

# Third Quarter FY 2008

## Quarterly Update

Peter Bauer, CEO  
Infineon Technologies



Never stop thinking

# Disclaimer

This presentation was prepared as of July 25, 2008 and is current only as of that date.

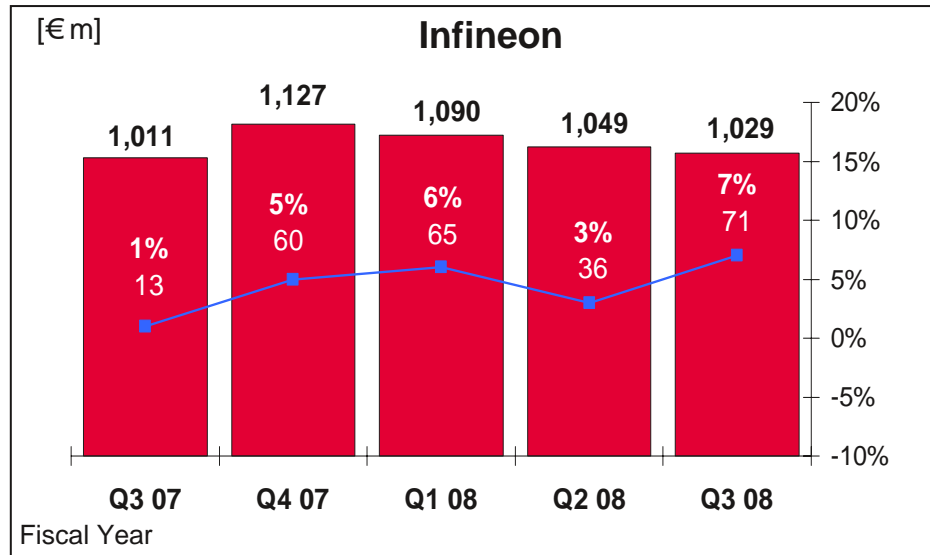
This presentation includes forward-looking statements about the future of Infineon's business and the industry in which it operates. These include statements relating to future developments in the world semiconductor market, including Infineon's future growth, the benefits of research and development 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.

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, the success of any corporate activities we may undertake with respect to our interest in Qimonda, 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.

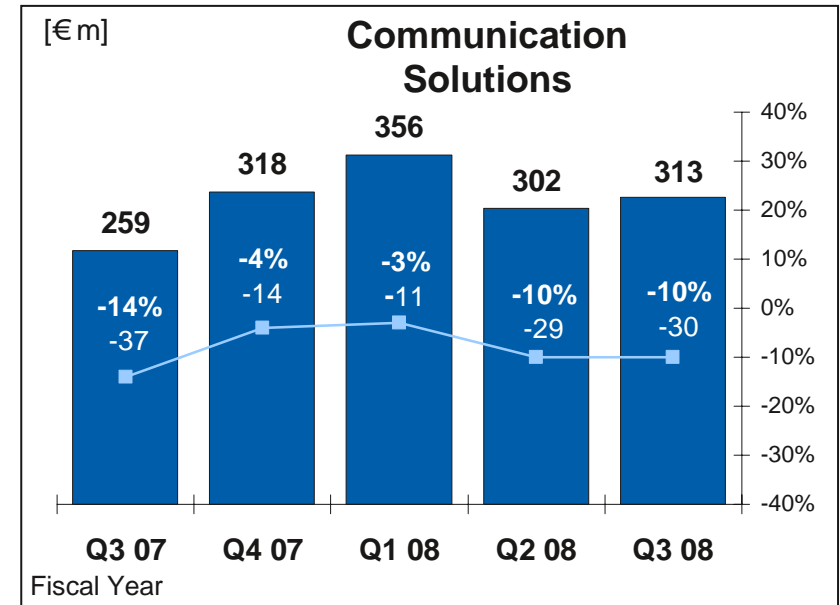
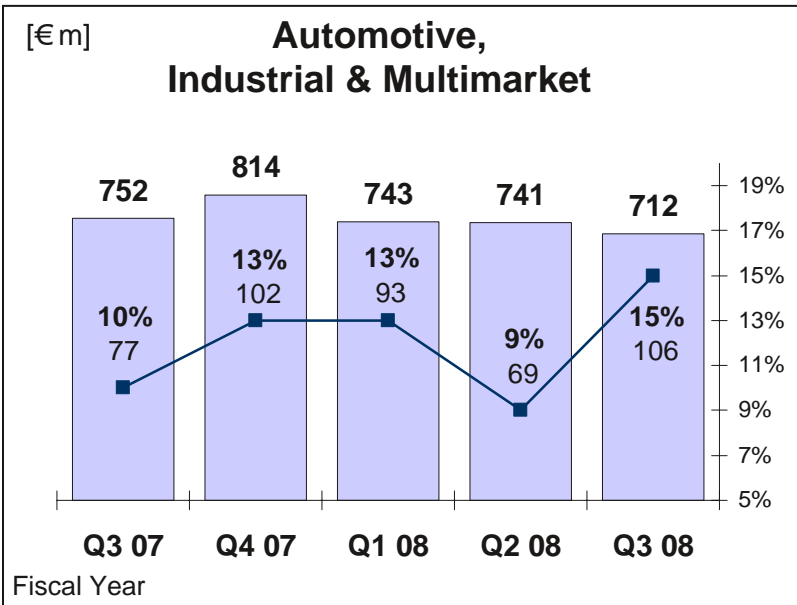
Infineon does not undertake any obligation to publicly update or revise any forward-looking statements because of new information, future events or otherwise.

# Third Quarter FY 2008 Results:

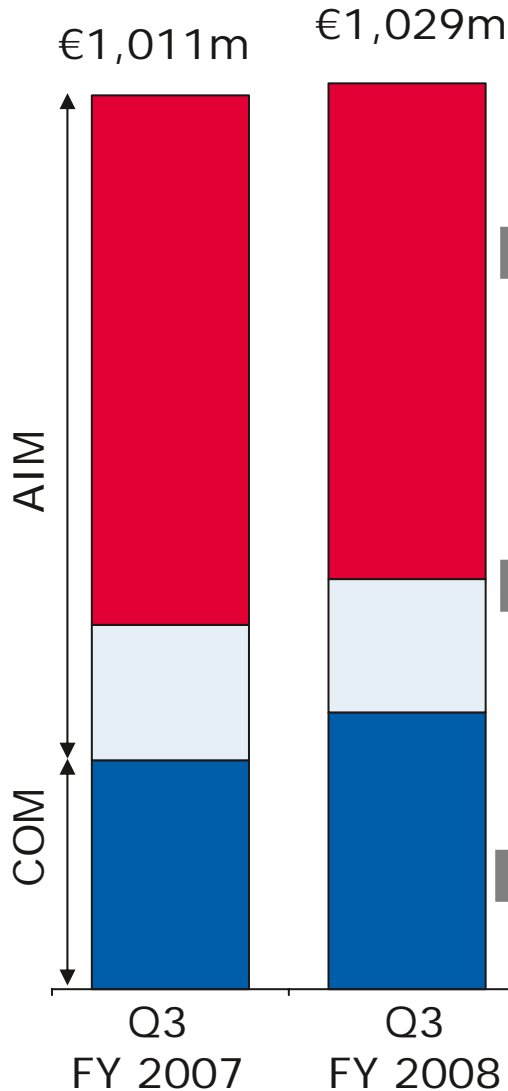
## Revenues of € 1.03bn; EBIT of € +71m



plus Segments  
OOS and C&E



# 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), payment 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

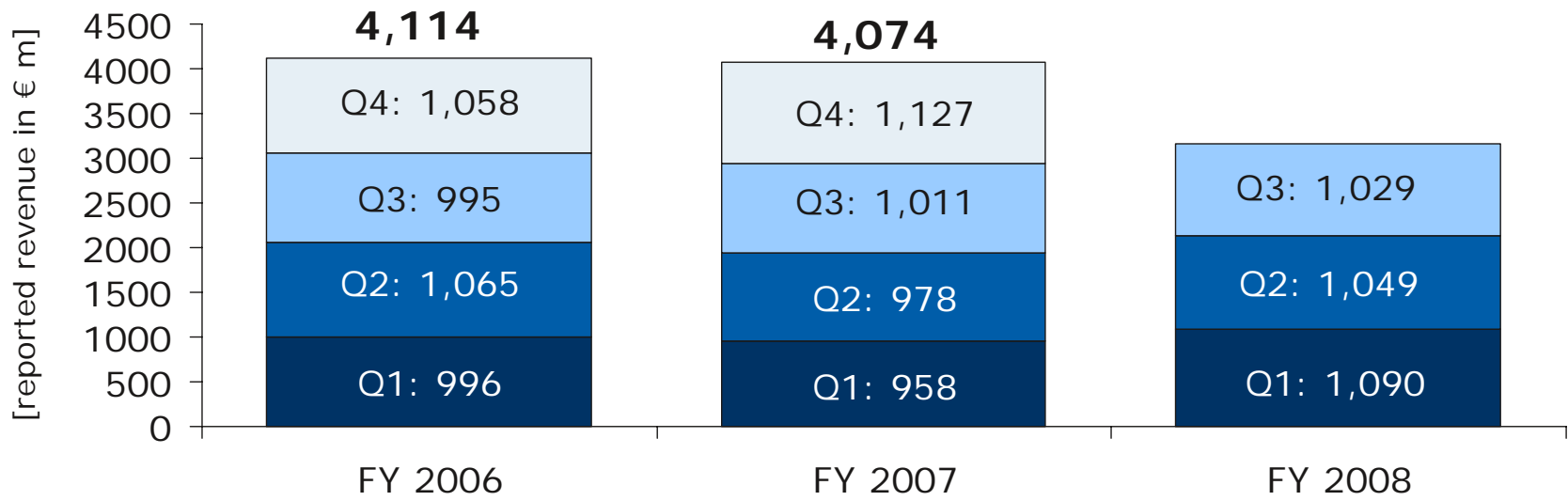
# Organic Growth of Infineon at Constant Currency



## Growth Rate

- excluding acquisitions, divestitures
- calculated on constant Q3 FY08 FX rates

	y-o-y	q-o-q
Infineon	+6%	+1%
Automotive, Industrial & Multimarket	+5%	-1%
Communication Solutions	+9%	+8%



# Fourth Quarter FY 2008 Outlook

## IFX

- Revenues to increase by mid single-digit percentage q-o-q, driven by seasonal strength in both AIM and COM.
- EBIT excl. net gains and charges to remain stable or decline slightly q-o-q. Significant charges connected to the cost-reduction program IFX10+ are expected.

## COM

- Revenues expected between €330m and €350m with growing wireless business and broadly unchanged access business.
- EBIT loss excl. net gains and charges should improve q-o-q.

## AIM

- Revenues to increase by a mid single-digit percentage q-o-q.
- Automotive unchanged, Industrial & Multimarket to increase q-o-q; Security & ASIC to increase slightly q-o-q.
- EBIT margin excl. net gains and charges expected between 9% and 10%.

## OOS, C&E

- Revenues in OOS and eliminated revenues in C&E continue to decline q-o-q.
- Combined EBIT excl. net gains and charges anticipated to be approximately negative €20m.

# Cost reduction program "IFX10+"

1

## **Manage the product portfolio more actively**

Focus on businesses which are attractive and eliminate unprofitable or insufficiently profitable product families. Increase R&D efficiency.

2

## **Reduce manufacturing cost significantly**

Reduction of manufacturing costs and optimization of the value chain. Increase outsourcing share with fab-light strategy.

3

## **Improve efficiency of organization**

Optimize processes and tasks in the fields of G&A, R&D and marketing & sales.

4

## **Re-organization of company structure**

Re-organize the company's structure in five smaller divisions along its target markets.

**Between Q3 FY08 and Q4 FY09, annualized savings of more than EUR 200m should be realized.**

(assuming continuation of current market conditions and an exchange rate of U.S. dollar 1.55 against the Euro.)



# New Company Set-Up



## Infineon Technologies

**Automotive**

**Industrial & Multimarket**

**Chipcard & Security**

**Wireless Solutions**

**Wireline Communications**

# Driving the Future of Automotive Electronics

## Automotive

**Key  
Growth driver:**

**Environment  
Protection**

**Safety  
Applications**

**Emerging  
Markets**

**Applications:**

hybrid



CO<sub>2</sub>-  
reduction



active safety



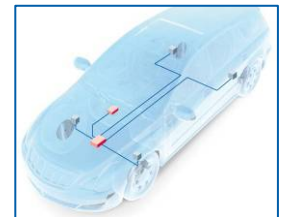
passive safety



affordable cars



functionality



## Industrial & Multimarket

Key Growth driver:

Energy Efficiency

Integration / Miniaturisation

Applications:

power conversion



variable speed drives



renewable energies



transportation



radio freq. components



mobile TV, wireless LAN



appliances & lighting



medical devices



# Focus on Security-driven Applications

## Chipcard & Security

Key  
Growth driver

Contactless

High Security

Applications:

passport



mobile  
payment



access



ePurse



## Wireless Solutions

Key  
Growth driver:

Mobile Internet

Emerging Markets

Applications:

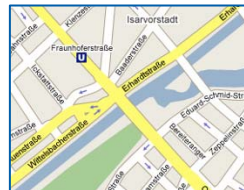
internet access



smart phones



location based  
services



affordable phones



music



## Wireline Communications

Key  
Growth driver:

IP-based  
Networks, NGN

Mobile  
Broadband

IPTV,  
VoIP,  
CAT-iq

Applications:

IP-DSLAMs



MSANs  
(incl. xDSL and  
Packetized Voice)



3G/LTE  
radio  
access  
networks

xDSL/VoIP  
Home  
Gateways



CAT-iq  
(„Wideband“  
DECT)



# Absolute Size does not Matter as much as Size in Addressed Markets



## Infineon Technologies

Automotive

Industrial & Multimarket

Chipcard & Security

Wireless Solutions

Wireline Communicat.

Automotive

Industrial

Chipcard

Wireless ASSP

Wireline Access

# 2

# 1

# 1

# 1

# 3

Source: Strategy Analytics, May 2008

Source: Semicast, May 2008

Source: Frost & Sullivan, August 2007

Source: iSuppli, Q1 2008

Source: Gartner, July 2007

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# Margin Improvements



# Financials and Outlook

## Executing on Improving Profitability (US GAAP)



	9month FY08*	FY 2008e	FY 2009e
<b>[€ m]</b>			
Sales	3,168		
Gross Profit (Gross margin)	1,120 (35%)		
R&D	568		
SG&A	418		
Infineon EBIT (EBIT margin)	172 (5%)		

Effects from the program "IFX10+"

Infineon defines Infineon EBIT as earnings (loss) from continuing operations, before interest and tax.

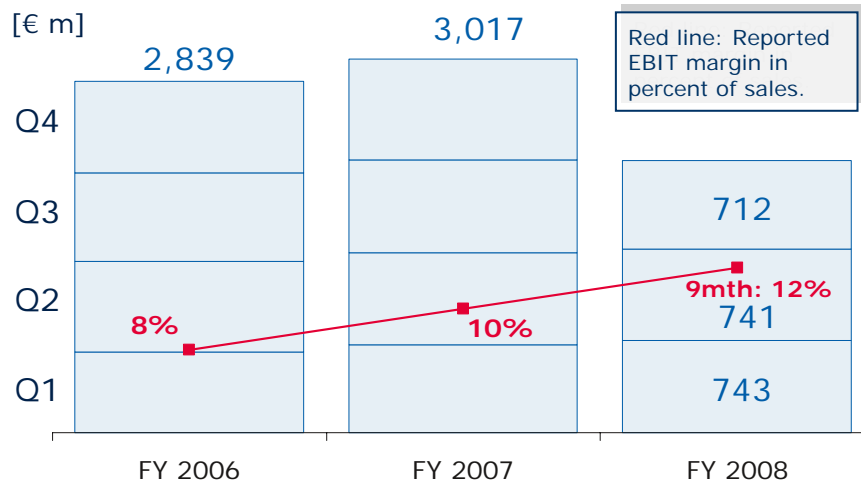
\*) 9month FY08: EBIT includes net gains of EUR 44 million relating primarily to gains on the sale of part of our bipolar business and the HDD business as well as in-process R&D charges from the LSI Mobile Phone Group acquisition.

# Financials and Outlook

## Detailed Outlook for AIM and COM (US GAAP)

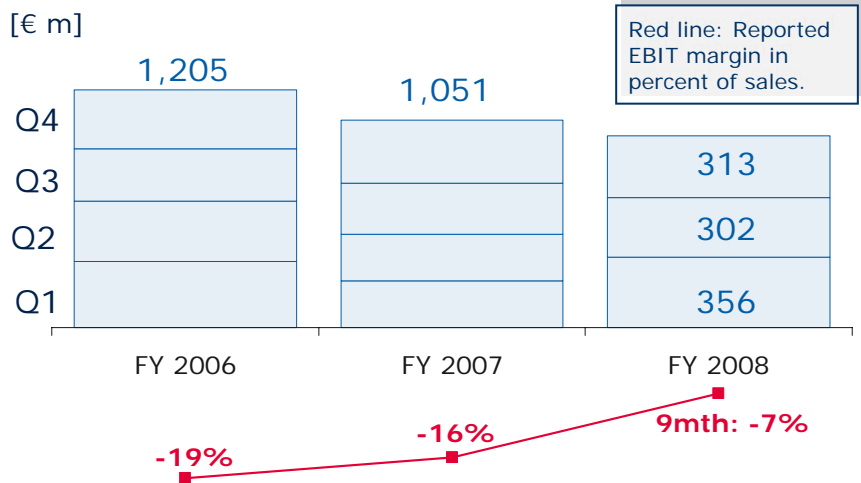


### Automotive, Industrial & Multimarket



- Q3 FY08: Reported sales decreased y-o-y affected by weak US dollar as well as HDD and Bipolar business divestiture; sales excl. divestitures and on constant currency basis grew +5% y-o-y.
- Q4 FY08: Expect sales to increase by a mid-single-digit percentage q-o-q; EBIT margin in the range of 9% to 10% excl. net gains or charges.
- FY 2009: divestitures and currency impact limit growth potential; EBIT margin excl. net gains and charges to improve; additional positive effects from the program "IFX10+".

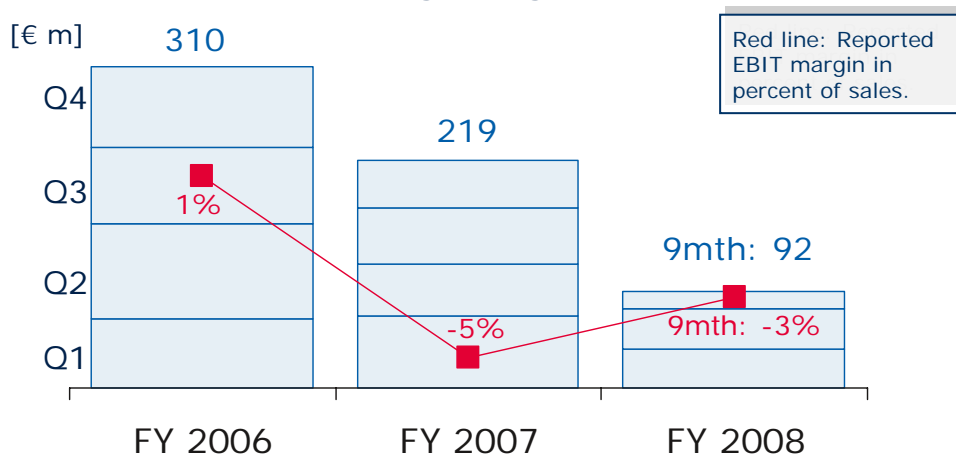
### Communication Solutions



- Q3 FY08: Despite the weak US dollar, reported sales increased 21% y-o-y due to strong customer ramp ups and acquisitions; y-o-y sales excl. acquisitions and on constant currency basis grew 9%.
- Q4 FY08: expected revenues between €330m and €350m and EBIT excl. net gains and charges to improve q-o-q driven by revenue increase.
- FY 2009: Revenue should grow from FY08 levels; cost savings to come from program "IFX10+"; EBIT to be positive.

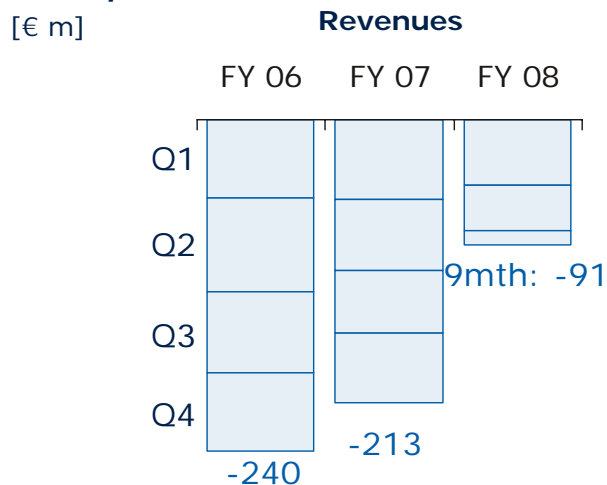
FY 2006 numbers before reclassification of Qimonda into „assets held for disposal“

### Other Operating Segments



- Q3 FY08: Sales decline q-o-q as Dresden 200-mm fab shipped last wafers to QI in Q3 FY08; EBIT in OOS and C&E did not include any significant net gains or charges.
- Q4 FY08: sales in OOS to decline q-o-q; combined OOS and C&E EBIT excl. net gains or charges anticipated to be approximately negative €20m including additional costs from Dresden fab.
- FY 2009: further y-o-y sales decline; no supplies to QI for entire year; EBIT loss comparable to FY 2008 excluding charges.

### Corporate & Eliminations

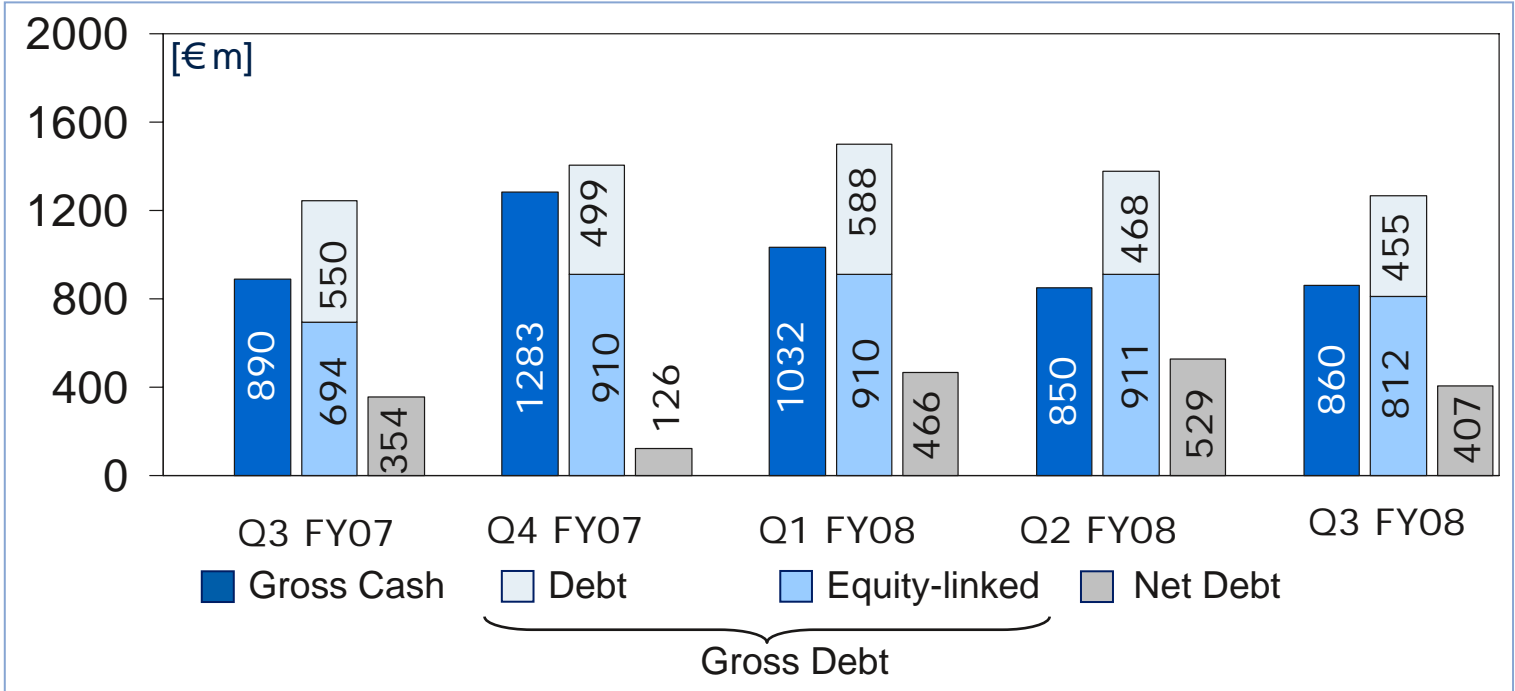




# Capital Structure Update

# Gross Cash, Gross Debt and Net Debt

Capital structure - Past quarters



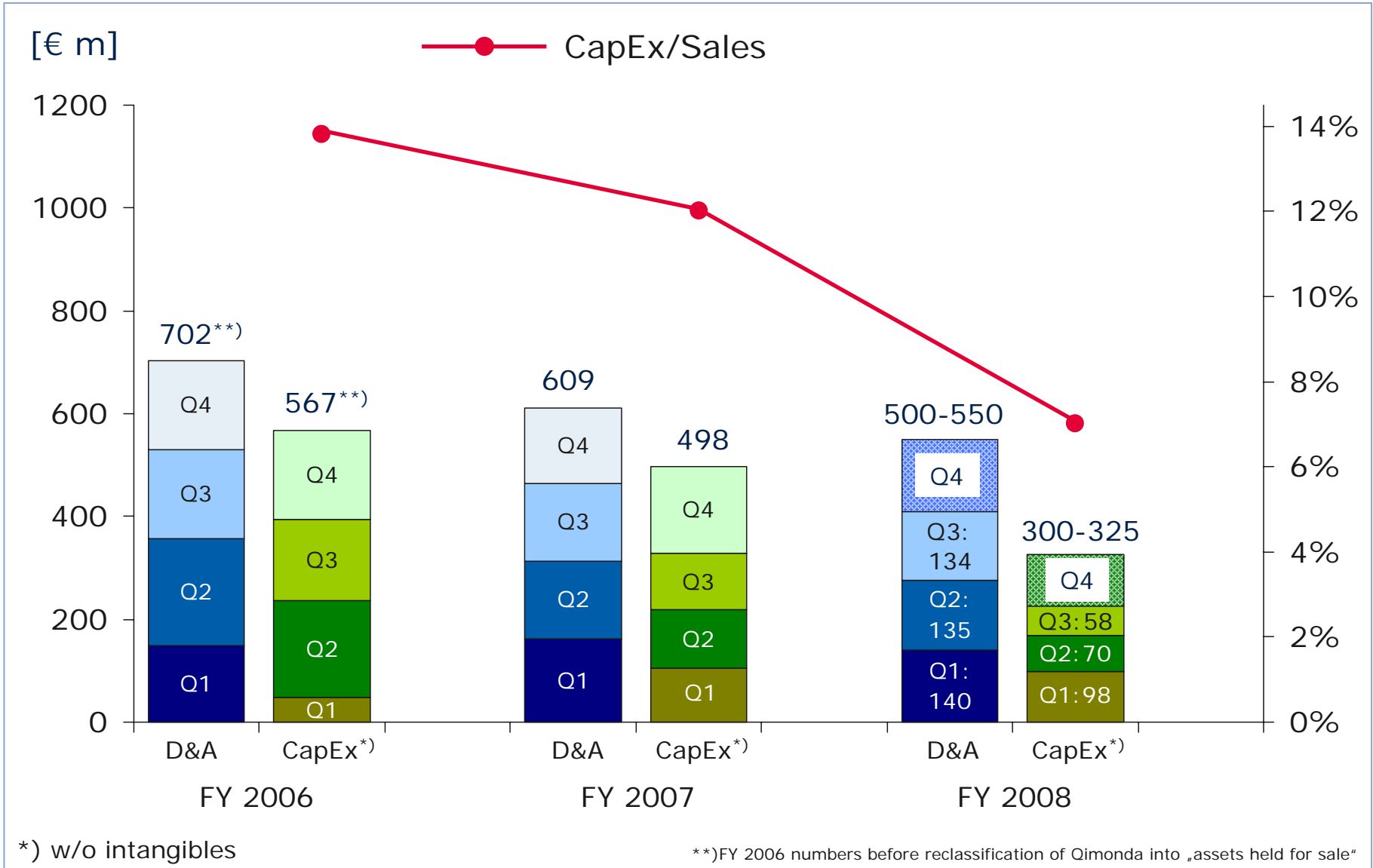
Capital structure - Targets



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Capital Intensity:  
from 12% CapEx/Sales in FY 07  
to ~8% in FY 08.

# Lowering CapEx/Sales ratio to 8% or below

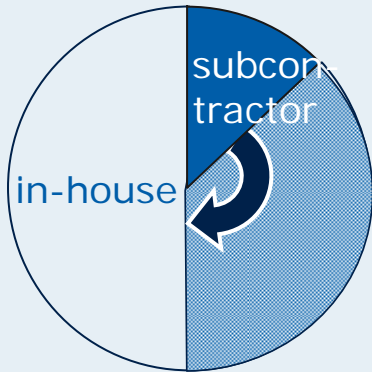


\*) w/o intangibles

\*\*\*) FY 2006 numbers before reclassification of Qimonda into „assets held for sale“

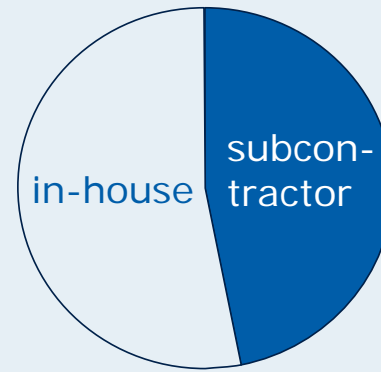
# According to Fab-light Strategy, We Will Continue to Increase Our Foundry Share

## Frontend CMOS



- Due to fab-light strategy, foundry share will increase substantially
- Multi-sourcing concept in execution

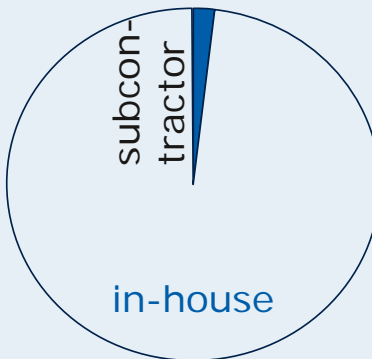
## Backend CMOS



- Keep subcontractor level high
- Develop differentiating packages in-house (e.g. eWLB)

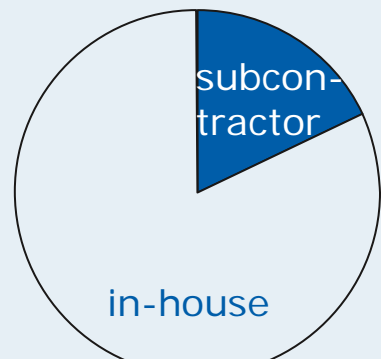
All pie charts indicate in-house/subcontractor split on average over FY07. Sale of ALTIS not considered.

## Frontend Power



- Focus on in house production
- Increase flexibility with higher foundry share

## Backend Power



- Develop differentiating packages in-house
- Make-or-buy decision made case-by-case





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



Never stop thinking

# Complete Mobile Phone Platform Solutions for Major Growth Markets



Target markets	2G/2.5G GSM/GPRS		2.75G EDGE			3.5G HSxPA	
Platform	XMM™ 1010 (ULC2)	XMM™ 1130	XMM™ 2130	XMM™ 2060	XMM™ 2080	HSDPA XMM™ 60xx	HSUPA XMM™ 61xx
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™ 60x	<b>X-GOLD™ 61x</b> (65nm CMOS)
Power-management					X-PMU™ 600	X-PMU™ 611	
RF CMOS transceiver					SMARTi PM	SMARTi 3GE	SMARTi UE
FM-radio							
Protocol stack	✓	✓	✓	✓	✓	✓	✓



Integrated in one chip

# Infineon Condensed Consolidated Statements of Operations



in Euro million	3 months ended			9 months ended	
	Jun 30, 07	Mar 31, 08	Jun 30, 08	Jun 30, 07	Jun 30, 08
Net sales	1,011	1,049	1,029	2,947	3,168
Cost of goods sold	(676)	(681)	(666)	(1,981)	(2,048)
<b>Gross profit</b>	<b>335</b>	<b>368</b>	<b>363</b>	<b>966</b>	<b>1,120</b>
Research and development expenses	(196)	(181)	(181)	(577)	(568)
Selling, general and administrative expenses	(124)	(136)	(145)	(365)	(418)
Restructuring charges	(20)	(6)	(2)	(42)	(11)
Other operating income, net	18	2	43	22	75
<b>Operating income</b>	<b>13</b>	<b>47</b>	<b>78</b>	<b>4</b>	<b>198</b>
Interest expense, net	(12)	(10)	(12)	(33)	(28)
Equity in earnings of associated companies, net	–	2	1	–	3
Other non-operating income (expense), net	2	(6)	(1)	14	(5)
Minority interests	(2)	(7)	(7)	(6)	(24)
<b>Income (loss) before income taxes, discontinued operations, and extraordinary loss</b>	<b>1</b>	<b>26</b>	<b>59</b>	<b>(21)</b>	<b>144</b>
Income tax expense	(11)	(7)	(14)	(44)	(35)
<b>Income (loss) from continuing operations</b>	<b>(10)</b>	<b>19</b>	<b>45</b>	<b>(65)</b>	<b>109</b>
Income (loss) from discontinued operations, net of tax	(187)	(1,390)	(637)	12	(2,468)
<b>Loss before extraordinary loss</b>	<b>(197)</b>	<b>(1,371)</b>	<b>(592)</b>	<b>(53)</b>	<b>(2,359)</b>
Extraordinary loss, net of tax	–	–	–	(35)	–
<b>Net loss</b>	<b>(197)</b>	<b>(1,371)</b>	<b>(592)</b>	<b>(88)</b>	<b>(2,359)</b>

## Basic and diluted earnings (loss) per share\*:

### Shares in millions

	749	750	750	748	750
Weighted average shares outstanding – basic and diluted	749	750	750	748	750
Basic and diluted earnings (loss) per share from continuing operations	(0.01)	0.03	0.06	(0.09)	0.15
Basic and diluted earnings (loss) per share from discontinued operations	(0.25)	(1.85)	(0.85)	0.01	(3.30)
Basic and diluted loss per share from extraordinary loss	–	–	–	(0.04)	–
<b>Basic and diluted loss per share (in Euro)</b>	<b>(0.26)</b>	<b>(1.82)</b>	<b>(0.79)</b>	<b>(0.12)</b>	<b>(3.15)</b>

\* Quarterly earnings (loss) per share may not add up to year-to-date earnings (loss) per share due to rounding.

# Infineon consolidated Balance Sheet

in Euro million	Sep 30, 07	Jun 30, 08
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	1,073	408
Marketable securities	210	452
Trade accounts receivable, net	620	546
Inventories	598	670
Deferred income taxes	34	25
Other current assets	303	323
Assets held for disposal	5,653	2,958
<b>Total current assets</b>	<b>8,491</b>	<b>5,382</b>
Property, plant and equipment, net	1,462	1,305
Intangible assets, net	89	367
Long-term investments	24	30
Restricted cash	77	77
Deferred income taxes	446	419
Pension assets	60	55
Other assets	160	108
<b>Total assets</b>	<b>10,809</b>	<b>7,743</b>

in Euro million	Sep 30, 07	Jun 30, 08
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Short-term debt and current maturities	260	193
Trade accounts payable	596	465
Accrued liabilities	379	329
Deferred income taxes	10	9
Short-term pension liabilities	5	5
Other current liabilities	325	308
Liabilities held for disposal	1,898	2,049
<b>Total current liabilities</b>	<b>3,473</b>	<b>3,358</b>
Long-term debt	1,149	1,074
Pension liabilities	88	81
Deferred income taxes	23	10
Long-term accrued liabilities	22	21
Other liabilities	107	91
<b>Total liabilities</b>	<b>4,862</b>	<b>4,635</b>
<b>Minority interests</b>	<b>1,033</b>	<b>649</b>
<b>Total shareholders' equity</b>	<b>4,914</b>	<b>2,459</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,809</b>	<b>7,743</b>

# Financial Calendar

- Dec 03, 2008\* **Earnings Release Q4 and FY 08**
- Feb 12, 2009\* **Annual General Meeting 2009, Munich**
- Feb 17, 2009 **Presentation at Mobile World Congress, Barcelona**

\* = Preliminary Date