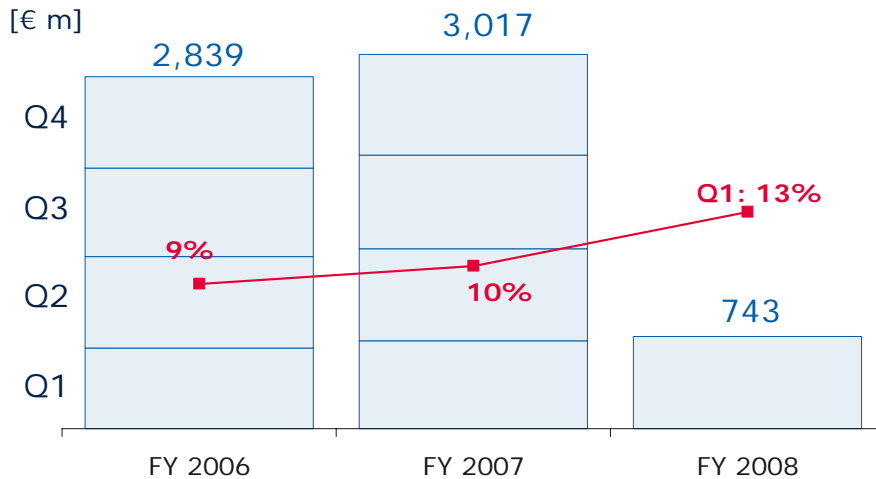
Infineon defines EBIT as Earnings (loss) Before Interest and Taxes.

<sup>\*)</sup> FY2006: Includes net charges of € 199 million relating primarily to various impairments and restructuring measures as well as expenses incurred in connection with the insolvency of BenQ Mobile Germany and the IPO of Qimonda.

<sup>\*\*)</sup> FY2007: Includes net charges of € 128 million relating primarily to various impairments and restructuring measures as well as expenses incurred in connection with the secondary offering of Qimonda shares.

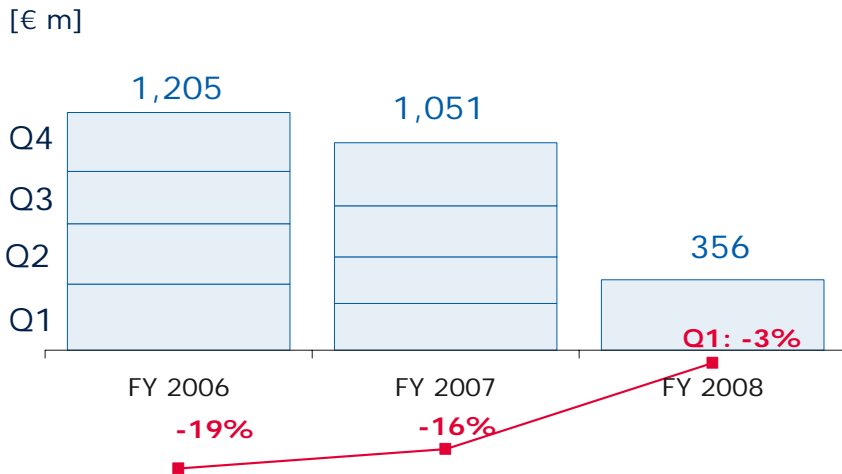
# Detailed Outlook for AIM and COM

## Automotive, Industrial & Multimarket



- Q1 FY 2008: reported sales growth 5% y-o-y; growth excl. divestitures and on constant currency basis +13% y-o-y; EBIT includes €28m gain from sell of Bipolar stake.
- FY 2008: Expect sales and EBIT excl. one-offs to be down slightly y-o-y due to adverse currency impact and deconsolidation of business.
- FY 2009: Growth in sales and EBIT

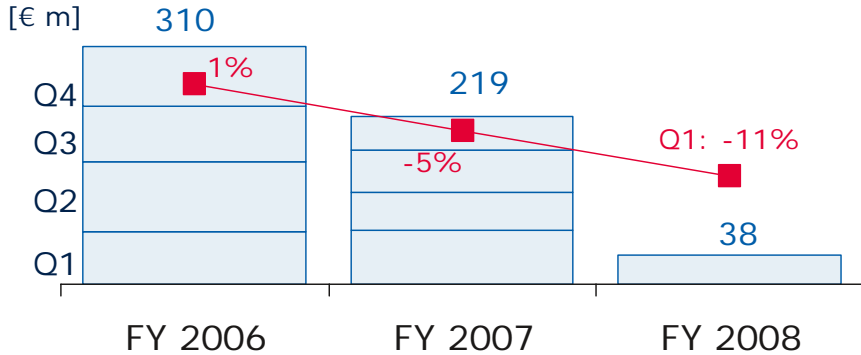
## Communication Solutions



- Q1 FY 2008: Wireless and COM EBIT positive before €14m in-process R&D write-off; EBIT also contained €9m amortization of acquisition-related intangible assets.
- FY 2008: expect 25-30% sales growth and a low to mid single-digit negative EBIT margin before charges; takes into account ~€25m amortization of acquisition-related intangible assets.
- FY 2009: Continued growth in sales; clearly positive EBIT

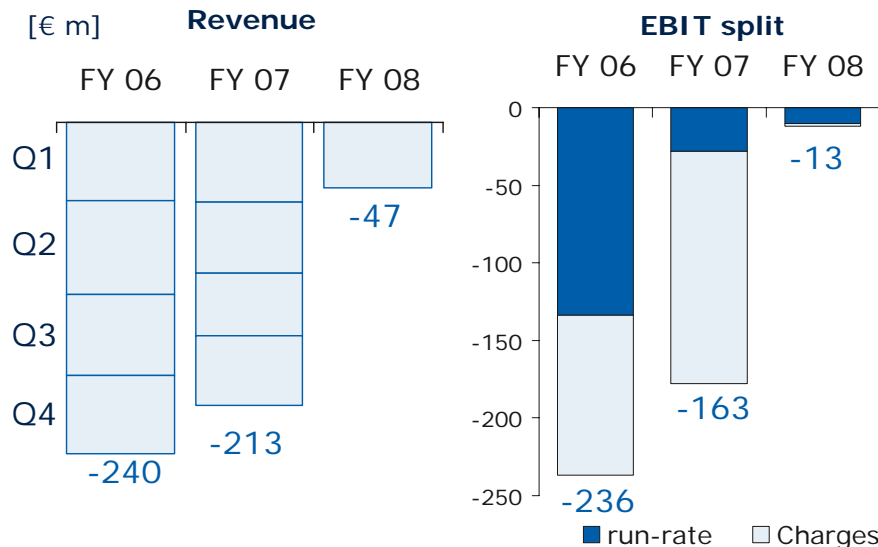
# Detailed Outlook for OOS and C&E

## Other Operating Segments



- FY 2008: Sales to decline y-o-y as Dresden 200mm fab will ship last wafers to Q1 in April 2008; EBIT around break-even
- FY 2009: further y-o-y sales decline; no supplies to Q1 for entire year

## Corporate & Eliminations

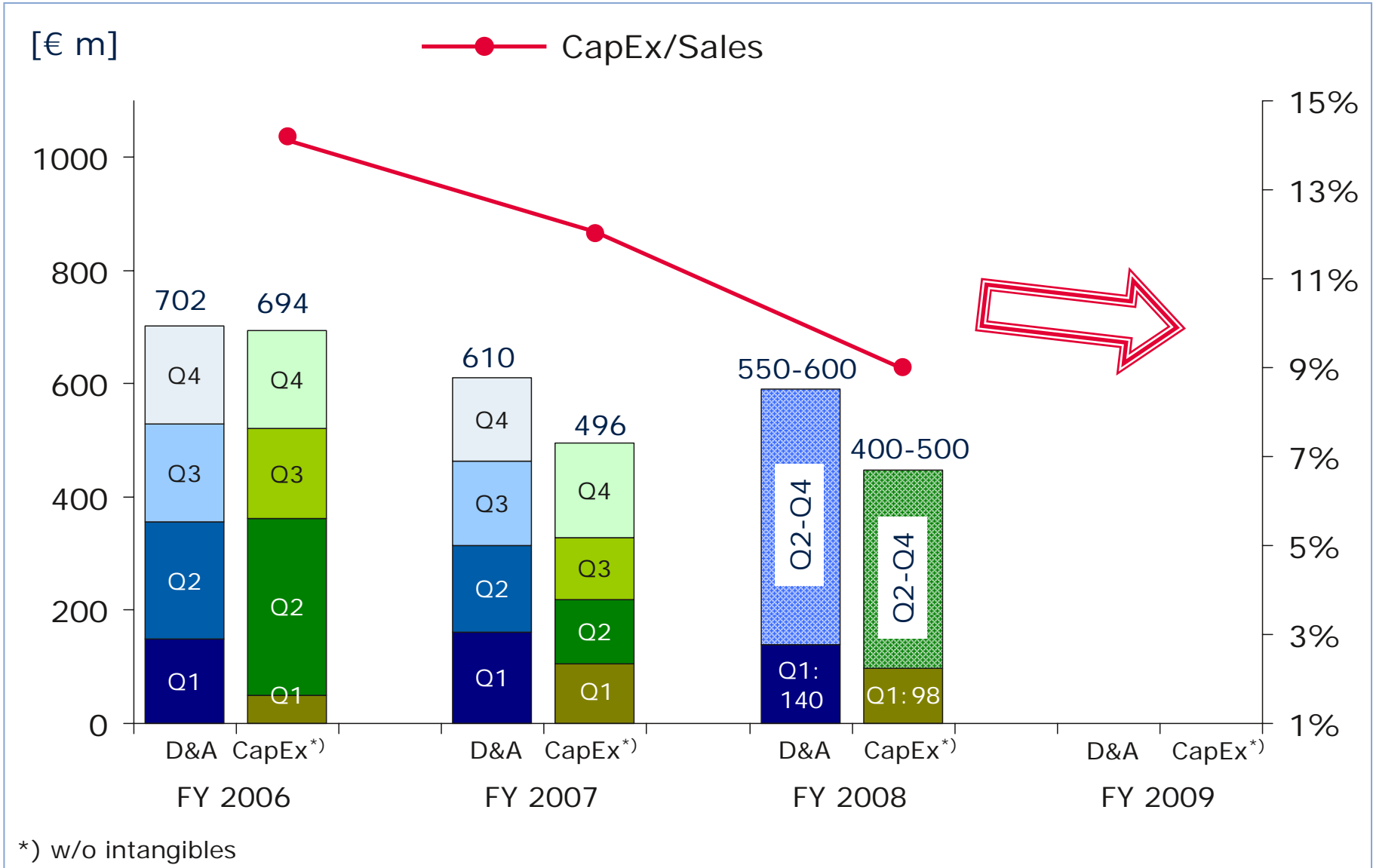


- Q1 FY 2008 results included charges of €3m.
- FY 2008: Expect to contain EBIT loss before charges at ~ €40-60m per year
- FY 2009: EBIT loss comparable to FY 2008.

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Capital Intensity: from 12% CapEx/Sales in FY 07 towards ~10% in FY 08, even lower possible thereafter

# Lowering CapEx/Sales ratio to 10%-11%



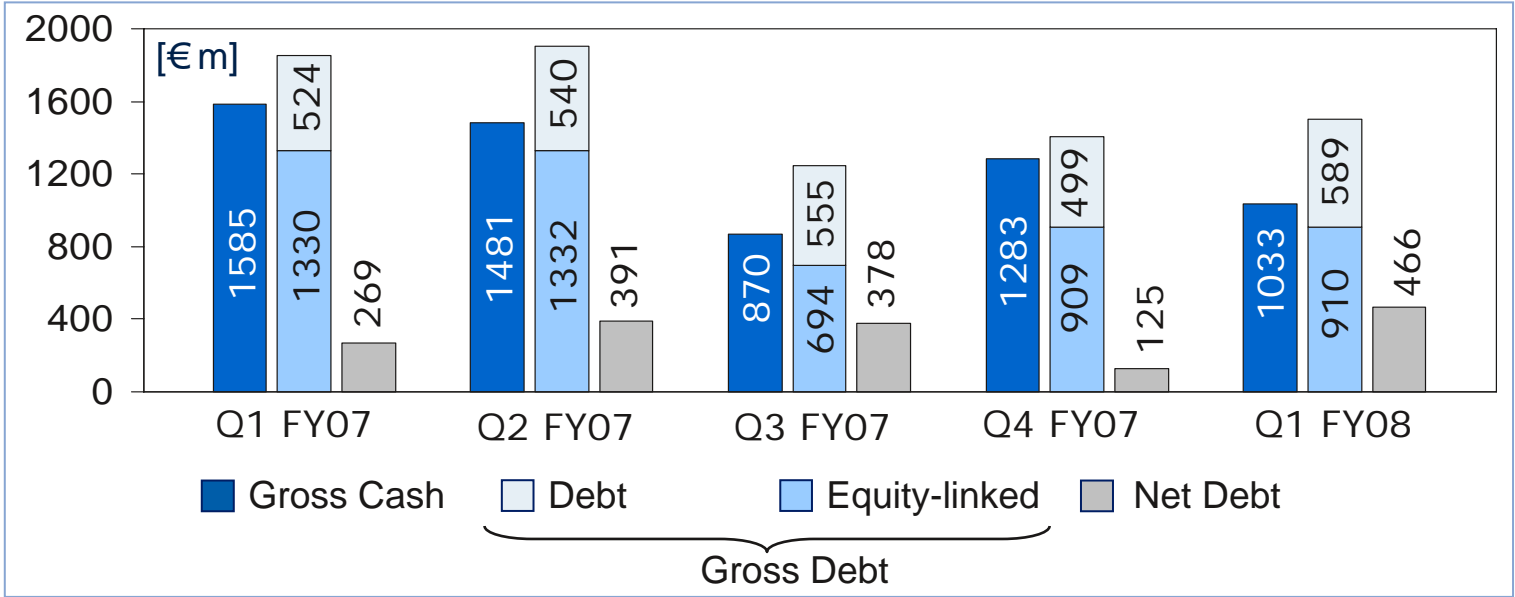
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# Solid Capital Structure

# Gross Cash, Gross Debt and Net Debt for Infineon excl. Qimonda



Capital structure  
-  
Past quarters



Capital structure  
-  
Targets

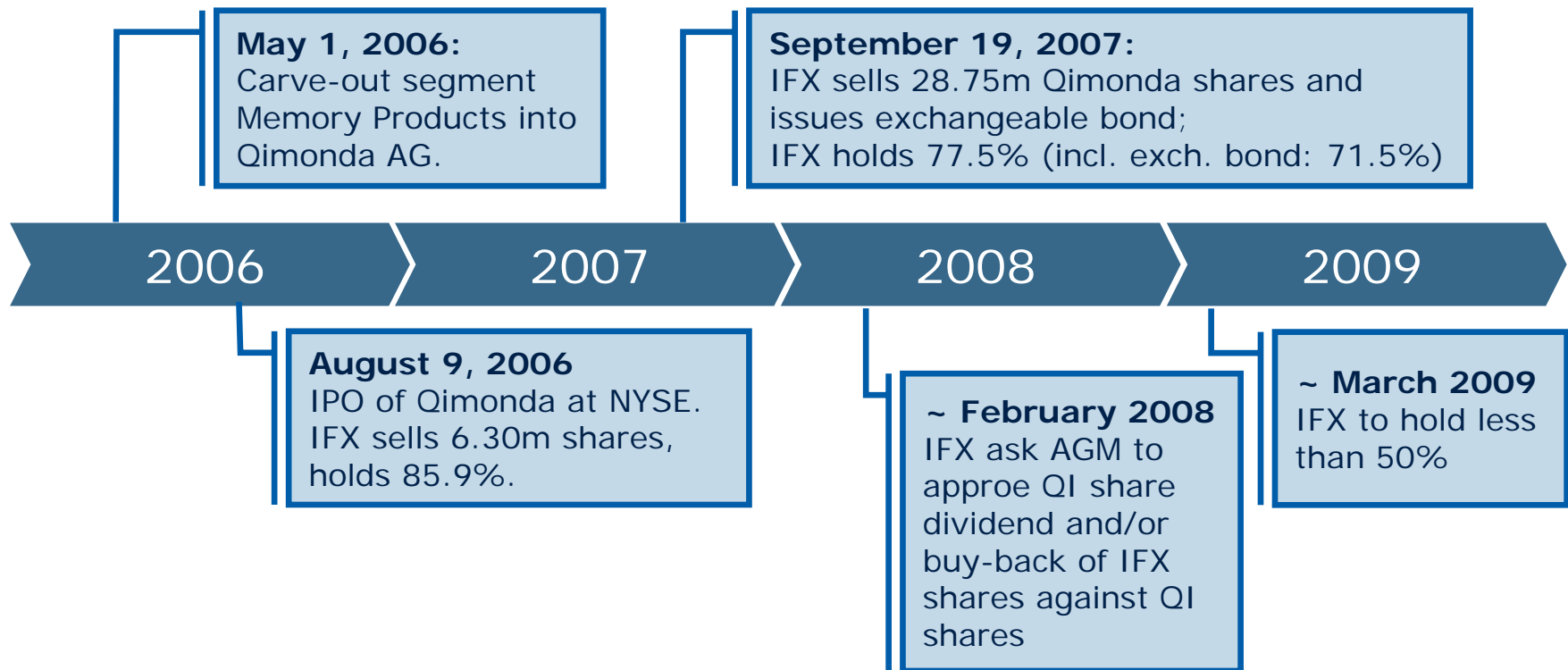


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Strategy: Qimonda divestiture, selective acquisitions to strengthen the platform



# Lowering our Stake in Qimonda; Exploiting Strategic Opportunities



## Acquisitions

- Acquired ADSL CPE business from TI → Leader in DSL CPE ✓
- Acquired mobile phone business from LSI → solidified mobile phone platforms ✓



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



Never stop thinking

# Key Financials for Infineon excl. Qimonda as reported



	Q3 F05	Q4 F05	Q1 F06	Q2 F06	Q3 F06	Q4 F06	Q1 F07	Q2 F07	Q3 F07	Q4 F07	Q1 F08
Sales (EUR m)	947	964	996	1,065	995	1,058	958	978	1,011	1,127	1,090
EBIT (EUR m)	-98	-81	1	7	-51	-174	-9	-28	13	-24	65
<i>EBIT margin</i>	-10.3%	-8.4%	0.1%	0.7%	-5.1%	-16.4%	-0.9%	-2.9%	1.2%	-2.2%	6.0%
EBIT ex charges (EUR m)	-27	-8	3	11	-22	-11	-9	1	16	69	54
<i>EBIT margin ex charges</i>	-2.9%	-0.8%	0.3%	1.0%	-2.2%	-1.0%	-0.9%	0.1%	1.6%	6.2%	4.9%
D&A (EUR m)	168	208	150	206	174	172	162	152	150	146	140
<i>D&amp;A / Sales (%)</i>	17.7%	21.6%	15.1%	19.3%	17.5%	16.3%	16.9%	15.5%	14.8%	13.0%	12.8%
CapEx (EUR m)	NM	107	49	314	158	173	105	114	110	167	98
<i>CapEx / Sales (%)</i>	NA	11.1%	4.9%	29.5%	15.9%	16.4%	11.0%	11.7%	10.9%	14.8%	9.0%
Gross Cash (EUR m)		1,374	1,264	1,426	1,427	1,585	1,481	870	890	1,283	1,033
Gross Debt (EUR m)		1,557	1,593	1,872	1,839	1,854	1,872	1,248	1,244	1,408	1,499
Net debt (EUR m)		183	329	446	412	269	391	378	354	125	466
Employees		26,834	30,561		29,446	29,849	30,071	29,871	29,555	29,598	29,840

# Financial Calendar

- Feb 12, 2008      **Mobile World Congress, Barcelona**
- Feb 14, 2008      **Annual General Meeting, Munich**
- Apr 23, 2008\*      **Earnings Release Q2 FY 08**
- Jun 2/3, 2008      **IFX Day: Annual Analyst and Investor Day, Munich**
- Jul 25, 2008\*      **Earnings Release Q3 FY 08**
- Dec 03, 2008\*      **Earnings Release Q4 and FY 08**

\* = Preliminary Date