

IFX Day 2011

Campeon – 07 June 2011



Peter Bauer
Chief Executive Officer



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■ Infineon Today: Transformation Completed

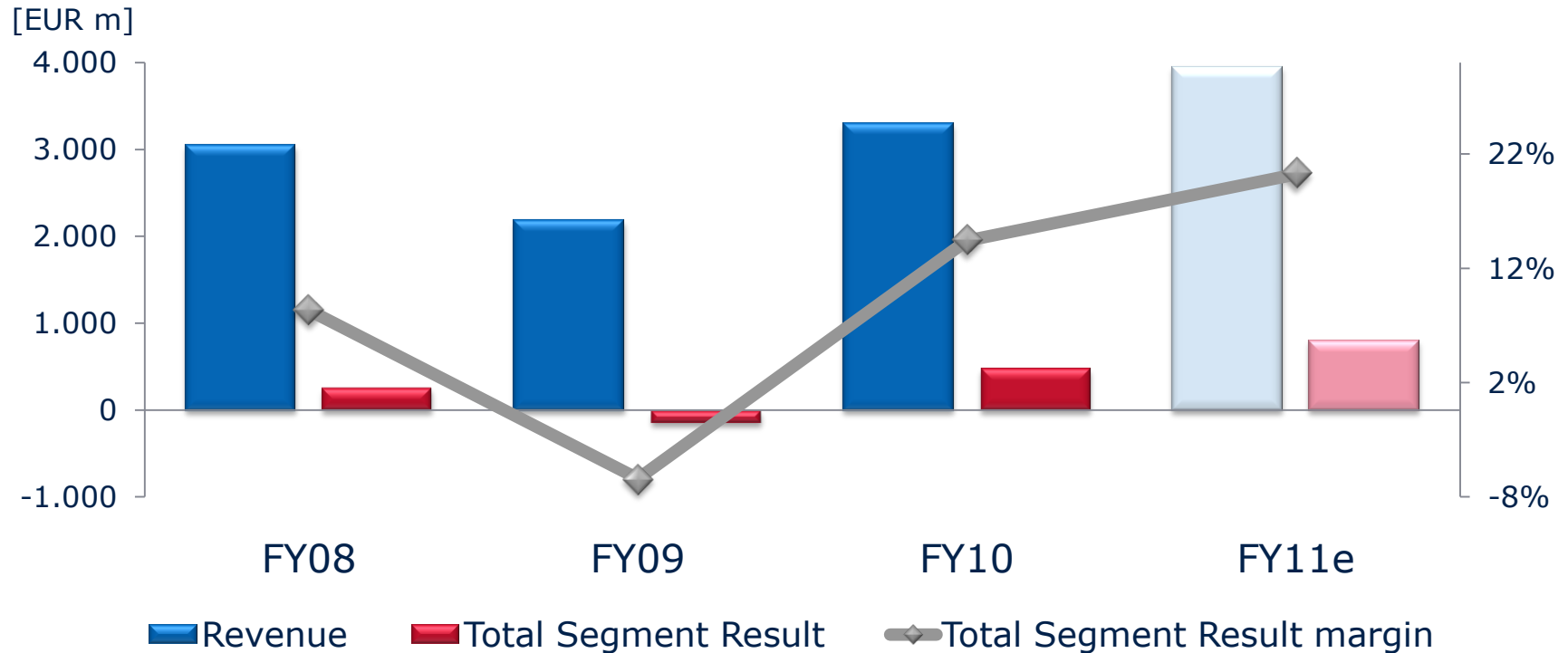
■ A New Era: Accelerating Growth

■ Sustainably Higher Margins

■ Infineon Outlook: Strong and Well-Equipped for the Future

■ Summary

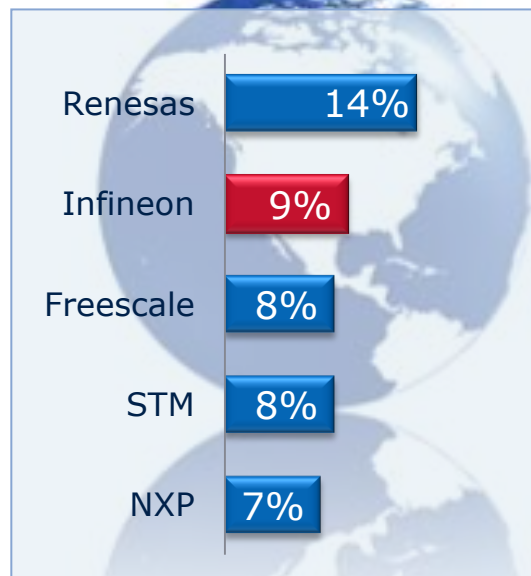
Infineon after the Crisis: Premium Growth and Record Margins



Leadership Positions in All Target Markets

Automotive

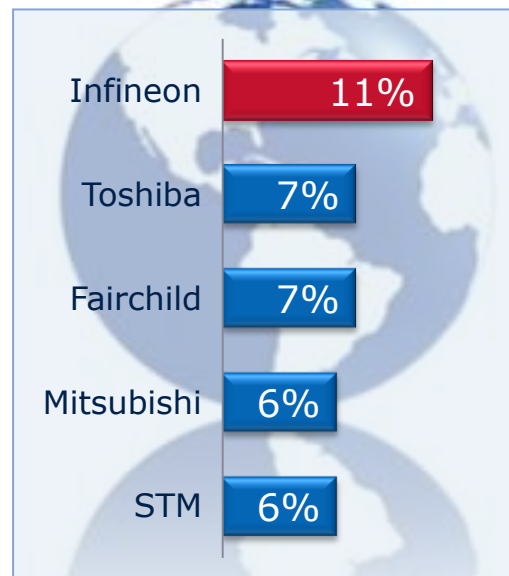
#2



Calendar Year 2010.
Source:
Strategy Analytics, April 2011.

Power

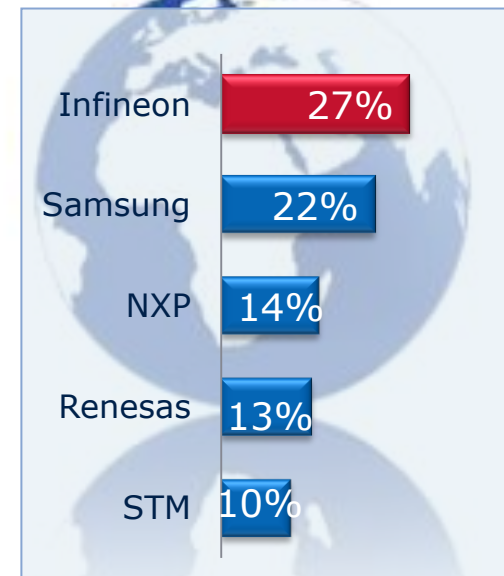
#1



Calendar Year 2009.
Source:
IMS Research, July 2010.

Chip Card

#1



Calendar Year 2009.
Source:
Frost & Sullivan, October 2010.

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■ **A New Era: Accelerating Growth**

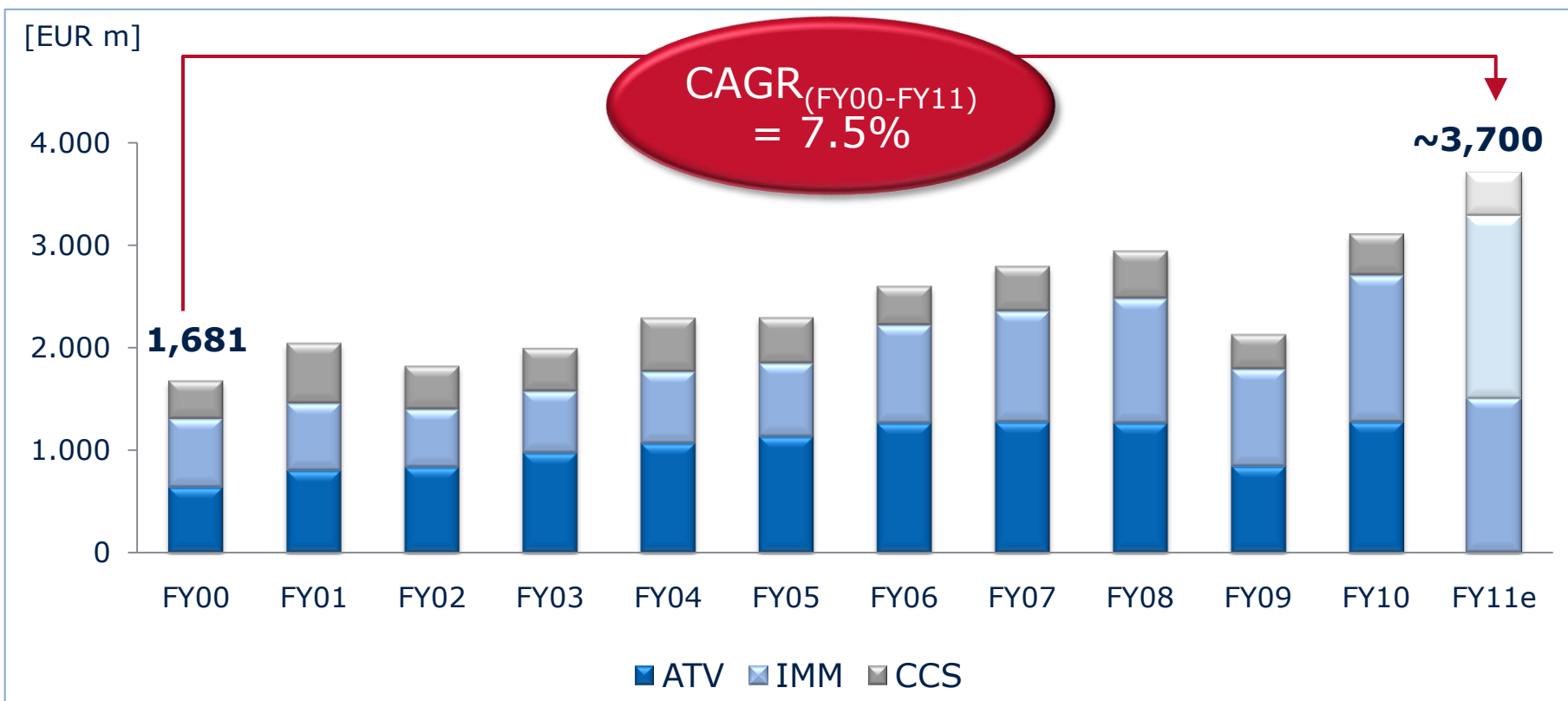
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ATV, IMM, CCS: Impressive Growth Track Record Over Last Decade

Revenue development of ATV, IMM and CCS



- ToMM market growth of 4% from 2000 to 2011 according to iSuppli*.
- We grew faster than the market.
- A decade of market share gains in ATV and IMM.

* Source: iSuppli, March 2011. ToMM = Total Semiconductor Market – MPU – Memory ICs.

New Era: Multiple Factors Driving Demand for Power Semiconductors

'90 – '10



'10 – '30



Changes

- Shift towards renewable energies requires orders of magnitude more high-power semis per MW of power generated.

- Higher efficiency in power conversion lowers CO₂, material and electricity costs.

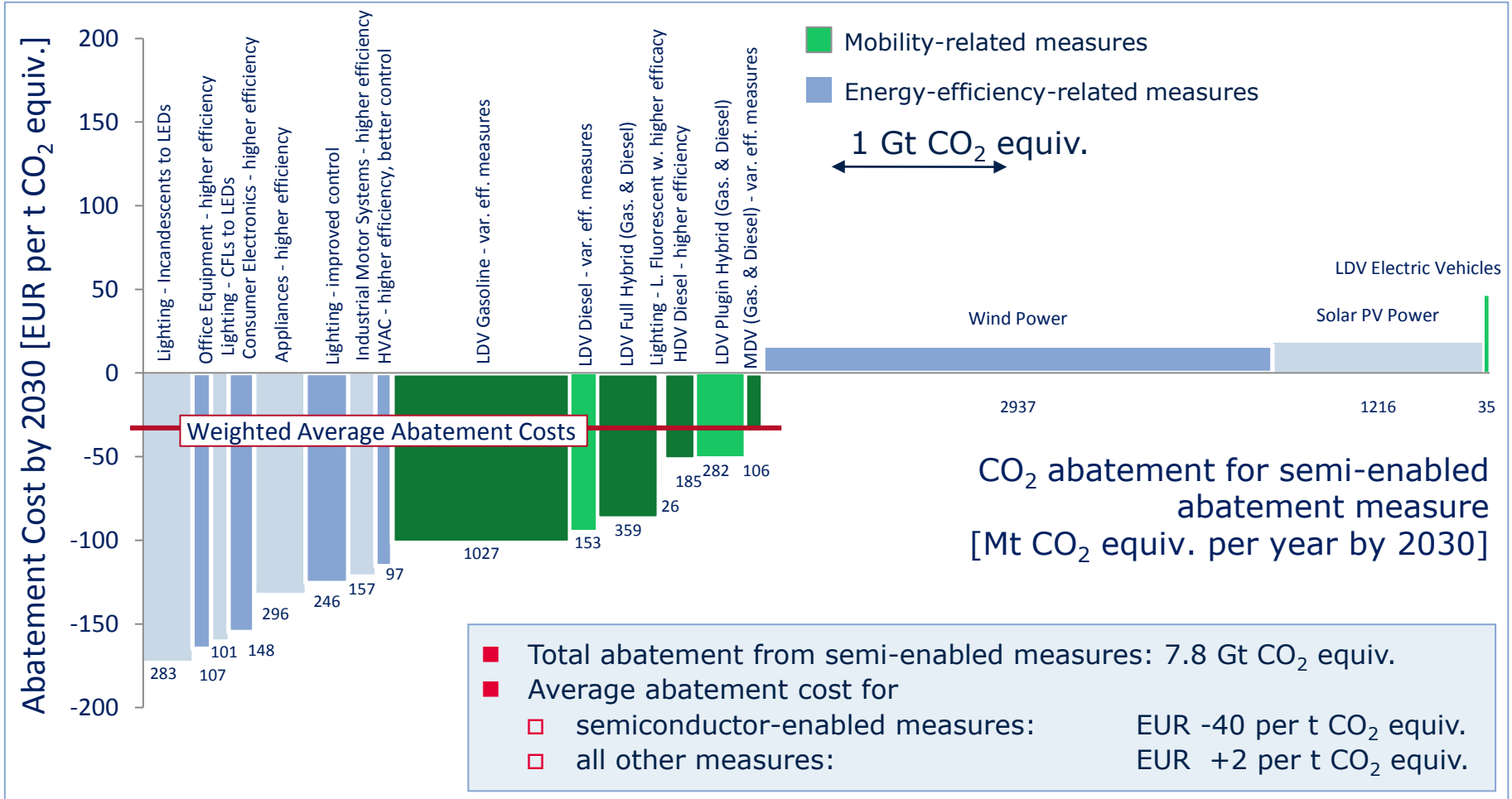
- Electrification of powertrain fuels demand for high-power semis in cars and doubles silicon content.

- Stronger demand for goods containing power semis due to faster increase in standard of living in BRIC countries.

Semi-enabled CO₂-Abatement Measures Yield Particularly High Economic Benefits



CO₂ abatement for semiconductor-enabled abatement measures



Source: McKinsey Report "Pathways to a Low-Carbon Economy", update 2.1, 2010. Measures may not exclusively depend on use of semiconductors.

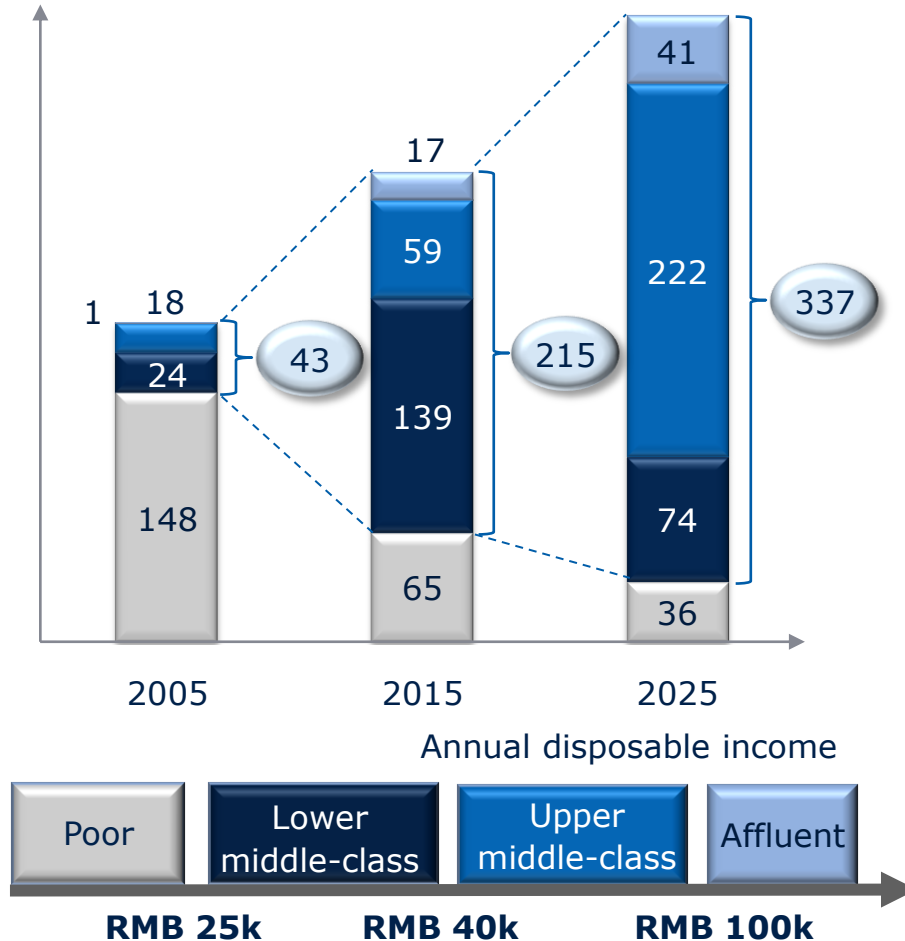
LDV: Light Duty Vehicles
MDV: Medium Duty Vehicles
HDV: Heavy Duty Vehicles

CFL: Compact Fluores. Lamp
HVAC: Heating, Ventilation, Aircon.

Chinese Middle Class Drives Enormous Growth in Semiconductor Consumption

Chinese urban population structure

[households m]



Source: McKinsey Quarterly, 2006.

Biggest consumer population

- Millions of people a year "enter" middle class in China.
- Middle class boosts urban consumption by 8.7%/y till 2025.
- RMB 60k allows purchase of car.

What boosts Infineon sales?

- Cars
- Electricity grid infrastructure
- High-speed and metro trains
- Home appliances
- Power supplies for consumer products, PCs, game consoles

ICEs Still Bread-and-Butter Business; New Opportunities by HEV/EV



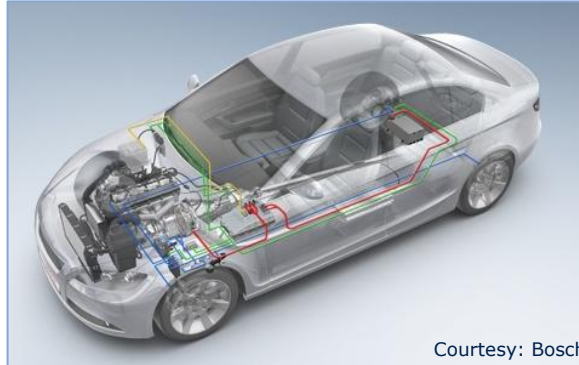
Classical car market

Vehicle production



TAM: ~5% p.a.

Semi content



TAM: 3-4% p.a.

Electromobility

HEV / EV



TAM: > 25% p.a.

small units but high growth

TAM: 8-9% p.a.







2%-pt p.a.

ATV: ~10% p.a.

Sources: CSM, Strategy Analytics (May 2011)

Power Supplies, VSD are Main Businesses; Renewables and DPM are Growth Drivers









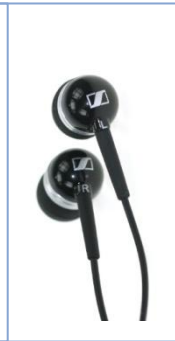

Energy generation		Transmission	Energy consumption		
Renewables		HVDC	Traction	VSD	Conversion, DPM*
 <small>Courtesy: Siemens</small>			 <small>Courtesy: Siemens</small>		 <small>Courtesy: Facebook</small>
TAM: >> 10% p.a.		TAM: >> 10% p.a.	TAM: > 10% p.a.		

IMM: > 10% p.a.

Sources: EPIA 2011, Gartner 2010, IMS Research 2010, UNIFE 2010, Yole 2010, Infineon 2011.
* DPM = digital power management

Strong Growth in New Businesses Allows Us to Grow Above Market



MobCom + Payment		Identification		New Business			
MobCom	Payment	Transport	Government	NFC	TPM	Embedded Security	M2M
							
TAM: ~ 3% p.a.		TAM: ~10%p.a.	TAM: ~10% p.a.	TAM: ~15% p.a.			

CCS:

~5-7% p.a.

10% Growth or More p.a. Expected for Infineon



ATV



IMM



CCS



ATV: ~10% p.a.

IMM: > 10% p.a.

CCS: ~5-7% p.a.

Infineon: \geq 10% p.a.

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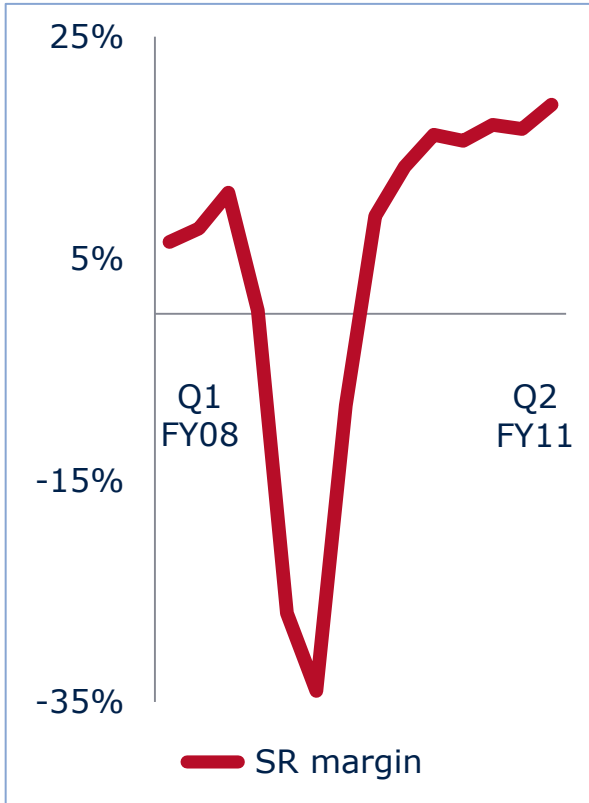
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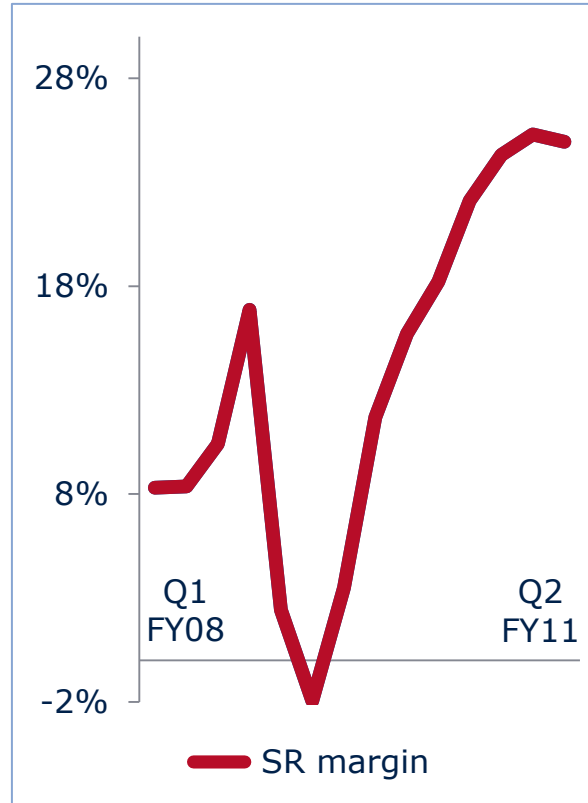
Segment Result Margins Up Significantly Versus Pre-Crisis Level



ATV



IMM



CCS



- Cost reductions
- Higher volume 32-bit μ C
- Ramp of Kulim

- Application scouting
- Portfolio management
- Ramp of Kulim

- Product mix
- Transition to 90nm
- New applications

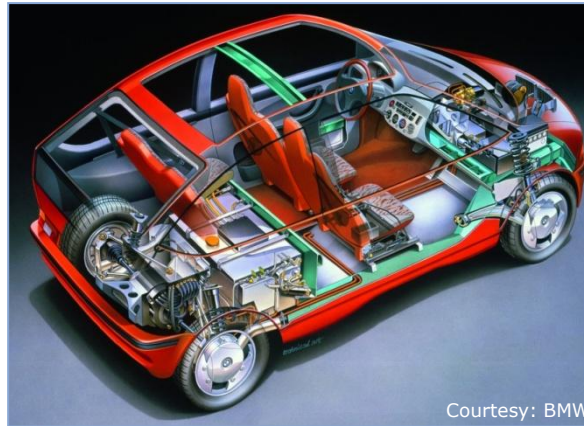
4 Reasons for Sustainable Profitability – #1: High Barriers to Entry

Long product life cycles



- For many markets we address, deliveries of semis need to be ensured for very long periods of time:
 - For car industry: 7 to 24 years;
 - For train industry: about 15 years.

System knowhow and understanding



- Both deep and wide know-how and understanding of our customers' applications needed for making best in class solutions:
 - e.g. HEV/EV needs both automotive and industrial expertise.

Strong quality and reliability req's



- Products need to reliably perform well in the field over longer periods of time:
 - Airbag reliability required as long as the car is in use;
 - Wind turbines should function 30 years.

#2: Semiconductors – Core Enablers of Innovation and Higher Functionality



Energy Efficiency



■ Power supplies

More advanced power semiconductors allow smaller, denser, lighter and more efficient power supplies.

■ VSD

More precise and efficient RPM-control versus mechanical transmission.

Mobility



■ Recuperation

Implemented in trains for years; brought to cars by the advent of HEV/EVs.

■ Power steering

EPS is replacing hydraulic-mechanical power steering allowing more flexibility in car design and less power consumption.

Security



■ Identification

Chip-based passports and national ID cards allow much higher level of security compared with paper-only ID cards.

■ Brand protection

Chip-based authentication of accessories, e.g. batteries.

#3: Semis Represent a Negligible Part of the Value of the End Product

Example 1: mid-range car



EUR 25k



Semi BoM:
EUR 250

1.0%
of product value

Example 2: high-speed train



EUR 6m



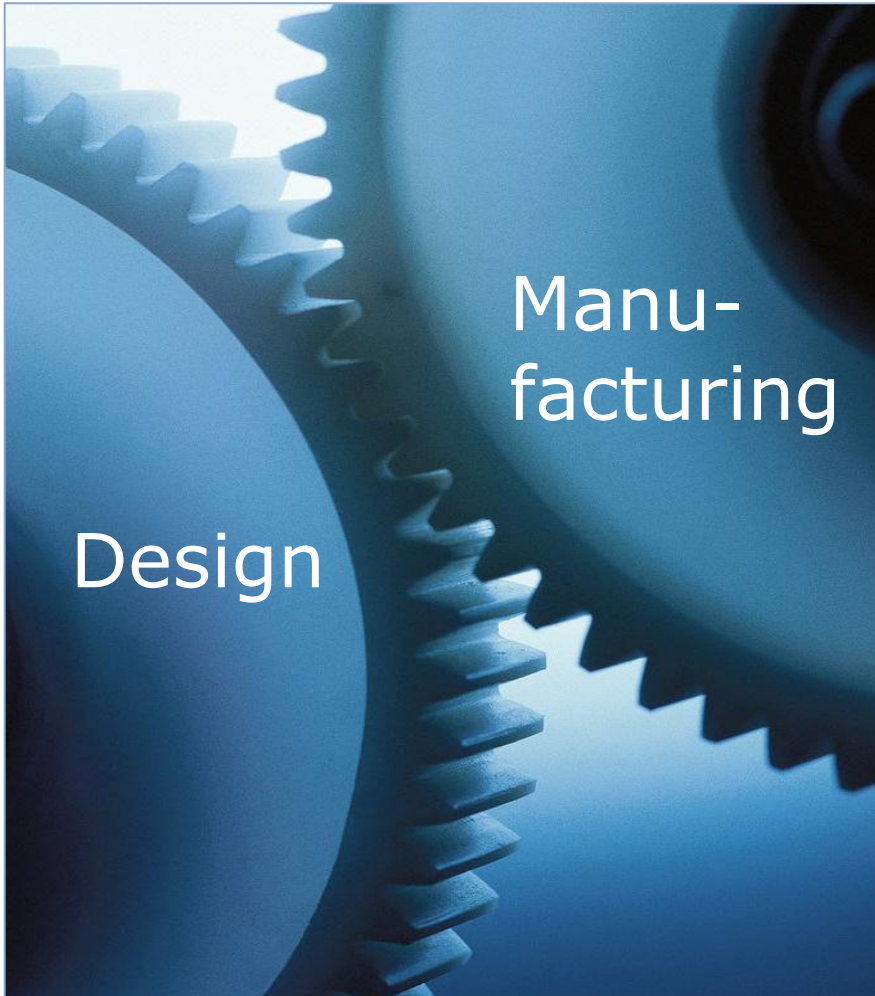
Semi BoM:
EUR 100k

1.7%
of product value

#4: Infineon's Core Competencies – Power Semiconductors and eControl



Design and manufacturing of power semis tightly coupled



Core competence power

- Thin-wafer technology
- Super-junction MOSFETs
- Silicon-Carbide (SiC)
- IGBT module packaging
- BLADE packages

Core competence eControl

- Automotive real-time 32-bit microcontroller (TriCore™)
- Automotive 32-bit multi-core design (AURIX™)
- Low-power security controller
- Safety Guard

Sustainable Profitability: We Will Keep High Margins



#1

High barriers
to entry

#2

Semis enable
high function-
ality

#3

Value of semis
small relative
to end product

#4

Infineon's
core compe-
tencies: Power
and eControl

SR target margins

ATV:

15–20%



IMM:

20–25%



CCS:

10–15%



Infineon:

- ~20% under normal industry conditions
- ~15% through cycle

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Target Operating Model

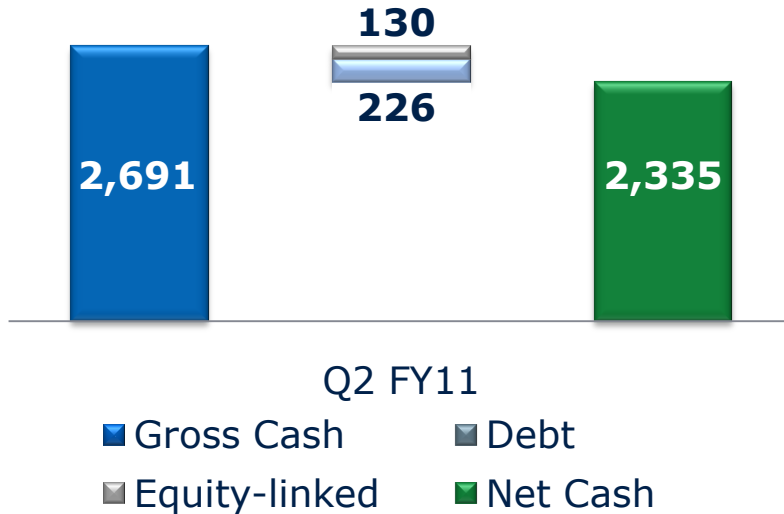
	FY 2010	FY 2011e	Longer term
Revenue	EUR 3.295bn	20% growth yoy	≥ 10% growth p.a.
Gross margin	37.5%	Low 40ies %	Low 40ies %
R&D-to-sales	12.1%	~12%	Low-to-mid teens %
SG&A-to-sales	11.7%	~12%	Low-teens %
Total Segment Result margin	14.4%	~20%	~20%

Strong Balance Sheet: Stability and Flexibility



Capital structure

[EUR m]



Safe haven

- Net cash strong at EUR 2.335bn.
- We can cope with any industry environment.

Well-positioned to take advantage of any opportunity

- Infineon is well-positioned to take advantage of opportunities:
 - equipment or fabs for organic growth;
 - well targeted acquisitions.

Sustainably Returning Cash to the Capital Market



H1 FY11: Infineon returned a grand total of EUR 216m in cash













- Dividend of 10 Euro-cents per share paid in Q2 FY11:
 - total of EUR 109m.
- Repurchase of 2014 Convertible:
 - cash outlays of EUR 107m in H1 FY11 for EUR 36m nominal.

Infineon plans to return up to EUR 500m in cash until March 2013

- Target to pay sustained dividends (FY10: ~EUR 109m).
- Further capital returns of up to EUR 300m through:
 - repurchase of 2014 Convertible or
 - share buy-back or
 - derivative-based share buy-back.

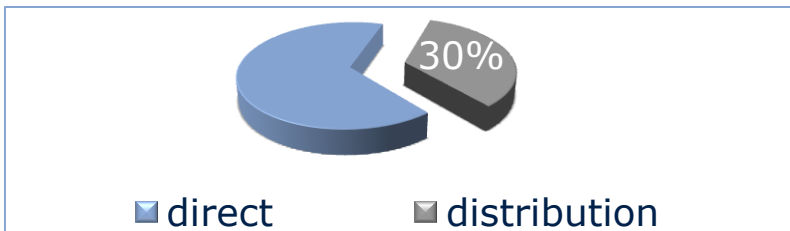
Infineon – Strategic Partner to Bluechip Customers



ATV	IMM	CCS
      	      	      

- Strategic relationships with customers.
- Capacity Insurance Program (CIP) becoming more popular.

Revenue split by channel*

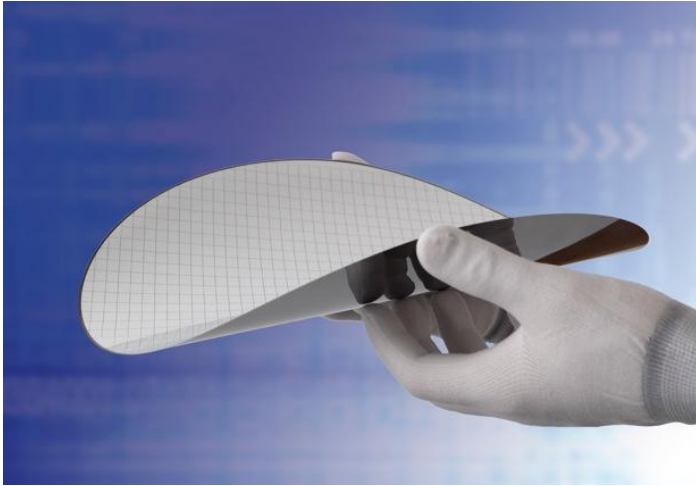


* Based on revenue from trailing 12 months (April 2010 to March 2011).

Staying on the Leading Edge: Pioneering 300mm for Power Discretetes



Leading in thin-wafer technology



- Thin-wafer technology important for:
 - Power MOSFETs,
 - IGBTs.
- Two years ahead of competition in thin-wafer technology.

Leading in production costs



- 300mm pilot line installed in Villach, Austria.
- Purchase of 300mm equipment and facility from former Qimonda.
- Volume production in FY13.

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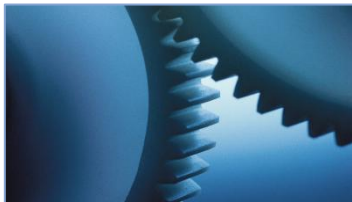
Summary



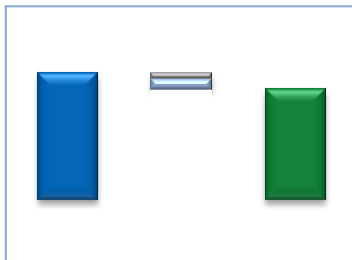
- We hold top positions in all addressed markets.



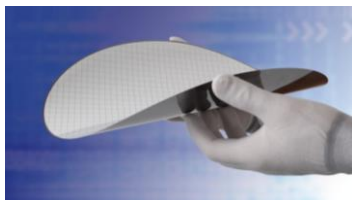
- We have entered into a new era of power semi demand leading to $\geq 10\%$ growth p.a. ahead.



- We aim to earn margins of $\sim 20\%$ under normal conditions and $\sim 15\%$ through the cycle.



- We have the balance sheet to seize upon any opportunity.
- Strong capital returns to financial markets.



- We continue to extend our technological lead: Mastering 300mm for power semiconductors.



ENERGY EFFICIENCY MOBILITY SECURITY

Innovative semiconductor solutions for energy efficiency, mobility and security.



Top-20 Direct Customers Top-10 Distribution Customers

Top-20 direct customers*

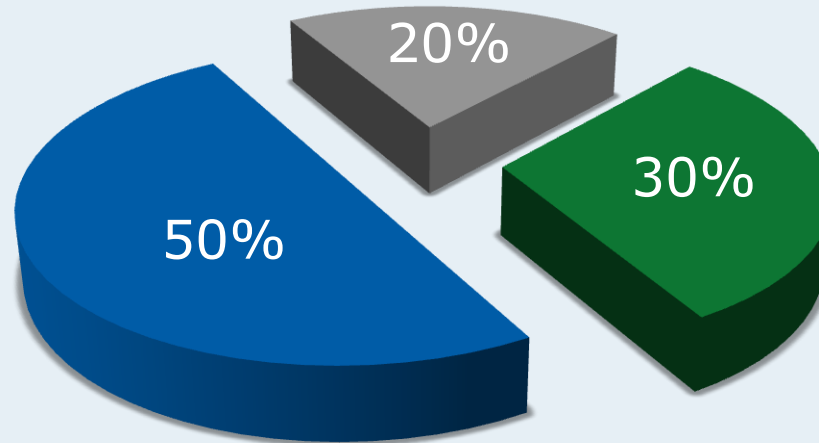
- | | | |
|----------------|-----------------------|-----------------------------------|
| ■ ABB | ■ Giesecke & Devrient | ■ Samsung |
| ■ Autoliv | ■ Hella | ■ Semikron |
| ■ Bosch | ■ Hyundai | ■ Siemens |
| ■ Continental | ■ Lear | ■ TRW |
| ■ Delphi Delco | ■ Microsoft | ■ U.S. Government Printing Office |
| ■ Delta | ■ Oberthur | ■ Valeo |
| ■ Emerson | | |
| ■ Gemalto | | |

Top-10 distributors*

- | | |
|---------------------|----------------|
| ■ Arrow | ■ Rutronik |
| ■ Avnet | ■ Ryoyo |
| ■ Beijing Jingchuan | ■ Tomen |
| ■ Eurotone | ■ Toyotsu |
| ■ Macnica Tecstar | ■ WPG Holdings |

* In alphabetical order.
All numbers refer to April 2010 through March 2011.

Revenue split: direct customers vs distribution



■ Top-20 direct customers ■ Other direct customers ■ Distribution customers

Disclaimer

This presentation was prepared as of June 7, 2011 and is current only as of that date.

This presentation includes forward-looking statements and assumptions about the future of Infineon's business and the industry in which we operate. These include statements and assumptions relating to general economic conditions, future developments in the world semiconductor market, our ability to manage our costs and to achieve our growth targets, the resolution of Qimonda's insolvency proceedings and the liabilities we may face as a result of Qimonda's insolvency the benefits of research and development alliances and activities, our planned levels of future investment, the introduction of new technology at our facilities, our continuing ability to offer commercially viable products, and our expected or projected future results.

These forward-looking statements are subject to a number of uncertainties, such as broader economic developments, including the sustainability of recent improvements in the market environment; trends in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products, such as automobiles and consumer electronics, that incorporate our products; the success of our development efforts, both alone and with partners; the success of our efforts to introduce new production processes at our facilities; the actions of competitors; the continued availability of adequate funds; any mergers, acquisitions or dispositions we may undertake; the outcome of antitrust investigations and litigation matters; and the resolution of Qimonda's insolvency proceedings; as well as the other factors mentioned in this presentation and those disclosed at other occasions.

As a result, Infineon's actual results could differ materially from those contained in or suggested by 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 in light of developments which differ from those anticipated.