

IFX Day 2007

Munich, March 13, 2007

Automotive, Industrial & Multimarket

Peter Bauer

Member of the Management Board



Never stop thinking

Disclaimer

This presentation was prepared as of March 13, 2007 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.

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Agenda

- AIM Group Financials, Products and Structure
- Automotive
- Industrial & Multimarket
- Security & ASICs
- Summary, Q&A

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- AIM Group Financials, Products and Structure

- Automotive

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Business Group AIM: 7 Business Units

Automotive, Industrial & Multimarket

Automotive



- Microcontroller
- Automotive Power
- Sense & Control



Industrial & Multimarket



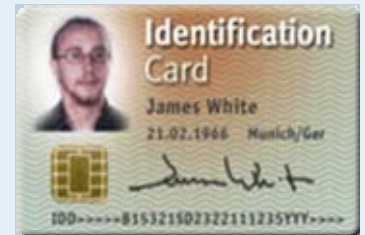
- Power Management & Drives
- Discrete Semiconductor



Security & ASICs



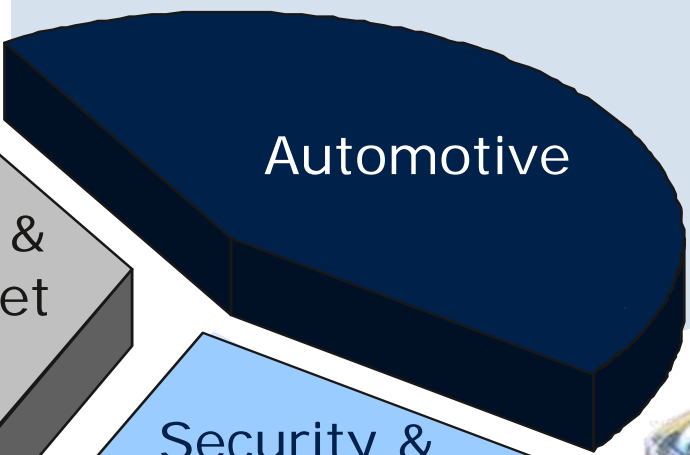
- ASIC Design & Security
- Chipcard ICs



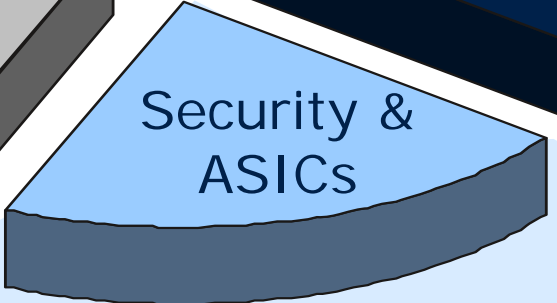
AIM Target Markets

FY 2006 Revenue: EUR 2.8 bn

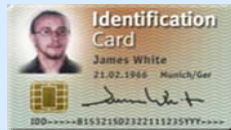
- Power generation & distribution
- Power supplies
- Automation, ind. motor control
- Traction
- PC motherboards
- Consumer power



- Powertrain
- Body & Convenience
- Safety
- Infotainment

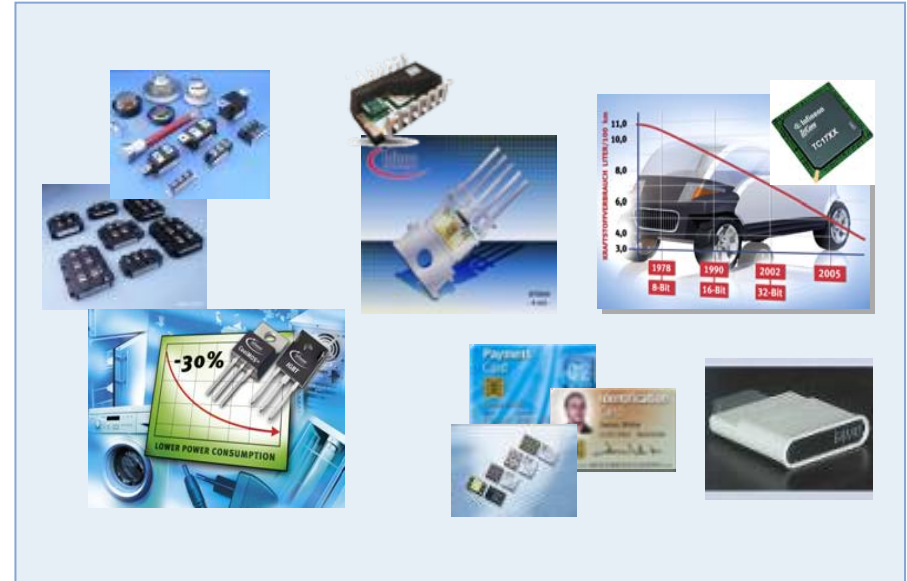
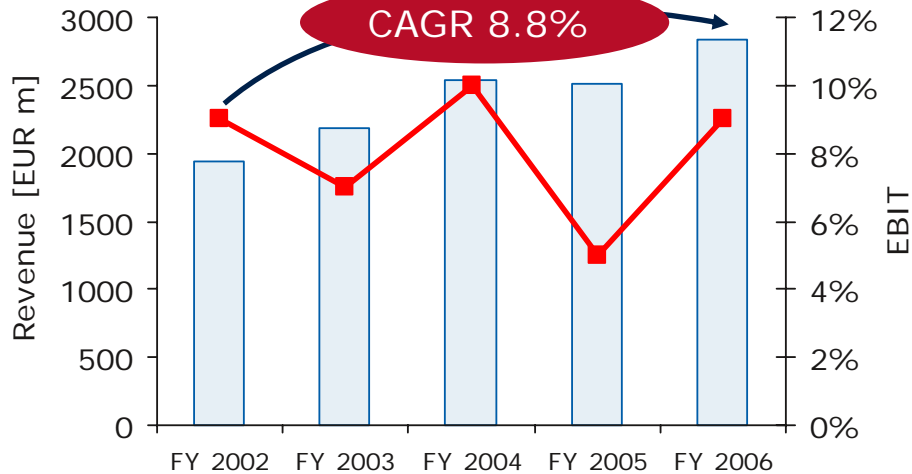


- Computer peripherals
- Consumer ASICs
- Power supplies for TVs and DVD player
- SIM cards
- Pay-TV cards



AIM Performance History

AIM Revenue and EBIT



AIM Performance History

- Automotive and power business with double-digit EBIT and growth across the cycle.
- Invest in new business for sensors (acquisition of SensoNor).
- Significant market share increase and improved profitability in industrial.
- Turn-around of loss-making businesses Chipcard ICs and Discrete Semiconductors.
- ASIC business – by nature – driven by customers' performance and projects.
- Coverage of higher central costs since a.) Qimonda carve-out ,and b.) COM business weakness due to BenQ insolvency.

AIM Profitability and Growth Strategy

Profitability Drivers

- Strong focus on productivity and manufacturing excellence.
- Invest in technology and IP in strong businesses for upcoming business cycle.
- Consequent business portfolio mgmt
- Shift to differentiated products strategy in low-margin businesses.



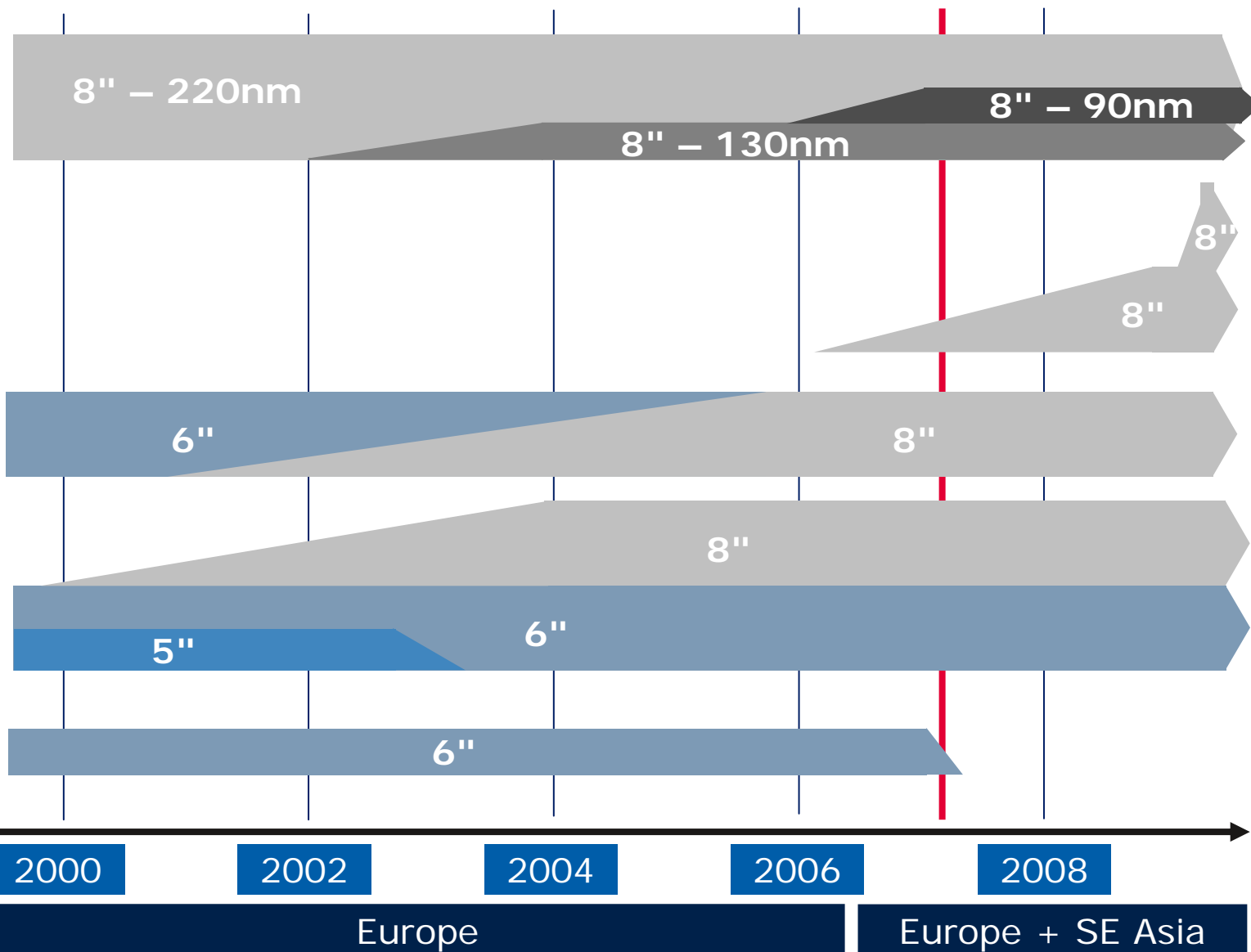
Growth Drivers

- Organic growth in strong businesses.
- Build upon application expertise and application coverage.
- Broaden direct customer base in automotive and industrial.
- Maximize revenue in mass market through distribution network.



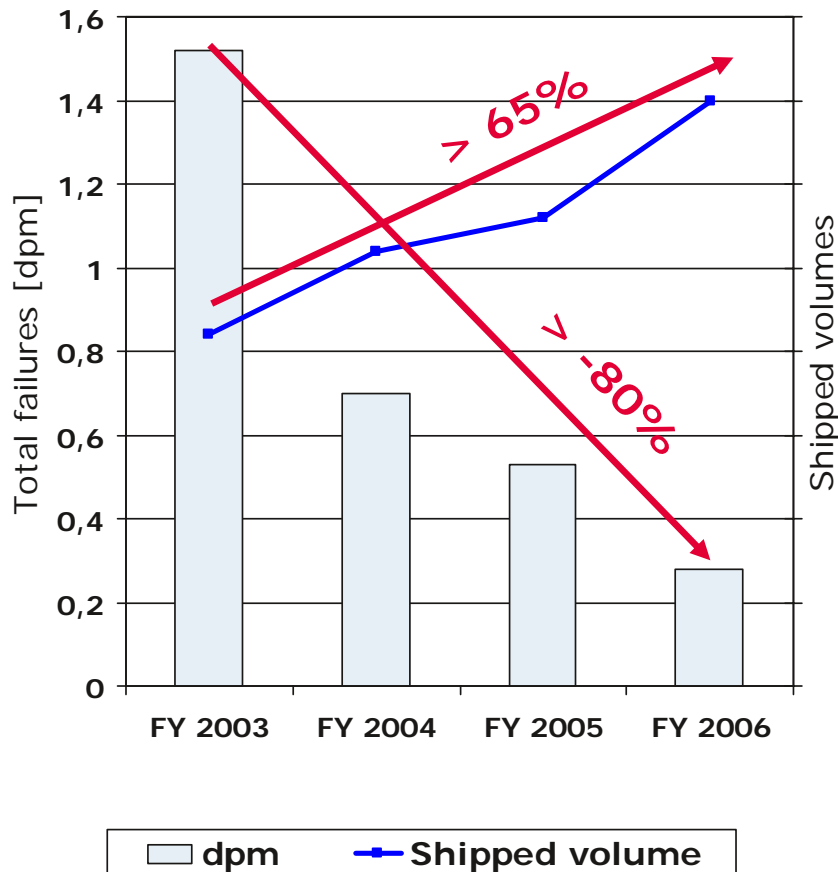
AIM Site Development: Manufacturing Landscape

Continued Consolidation from 6" to 8" Wafer

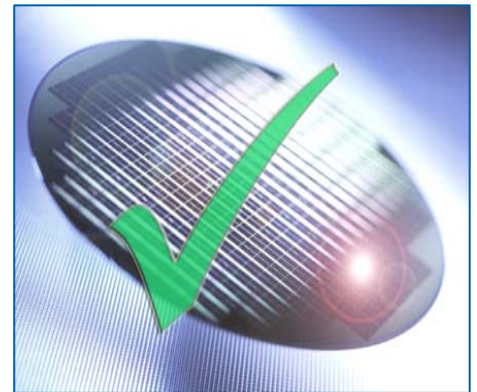


Our Quality is a Huge Competitive Advantage

Automotive & Industrial Quality Performance



- Improved quality significantly reduces cost on Tier-1 and OEM side for warranty etc.
- IFX investments in quality measures resulting in internal cost savings mid-term.
- Significant decrease of AIM cost-of-quality¹⁾ for total FY 2006 by 15% compared to FY 2005.
- New level of quality achieved: measurement of dpb (defect parts per billion)



1) AIM cost-of-quality is defined as cost-of-warranty claims, RMA, FAR and scrap of finished goods.

Agenda

- AIM Group Financials, Products and Structure

- **Automotive**

- Industrial & Multimarket

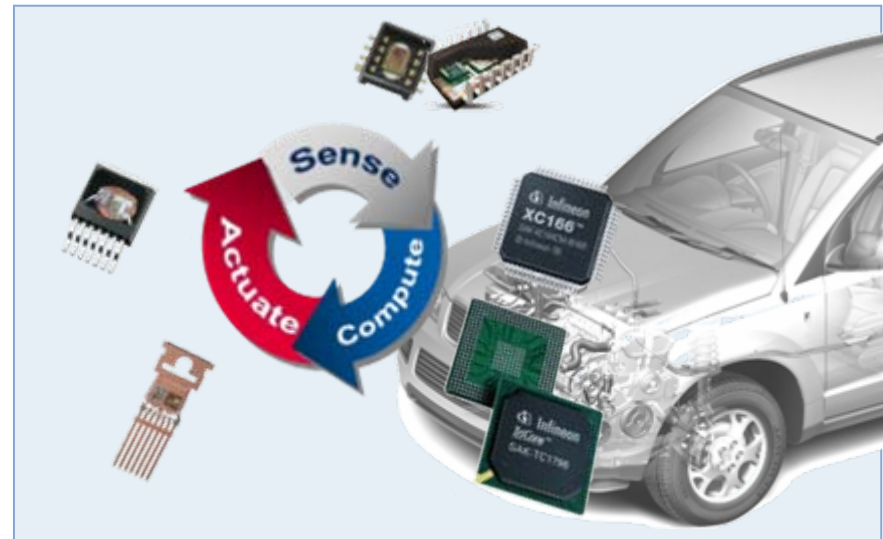
- Security & ASICs

- Summary, Q&A

Automotive

Product Range

- **Sensors:** Pressure, temperature, and magnetic; wireless control ICs.
- **Microcontrollers:** 8-bit, 16-bit, 32-bit TriCore.
- **Power:** MOSFETs, IGBTs, voltage regulators, smart power, system ICs.
- **Networking:** CAN/LIN, FlexRay, Polymer Optical Fibre.



Core Competencies

- 40 years of system expertise with broad application competence and industry commitment.
- Innovative product, technology and IP portfolio, covering the complete control cycle.
- Own production sites for automotive semiconductors.
- Automotive Excellence: Most comprehensive quality program in the industry.

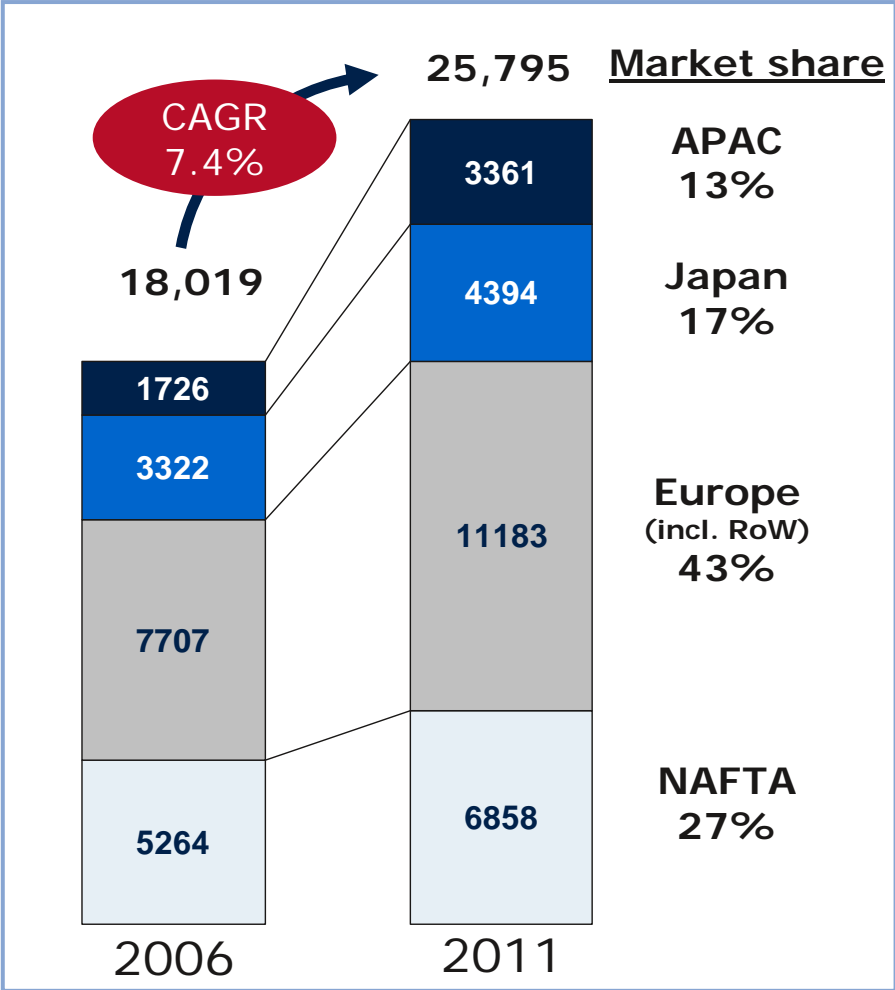
Strategic Focus

- Technology initiative with increased R&D in Automotive Power to drive high integration.
- Focus on ramp up for 130nm TriCore-based controllers securing market leadership in Powertrain.
- Broaden sensor portfolio and strong growth with TPMS.

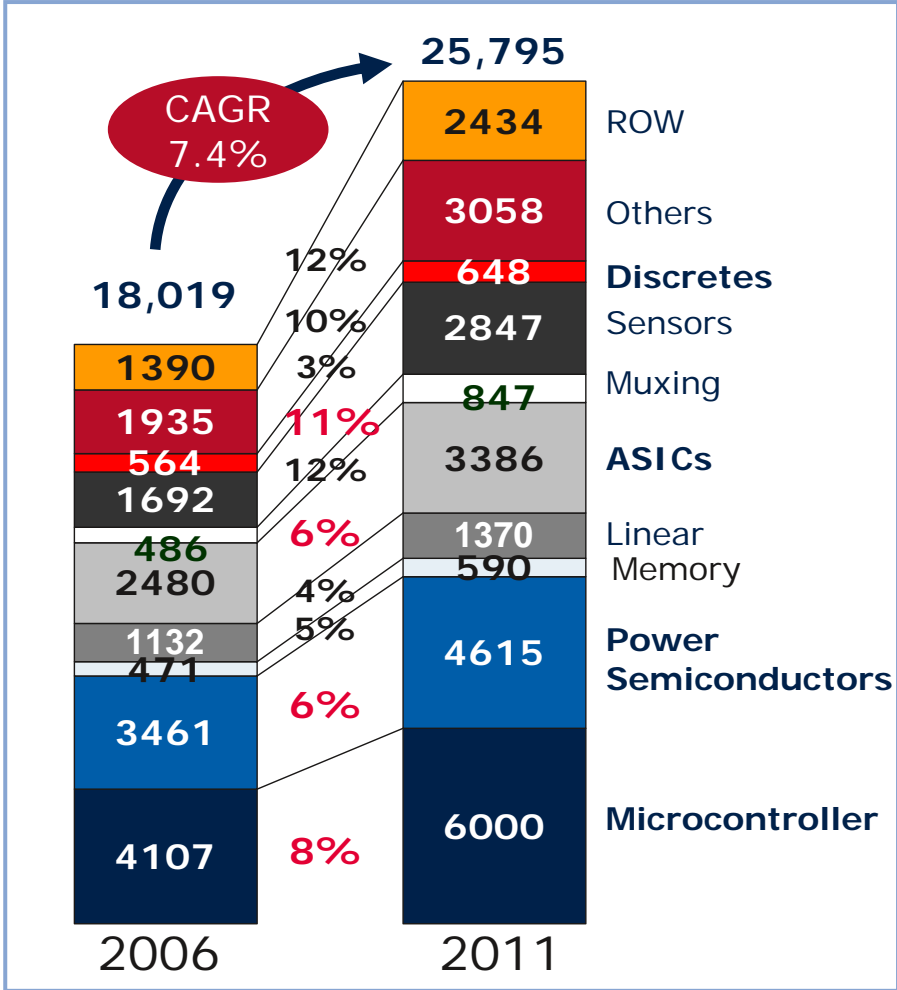
CAGR of 7.4% for the Automotive Semiconductor Market



Regional Automotive SC Market [USD m]



Automotive SC Product Market [USD m]



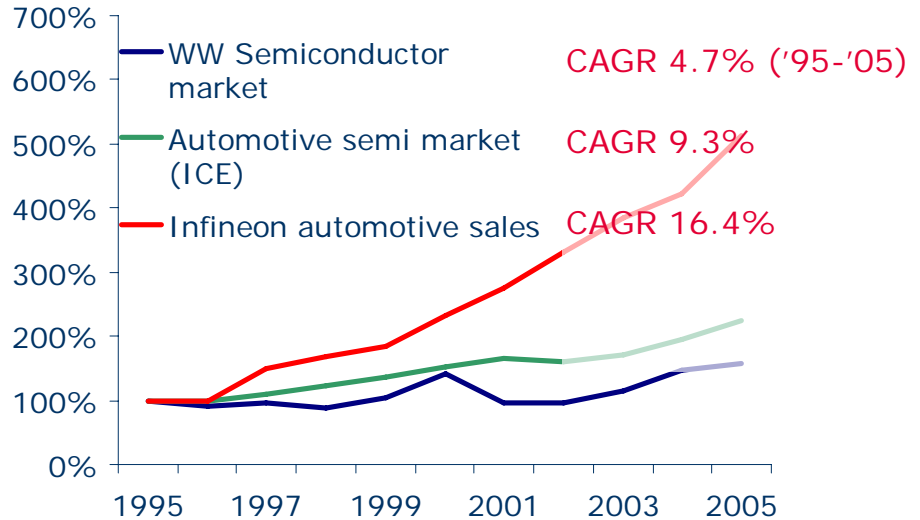
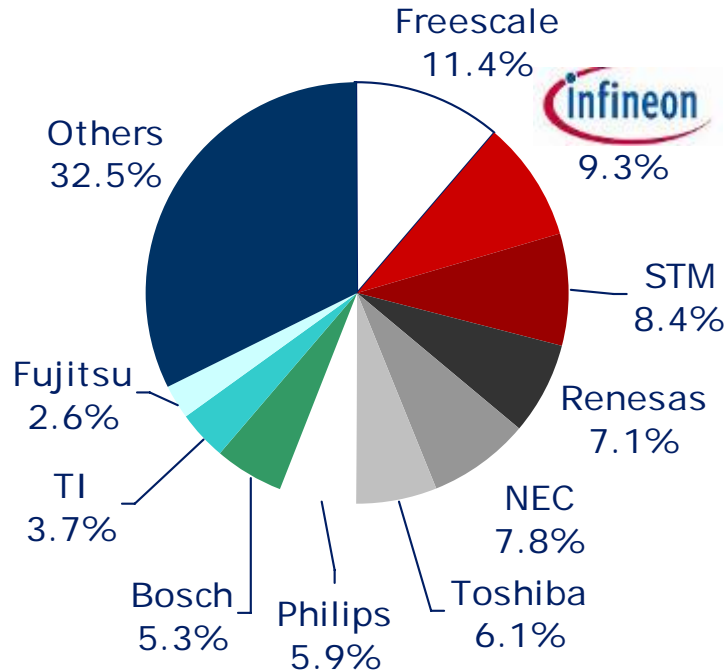
Source: Strategy Analytics, August 2006

Infineon Automotive Ranks No. 2 Worldwide Continuously Outperforming the Market



Infineon Automotive 2005*
No. 3 US No. 2 World No. 1 Europe

Continuous Outperformance



Market: USD 18,019 m**
CAGR: 7.4% (2006-11)**

- Strong European market development compared to rest of world
- Strengthened regional business in NAFTA/Japan
- Improved relationships to major automotive system vendors

Strong market position in Europe secures technological leadership.

Sources: * Strategy Analytics, May 2006; ** Strategy Analytics, August 2006

Areas of Growth in Automotive

Market

Energy Efficiency

- Fuel consumption
- Energy recovery

Regulation

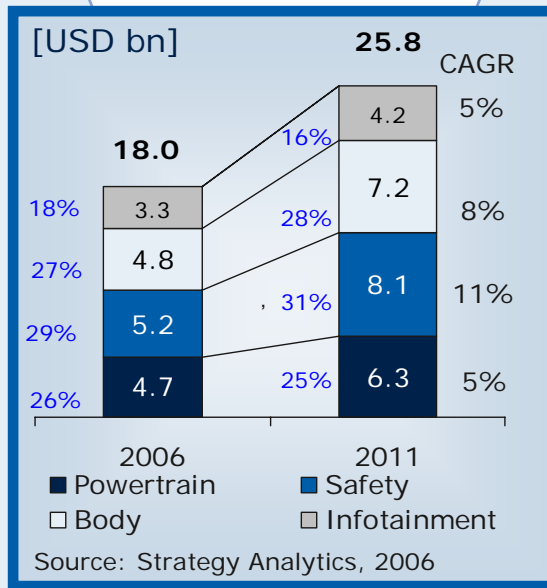
- Emission limits
- Safety (TPMS, emergency call, VSC)
- Toll collection

Driving Experience

- Comfort features
- Safety
- Proactive warning, assist and intervention

Emerging Markets

- China and India



Powertrain

- 32-bit motor control
- Hybrid drivetrain

Safety

- Airbag, ABS & VSC
- Driver assistance systems

Body

- Electrical motor control
- LEDs for lighting

Infotainment

- Integration of consumer devices into vehicle

Applications



Powertrain

Highlights

- Successful TriCore Auto NG ramp - first product with eFlash/130nm in volume production.
- HybridPACK power modules combining proven IGBTs with system-level design approach.
- Significant design-wins with intelligent H-Bridge at two major tier-1 suppliers for electronic throttle control applications.

Trends

- Increasing processing performance in EMS - optimized emissions and CO₂ reduction.
- Efficient automatic transmission solutions providing economical gear shift strategies.
- Hybrid cars demand pushed by debates on fuel efficiency and environmental.



Highlights

- TriCore is pioneering first SIL3 certified safety ECUs.
- Infineon is world market leader in volume and quality in TPMS and wheel speed sensors.
- Infineon offers full system solution capability for braking, steering, TPMS and restraint systems.

Trends

- Increased end customer awareness about safety features.
- Safety features are used by OEMs to differentiate their products.
- Legislative enforcement of safety standards.
- Emerging driver assistance systems additionally increase the safety market.



Body

Highlights

- Intelligent power product SPOC family announced at "Convergence 2006" conference, with design-wins at several EU body platforms.
- Design-win of highest volume North American body application.
- Coverage of whole chain from sensor via processing to actuator (power driver).

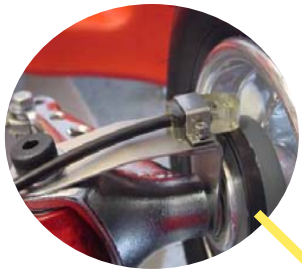
Trends

- Growing system complexity requires decentralized intelligence at actuators and therefore higher integration.
- Advanced function integration with improved control and diagnostics features.
- Software availability becoming a key decisive factor.

Research for Four-wheel Driven Electric Vehicle at Tongji University, Shanghai



Infineon e-Cart: Performing Electric Drive



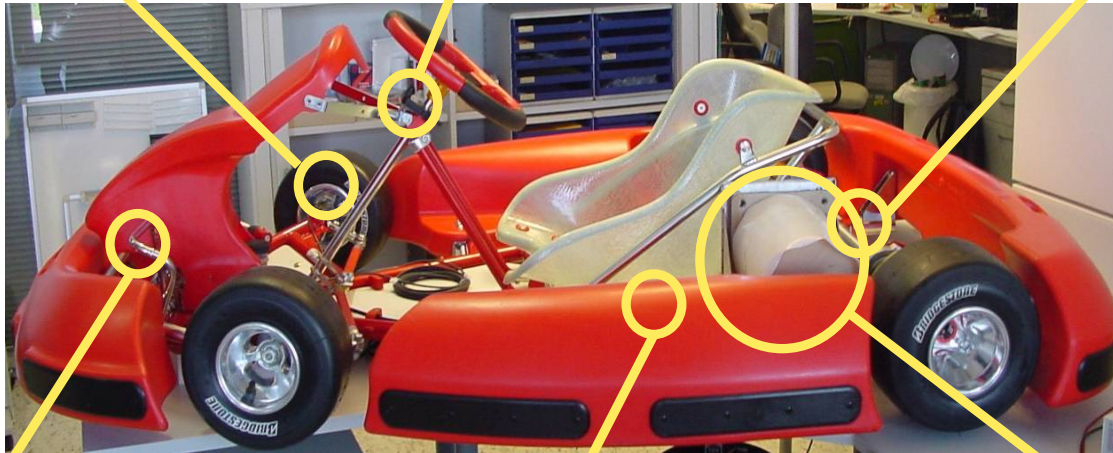
Wheel speed sensor
TLE 4942



Steering wheel angle
TLE 5010
XC 886



Wheel speed sensor
TLE 4942



Motor drive
6kW permanent magnet synchronous machine (PMSM)



Pedal position
TLE 4997



Motor control
Inverter stage with HybridPack1
TC1796 starter kit



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Industrial & Multimarket

Strategic Focus

- Benefit from leadership in IGBT and CoolMOS with extended manufacturing capacity (Kulim).
- Continue strategy for differentiated discretes and application-specific approach with microcontrollers.
- Maximize mass market opportunities through distribution.

Product Range

- **Power Semiconductors:** IGBTs, high-power MOSFETs, PWM and PFC ICs, diode and thyristor discs, diode and IGBT modules.
- **Discretes:** AF and RF diodes and transistors, AF SSICs, RF MMICs, HiPAC.
- **Microcontrollers:** 8/16/32-bit controllers with standard and industrial peripherals.
- **Sensors and wireless control ICs.**



Core Competencies

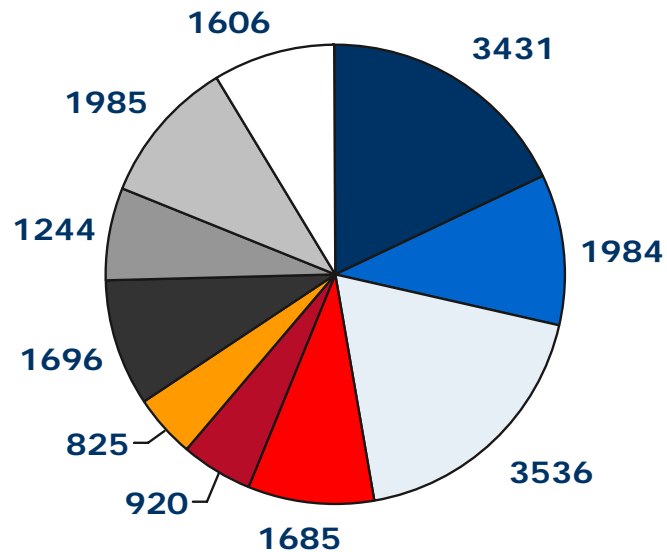
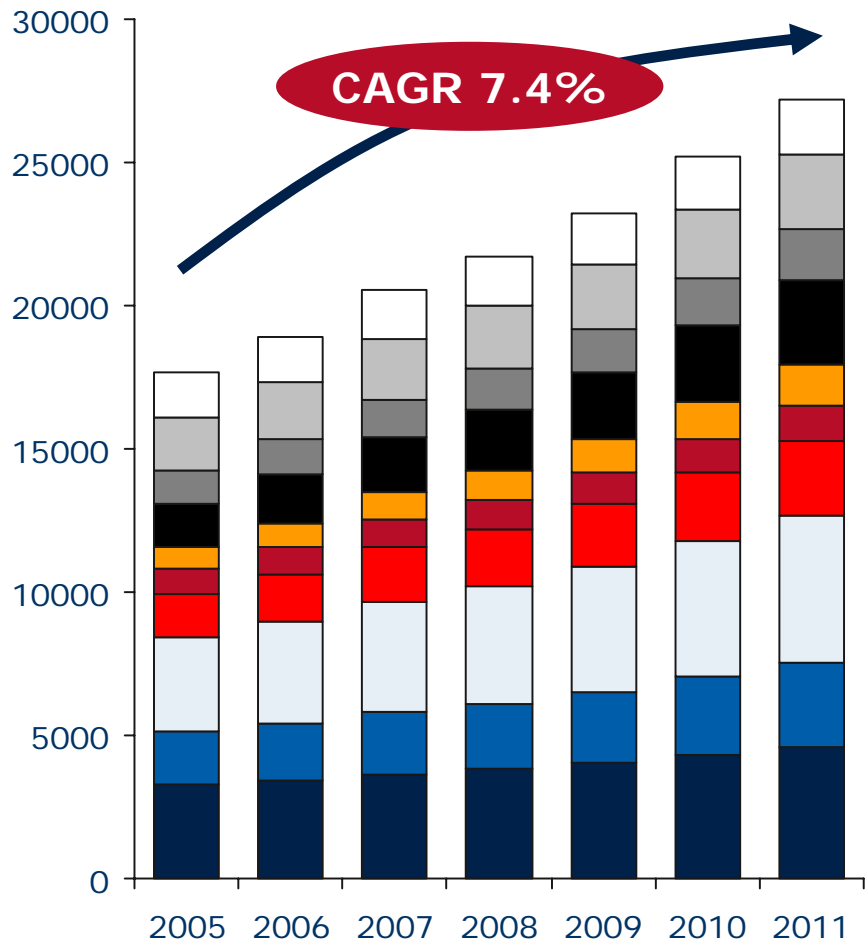
- Broad product portfolio for fragmented market.
- Industrial quality products.
- In-depth system expertise with broad application competence.
- Dedicated sales channel with direct account teams and distribution network.

The Very Fragmented Industrial Market Represents 7.6% or USD 18.9 bn of the Total Semiconductor Market in 2006



Industrial Semiconductor Market Revenues [USD m]

Industrial semiconductor market per Application [USD m]



- Automation & Control
- Motor Drives
- Lighting, Building Automation & HVAC
- EPOS, EFT & ID
- Test & Measurement
- Home Health
- Medical Imaging & Diagnostics
- Power & Energy
- Industrial Transport
- Other Industrial

Source: Semicast Estimates, October 2006

Infineon is Forecasted to Improve From No. 4 to No. 2 Position in the Market for Industrial Semiconductors in 2006



Rank Forecast 2006	Supplier	Market Share
1	STMicroelectronics	7-8%
2	Infineon	5-6%
3	Texas Instruments	5-6%
4	Analog Devices	5-6%
5	Renesas Technology	4-5%
6	Toshiba	4-5%
7	Fairchild	3-4%
8	Freescale	2-3%
9	NEC	2-3%
10	NXP	2-3%

Did you know that ...

... we are no. 1 with standard IGBT modules for drives?



... we are the leading semiconductor supplier for transportation?

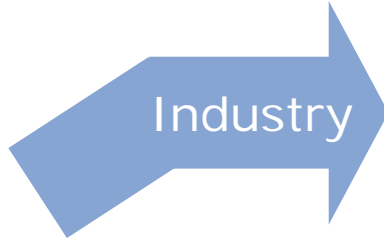
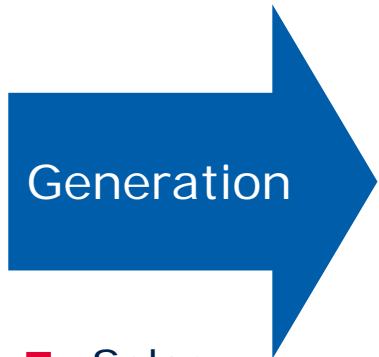
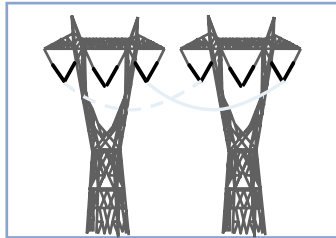


... we are the leading microcontroller supplier for programmable logic controllers (PLC)?



Source: Semicast Estimates, October 2006

Increased Efficiency in All Areas of the Electric Supply Chain by the Use of Electronic Control and Energy Recuperation



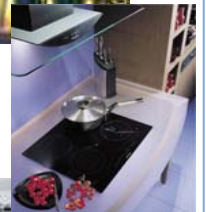
- Solar power
- Wind power
- Fuel cells

- FACTS & SVC
- HVDC Transmission

Consumption

Saving potential is everywhere

- Traction (trains)
- Speed controlled motors
- Pumps
- Computer and server power supply
- Lighting
- TV, DVD, etc. supply and stand-by
- Inductive cooking
- Automotive (engine control hybrids)



FACTS = Flexible Alternating Current Transmission Systems; SV = Static Variable Compensator; HVDC = High Voltage Direct Current



Automation & Drives

Trends

- Motors and pumps with variable speed control
- IPMs for small drives
- Safety and security in Automation
- Ethernet/Network connectivity in automation

Highlights

- MCUs with configurable software tools for extended temperature range.
- 3.3 kV IGBT3 for medium voltage drives used in pumps for oil and gas pipelines.
- ISOface isolated power switch for industrial applications (PLC).

Selected Industrial & Multimarket Opportunities and Highlights: Power Supplies



Power Supplies

Highlights

- New OptiMOS3 with improved reliability and energy efficiency.
- Complete coverage of gaming segment with power supplies (OptiMOS, CoolMOS).
- High integrated lighting controller for fluorescent lamps.

Trends

- More efficient power supplies in servers, notebooks, plasma TVs or LCD TVs to save energy and increase power density.
- Standby power reduction.
- Introduction of distributed power architecture with point of load (PoL) power conversion.



Discretes

Highlights

- GPS-LNA is selected from leading chip-set supplier for their reference designs and the top handset manufacturer.
- UMTS-LNA design-wins at one of the top-3 handset manufacturers and on the reference platform of the leading cellular baseband supplier.

Trends

- Strong business success with integrated high performance discretes in mobile applications.
- New MEMS-based silicon microphones gets more sockets in cellular phones.
- High demand on discretes continuing.



Highlights

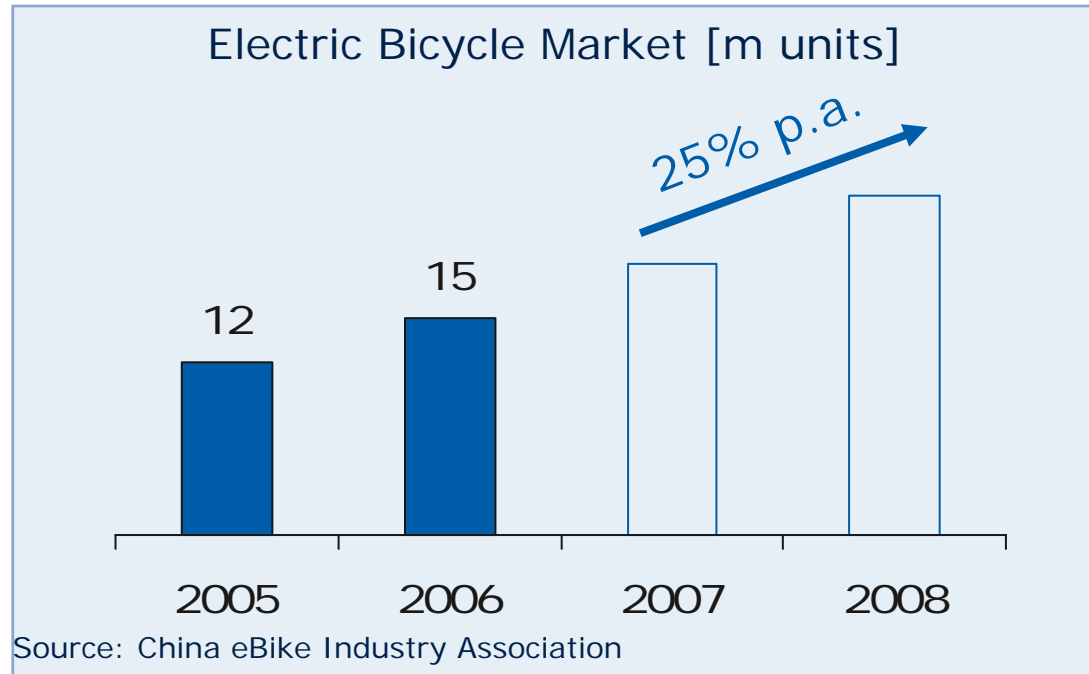
- Leading IGBT supplier for booming Asian rice cooker market.
- CiPOS all-in-one solution for washing machine and air conditioner.
- Cost-efficient realization of advanced motor control functionality on 8-bit controller.

Trends

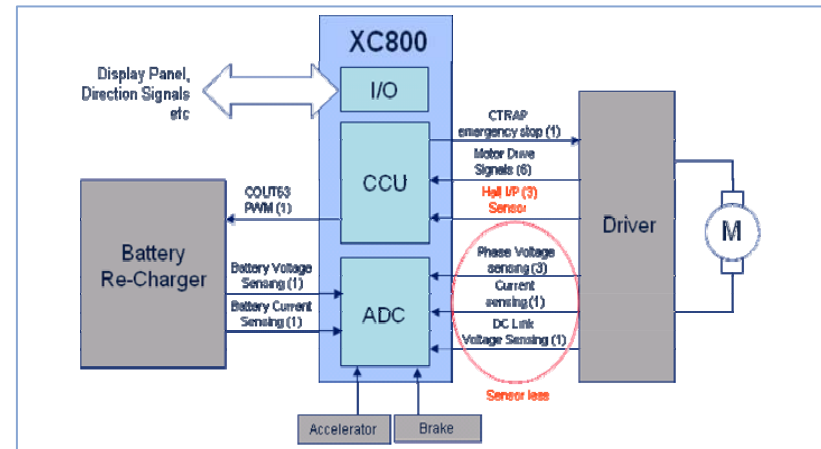
- Inductive solutions replacing conventional electric ranges.
- Network and monitor capability for additional services.
- Increased semiconductor utilization for enhanced power efficiency with variable speed drives.

Electric Bicycle Based on XC800

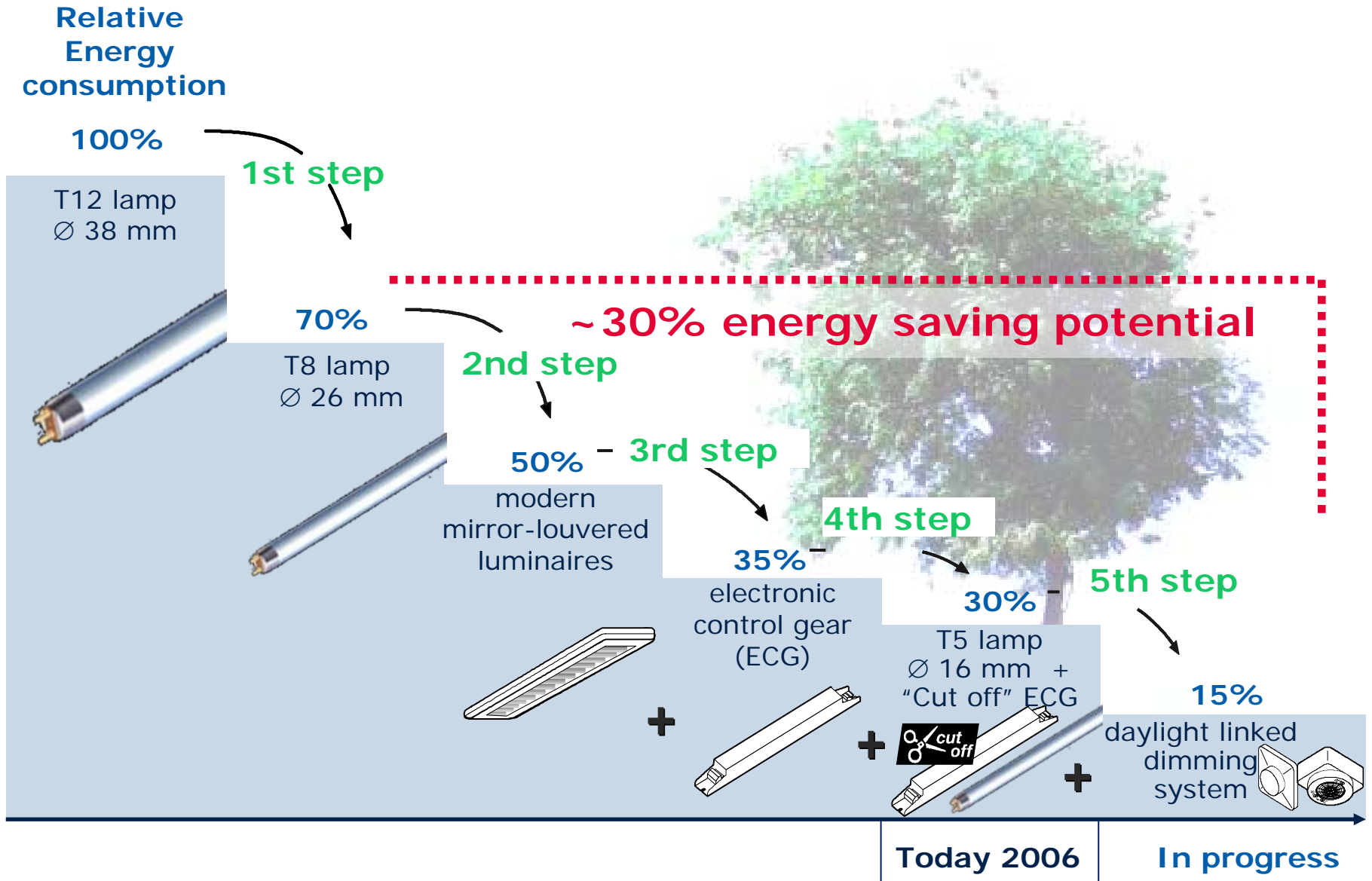
Industrial & Multimarket Innovation Topics



- 95% for domestic market, more than 300,000 for export from China. (Source: China eBike Industry Association)
- China major cities reveal up to 76% citizens willing to use electric bicycle for transportation.
- Lifting of eBike ban at Beijing province (capital) in January 2006, boost up market trend.



Lamp Ballast: Savings Potential by Infineon CoolMOS and Smart Ballast IC



Source: OSRAM; CLEMA: Lamp Ballast Guide; Infineon 2006

13-Mar-2007

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Slide 31

Industrial & Multimarket Innovation Topics

MEMS-based Silicon Microphone



Product:

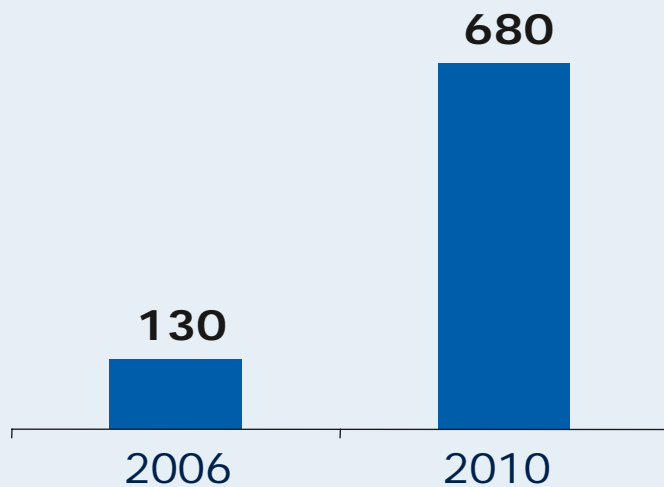
- Replacement of today mainly used electret microphones by disruptive technology change.
- MEMS (micro-electro-mechanical system) based sound sensor.

Customer Benefit

(compared to electret):

- Enhanced and cost-reduced manufacturability due to reflow soldering capability.
- Excellent reliability and no degradation at high temperature, humidity, shock and vibration.
- Small size, low height and low current consumption.
- Good and long-term stable audio quality.
- Option to integrate additional functionality already available (e.g. audio processing).

Market for Si-Microphones
[USD m]

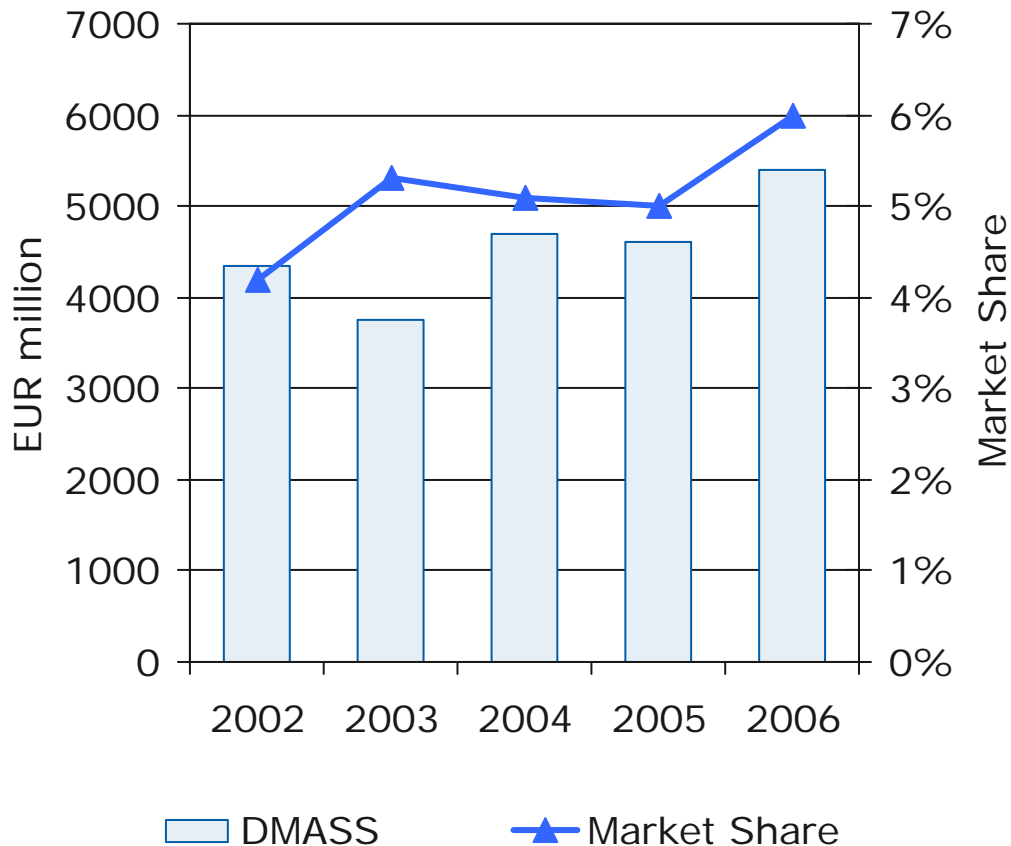


Source: Wicht Technology Consulting (WTC), 2006

Strong Distribution Partnerships to Address the Highly Fragmented Industrial Market



EMEA Distribution Market and Infineon Market Share



Source: DMASS, February 2007

- We market our products through a distribution partner network and currently serve **> 15,000 end customers** worldwide.
- Also, major tier-1 increasingly use distribution partners for demand fulfillment.
- Provision of right packages and support model for distribution is mandatory.
- Infineon has a clear focus with regards to segments, distributors and regions.

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Security & ASICs

Strategic Focus

- Continue to drive sustainability in Chipcard ICs after successful turn-around with focus on profitability.
- Extend customer-focused business with secure ASICs and computing ASICs based on Infineon's IP and 3rd party IP.

Core competencies

- Outstanding security expertise (EAL5+ certified, TPM).
- Leading edge in-house and partner IP expertise.
- Best-in-class CMOS and packaging technologies.
- Customized solutions incl. firmware and software and complete reference designs.
- Strong customer focused teams.

Product range

- Contact-based and contact-less chipcard security controllers and memories.
- Security ICs and secure ASICs.
- Customer-specific and application-specific secure solutions and designs (system-on-chip, system-in-package or ODM ready).



Chipcard ICs Security Applications and Product Portfolio



Contact-based chipcards

Contactless chipcards, RFID



Identification
ePassport, national ID,
social/health card,
physical and IT access



SLE 88
SLE 66



SLE 66

my-d
Mifare
PJM



Entertainment
Pay-TV, gaming,
video/audio



SLE 88
SLE 66



Payment
credit/debit, e-purse,
transport,
ticketing



SLE 66



SLE 66

my-d
Mifare



Communications
mobile communications,
prepaid telecom



SLE 88
SLE 66
SLE 50

Eurochip

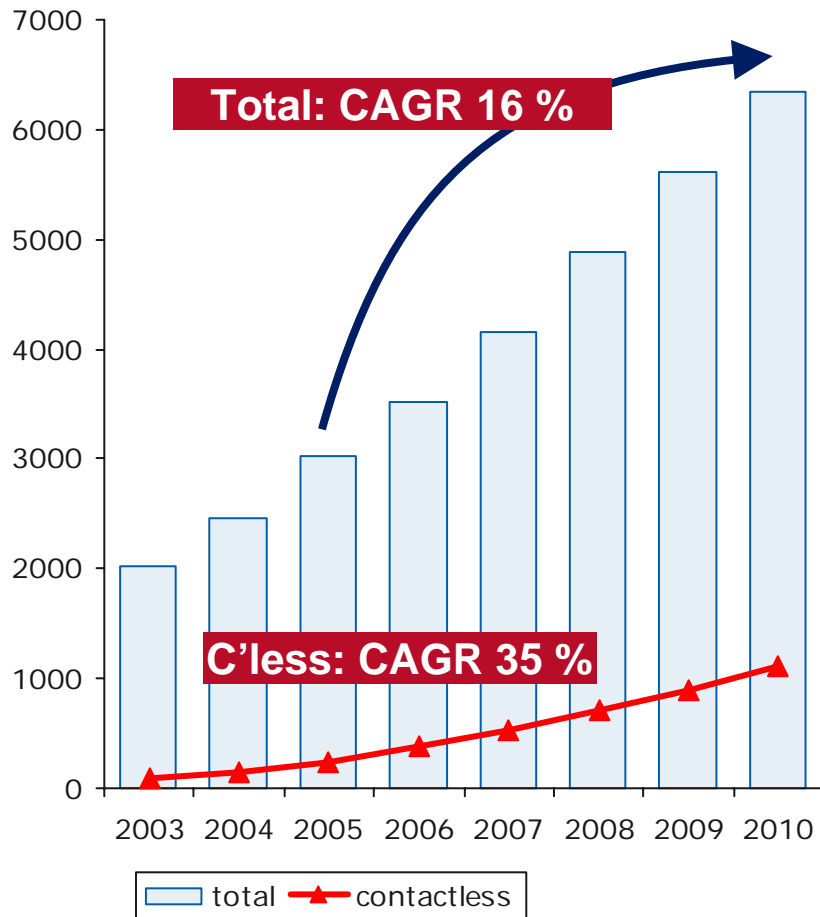


SLE 88
SLE 66

Infineon Sets the New Benchmark in the Booming Contactless Market



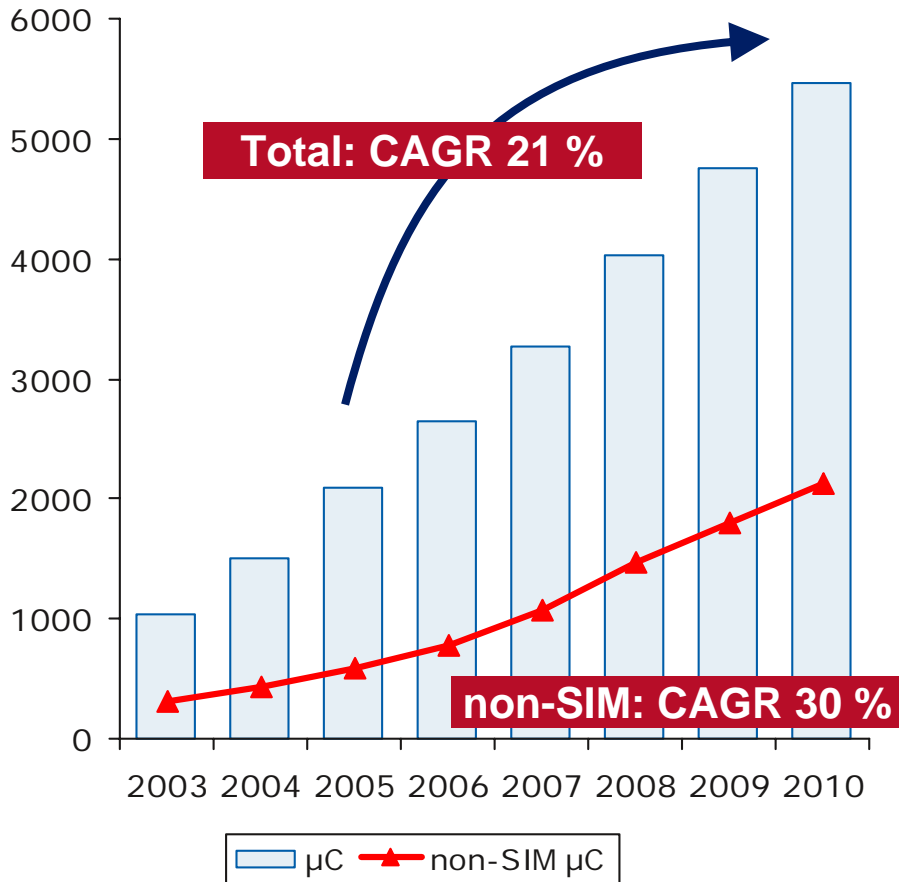
Chipcard Market Volume Development [m units]



- Due to convenience and speed, the contactless interface is gaining ground (ePassport, Paypass).
- Infineon's SLE 66CLxPE family sets the new c'less benchmark.
- IFX serves the full c'less market:
 - SLE 66CL ID, payment
 - my-d, Mifare® transport
 - my-d/PJM object ID
- Project highlights:
 - US ePassport, Korea T-Money, casinos in Macao and the US.

Tailored Security from Infineon

Microcontroller Chipcard Market Volume Development [m units]



- Applications in chipcard market require different security levels.
- Growing security demand due to rise of high-security applications (payment, identification, Pay-TV).
- IFX provides security tailored to the respective needs of the various applications up to the highest requirements:

SLE 88	3G mobile phone, conditional access
SLE 66	ID, payment
SLE 50	GSM mass market



Highlights

- Key projects for ePassport worldwide.
- Sesames Award for EAL5+ certified SLE 88 flash products.
- Mastercard decides for IFX as chip supplier for contactless payment system.
- EAL5+ (high) certification for contactless SLE 66CL.PE products.

Trends

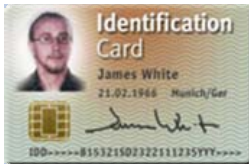
- Strong growth in contactless implementations.
- Utilization of controllers with dedicated security levels.
- High-end SIMs need higher security for enhanced functionality (mobile-TV, payment).

Growth Segment Identification

Projects With Infineon Chips*

National ID

- Belgium
- Estonia
- Finland
- Hong Kong
- Italy
- Macao
- Oman
- Saudi Arabia
- Serbia
- Sweden
- United Arab Emirates



Health Care Social Security

- Austria
- Belgium
- Germany
- India
- Italy
- Poland
- Slovenia
- South Africa
- Spain
- Taiwan
- USA
- Vietnam



ePassport

- Denmark
- Germany
- Hong Kong
- Norway
- Poland
- Sweden
- US



*) Examples only. A number of other projects cannot be named due to confidentiality agreements



Highlights

- Secure ASICs used for game consoles and for media player peripherals to enable investment protection.
- First TPM V1.2 for use with Microsoft Vista operating system.

Trends

- Security solutions for piracy protection of accessories and peripherals.
- Hardware support for system integrity and privacy on personal computers and networks.
- Software for central IT administration of business PCs in enterprise networks.



Highlights

- Industry-first 6 Gbit/s SATA compliant PHY implementation enabling high performance architectures for enterprise class drives.
- Demonstration of industry-best performance of disk drive read channel SoC based on 90 nm technology.

Trends

- Continuously increased data rates in HDD.
- Leading SATA 3 and SAS 2 activities to enable 6 Gbit/s interfaces.
- New complex signal processing algorithms make transition to newer technology nodes mandatory.

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Summary

- AIM is a market leader and innovator in its areas of business: automotive, power for industrial and broad market, chipcard.
- Key differentiators are application know-how, broad system coverage and customer access combined with high levels of quality.
- In Chipcard ICs and Discretes Semiconductors, AIM executes a strategy aimed at achieving sustainable profitability through improved product structure and portfolio.
- AIM spends significant amount of money into technology bandwidth especially in power and for a more productive manufacturing environment.
- Consistency in strategy and execution as well as a very experienced management team is one reason for success and should lead to double-digit EBIT margin.

Infineon –
Never stop thinking



Never stop thinking