

INFINEON TECHNOLOGIES AG

Form F-3ASR

July 16, 2009

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**As filed with the Securities and Exchange Commission on July 16, 2009.**

**Registration No. 333-**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form F-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Infineon Technologies AG**

*(Exact name of registrant as specified in its charter)*

**Federal Republic of Germany**  
*(State or other jurisdiction  
of incorporation or organization)*

**Not applicable**  
*(I.R.S. Employer  
Identification Number)*

**Am Campeon 1-12  
D-85579 Neubiberg  
Federal Republic of Germany  
Tel: +49-89-234-0**

*(Address and telephone number of registrant's principal executive offices)*

**Infineon Technologies North America Corp.**

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(408) 501-6000**

**Attention: General Counsel**

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**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:** As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

#### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit <sup>(2)</sup>	Proposed Maximum Aggregate Offering Price <sup>(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
Ordinary Shares <sup>(1)</sup>	337,000,000	\$2.99	\$1,009,008,330	\$56,302.66
Ordinary Share Rights <sup>(4)</sup>		None	None	None
ADS Rights <sup>(4)</sup>		None	None	None

<sup>(1)</sup> A portion of the ordinary shares will be represented by the registrant's American Depositary Shares (ADSs), each of which represents one ordinary share. ADSs issuable upon deposit of the ordinary shares registered hereby have been registered pursuant to the Registration Statement on Form F-6 (File No. 333-141499).

<sup>(2)</sup> Estimated solely for calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended, based on an exchange rate of 1.00 = \$1.3926 (the Federal Reserve Board's noon buying rate in New York on July 10, 2009).

- (3) Calculated by multiplying 0.0000558 by the proposed maximum aggregate offering price.
  - (4) No separate consideration will be received for the Ordinary Share Rights or ADS Rights.
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PROSPECTUS

Rights Offering of up to 337,000,000 Ordinary Shares  
in the form of Ordinary Shares or American Depositary Shares of

**Infineon Technologies AG**

In this rights offering, Infineon Technologies AG is offering:

to holders of its ordinary shares, the right to subscribe for new ordinary shares; and

to holders of American Depositary Shares, or ADSs, each representing one ordinary share of Infineon Technologies AG, the right to subscribe for new ADSs.

**Offering to holders of ADSs**

You will receive one ADS right for each whole ADS you own of record on July 17, 2009. Nine ADS rights will entitle you to purchase four new ADSs at \$2.99 per ADS. The required estimated subscription payment is \$3.29 per ADS. ADS rights may be exercised only in integral multiples of the subscription ratio. Fractional ADSs will not be issued and will be rounded down to the nearest whole ADS. **Rights to subscribe for ADSs will expire at 5:00 p.m. (New York City time) on July 29, 2009.**

**Offering to holders of ordinary shares**

You will receive one ordinary share right for each ordinary share you own of record on July 17, 2009. Nine ordinary share rights will entitle you to purchase four new ordinary shares at 2.15 per ordinary share. Ordinary share rights may be exercised only in integral multiples of the subscription ratio. Fractional shares will not be issued. **Rights to subscribe for new ordinary shares will expire at 11:59 p.m. (Frankfurt time) on August 3, 2009.**

The ADSs trade over-the-counter on the OTCQX International market under the symbol `IFNNY` and the ordinary shares trade on the Frankfurt Stock Exchange under the symbol `IFX`. We will not initiate trading of the ADS rights or ordinary share rights on the OTCQX International market, the Frankfurt Stock Exchange or any other market or stock exchange. On July 15, 2009, the closing price of the ADSs on the OTCQX International market was \$4.40 and the closing price of the ordinary shares on the Frankfurt Stock Exchange as reported by Xetra was 3.13.

Any ordinary shares that are not sold in the rights offering (including in the form of ADSs), up to a maximum of 30 percent minus one share of our outstanding share capital, will, subject to certain conditions, be subscribed for by Admiral Participations (Luxembourg) S.à r.l., a fund managed by an affiliate of Apollo Global Management LLC (the backstop investor). If the number of unsubscribed shares represent less than 15 percent of our share capital, the backstop investor may, but is not obligated to, acquire any unsubscribed shares. If our shareholders purchase 52 percent or more of the shares offered in this offering, the number of unsubscribed shares will represent less than 15 percent of our total share capital.

The amount of fees we pay in this offering depends on the total number of shares subscribed for in this offering, including the number of shares subscribed for by the backstop investor. If the backstop investor acquires unsubscribed shares representing more than 25 percent of our share capital and our existing shareholders acquire all of the remaining offered shares, then we expect to receive net proceeds of approximately 700 million (approximately \$975 million), after deducting estimated fees and expenses of approximately 25 million. If 52 percent of the offered shares are purchased by our existing shareholders and none are purchased by the backstop investor, we expect to receive net proceeds of 335 million (approximately \$467 million), after deducting estimated fees and expenses of approximately 40 million.

**See Risk Factors beginning on page 15 to read about factors you should consider before investing in the ordinary shares or ADSs.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

*Joint Bookrunners and Joint Lead Managers*

**Credit Suisse**

**Deutsche Bank**  
*Joint Lead Manager*

**Merrill Lynch International**

**Citi**  
*Selling Agent*  
**Erste Bank**

The date of this prospectus is July 16, 2009.

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**FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements about the future of our business and the industry in which we operate. These include statements relating to the proceeds from the offering, general economic conditions, future developments in the world semiconductor market; our ability to manage our costs and to achieve our savings and growth targets; the resolution of the insolvency proceedings of Qimonda AG, our subsidiary ( Qimonda ), and the liabilities we may face as a result of Qimonda s insolvency; the benefits of R&D alliances and activities; our planned levels of future investment; the introduction of new technology at our facilities; the continuing transitioning of our production processes to smaller structure sizes; and our continuing ability to offer commercially viable products.

These forward-looking statements are subject to broader economic developments, including the duration and depth of the current economic downturn; 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 availability of funds, including for the re-financing of our indebtedness; the outcome of antitrust investigations and litigation matters; and the outcome of Qimonda s insolvency proceedings; as well as the other factors mentioned in the Risk Factors section of the prospectus.

As a result, our 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. We do not undertake any obligation to publicly update or revise any forward-looking statements in light of developments which differ from those anticipated.

**INCORPORATION OF DOCUMENTS BY REFERENCE**

We have filed with the SEC a registration statement on Form F-3 relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of the company, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C., as well as through the SEC s internet site, as discussed below.

The SEC allows us to incorporate by reference the information we file with them, which means we can disclose important information to you by referring you to those documents. We incorporate by reference into this prospectus the following information and documents:

Our 2008 Annual Report on Form 20-F, filed with the SEC on December 29, 2008.

Our Report on Form 6-K filed on July 16, 2009 containing portions of the German prospectus in connection with this offering (the German Prospectus ).

The most recent information that we file with the SEC automatically updates and supersedes earlier information. Specifically, the information included in our German Prospectus, including that contained under the headings Summary of the Company s Business and Business , supersedes the corresponding sections of our 2008 Annual Report on Form 20-F. Additionally, the information included in this prospectus under the heading Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations , and the consolidated audited financial statements filed with this prospectus, supersede the corresponding sections of our 2008 Annual Report on



Form 20-F.

In addition, we will incorporate by reference into this prospectus all documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act and, to the extent, if any, we designate therein, reports on Form 6-K we furnish to the SEC after the date of this prospectus and prior to the termination or expiry of any offering contemplated in this prospectus.

We will provide to you, upon your written or oral request, without charge, a copy of any or all of the documents we referred to above which we have incorporated in this prospectus by reference. You should direct your requests to Investor Relations at [investor.relations@infineon.com](mailto:investor.relations@infineon.com) (tel. no. +49-89-234-26655).

You may read and copy any document that we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an

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internet site that contains reports and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

**MARKET AND INDUSTRY DATA**

Market data used in this prospectus were obtained from internal company estimates and various trade associations and market research firms which monitor the industries in which we compete, including data prepared or reported by iSuppli Corporation ( iSuppli ). We have not independently verified these third-party market data. Similarly, internal company estimates, while believed by us to be reliable, have not been verified by any independent sources, and neither we nor any other person makes any representation as to the accuracy of the information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and is subject to change based on various factors, including those discussed under the Risk Factors section in this prospectus.

**ABOUT THIS PROSPECTUS**

In this prospectus, references to our company are to Infineon Technologies AG and its subsidiaries. References to Infineon, we, or us are to Infineon Technologies AG and, unless the context otherwise requires, to its subsidiaries.

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**SUMMARY**

**Overview**

Infineon is one of the world's leading semiconductor suppliers by revenue. Infineon has been at the forefront of the development, manufacture and marketing of semiconductors for more than 50 years, first as the Siemens Semiconductor Group and then, from 1999, as an independent group. Infineon Technologies AG has been a publicly traded company since March 2000. According to the market research company iSuppli (June 2009), Infineon (excluding Qimonda) was ranked the number ten semiconductor company in the world by revenue in the 2008 calendar year.

Infineon designs, develops, manufactures and markets a broad range of semiconductors and complete system solutions used in a wide variety of applications for energy efficiency, security and communications. Infineon's main business is currently conducted through its five operating segments: Automotive, Industrial & Multimarket, Chip Card & Security, Wireless Solutions and Wireline Communications. On July 7, 2009, we entered into an asset purchase agreement to sell the Wireline Communications business, which is expected to close in the fall of 2009.

In the 2009 fiscal year, we are taking significant measures, in particular through our cost-reduction program IFX10+, with the aim of cutting costs, reducing debt, preserving cash and otherwise improving our financial condition. The efforts continue at present. We believe that due to the positive impact of our overall cost reduction and cash preservation measures to retain liquidity, we will be able to finance our normal business operations out of cash flows from continuing operations despite the sharp decline in revenue levels.

Our principal business address is Am Campeon 1-12, D-85579 Neubiberg, Federal Republic of Germany, and our telephone number is +49-89-234-0.

**Background to and Reasons for the Offering**

The entire semiconductor industry, including Infineon, has been adversely affected by the global economic downturn and financial crisis. Our revenues declined from 1,153 million in the fourth quarter of the 2008 fiscal year to 845 million in the third quarter of the 2009 fiscal year. Our gross cash position decreased during the first nine months of the 2009 fiscal year by 12 million, from 883 million as of September 30, 2008 to 871 million as of June 30, 2009. Included in this decline in the gross cash position were:

approximately 106 million of cash outflows in connection with our IFX10+ cost reduction program,

scheduled debt repayments of approximately 101 million, which included 41 million for our syndicated loan facility, and

voluntary repurchases of an aggregate nominal amount of 246 million of our guaranteed subordinated convertible notes due 2010 that were issued by our subsidiary Infineon Technologies Holding B.V.

( Convertible Notes due 2010 ) and our guaranteed subordinated exchangeable notes due 2010 that were issued by our subsidiary Infineon Technologies Investment B.V. ( Exchangeable Notes due 2010 ) for an aggregate of 161 million in cash.

These outflows were partly offset by a reimbursement of 112 million by the Deposit Protection Fund of the German Private Commercial Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V.*) in relation to the

insolvency of Lehman Brothers Bankhaus AG and gross proceeds of 182 million from the issuance of new guaranteed subordinated convertible notes due 2014 that were issued by our subsidiary Infineon Technologies Holding B.V. (the New Convertible Notes due 2014 ). Despite the very significant revenue decline, we generated sufficient free cash flow from operations to fund the majority of the cash outflows relating to our IFX 10+ cost reduction program.

Our management believes that we should seek to maintain a gross cash position of at least 250 to 300 million to operate our business effectively. As a result, we have acted vigorously to reduce operating expenses, conserve cash and improve our balance sheet. The steps that we have taken to this end include, among other things, the IFX10+ cost reduction program, debt repurchases, the issuance of the New Convertible Notes due 2014 and the divestiture of the Wireline Communications business. Through our IFX 10+ cost reduction program, we have achieved significant cost reductions. Our operating expenses for the three months ended June 30, 2009 decreased by 88 million when compared to the three months ended September 30, 2008. Our management believes that these savings are mainly due to our IFX 10+ cost reduction program. In aggregate, we are targeting total cost reductions from this program of

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600 million for the 2009 fiscal year when compared to our total costs in the 2008 fiscal year, some of which are temporary in nature.

In addition, on July 7, 2009, we entered into an asset purchase agreement with an entity affiliated with Golden Gate Private Equity, Inc. to sell our Wireline Communications business for cash consideration of 250 million. The majority of the purchase price is payable at closing, which is expected to occur in the fall of 2009, with 20 million of the purchase price being payable nine months after the closing date. We are selling our Wireline Communications business in order to focus on the further development of our main business, our strategy and strong position in the key areas of energy efficiency, security and communications, while further improving our balance sheet and strengthening our liquidity position.

Our management believes that the positive impact of our cost reduction and cash preservation measures will enable us to finance our ordinary business operations out of cash flows from continuing operations, despite the sharp decline in revenue levels. However, our ability to refinance certain liabilities while maintaining our target level of liquidity is a concern. The current outstanding nominal amount as of June 30, 2009 of 522 million of Convertible Notes due 2010 will become due for repayment on June 5, 2010, and the current nominal amount as of June 30, 2009 of 48 million of Exchangeable Notes due 2010 will become due for repayment on August 31, 2010. Also, we are expecting other scheduled debt repayments of an aggregate of approximately 110 million through the end of September 2010, including our multi-currency revolving facility. We will also incur further cash outflows in connection with our IFX10+ cost reduction program, and may incur additional expenses in connection with the insolvency of Qimonda and the resolution of our ongoing negotiations regarding ALTIS, the manufacturing joint venture between us and IBM in France. We are taking a number of measures, including this offering, our cost reduction program and the sale of our Wireline Communications business, in order to meet these obligations and maintain the desired level of liquidity.

Our management believes that prior to the announcement of the offering on July 10, 2009, the market perception factored in a degree of uncertainty as to our liquidity position, our ability to repay the Convertible Notes due 2010 and the Exchangeable Notes due 2010 as they come due and our contingent liabilities relating to Qimonda and ALTIS. We also believe that the successful completion of the offering will further improve the capital markets' confidence in our ability to repay these notes and satisfy these contingent liabilities while maintaining a sufficient amount of liquidity, and will help market participants perceive us as well placed to achieve sustainable and, ultimately improved, profitability.

Any ordinary shares that are not sold in the rights offering (including in the form of ADSs), up to a maximum of 30 percent minus one share of our outstanding share capital, will, subject to certain conditions, be subscribed for by the backstop investor. If the number of unsubscribed shares represent less than 15 percent of our share capital, the backstop investor may, but is not obligated to, acquire any unsubscribed shares. If our shareholders purchase 52 percent or more of the shares offered in this offering, the number of unsubscribed shares will represent less than 15 percent of our total share capital.

The amount of fees we pay in this offering depends on the total number of shares subscribed for in this offering, including the number of shares subscribed for by the backstop investor. If the backstop investor acquires unsubscribed shares representing more than 25 percent of our share capital and our existing shareholders acquire all of the remaining offered shares, then we expect to receive net proceeds of approximately 700 million (approximately \$975 million), after deducting estimated fees and expenses of approximately 25 million. If 52 percent of the offered shares are purchased by our existing shareholders and none are purchased by the backstop investor, we expect to receive net proceeds of 335 million (approximately \$467 million), after deducting estimated fees and expenses of approximately 40 million.

We believe that the successful completion of the offering, resulting in net proceeds of between 335 to 700 million, will strengthen our capital structure. In particular, assuming we are able to place all of the 337,000,000 new ordinary shares, and the backstop investor purchases unsubscribed shares representing more than 25 percent of our share capital, we will receive the maximum net proceeds of 700 million, in which case we plan to use approximately 570 million to repay the Convertible Notes due 2010 and the Exchangeable Notes due 2010, of which as of June 30, 2009, 570 million were outstanding.

We intend to use any net proceeds, together with available cash reserves and the proceeds of the sale of the Wireline Communications business, that exceed the amount needed to repay these notes to strengthen our liquidity position, satisfy any contingent liabilities, and repay other indebtedness, as well as to continue to invest in a very innovation driven industry and to pursue strategic opportunities in an increasingly consolidating industry.

**Table of Contents****Summary Consolidated Financial Data**

For periods beginning October 1, 2008, we have prepared our financial statements in accordance with International Financial Reporting Standards ( IFRS ). In connection with our transition to IFRS, we have also prepared financial statements for the two years ended September 30, 2008 in accordance with IFRS. Below we present summary consolidated statements of operations data for the 2007 and 2008 fiscal years and the six-month periods ended March 31, 2008 and 2009, and summary consolidated balance sheet data at September 30, 2007 and 2008 and at March 31, 2009, derived from Infineon's consolidated IFRS financial statements. The summary consolidated statements of operations data for the 2007 and 2008 fiscal years and the summary consolidated balance sheet data at September 30, 2007 and 2008, prepared in accordance with IFRS, have been extracted from financial statements as of and for the fiscal year ended September 30, 2008, prepared in accordance with IFRS, which appear beginning on page F-2. We also present summary consolidated statements of operations data for the six-month periods ended March 31, 2008 and 2009, and selected consolidated balance sheet data at March 31, 2009, derived from Infineon's condensed consolidated IFRS financial statements, which appear in this prospectus beginning on page F-79.

	For the years ended September 30, <sup>(1)</sup>			For the six months ended March 31, <sup>(1)(2)</sup>		
	2007	2008	2008 <sup>(2)(3)</sup>	2008	2009	2009 <sup>(4)</sup>
	(in millions, except per share data)					
<b>Selected Consolidated Statement of Operations Data</b>						
Revenue	4,074	4,321	\$ 6,084	2,139	1,577	\$ 2,091
Income (loss) from continuing operations before income taxes	(44)	(147)	(207)	82	(264)	(350)
Income (loss) from continuing operations	(43)	(188)	(265)	59	(266)	(353)
Loss from discontinued operations, net of income taxes	(327)	(3,559)	(5,011)	(2,543)	(396)	(525)
Net loss	(370)	(3,747)	(5,276)	(2,484)	(662)	(878)
Attributable to:						
Minority interests	(23)	(812)	(1,143)	(552)	(49)	(65)
Shareholders of Infineon Technologies AG	(347)	(2,935)	(4,133)	(1,932)	(613)	(813)
Basic and diluted loss per share from continuing operations	(0.08)	(0.33)	(0.46)	0.06	(0.36)	(0.48)
Basic and diluted loss per share from discontinued operations	(0.38)	(3.58)	(5.04)	(2.64)	(0.46)	(0.61)
Basic and diluted loss per share	(0.46)	(3.91)	(5.50)	(2.58)	(0.82)	(1.09)
<b>Selected Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	1,809	749	1,055		532	706
Available-for-sale financial assets	417	134	189		133	176
Working capital (deficit), excluding cash and cash equivalents, available-for-sale financial assets and net assets held for disposal	(43)	86	121		(28)	(37)
Assets held for disposal	303	2,129	2,998		6	8
Total assets	10,599	6,982	9,831		3,977	5,274
Short-term debt and current maturities	336	207	291		170	225

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Liabilities held for disposal	129	2,123	2,989		
Long-term debt	1,227	963	1,356	816	1,082
Total equity	6,004	2,161	3,043	1,703	2,259

*Notes*

- (1) During the 2008 fiscal year we committed to a plan to dispose of Qimonda. As a result, the results of Qimonda are reported as discontinued operations in the Selected Consolidated Statements of Operations Data for all periods presented, and the assets and liabilities of Qimonda have been reclassified as held for disposal in the Selected Consolidated Balance Sheet Data as of March 31, 2008 and as of September 30, 2008. On January 23, 2009, Qimonda and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG filed an application at the Munich Local Court to commence insolvency proceedings. As a result of this application, we deconsolidated Qimonda during the second quarter of the 2009 fiscal year. On April 1, 2009, the insolvency proceedings formally opened.
- (2) Unaudited.
- (3) Converted from Euro into U.S. dollars at an exchange rate of 1 = \$1.4081, which was the noon buying rate of the Federal Reserve Bank of New York on September 30, 2008.
- (4) Converted from Euro into U.S. dollars at an exchange rate of 1 = \$1.3261, which was the noon buying rate of the Federal Reserve Board in New York on March 31, 2009.



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**Recent Developments**

**Cost Reductions and Financing**

We have in recent periods implemented a number of significant measures to cut costs, reduce debt, preserve cash and otherwise improve our financial condition. See Management's Discussion and Analysis of Financial Condition and Results of Operations Measures Taken to Date to Improve Our Financial Condition.

Subsequent to March 31, 2009, we repurchased 38 million in nominal amount of our Exchangeable Notes due 2010 for 27 million in cash and 56 million in nominal amount of our Convertible Notes due 2010 for 44 million in cash. The repurchases were made out of available cash.

On May 26, 2009, we, through our subsidiary Infineon Technologies Holding B.V., issued a nominal amount of 196 million in New Convertible Notes due 2014 at a discount of 7.2 percent in an offering to institutional investors guaranteed by us.

On July 7, 2009, we entered into an asset purchase agreement to sell the Wireline Communications business for cash consideration of 250 million. The majority of the purchase price is payable at closing, which is expected to occur in the fall of 2009, with 20 million of the purchase price being payable nine months after the closing date. We are selling the Wireline Communications business in order to focus on the further development of our main business, our strategy and strong position in the key areas of energy efficiency, security and communications, while at the same time further improving our balance sheet and strengthening our liquidity position. The sale is expected to close in the fall of 2009.

On July 10, 2009, we entered into an investment agreement with the backstop investor, pursuant to which the backstop investor will subscribe for unsubscribed ordinary shares at the subscription price, up to a maximum of 30 percent minus one share of our share capital. The backstop investor's obligations are subject to the condition that unsubscribed shares represent at least 15 percent of our share capital, unless such requirement is waived by such backstop investor.

**Preliminary Results for the Quarter Ended June 30, 2009**

Our revenues in the three months ended June 30, 2009 were 845 million compared to 747 million in the three months ended March 31, 2009 and 1,029 million in the three months ended June 30, 2008. Revenues were up 13 percent sequentially and down 18 percent year-over-year. In the three months ended June 30, 2009, Automotive sales were approximately 206 million, Industrial & Multimarket sales were approximately 221 million, Chip Card & Security sales were approximately 82 million, Wireless Solutions sales were approximately 251 million, and Wireline Communications sales were approximately 84 million. Other Operating Segment and Corporate and Elimination sales were approximately 1 million.

Segment Results for the three months ended June 30, 2009 were as follows: Automotive Segment Result was approximately negative 17 million, Industrial & Multimarket Segment Result was approximately 9 million, Chip Card & Security Segment Result was approximately 4 million, Wireless Solutions Segment Result was approximately 19 million, Wireline Communications Segment Result was approximately 7 million, Other Operating Segment Result was approximately negative 1 million, and Corporate Elimination Segment Result was approximately negative 13 million. For the definition of Segment Result, see Management's Discussion and Analysis of Financial Condition and Results of Operation Segment Result .

Our gross cash position amounted to 871 million as of June 30, 2009. Total debt at book values amounted to 1,022 million, and at nominal values amounted to 1,114 million. Our net debt position using nominal values was 243 million as of June 30, 2009.

We define gross cash position from continuing operations as cash and cash equivalents and available-for-sale financial assets, and net debt position from continuing operations as gross cash position less short-term debt and current maturities of long-term debt, and long-term debt. Since we hold a portion of our available monetary resources in the form of readily available-for-sale financial assets, which for IFRS purposes are not considered cash, we report our gross cash and net debt positions to provide investors with an understanding of our overall liquidity.

As of June 30, 2009, inventories were 521 million compared to 543 million as of March 31, 2009, trade and other receivables were 496 million compared to 518 million as of March 31, 2009, and trade and other payables were 365 million compared to 302 million as of March 31, 2009.

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Capital expenditures, including capitalization of research and development ( R&D ) expenses in accordance with IFRS, for the three months ended June 30, 2009 were approximately 26 million compared to 51 million in the three months ended March 31, 2009. Depreciation and amortization, including amortization of capitalized R&D, was approximately 133 million for the three months ended June 30, 2009 compared to 137 million in the three months ended March 31, 2009.

We expect to release our quarterly results for the three and nine months ended June 30, 2009 on or about July 29, 2009.

**Risk Factors**

An investment in our shares involves significant risks. See Risk Factors for a discussion of a number of the material risks that we face.

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**Summary of the Offering**

We are offering up to 337,000,000 ordinary shares, in the form of ordinary shares or ADSs, in a rights offering to holders of our ordinary shares and ADSs. Each new ordinary share and ADS will have full dividend rights for the 2009 fiscal year.

The new ADS subscription price is \$2.99 per ADS, using an exchange rate of \$1.3926 per 1.00 (the Federal Reserve Board's noon buying rate in New York on July 10, 2009). A subscriber of new ADSs in the offering must deposit with the depository \$3.29 per new ADS subscribed, which represents 110 percent of the ADS subscription price, upon the subscription for each new ADS. See Offering to Holders of ADSs .

We have entered into a backstop arrangement with the backstop investor pursuant to which the backstop investor has agreed to purchase some or all of the ordinary shares that are unsubscribed in this offering. See Backstop Arrangement .

Assuming the rights offering is fully subscribed, we expect to have 1,086,742,085 ordinary shares, in the form of ordinary shares or ADSs, issued and outstanding after completion of the offering. This is an expected increase of approximately 44.9 percent based on the number of our ordinary shares and ADSs outstanding prior to the consummation of the offering.

We intend to use the net proceeds (up to approximately 700 million) from the offering to strengthen our capital structure and repay debt as it comes due. In particular, assuming we are able to place all of the 337,000,000 new ordinary shares (including ADSs), and the backstop investor purchases unsubscribed shares representing more than 25 percent of our share capital, we will receive the maximum net proceeds of 700 million, in which case we plan to use approximately 570 million to repay the Convertible Notes due 2010 and the Exchangeable Notes due 2010, of which as of June 30, 2009, 570 million were outstanding. We intend to use any net proceeds that exceed the amount needed to repay these notes to meet contingent liabilities, continue to invest in our business, and pursue strategic opportunities.

**Offering to Holders of ADSs**

ADS rights offering	You will receive one ADS right for each whole ADS you own on the ADS record date. Nine ADS rights will entitle you to purchase four new ADSs at \$2.99 per ADS. The required estimated subscription payment is \$3.29 per ADS. ADS rights may be exercised only in integral multiples of the subscription ratio. Fractional ADSs will not be issued and will be rounded down to the nearest whole ADS.
ADS record date	July 17, 2009.
ADS rights exercise period	From July 20, 2009 through 5:00 p.m. (New York City time) on July 29, 2009.
Ordinary share and ADS trading price	The closing price of our ordinary shares on the Frankfurt Stock Exchange on July 15, 2009, the last trading day prior to the launch of this offering, was 3.13 per share, and the closing price of our ADSs on the OTCQX International market was \$4.40 on such date.

ADS subscription price

\$2.99 per ADS, which is the subscription price of 2.15 per ordinary share translated into U.S. dollars at the Federal Reserve Board's noon buying rate in New York of 1 = \$1.3926 on July 10, 2009.

Estimated ADS subscription payment

In order to exercise your ADS rights, you must pay to the depositary the estimated ADS subscription payment of \$3.29 per ADS, which is the subscription price of \$2.99 per ADS, plus an additional 10 percent which represents an allowance for potential fluctuations in the exchange rate between the Euro and the U.S. dollar, conversion expenses and ADS issuance fees of the depositary of \$0.05 per new ADS.

If the amount of the estimated ADS subscription payment you paid to the depositary is, for any reason, including due to currency exchange rate fluctuations, insufficient to pay the subscription price in Euro plus conversion expenses and ADS issuance fees for all of the ADSs you are subscribing for, the

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depository will subscribe on your behalf for only the number of whole ADSs that can be subscribed for with the amount you have paid, and will refund to you as soon as practicable the excess amount without interest, provided that such excess amount is at least \$20.00.

If the amount of the ADS subscription payment in U.S. dollars you made to the depository is more than the subscription price plus conversion expenses and ADS issuance fees, the depository will refund to you as soon as practicable the excess without interest, provided that such excess amount is at least \$20.00.

**Procedure for exercising ADS rights**

If you hold ADSs directly, you may exercise your ADS rights during the ADS rights exercise period by delivering a properly completed ADS rights certificate and full payment of the estimated ADS subscription payment for the new ADSs to the depository prior to 5:00 p.m. (New York City time) on July 29, 2009.

If you hold ADSs through The Depository Trust Company, you may exercise your ADS rights by timely delivering to the depository completed subscription instructions through DTC's PSOP Function on the agent subscriptions over PTS procedure accompanied by payment in full of the estimated ADS subscription payment.

If you are a beneficial owner of ADSs and wish to exercise your ADS rights, you should timely contact the securities intermediary through which you hold ADS rights to arrange for their exercise.

We provide more details on how to exercise ADS rights under Description of the Offering Offering to ADS Holders.

**Transferability**

Rights to purchase ADSs in the ADS rights offering are not transferrable.

**Publication of Quarterly Financial Results**

We intend to release our financial results for the three-month and nine-month periods ended June 30, 2009 on or about July 29, 2009. Our financial results will be available at [www.infineon.com](http://www.infineon.com) before the Frankfurt Stock Exchange opens for trading on that date, and will be filed with the SEC on that date on a Report on Form 6-K

**Exercise of ADS rights irrevocable**

The exercise of ADS rights is irrevocable and may not be cancelled or modified, except that an exercise of ADS rights may be revoked (but not otherwise modified) after the release of our quarterly financial results on or about July 29, 2009 up until 5:00 p.m. New York City time on July 30, 2009. If you decide to revoke your exercise of ADS rights, your instructions must be received by the depository no later than 5:00 p.m. (New York City time) on July 30, 2009. You will bear the risk of any currency exchange loss and currency exchange expenses incurred in connection with any conversion of Euros into U.S. dollars that may be required in order to refund to you your estimated subscription payment following your revocation.

Unexercised rights	If you do not exercise your ADS rights within the ADS rights exercise period, they will expire and you will have no further rights.
Depositary	Deutsche Bank Trust Company Americas.
Listing	The ADSs are traded over-the-counter on the OTCQX International market under the symbol IFNNY . The ADSs purchased

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in this offering will be traded over-the-counter on the OTCQX International market.

Delivery of new ADRs

The depository will deliver new ADRs evidencing the new ADSs subscribed in the rights offering as soon as practicable after confirmation of receipt of the underlying new ordinary shares by the depository's custodian, which is expected to be on or about August 7, 2009.

ADS issuance fee

Subscribing holders will be charged an ADS issuance fee of \$0.05 per new ADS issued, payable to the depository. The depository will deduct the ADS issuance fee from the estimated ADS subscription payment in respect of each holder's subscription.

New ADSs

Your specific rights in the new ADSs and in the ordinary shares underlying the new ADSs are set out in a deposit agreement among us, Deutsche Bank Trust Company Americas, as depository, and the holders and beneficial owners of ADSs. To understand the terms of the ADSs, you should read the deposit agreement, which is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

For additional information regarding the rights offering to holders of our ADSs, see "Description of the Offering Offering to Holders of ADSs," which also contains a summary timetable containing important dates relating to the ADS rights offering.

**Offering to Holders of Ordinary Shares**

Ordinary share rights offering

You will receive one ordinary share right for each ordinary share you hold on the share record date. Nine ordinary share rights will entitle you to purchase four new ordinary shares. Ordinary share rights may be exercised only in integral multiples of the subscription ratio. Fractional ordinary shares will not be issued and will be rounded down to the nearest whole share.

Share record date

July 17, 2009.

Share rights exercise period

From July 20, 2009 through 11.59 p.m. (Frankfurt time) on August 3, 2009.

Ordinary share and ADS trading price

The closing price of our ordinary shares on the Frankfurt Stock Exchange on July 15, 2009, the last trading day prior to the launch of this offering, was 3.13 per share, and the closing price of our ADSs on the OTCQX International market was \$4.40 on such date.

Ordinary share subscription price

2.15 per ordinary share.

Procedure for exercising ordinary share rights

You may exercise your ordinary share rights by delivering to your broker or custodian instructions and full payment of the ordinary share subscription price for the new ordinary shares being purchased.



Transferability	You may transfer all or any portion of your right to purchase ordinary shares in the ordinary share rights offering. If you transfer or sell your rights, you will have no further rights to purchase ordinary shares with respect to the rights transferred or sold. We will not initiate trading of the ordinary share rights on the Frankfurt Stock Exchange, the OTCQX International market, or any other market or stock exchange.
Publication of Quarterly Financial Results	We intend to release our financial results for the three-month and nine-month periods ended June 30, 2009 on or about July 29, 2009. Our financial results will be available at <a href="http://www.infineon.com">www.infineon.com</a> before the Frankfurt Stock Exchange opens for trading on that

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date, and will be filed with the SEC on that date on a Report on Form 6-K.

Exercise of share rights irrevocable

The exercise of ordinary share rights is irrevocable and may not be cancelled or modified, except that ordinary share rights may be revoked (but not otherwise modified) within two days after the release of our quarterly financial results on or about July 29, 2009. If you decide to revoke your exercise of ordinary share rights, your instructions must be received by one of the German branches of Deutsche Bank AG (Frankfurt, Germany) no later than 5:00 p.m. (Frankfurt time) on July 31, 2009.

Unexercised rights

If you do not exercise your ordinary share rights within the share rights exercise period, they will expire and you will have no further rights.

Listing

The ordinary shares are listed on the Frankfurt Stock Exchange under the symbol **IFX**. The ordinary shares purchased in this offering will be listed on the Frankfurt Stock Exchange.

Delivery of new shares

We expect to deliver the new ordinary shares subscribed in this rights offering on or about August 7, 2009

For additional information regarding the rights offering to holders of our ordinary shares, see **Description of the Offering – Offering to Holders of Ordinary Shares** which also contains a summary timetable containing important dates relating to the ordinary share rights offering.

**Backstop Arrangement**

Backstop Arrangement

We and Admiral Participations (Luxembourg) S.à r.l. (the **backstop investor**), a subsidiary of a fund managed by Apollo Global Management LLC, have entered into an investment agreement pursuant to which the backstop investor has agreed to acquire all unsubscribed shares in the offering (and the fractional amount of up to 7,562,592, amounting to up to 3,781,296 ordinary shares), up to a maximum number of unsubscribed ordinary shares representing 30 percent minus one share of our share capital following this offering at the subscription price of 2.15 per share. If unsubscribed ordinary shares, together with any ordinary share rights acquired by the backstop investor, represent less than 15 percent of our share capital, the backstop investor has the option, but is not obligated, to purchase the unsubscribed ordinary shares.

The obligation of the backstop investor to acquire any unsubscribed ordinary shares is subject to certain conditions precedent being met or waived by the backstop investor, including, but not limited to, applicable merger clearances and clearance by the German Ministry of Economy and Technology (*Bundesministerium für Wirtschaft und Technologie*) pursuant to the German Foreign Trade Act (*Außenwirtschaftsgesetz*). Additional conditions to the backstop investor's obligation to acquire any unsubscribed shares include the appointment to our supervisory board of one representative of the backstop investor, Mr. Manfred Puffer, by the competent court; the resignation of Mr. Max Dietrich Kley, the current

chairman of our supervisory board, as of September 30, 2009; the election of Mr. Manfred Puffer as chairman of our supervisory board as of October 1, 2009; and the nomination of another representative of the backstop investor, Mr. Gernot Löhr, as a member of our supervisory board to be appointed by the competent court subject to the

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resignation of the current chairman as member of the supervisory board taking effect.

The backstop investor will have no obligation, but will be entitled, to subscribe for unsubscribed ordinary shares if the total number of unsubscribed shares, together with any ordinary share rights acquired by the backstop investor, represent less than 15 percent of our total share capital. If the backstop investor wishes to subscribe for unsubscribed ordinary shares despite the 15 percent threshold not being met, the backstop investor has to waive this condition on the business day following the end of the subscription period. The backstop investor may declare its unconditional commitment to acquire, other than through the offering and within 30 days following the satisfaction or waiver of the conditions precedent, unsubscribed shares representing 15 percent or more of our share capital. The obligation of the backstop investor to acquire any unsubscribed shares is subject to (a) Mr. Manfred Puffer having been appointed by the competent court to our supervisory board, (b) Mr. Max Dietrich Kley, the current chairman of the supervisory board, having submitted (i) a letter to the backstop investor in which he commits to resign as of September 30, 2009 and (ii) a resignation letter to our management board and the co-chairman of the supervisory board resigning as chairman and supervisory board member as of September 30, 2009, subject to the backstop investor by that date holding at least 15 percent of our share capital, or as of October 15, 2009, if the backstop investor holds at least such percentage only by such date, in each case evidenced by a corresponding notice to us according to Section 21 (1) German Securities Trading Act, (c) Mr. Manfred Puffer having been elected as chairman of the supervisory board as of October 1, 2009 subject to the resignation of the current chairman taking effect, and (d) the nomination committee of the supervisory board having nominated Mr. Gernot Löhr as member of the supervisory board to be appointed by the competent court subject to the resignation of the current chairman as member of the supervisory board taking effect.

Until the applicable merger clearances and/or clearance by the German Ministry of Economy and Technology pursuant to the German Foreign Trade Act are received, the backstop investor will only be allowed to acquire or subscribe for unsubscribed ordinary shares representing 25 percent minus one share of our share capital. Once the applicable clearances have been obtained, the backstop investor may, at its sole discretion, also subscribe for the remaining unsubscribed ordinary shares in excess of 25 percent up to a maximum of 30 percent minus one share of our share capital.

If the backstop investor does not acquire any shares for any reason, we are required to pay the backstop investor a lump sum of 21 million. If the backstop investor acquires unsubscribed shares representing 25 percent or less of our share capital, we are required to pay the backstop investor an amount equal to the sum of (i) 5.5 million plus (ii) an amount of 0.057 per

share by which the unsubscribed shares purchased by the backstop investor fall short of 25 percent plus one share of our share capital.

The backstop investor reserves the right to terminate its agreement with us to acquire unsubscribed shares. The

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circumstances under which it may terminate the agreement include, but are not limited to, our failure to provide a legal opinion and the non-occurrence of the other conditions precedent. The backstop investor can also terminate the agreement if the capital increase relating to the unsubscribed shares has not been registered with the Commercial Register within twelve business days after application by us for such registration. In these cases, the backstop investor may, by written notice to us, withdraw from the backstop arrangement. To the extent that it has not yet been exercised, such right of withdrawal will lapse upon registration of the unsubscribed shares to be acquired by the backstop investor in the commercial register.

For as long as the backstop investor holds at least 15 percent of our share capital, it will be entitled to propose two individuals to be elected to our supervisory board, and for as long as the backstop investor holds at least 10 percent of our share capital, the backstop investor will be entitled to propose one individual to be elected to our supervisory board.

Provided that the backstop investor acquires at least 15 percent of our share capital, the backstop investor undertakes not to sell, transfer, pledge, encumber or otherwise dispose of (including the granting of any option over or the creation of any form of trust relationship in respect of) any acquired shares, not to enter into any agreement or transaction in respect of any voting rights or other rights attached to acquired shares, or enter into any transaction (including derivative transactions) and not to carry out any other action that would be the economic equivalent of any of the above for a period of 12 months following the date of acquisition of our shares, without the consent of our management board. This undertaking does not apply to the sale and/or transfer (i) of acquired shares to its affiliates, (ii) of up to 10 percent of the acquired shares to co-investors until October 31, 2009, (iii) of acquired shares in connection with a mandatory public takeover offer of a third party under the German Act on the Acquisition of Securities and on Takeovers, (iv) of acquired shares in connection with a voluntary public takeover offer of a third party under the German Act on the Acquisition of Securities and on Takeovers, (v) of acquired shares in connection with a merger or other business combination of us with a third party, (vi) of acquired shares in connection with a share buy-back by us, and (vii) of acquired shares in such quantity to be able to self-fund (net of transaction fees and expenses) the issuance price resulting from the exercise of subscription rights in connection with a rights offering for our shares. The backstop investor will consult with our management board before transferring any acquired shares in connection with any public takeover offer. Subject to the condition that the backstop investor acquires a stake of at least 15 percent of our share capital, the backstop investor undertakes that, for the entire term of the lock-up agreement with us, its acquired shares will be booked in a blocked security deposit.

The backstop investor's obligation with regard to the lock-up agreement will automatically terminate if one of the following events occurs during the period of 12 months following the date of acquisition of our shares:

- (i) at any time a person other than a person proposed by the backstop investor becomes the chairman of our supervisory board, (ii) Mr. Gernot Löhner is not appointed as member of our supervisory board by the competent

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court within 10 business days after the date on which such filing had to be made, or (iii) at any time less than two persons proposed by the backstop investor are not members of our supervisory board, provided that, in each case, the situation has not been remedied within 30 days after the later of the occurrence of the relevant event or receipt by us from the backstop investor of a nomination of alternative eligible backstop investor's nominee(s). The backstop investor's obligation with regard to the lock-up agreement will also automatically terminate if any of the following occurs: (i) the reduction of the maximum number of supervisory board members from sixteen to twelve persons has not become effective by the date of the next ordinary shareholders' meeting relating to the 2009 fiscal year; or (ii) all governmental or regulatory clearances which are required for the backstop investor to acquire unsubscribed shares representing a maximum of 30 percent minus one share of our share capital have not been granted by October 1, 2009.

During the backstop investor lock-up period, we will not, directly or indirectly, solicit, initiate, encourage or assist any third party in the acquisition of a stake of 10 percent or more of our share capital.



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**RISK FACTORS**

*In considering whether to invest in our shares, investors should consider carefully the following risks and investment considerations related to Infineon and this offering, in addition to the other information in this prospectus. Investors should also be aware of and consider the risks described below related to our business and related to the securities markets and ownership of our shares.*

*The risks and uncertainties described below may not be the only ones facing Infineon. Additional risks and uncertainties not currently known to us or that we currently deem immaterial could also adversely affect our business. If any of the following risks actually occurs, our business could be adversely affected. In such cases, the trading price of our shares could decline, and investors could lose all or part of their investment.*

**Risks Relating to Infineon and our Market**

*The financial resources available to Infineon, including the proceeds of the offering, may be insufficient to meet our capital needs.*

We face considerable liquidity risks arising from the current economic downturn, tight credit markets, and our existing financial liabilities, as well as the relatively low recent trading price of our shares. Our net losses have increased over the past two years, primarily due to the losses of Qimonda and the generally poor performance of the economy in general, and the semiconductor industry in particular, throughout that period. While we continue to bear relatively high levels of debt amounting to 986 million as of March 31, 2009, our lower share price and the tighter credit markets have made it more difficult for us to obtain financing. Our cash from operating activities, current cash resources, existing sources of external financing and the proceeds from the offering may be insufficient to meet our further capital needs.

Furthermore, we may be unable to successfully place the shares that are the subject of the offering, since the capital increase has not been guaranteed by the underwriters, and the backstop arrangement entered into on July 10, 2009, among us and the backstop investor is subject to certain conditions precedent being met or waived and may be terminated under certain circumstances. The backstop investor has agreed to acquire all unsubscribed shares in the offering (and the fractional amount of up to 7,562,592, amounting to up to 3,781,296 ordinary shares), up to a maximum number of unsubscribed ordinary shares representing 30 percent minus one share of our share capital at the subscription price. The obligation of the backstop investor to acquire any unsubscribed shares is subject to certain conditions precedent being met or waived by the backstop investor, including, but not limited to, applicable merger clearances and/or clearance by the German Ministry of Economy and Technology (*Bundesministerium für Wirtschaft und Technologie*) pursuant to the German Foreign Trade Act (*Außenwirtschaftsgesetz*). Additional conditions to the backstop investor's obligation to acquire any unsubscribed shares include the appointment to our supervisory board of one representative of the backstop investor, Mr. Manfred Puffer, by the competent court; the resignation of Mr. Max Dietrich Kley, the current chairman of our supervisory board, as of September 30, 2009; the election of Mr. Manfred Puffer of as chairman of our supervisory board as of October 1, 2009; and the nomination of another representative of the backstop investor, Mr. Gernot Löhr, as a member of our supervisory board to be appointed by the competent court subject to the resignation of the current chairman as member of the supervisory board taking effect. Furthermore, the backstop investor has the option, but is not obligated, to purchase the unsubscribed ordinary shares if such shares, together with any ordinary share rights acquired by the backstop investor, represent less than 15 percent of our share capital. The backstop investor can waive this requirement. If the backstop investor wishes to subscribe for unsubscribed ordinary shares despite the 15 percent threshold not being met, the backstop investor has to waive this condition on the business day following the end of the subscription period.

The backstop investor may declare its unconditional commitment to acquire, other than through the offering and within 30 days following the satisfaction or waiver of the conditions precedent, unsubscribed shares representing 15 percent or more of our share capital. The obligation of the backstop investor to acquire any unsubscribed shares is subject to (a) Mr. Manfred Puffer having been appointed by the competent court to our supervisory board, (b) Mr. Max Dietrich Kley, the current chairman of the supervisory board, having submitted (i) a letter to the backstop investor in which he commits to resign as of September 30, 2009 and (ii) a resignation letter to our management board and the co-chairman of the supervisory board resigning as chairman and supervisory board member as of September 30, 2009, subject to the backstop investor by that date holding at least 15 percent of our share capital, or as of October 15, 2009, at least such percentage only by such date, in each case evidenced by a corresponding

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notice to us according to Section 21 (1) German Securities Trading Act, (c) Mr. Manfred Puffer having been elected as chairman of the supervisory board as of October 1, 2009 subject to the resignation of the current chairman taking effect, and (d) the nomination committee of the supervisory board having nominated Mr. Gernot Löhr as member of the supervisory board to be appointed by the competent court subject to the resignation of the current chairman as member of the supervisory board taking effect.

The backstop investor reserves the right to terminate its agreement with us to acquire unsubscribed shares. The circumstances under which it may terminate the agreement include, but are not limited to, our failure to provide a legal opinion and the non-occurrence of the other conditions precedent. The backstop investor can also terminate the agreement if the capital increase relating to the unsubscribed shares has not been registered with the Commercial Register within twelve business days after application by us for such registration.

AIF VII Euro Holdings, L.P., a company which currently directly owns the backstop investor, has issued a binding and irrevocable commitment letter in favor of the backstop investor and us to fund the full subscription price with regard to shares to be acquired by the backstop investor when due. This obligation is conditional on (i) satisfaction or waiver of the conditions precedent as set forth in the backstop arrangement and (ii) unless waived by the backstop investor, unsubscribed ordinary shares, together with any ordinary share rights acquired by the backstop investor, representing at least 15 percent of our share capital. There can be no assurance, however, that the backstop arrangement will be fulfilled and, as a result, the proceeds of the offering may be less than the minimum gross proceeds that we anticipate.

In addition, the purchaser of the Wireline Communications business may terminate the asset purchase agreement. Pursuant to the asset purchase agreement dated July 7, 2009 between us and Wireline Holdings S.à r.l., an entity affiliated with Golden Gate Private Equity, Inc. ( Golden Gate Private Equity ), Wireline Holdings has agreed to purchase the Wireline Communications business for 250 million. The majority of the purchase price is payable at closing, which is expected to occur in the fall of 2009, with 20 million of the purchase price being payable nine months after the closing date. Wireline Holdings is able to terminate the Asset Purchase Agreement in certain circumstances, including if the closing has not occurred by December 31, 2009. The closing is subject to the receipt of the required antitrust approvals. Furthermore, under German labor law, the separation of the Wireline Communications business qualifies as a measure requiring the prior conclusion of the negotiations with Infineon's competent works councils (*Betriebsräte*) with respect to the balancing of interest (*Interessenausgleich*) procedures. Successful termination of the negotiations is a condition precedent for the closing of the transaction. Negotiations will commence in July and we expect them to last for several weeks.

If the offering fails to raise the anticipated amount of capital or if we are unable to obtain financing from other sources on commercially reasonable terms, or at all, then we may face difficulties in repaying or be unable to repay our debts as they come due, in particular our Convertible Notes due 2010 and Exchangeable Notes due 2010. As of June 30, 2009, we have Convertible Notes due 2010 outstanding in the nominal amount of 522 million and Exchangeable Notes due 2010 outstanding in the nominal amount of 48 million. If for these or other reasons we are unable to meet our repayment obligations in respect of our outstanding notes or other debts, our share price could decline further or experience increased volatility, and investors could lose all or part of their investment.

***If we are unsuccessful in implementing our operational restructuring plans, our revenues and profitability may be adversely affected.***

Our future success and financial performance are largely dependent on our ability to successfully implement our business strategy and achieve sustained profitability. In furtherance of our overall strategy, we have restructured and are continuing to restructure our operations to improve our focus on our main business. These operational restructuring plans include the implementation of our cost-reduction program IFX10+ , which includes the following

primary measures:

product portfolio management to eliminate unprofitable or insufficiently profitable product families and to increase efficiency in R&D;

reduction of manufacturing costs and optimization of the value chain;

improved efficiency of processes and tasks in the fields of general and administrative expenses, R&D, and marketing and sales;

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re-organization of our structure along our target markets; effective October 1, 2008, we are divided into five segments: Automotive, Industrial & Multimarket, Chip Card & Security, Wireless Solutions and Wireline Communications; and

reductions in workforce.

Any failure to continue to execute our strategy successfully, including the execution of our cost reduction program IFX10+ , could have a material adverse effect on our operations or financial performance.

***Ongoing financial market volatility and adverse developments in the global economic environment have had and could continue to have a significant adverse impact on our business, financial condition and operating results.***

Our business, financial condition and results of operations have been and could continue to be significantly negatively impacted by general economic conditions and the related downturn in the semiconductor market. The global economy has recently experienced a significant downturn, reflecting the effects of the credit market crisis, slower economic activity, a generally negative economic outlook, and a decrease in consumer and business confidence. A prolonged economic downturn would pose a number of significant risks for Infineon, including:

significant declines in revenue;

significant reductions in selling prices;

increased volatility and/or declines in our share price;

increased volatility or adverse movements in foreign currency exchange rates;

delays in, or curtailment of, purchasing decisions by our customers or potential customers either as a result of overall economic uncertainty or as a result of their inability to access the liquidity necessary to engage in purchasing initiatives or new product development;

increased credit risk associated with our customers or potential customers, particularly those that may operate in industries most affected by the economic downturn, such as automotives;

unprofitable operations;

impairment of goodwill or other long-lived assets; and

negative cash flows.

To the extent that the current economic downturn worsens or is prolonged, our business, financial condition and results of operations could continue to be significantly and adversely affected.

***The semiconductor industry is characterized by intense competition, which could reduce our sales or put continued pressure on our sales prices.***

The semiconductor industry is highly competitive, and has been characterized by rapid technological change, short product lifecycles, high capital expenditures, intense pricing pressure from major customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities. Increased competitive pressure or

the relative weakening of our competitive position could materially and adversely affect our business, financial condition and results of operations.

***We operate in a highly cyclical industry and our business has in the past suffered, is currently suffering and could again suffer from periodic downturns.***

The semiconductor industry is highly cyclical and has suffered from significant economic downturns at various times. These downturns have involved periods of production overcapacity, oversupply, lower prices and lower revenues. In addition, average selling prices for our products can fluctuate significantly from quarter to quarter or month to month.

There can be no assurance that the markets in which we operate will resume growth in the near term, that the growth rates experienced in past periods will be attainable again in future years, or that we will be successful in managing any future downturn or substantial decline in average selling prices, any of which could have a material adverse effect on our results of operations and financial condition.

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***We may not be able to match our production capacity to demand.***

It is difficult to predict future developments in the markets we serve, making it hard to estimate requirements for production capacity. If markets do not grow as we have anticipated, or shrink faster than we have anticipated, we risk under utilization of our facilities or having insufficient capacity to meet customer demand.

Market developments and industry overcapacity may lead to under utilization of our facilities, which may result in idle capacity costs, write-offs of inventories and losses on products due to falling average selling prices. Such a development could potentially require us to undertake restructuring activities that may involve significant charges to our results of operations. In particular, semiconductor companies have added significant capacity from time to time, also prior to the economic downturn. In the past, the net increases of supply sometimes exceeded demand requirements, leading to oversupply situations and downturns in the industry. Downturns, such as the current downturn, have had a severe negative effect on the profitability of the industry. Given the volatility and competition in the semiconductor industry, we are likely to face downturns again in the future, which would likely have similar effects. Fluctuations in the rate at which industry capacity grows relative to the growth rate in demand for semiconductor products may in the future put pressure on our average selling prices and negatively affect our results of operations.

In addition, during periods of increased demand, we may not have sufficient capacity to meet customer orders. In the past, we have responded to increased demand by opening new production facilities or entering into strategic alliances, which in many cases resulted in significant expenditures. We have also purchased an increasing number of processed wafers and packages from semiconductor foundries and subcontractors to meet higher levels of demand and have incurred higher costs of goods sold as a result. To expand our production capacity in the future, we may have to spend substantial amounts, which could negatively affect our results of operations.

***Our business could suffer as a result of volatility in different parts of the world.***

We operate globally, with numerous manufacturing, assembly and testing facilities on three continents, including facilities that we operate jointly with a partner. In the 2008 fiscal year and for the six months ended March 31, 2009, 78.6 percent and 80.0 percent of our revenues, respectively, were generated outside Germany and 59.7 percent and 61.9 percent, respectively, were generated outside Europe. Our business is therefore subject to risks involved in international business, including:

negative economic developments in foreign economies and instability of foreign governments, including the threat of war, terrorist attacks, epidemic, pandemic or civil unrest;

changes in laws and policies affecting trade and investment; and

varying practices of the regulatory, tax, judicial and administrative bodies in the jurisdictions where we operate.

Substantial changes in any of these conditions could have an adverse effect on our business and results of operations. Our results of operations could also be hurt if demand for the products made by our customers decreases due to adverse economic conditions in any of the regions where they sell their own products.

***In difficult market conditions, our high fixed costs adversely affect our results.***

In less favorable industry conditions, in addition to price pressure, we are faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. Since the semiconductor industry is characterized

by high fixed costs, our ability to reduce our total costs in line with revenue declines is limited. The costs associated with the excess capacity, particularly for our front-end fabrication facilities ( fabs ), are charged directly to cost of sales as idle capacity charges. We cannot guarantee that difficult market conditions will not adversely affect the capacity utilization of our fabs and, consequently, our future gross profits.

***The competitive environment of the semiconductor industry has led to industry consolidation, and we may face even more intense competition from newly merged competitors.***

The highly competitive environment of the semiconductor industry and the high costs associated with manufacturing technologies and developing marketable products have resulted in significant consolidation



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in the industry and are likely to lead to further consolidation in the future. Such consolidation can allow our competitors to further benefit from economies of scale, enjoy improved or more comprehensive product portfolios and increase the size of their serviceable markets. In addition, we may become a target for a company looking to improve our competitive position. Any such corporate event could result in unpredictable consequences, which could have a material adverse effect on our results of operations and financial condition. Consequently, our competitive position may be adversely impacted by consolidation among other industry participants, who may leverage increased market share and economies of scale to improve their competitive position.

***We intend to continue to engage in acquisitions, joint ventures and other transactions that may complement or expand our business. We may not be able to complete these transactions, and even if executed, these transactions pose significant risks and could have a negative effect on our operations.***

Our future success may be dependent on opportunities to enter into joint ventures and to buy other businesses or technologies that could complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities or gains in productivity. If we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient scale advantages to compete effectively in all relevant markets. We may also face competition for desirable targets from other companies in the semiconductor industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the United States, the European Union and other jurisdictions in which we do business. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing or as a result of restrictive covenants in our debt instruments. Any transactions that we are able to identify and complete may involve a number of risks, including:

the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture;

possible negative impacts on our operating results during the integration process; and

our possible inability to achieve the intended objectives of the transaction.

***We may be unable to successfully integrate businesses we acquire and may be required to record charges related to the goodwill or other long-lived assets associated with the acquired businesses.***

We have acquired other companies, businesses and technologies from time to time. We intend to continue to make acquisitions of, and investments in, other companies. We face risks resulting from the expansion of our operations through acquisitions, including the risk that we might be unable to successfully integrate new businesses or teams with our culture and strategies on a timely basis or at all. We also cannot be certain that we will be able to achieve the full scope of the benefits we expect from a particular acquisition or investment. Our business, financial condition and results of operations may suffer if we fail to coordinate our resources effectively to manage both our existing businesses and any businesses we acquire.

We review the goodwill associated with our acquisitions for impairment at least once a year. Changes in our expectations due to changes in market developments which we cannot foresee have in the past resulted in us writing off amounts associated with the goodwill of acquired companies, and future changes may require additional write-offs in future periods, which could have a material adverse effect on our financial results.

***We may not be able to protect our proprietary intellectual property and may be accused of infringing the intellectual property rights of others.***

Our success depends on our ability to obtain patents, licenses and other intellectual property rights covering our products and our design and manufacturing processes. The process of seeking patent protection can be long and expensive. Patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. In addition, effective copyright, trademark and trade secret protection may be unavailable or limited in some countries, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

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Competitors may also develop technologies that are protected by patents and other intellectual property rights. These technologies may therefore either be unavailable to us or be made available to us only on unfavorable terms and conditions. Litigation, which could require significant financial and management resources, may be necessary to enforce our patents or other intellectual property rights or to defend against claims of infringement of intellectual property rights brought against Infineon by others. Lawsuits may have a material adverse effect on our business. We may be forced to stop producing substantially all or some of our products or to license the underlying technology upon economically unfavorable terms and conditions or we may be required to pay damages for the prior use of third-party intellectual property.

***Our business could suffer due to decreases in customer demand.***

Our sales volume depends significantly on the market success of our customers in developing and selling end-products that incorporate our products. The fast pace of technological change, difficulties in the execution of individual projects, general economic conditions and other factors may limit the market success of our customers, resulting in a decrease in the volume of demand for our products and adversely affecting our results of operations.

Due to the time needed to develop the final product for end customers and the time until such products are ultimately introduced to the market, we may face significant and sometimes unpredictable delays between the implementation of our products and volume ramp up. This may cause significant idle capacity costs.

***The loss of one or more of our key customers, for example, owing to a decrease in customer confidence in us due to our perceived liquidity position, may adversely affect our business.***

Historically, a significant portion of our revenue has come from a relatively small number of customers and distributors. The loss or financial failure of any significant customer or distributor, or any reduction in orders by any of our key customers or distributors, for example, owing to a loss of customer confidence in us due to our perceived liquidity position, could materially and adversely affect our business.

***Fluctuations in the mix of products sold may adversely affect our financial results.***

We achieve differing gross profits across our wide range of products. Our financial results therefore depend in part on the structure of our product portfolio. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover our fixed costs and investments that are associated with a particular product, and as a result can negatively impact our financial results.

***If we fail to successfully implement an optimum make-or-buy strategy, our business could suffer from higher costs.***

We intend to continue to invest in leading-edge process technologies such as power, embedded flash and radio-frequency technologies. At the same time, for complementary metal-oxide-semiconductors, or CMOS below 90-nanometers, we plan to continue to share risks and expand our access to leading-edge technology through long-term strategic partnerships with other leading industry participants and by making more extensive use of manufacturing at silicon foundries. However, the decision to develop our own solutions or to cooperate with third-party suppliers could adversely affect our results of operations if we fail to achieve sufficient volume production, if market conditions for the services we obtain from foundries become more expensive due to increases in worldwide demand for foundry services, or if strategic partners fail to perform properly.

***Our business could suffer from problems with manufacturing.***

The semiconductor industry is characterized by the introduction of new or enhanced products with short life cycles in a rapidly changing technological environment. We manufacture our products using processes that are highly complex, require advanced and costly equipment and must continuously be modified to improve yields and performance. Difficulties in the manufacturing process can reduce yields or interrupt production, especially during rapid ramp up periods, and as a result of such problems we may on occasion not be able to deliver products on time or in a cost-effective, competitive manner.

We cannot foresee and prepare for every contingency. If production at a fabrication facility is interrupted, we may not be able to shift production to other facilities on a timely basis or customers

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may purchase products from other suppliers. In either case, the loss of revenues and damage to the relationship with our customers could be significant. Increasing production capacity to reduce exposure to potential production interruptions would increase our fixed costs. If demand for our products does not increase proportionally to the increase in production capacity, our operating results could be harmed.

***If our outside foundry suppliers fail to meet our expectations, our results of operations and our ability to exploit growth opportunities could be adversely affected.***

We outsource production of some of our products to third-party suppliers, including semiconductor foundry manufacturers and assembly and test facilities, and expects that our reliance on outsourcing will increase. If our outside suppliers are unable to satisfy our demand, or experience manufacturing difficulties, delays or reduced yields, our results of operations and ability to satisfy customer demand could suffer. In addition, purchasing rather than manufacturing these products may adversely affect our gross profit margin if the purchase costs of these products are higher than our own manufacturing costs. Our internal manufacturing costs include depreciation and other fixed costs, while costs for products outsourced are based in large part on market conditions. Prices for foundry products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly, negatively impacting our results of operations.

***Products that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us.***

The design and production processes for our products are highly complex. It is possible that we may produce products that do not meet customer specifications, contain or are perceived to contain defects or errors, or are otherwise incompatible with their intended uses. We may incur substantial costs in remedying such defects or errors, which could include material inventory write-downs. Moreover, if actual or perceived problems with nonconforming, defective or incompatible products occur after we have shipped the products, we might not only bear direct liability for providing replacements or otherwise compensating customers, but could also suffer from long-term damage to our relationship with important customers or to our reputation in the industry generally. This could have a material adverse effect on our business, financial condition and results of operations.

***We may be adversely affected by property loss and business interruption.***

Damage and loss caused by fire, natural hazards, supply shortage, or other disturbance at semiconductor facilities or within our supply chain at customers as well as at suppliers can be severe. Thus, even though we have constructed and operate our facilities in ways that minimize the specific risks and that enable a quick response if such event should occur, damages from such events could nonetheless be severe. Furthermore, despite our continued expectations to invest in prevention and response measures at our facilities and to maintain property loss and business interruption insurance, any loss may exceed the amounts recoverable under our insurance policies. As a result, any such events could have a material adverse effect on our business, financial condition and results of operations, and any such loss may exceed the amounts recoverable under our insurance policies.

***Our business could suffer if we are not able to secure the development of new technologies or if we cannot keep pace with the technology development of our competitors.***

The semiconductor industry is characterized by rapid technological changes. New process technologies using smaller feature sizes and offering better performance characteristics are introduced every one to two years. The introduction of new technologies allows us to increase the functions per chip while at the same time improving performance parameters, such as decreasing power consumption or increasing processing speed. In addition, the reduction of

feature sizes allows us to produce smaller chips offering the same functionality and thereby considerably reduce the costs per function. In order to remain competitive, it is essential that we secure the capabilities to develop and qualify new technologies for the manufacturing of new products. If we are unable to develop and qualify new technologies and products, or if we devote resources to the pursuit of technologies or products that fail to be accepted in the marketplace or that fail to be commercially viable, our business may suffer.

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***We rely on strategic partners and other third parties, and our business could be harmed if they fail to perform as expected or relationships with them were to be terminated.***

As part of our strategy, we have entered into a number of long-term strategic alliances with leading industry participants, both to manufacture semiconductors and to develop new manufacturing process technologies and products. If our strategic partners encounter financial difficulty or change their business strategies, they may no longer be able or willing to participate in these alliances. Some of the agreements governing our strategic alliances allow our partners to terminate the agreement if our equity ownership changes so that a third party gains control of Infineon or of a significant portion of our shares. Our business could be harmed if any of our strategic partners were to discontinue our participation in a strategic alliance or if the alliance were otherwise terminated. To the extent we rely on alliances and third-party design and/or manufacturing relationships, we face the risks of:

reduced control over delivery schedules and product costs;

manufacturing costs that are higher than anticipated;

the inability of our manufacturing partners to develop manufacturing methods appropriate for our products and their unwillingness to devote adequate capacity to produce our products;

a decline in product reliability;

an inability to maintain continuing relationships with our suppliers; and

limited ability to meet customer demand when faced with product shortages.

If any of these risks materialize, we could experience an interruption in our supply chain or an increase in costs, which could delay or decrease our revenues or adversely affect our business, financial condition and results of operations.

***New business is often subject to a competitive selection process that can be lengthy and uncertain and that requires us to incur significant expenses in advance. Even if we win and begin a product design, a customer may decide to cancel or change our product plans, which could cause us to generate no sales from a product and adversely affect our results of operations.***

In several of our business areas, we focus on winning competitive bid selection processes, known as design wins, to develop products for use in our customers' products. These selection processes can be lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenues despite incurring significant design and development expenditures.

If we win a product design and receive corresponding orders from our customers, we may experience delays in generating revenues from our products as a result of the lengthy development and design cycle. In addition, a delay or cancellation of a customer's plans could significantly adversely affect our financial results, as we may have incurred significant expenses and generated no revenues. Finally, if our customers fail to successfully market and sell their products, our results of operations could be materially adversely affected as the demand for our products falls.

***We rely on a limited number of suppliers of manufacturing equipment and materials and could suffer shortages if these suppliers were to interrupt supply or increase their prices.***

Our manufacturing operations depend upon obtaining deliveries of equipment and adequate supplies of materials on a timely basis. We purchase equipment and materials from a number of suppliers on a just-in-time basis. From time to

time, suppliers may extend lead times, limit supply to Infineon or increase prices due to capacity constraints or other factors. Because the equipment that we purchase is complex, it is difficult for us to substitute one supplier for another or one piece of equipment for another. Some materials are only available from a limited number of suppliers. Although we believe that supplies of the materials we use are currently adequate, shortages could occur in critical materials, such as silicon wafers or specialized chemicals used in production, due to interruption of supply or increased industry demand. Our results of operations would be hurt if we were not able to obtain adequate supplies of quality equipment or materials in a timely manner or if there were significant increases in the costs of equipment or materials.



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***We may be adversely affected by rising raw material prices.***

We are exposed to fluctuations in raw material prices. In the recent past, gold, copper and petroleum-based organic polymer prices in particular have fluctuated on a worldwide basis. If we are not able to compensate for or pass on our increased costs to customers, such price increases could have a material adverse impact on our financial results.

***Our business could suffer if we are unable to secure dependable power supplies at reasonable cost.***

Our business requires reliable electrical power at reasonable cost and may be adversely affected by power shortages due to disruptions in supply, as well as by increases in market prices for fuel or electricity.

***Our operations rely on complex information technology systems and networks, and any disruptions in such systems or networks could have a material adverse impact on our business and results of operations.***

We rely heavily on information technology systems and networks to support business processes as well as internal and external communications. These systems and networks are potentially vulnerable to damage or interruption from a variety of sources. However, despite precautions taken by us to manage our risks related to system and network disruptions, including the use of multiple suppliers, an extended outage in a telecommunications network utilized by our systems or a similar event could lead to an extended unanticipated interruption of our systems or networks, which could have an adverse effect on our business. Furthermore, any data leaks resulting from information technology security breaches despite use of sophisticated information technology security to protect our highly confidential information could adversely affect our business operations or reputation.

***We have recorded significant reorganization and impairment charges in the past and may do so again in the future, which could materially adversely affect our business.***

In the past, we have recorded restructuring and asset impairment charges relating to our efforts to consolidate and refocus our business. For example, for the 2008 fiscal year and the six months ended March 31, 2009, we recorded 325 million and 7 million, respectively, in such charges. As we respond to continuing rapid change in the semiconductor industry in order to remain competitive, we may incur additional employee termination, restructuring and asset impairment charges in the future.

In addition, we test our long-lived assets, including intangible assets, for impairment when events or changes in circumstances indicate that our carrying value may not be recoverable. Given the fact that our market capitalization has in recent periods occasionally been less than our book value, we conducted such an impairment analysis as of March 31, 2009. We believe that the substantial decrease in our market value in recent periods was largely due to factors which do not impact the fair value of our cash generating units to the same extent, and therefore concluded that long-lived assets were not impaired as of such date. We will continue to review our long-lived assets for potential impairment, and may in the future be required to record charges in that regard.

Charges related to employee termination, restructuring and asset impairments may have a material adverse effect on our business, financial condition and results of operations, especially in the periods in which such charges are recorded.

***Our business could suffer if third-party service providers fail to perform as expected.***

We have outsourced a number of business functions and processes, including some of our IT-services, which may comprise the usual risks of such outsourcing in case a service provider encounters difficulties providing the required services. For example, if a service provider is not able to provide the agreed services, we may not be able to replace

such service provider on short notice, which may have an adverse effect on our business.

***Our success depends on our ability to recruit and retain sufficient qualified key personnel.***

Our success depends significantly on the recruitment and retention of highly skilled personnel, particularly in the areas of R&D, marketing, production management and general management. The competition for such highly skilled employees is intense and the loss of the services of key personnel without adequate replacement or the inability to attract new qualified personnel could have a material

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adverse effect on Infineon. We can provide no assurance that it will be able to successfully retain and/or recruit the key personnel we require.

***Reductions in government subsidies or demands for repayment of such subsidies could increase our reported expenses or limit our ability to fund capital expenditures.***

Our reported expenses have been reduced in recent years by various subsidies received from governmental entities. In particular, we have received, and expect to continue to receive, subsidies for investment projects as well as for R&D projects. We recognized governmental subsidies as a reduction of R&D expenses and cost of sales in an aggregate amount of 110 million in the 2007 fiscal year, 84 million in the 2008 fiscal year and 36 million in the six months ended March 31, 2009.

As the general availability of government funding is outside our control, we can provide no assurance that we will continue to benefit from such support, that sufficient alternative funding would be available if necessary or that any such alternative funding would be provided on terms as favorable to us as those we currently receive. In addition, if certain conditions are not met or certain events occur, we may have to repay the government subsidies that we have already received.

The application for and implementation of such subsidies often involves compliance with extensive regulatory requirements, including, in the case of subsidies to be granted within the European Union, notification to the European Commission of the contemplated grant prior to disbursement. In particular, establishment of compliance with project-related ceilings on aggregate subsidies defined under European Union law often involves highly complex economic evaluations. If we fail to meet applicable requirements, we may not be able to receive the relevant subsidies or may be obliged to repay current or future subsidies, which could have a material adverse effect on our business.

The terms of certain of the subsidies we have received impose conditions that may limit our flexibility to utilize subsidized facilities as we deem appropriate, to divert equipment to other facilities, to reduce employment at the site, or to use related intellectual property outside the European Union. This could impair our ability to operate our business in the manner we believe to be most cost effective.

***Our operating results fluctuate significantly from quarter to quarter, and as a result we may fail to meet the expectations of securities analysts and investors, which could cause our stock price to decline.***

Our operating results have fluctuated significantly from quarter to quarter in the past and are likely to continue to do so due to a number of factors, many of which are not within our control. If our operating results do not meet the expectations of securities analysts or investors, the market price of our shares will likely decline. Our reported results can be affected by numerous factors, including:

the overall cyclicity of, and changing economic and market conditions in, the semiconductor industry, as well as seasonality in sales of consumer products in which our products are incorporated;

our ability to scale our operations in response to changes in demand for our existing products and services or demand for new products requested by our customers;

intellectual property disputes, customer indemnification claims and other types of litigation risks;

the gain or loss of a key customer, design win or order;

the timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers, to manage inventory;

changes in accounting rules;

our success in implementing cost reductions measures;

the length of particular product development cycles; and

liabilities arising as a result of Qimonda's insolvency.

Due to the foregoing factors and the other risks discussed in this prospectus, investors should not rely on quarter-to-quarter comparisons of our operating results as an indicator of future performance.

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***Our results of operations and financial condition can be adversely impacted by changes in exchange rates.***

Our results of operations can be negatively affected by changes in exchange rates, particularly between the Euro and the U.S. dollar or the Japanese yen. In addition, the balance sheet impact of currency translation adjustments has been, and may continue to be, material. Furthermore, while we operate in an industry with prices primarily denominated in U.S. dollars and therefore receives a large proportion of our revenues in U.S. dollars, a large proportion of our expenses are in Euro and it also reports our financial results in Euro, which is our operational currency. As a result, our financial results can be significantly negatively affected by exchange rate fluctuations of the U.S. dollar against the Euro. See Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risks.

***If we fail to maintain effective internal controls, we may not be able to report financial results accurately or on a timely basis, or to detect fraud, which could have a material adverse effect on our business or share price.***

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent financial fraud. Pursuant to the Sarbanes Oxley Act, we are required to periodically evaluate the effectiveness of the design and operation of our internal controls. Internal controls over financial reporting may not prevent or detect misstatements because of inherent limitations, including the possibility of human error or collusion, the circumvention or overriding of controls, or fraud. If we fail to maintain an effective system of internal controls, our business and operating results could be harmed, and we could fail to meet our reporting obligations, which could have a material adverse effect on our business and our share price.

***We are exposed to various tax risks, and several factors could have an adverse effect on the tax burden of Infineon.***

Our German and foreign tax returns are periodically examined by tax authorities, and several entities of the consolidated group are currently subject to such an examination. The most recent finalized corporate income, trade and sales tax audit of Infineon and our German subsidiaries covered the 1999 through 2001 fiscal years; for the 2002 through 2005 fiscal years a tax audit has started. Given the considerable amount of available tax losses incurred by us, additional tax assessments at Infineon level should not trigger substantial tax charges, if any. We regularly assess the adequacy of our domestic and foreign tax provisions in light of new evidence and make adjustments to the extent necessary. Due to the complexities in tax laws and their interpretation by the tax authorities there can be no assurance that the outcome of German and foreign tax audits will not differ from these estimates, that is, additional tax charges imposed by the tax authorities may exceed taxes accrued for as liabilities or provisions and may require additional liquidity.

In case of changes in the shareholders' structure of Infineon, there is a risk that our tax losses, tax loss carry-forwards and interest carry-forwards may be eliminated entirely or in part. Such elimination in whole or in part may, in particular, result from a direct or indirect acquisition of shares (e.g. straight acquisition, capital increase) of more than 50 percent or of more than 25 percent up to 50 percent, respectively, by an individual shareholder, a related party, or a defined group of shareholders within a five-year period (see Section 8c of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)). If, therefore, under the backstop arrangement the backstop investor acquired Investment Shares representing more than 25 percent of the shares in Infineon, an according amount of tax losses, tax loss carry-forwards and interest carry-forwards may be eliminated. The elimination of the tax loss carry-forwards would have a non-cash effect in the consolidated financial statements of Infineon as a consequence of the derecognition of deferred tax assets relating to those tax loss carry-forwards. In addition, the tax burden in Germany for future tax assessment periods could increase as respective tax losses, tax loss carry-forwards or interest carry-forwards would no longer be available to offset future taxable income.

Furthermore, future changes of the tax laws in Germany or other jurisdictions relevant for us could increase the tax burden of Infineon. This as well as the above mentioned risks could have a material adverse effect on cash flows, financial condition and results of operations of Infineon.

*Our deferred tax assets are subject to regular reassessment, which may result in additional valuation allowances.*

We recognized deferred tax assets in a total amount of 400 million as of September 30, 2008. The realization of deferred tax assets is dependent upon our ability to generate the appropriate character of

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future taxable income sufficient to utilize loss carry-forwards or tax credits before their expiration. A change of the estimated amounts and character of future income may require additional valuation allowances.

### ***Environmental laws and regulations may expose us to liability and increase our costs.***

Our operations are subject to many environmental laws and regulations wherever we operate, governing, among other things, air and noise emissions, wastewater discharges, the use and handling of hazardous substances, waste disposal and the investigation and remediation of soil and ground water contamination.

An EU Directive imposes a take-back obligation on manufacturers to finance the collection, recovery and disposal of electrical and electronic equipment. Because of unclear statutory definitions and interpretations in individual member states, as well as ongoing discussions on national implementing measures, we are unable at this time to determine in detail the consequences of this directive for Infineon. Additional European legislation restricts the use of lead and other hazardous substances in electrical and electronic equipment from July 2006. Both Directives are under revision and their possible impacts currently cannot be determined in detail. A further EU Directive restricts the use of hazardous substances in automotive vehicles. Because the Directive has been changed and further revision is foreseen, the future impact on Infineon cannot currently be determined in detail.

Another Directive describes eco-design requirements for energy-using products, including information requirements for components and sub-assemblies. Furthermore the European regulatory framework for chemicals, called REACH, deals with the registration, evaluation, authorization and restriction of chemicals. This legislation may complicate our R&D activities and may require us to change certain of our manufacturing processes to utilize more costly materials or to incur substantial additional costs. In addition, pursuant to the EU Directive on environmental liability with regard to the prevention and remedying of environmental damage, we could face increased environmental liability, which may result in higher costs and potential damage claims.

In addition, the Chinese government restricts the use of lead and other hazardous substances in electronic products. Because neither all implementing measures nor the key product catalogue are in place, the consequences for Infineon cannot currently be determined in detail. Similar regulations or substance bans are being proposed or implemented in various countries of the world. We are not able at this time to estimate the amount of additional costs that we may incur in connection with these regulations.

There is a risk that we may become the subject of environmental, health or safety liabilities or litigation. Environmental, health, and safety claims or the failure to comply with current or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations. Significant financial reserves or additional compliance expenditures could be required in the future due to changes in law or new information regarding environmental conditions or other events, and those expenditures could adversely affect our business or financial condition. As with other companies engaged in similar activities, we face inherent risks of environmental liability in our current and historical manufacturing locations. Costs associated with future additional environmental compliance or remediation obligations could adversely affect our business.

### ***We may face significant liabilities as a result of the insolvency of Qimonda.***

As a result of the commencement of insolvency proceedings by Qimonda, we are exposed to potential liabilities arising in connection with the Qimonda business. Such potential liabilities include, among others, pending antitrust and securities law claims, potential claims for repayment of governmental subsidies, employee-related contingencies and purported unfair dismissal claims by employees of Qimonda North America. We recorded aggregate provisions and allowances of 203 million as of March 31, 2009 relating to such of those liabilities which management believes are probable and can be estimated with reasonable accuracy at that time. There can be no assurance that such

provisions and allowances recorded will be sufficient to cover all liabilities that may ultimately be incurred in relation to these matters. In preparing our financial statements for the current and subsequent quarters, we will review the provisions and allowances with respect to these and any new potential liabilities to determine whether any adjustments should be made.

In addition, we may be subject to claims by the insolvency administrator under German insolvency laws for repayment of certain amounts received by us from Qimonda, for example, payments for intra-



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group services and supplies, during defined periods prior to the commencement of insolvency proceedings.

Furthermore, we may lose the right to use Qimonda's intellectual property rights under the contribution agreement between us and Qimonda if and to the extent this agreement was successfully challenged by the insolvency administrator under German insolvency laws.

The insolvency of Qimonda may also subject us to other claims arising in connection with certain liabilities, contracts, offers, uncompleted transactions, continuing obligations, risks, encumbrances and other liabilities contributed to Qimonda in connection with the carve-out of the Qimonda business, as it is unlikely that Qimonda will be able to fulfill its obligation to indemnify us against any such liabilities due to its insolvency.

Finally, there can be no assurance that the insolvency administrator or creditors of Qimonda will not seek to recover money from us by asserting claims that we cannot currently foresee. Even if a court were to dismiss or otherwise rule against such claims, defending against them could require us to expend significant time, money and management attention.

***We might be required to repay any outstanding Exchangeable Notes due 2010 prior to their maturity date, which could materially adversely affect our financial condition.***

Our outstanding Exchangeable Notes due 2010 might become repayable prior to their maturity date upon the occurrence of stated events, for example, a change of control or liquidation of all or substantially all of the assets of Qimonda or the termination of the deposit agreement relating to Qimonda's ADR facility without a replacement agreement. In the event that the Qimonda insolvency administrator is successful in consummating a sale of all or a material portion of the business of Qimonda or its assets, or the deposit agreement is terminated without a replacement agreement, or if any part of the reorganization is deemed to trigger a repayment obligation as to the Exchangeable Notes due 2010, we could become obligated to repay such Exchangeable Notes due 2010 at par. The outstanding nominal amount of Exchangeable Notes was 48 million as of June 30, 2009. Any early repayment of the Exchangeable Notes due 2010 would require a substantial expenditure of cash and could have a material adverse effect on our financial condition and results of operations.

***A sale or closure of the ALTIS facility may result in us incurring material additional costs and charges.***

We and our joint venture partner IBM are currently involved in ongoing negotiations with strategic and financial partners regarding a divestiture of our respective shares in ALTIS, a manufacturing joint venture in France. The outcome of these negotiations cannot be predicted at this stage. In the event of a failure to reach an agreement with the potential buyers, we and IBM may well have to resort to the closure of the ALTIS manufacturing facility. Either the sale or the closure of the facility may result in Infineon incurring material additional costs and charges. In the event of a sale, we may incur, amongst others, expenses under a wafer supply agreement that is to be concluded between the joint venture partners and the potential buyer. In the event of a closure, we and IBM may incur material expenses relating to the closing. Although the exact amount of any such expenses cannot be reliably assessed as yet, such expenses could have a material adverse effect on our results of operations and financial position.

***The Wireline Communications business could be adversely impacted if the intended sale is not completed.***

If the sale of the Wireline Communications business is not completed, the Wireline Communications business could be adversely impacted because of lower demand for our products due to customer uncertainty, decreased efficiency and employee attrition as a result of employee uncertainty.

***We may be held liable for damages in connection with the sale of the Wireline Communications business.***

Under the asset purchase agreement, we made certain representations and warranties to Wireline Holdings and may be required to pay damages if these representations and warranties turn out to have been incorrect or if we breach our obligations under the asset purchase agreement. We could therefore become involved in disputes and litigation with regard to these representations and warranties and be forced to pay damages. If we do not have sufficient cash to cover damages, we may be forced to borrow

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money or to sell assets in order to procure these funds, which would reduce our revenue or operating results. If these risks should materialize, this could have an adverse effect on our business, operating results, or financial condition.

***We may face increased expenses due to the sale of the Wireline Communications business.***

Certain fixed costs that are associated with the Wireline Communications business will not be transferred in connection with the asset purchase agreement. If such fixed costs are not transferred to Wireline Holdings, we will continue to be responsible for such expenses. We will participate in certain set-up costs of Wireline Holdings that will arise in connection with the transfer of the Wireline Communications business. Furthermore, should the sale of the Wireline Communications business be completed and should we not be able to either transfer, reduce or eliminate the fixed costs associated with the Wireline Communications business or should we incur substantial restructuring costs associated with the sale of the Wireline Communications business, this could have a material adverse effect on our operations or financial performance.

***Our business and financial condition could be adversely affected by current or future litigation.***

We are a party to lawsuits in the normal course of our business, including suits involving allegations of intellectual property infringement, product liability and breaches of contract. The results of complex legal proceedings are difficult to predict. There can be no assurance that the results of current or future legal proceedings will not materially harm our business, reputation or brand.

We record a provision for litigation risks when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. We maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. We may incur losses relating to litigation beyond the limits, or outside the coverage, of such insurance and such losses may have a material adverse effect on the results of our operations or financial condition, and our provisions for litigation-related losses may not be sufficient to cover our ultimate loss or expenditure. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, operating results, or financial condition.

***We are a subject of investigations in several jurisdictions in connection with pricing practices in the Dynamic Random Access Memory ( DRAM ) industry, and is a defendant in civil antitrust claims in connection with these matters.***

In September 2004, we entered into a plea agreement with the Antitrust Division of the U.S. Department of Justice (the DOJ ) in connection with our investigation of alleged antitrust violations in the DRAM industry. Pursuant to this plea agreement, we agreed to plead guilty to a single count relating to the price fixing of DRAM products and to pay a fine of \$160 million, payable in equal annual installments through 2009.

Subsequent to the commencement of the DOJ investigation, a number of purported class action lawsuits were filed against us and other DRAM suppliers in U.S. federal courts and in state courts in various U.S. states and Canadian provinces. The complaints allege violations of U.S. federal and state or Canadian antitrust and competition laws and seek treble damages in unspecified amounts, costs, attorneys' fees and an injunction against the allegedly unlawful conduct on behalf of the plaintiffs. In July 2006, the state attorney generals of a number of U.S. states filed actions against us and other DRAM suppliers in U.S. federal courts. The claims involve allegations of DRAM price fixing and artificial price inflation and seek to recover three times actual damages and other relief.

In April 2003, we received a request for information regarding DRAM industry practices from the European Commission and in May 2004 we received a notice of a formal inquiry into alleged DRAM industry competition law violations from the Canadian Competition Bureau. We are cooperating with the European Commission and the

Canadian Competition Bureau in their inquiries.

An adverse final resolution of the matters described above could result in significant financial liability to, and other adverse effects upon, us which would have a material adverse effect on our business, results of operations and financial condition. Irrespective of the validity or the successful assertion of the above-referenced claims, we could incur significant costs with respect to defending against or settling such

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claims, which could have a material adverse effect on our results of operations, financial condition and cash flow.

***Purported class action lawsuits have been filed against us alleging securities fraud.***

Following our announcement in September 2004 of our agreement to plead guilty in connection with the DOJ's antitrust investigation and to pay a fine of \$160 million, several purported securities class action lawsuits have been brought against us in U.S. district courts. The lawsuits were consolidated into one complaint that is pending at the U.S. District Court for the Northern District of California. Plaintiffs allege violations of the U.S. securities laws and assert among other things that we made materially false and misleading public statements about our historical and projected financial results as well as competitive position and manipulated the price of our securities, thereby injuring our shareholders. Although we are defending against these suits vigorously, a significant settlement or negative outcome at trial could have a material adverse effect on our financial results.

***We are the subject of an investigation by the European Commission in connection with alleged violations of competition laws in the Chip Card & Security segment.***

In October 2008, we learned that the European Commission had commenced an investigation involving our Chip Card & Security segment for alleged violations of competition laws. This investigation is in the very early stages. We are assessing this situation and will continue to monitor the investigation carefully. If the European Commission were to find that our Chip Card & Security segment violated European Union competition laws, the fines and penalties that would likely be imposed on us could be substantial and would be expected to have a material adverse effect on our business, operations and financial condition.

***We might be faced with product liability or warranty claims.***

Despite our current efforts, defects may occur in our products. The occurrence of defects, particularly in consumer areas and areas in which personal injury could result, such as our automotive division could give rise to warranty claims or to liability for damages caused by such defects. We could also incur consequential damages and experience limited acceptance of our products in the market. In addition, customers have from time to time notified us of potential contractual warranty claims in respect of products that we supplied, and are likely to do so in the future. These matters could have a material adverse effect on our business and financial condition.

**Risks Related to the New Shares and Risks Related to the Offering**

***The backstop investor may influence our business activities and may be in a position to control the outcome of certain matters submitted to our shareholders.***

The backstop investor has agreed to acquire ordinary shares at the subscription price, but not more than 30 percent minus one share in our share capital and voting rights post execution of the offering, subject to the terms and conditions of the investment agreement between us and the backstop investor. Based on the historical numbers of votes present at our general meetings during 2006 through 2009, a shareholding interest of 30 percent minus one share in our share capital and voting rights may provide the backstop investor with a blocking minority with respect to important decisions of Infineon, that is, those requiring a qualified majority. Such decisions include, but are not limited to, certain corporate actions (such as capital increases excluding shareholders' subscription rights) and certain reorganization measures. Moreover, this interest may provide the backstop investor, either alone or in cooperation with other major shareholders, with a majority of those votes present at our general meeting. In that case, the backstop investor would be in a position to have resolutions passed by a simple majority. This would enable the backstop investor to exert considerable influence in our general meeting and therefore also on decisions submitted for the vote of the general meeting (for example, regarding the composition of the supervisory board or the amount of dividends).

Through a blocking minority or any majority presence, the backstop investor may also be able to exert influence on the corporate policies of Infineon and such influence could conflict with our interests and/or those of our other shareholders.

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***Sales of a large volume of shares in Infineon by major shareholders could cause significant downward pressure on our share price.***

The price of our shares could decline significantly if one or more of our major shareholders, including Dodge & Cox International Stock Fund, Merrill Lynch International, Capital Group International Inc., Templeton Investment Counsel LLC, FMR LLC, Platinum International Fund, Odey Asset Management LLP, Platinum Investment Management Limited, Brandes Investment Partners L.P., and the backstop investor or other holders of a significant percentage of our shares were to sell a large volume of their shares.

If the condition that the unsubscribed shares (together with any ordinary share rights acquired by the backstop investor) represent at least 15 percent of our share capital is met or waived, the backstop investor may become a major shareholder and undertakes not to (a) sell, transfer, pledge, encumber or otherwise dispose of (including the granting of any option over or the creation of any form of trust relationship in respect of) any shares that it acquires, (b) enter into any agreement or transaction in respect of any voting rights or other rights attached to such shares, or (c) enter into any transaction (including derivative transactions) and carry out any other action that would be the economic equivalent of any of the above for a period of 12 months following the date of acquisition of such shares, without the consent of our management board. This undertaking does not apply to the sale and/or transfer of shares it acquires (i) to one of its affiliates pursuant to sections 15 et seq. of the German Stock Corporation Act, (ii) of up to 10 percent of the shares it acquires to co-investors until October 31, 2009, (iii) in connection with a mandatory public takeover offer of a third party under the German Act on the Acquisition of Securities and on Takeovers, (iv) in connection with a voluntary public takeover offer of a third party, (v) in connection with a merger or other business combination of Infineon with a third party under the German Act on the Acquisition of Securities and on Takeovers, (vi) in connection with a share buy-back by Infineon, and (vii) in such quantity to be able to self-fund (net of transaction fees and expenses) the issuance price resulting from the exercise of subscription rights in connection with a rights offering for shares by Infineon. The backstop investor will consult with our management board before transferring any shares that it acquires in connection with any public takeover offer.

However, the backstop investor's obligation with regard to the foregoing lock-up agreement will automatically terminate if during the period of 12 months following the date of acquisition of shares one of the following occurs: (i) at any time a person other than a person proposed by the backstop investor becomes the chairman of our supervisory board, or (ii) Mr. Gernot Löhr is not appointed as member of our supervisory board by the competent court within 10 business days after the date on which such filing had to be made, or (iii) at any time less than two persons proposed by the backstop investor are members of our supervisory board, provided that, in each case, the situation has not been remedied within 30 days after the later of the occurrence of the relevant event or receipt by us from the backstop investor of a nomination of alternative eligible backstop investor's nominee(s).

The backstop investor's obligation with regard to the foregoing lock-up agreement will further automatically terminate if any of the following occurs: (i) the reduction of the maximum number of supervisory board members from sixteen to twelve persons has not become effective by the date of the next ordinary shareholders' meeting relating to the 2009 fiscal year; or (ii) not all governmental or regulatory clearances which are required for an acquisition by the backstop investor of up to 30 percent minus one share of our share capital have been granted by October 1, 2009.

There is no assurance that the major shareholders will continue to hold our shares. Moreover, a decline in the price of our shares resulting from sales by one or more major shareholders could make it more difficult for us to issue new shares at a time and price that our management board deems reasonable.

***Our share price is subject to risks associated with market-price fluctuations.***

Regardless of a potential sale of our shares by major shareholders, the price of our shares could vary considerably, especially because of fluctuations in actual or forecast results of operations, changes in profit forecasts or the non-fulfillment of securities analysts' profit expectations, changes in general economic conditions, or other factors. The general volatility of share prices, which has increased considerably over the course of the worsening credit crisis in the financial market in 2008 and 2009, could also put pressure on the price of our shares without this being directly related to our business activities, cash flow, financial condition, results of operations, or business outlook. Furthermore, the possibility exists that hedge funds having short-term investment goals have already acquired, or will acquire, large blocks of shares, which would enable such funds to deliberately affect our share price.



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***Our share price is subject to risks relating to securities transactions engaged by the backstop investor and/or its affiliates.***

The backstop investor may from time to time purchase or sell shares, options or subscription rights or enter into and withdraw from various derivative transactions with respect to our shares, provided that the backstop investor may not, until the end of the subscription period, buy shares of Infineon or other instruments that lead to an attribution of voting rights pursuant to the rules of the German Securities Trading Act. In addition, after expiration of the subscription period until the settlement of the sale of shares to the backstop investor, if any, the backstop investor may not establish a participation in the equity capital or voting rights of Infineon if such acquisition, together with the shares finally subscribed for by the backstop investor, would, pursuant to the rules of the German Securities Trading Act, result in the backstop investor's participation exceeding 30 percent minus one share of our share capital. Any purchase or sale by the backstop investor and/or its affiliates could have an increasing or decreasing effect of the value of any such rights or the shares before, during or after the subscription period.

***The investments of shareholders and ADS holders who fail to participate in this offering will be diluted considerably.***

Ordinary share rights or ADS rights that have not been exercised by August 3, 2009 or July 29, 2009, respectively, will become void and worthless. If you fail to exercise your rights during the applicable subscription period, your proportional investment in our company will decrease, with the exact amount of such dilution depending on the total number of subscribed ordinary shares, including ordinary shares represented by ADSs. If you fail to sell any unexercised ordinary share rights during the ordinary share rights trading period, you will receive no economic value for the unexercised and unsold ordinary share rights.

***ADS rights are not transferable, and trading in ordinary share rights might not develop.***

ADS rights are not transferable. Additionally, we and the underwriters will not initiate trading of ordinary share rights on the regulated market of the Frankfurt Stock Exchange or any other German stock exchange. Accordingly, ordinary share rights cannot be purchased or sold on the regulated market of such a stock exchange. However, ordinary share rights are transferable and may be traded over the counter. There is no guarantee that you will be able to trade ordinary share rights. As a consequence, there can be no assurance that you will be able to realize the inherent value of your ordinary share rights by selling your ordinary share rights and, thus, might suffer a significant loss upon expiration of the subscription period.

Furthermore, the value of ordinary share rights depends largely on the price of our shares. Therefore, a significant decline in the price of our shares could also adversely affect the value of ordinary share rights.

***The underwriters may terminate the underwriting agreement.***

Pursuant to the underwriting agreement, the underwriters have agreed to the following: (i) to offer the new ordinary shares to the shareholders of Infineon, (ii) to subscribe for the new ordinary shares and (iii) to allot to the shareholders the shares subscribed in accordance with the exercise of their subscription rights after the registration of the capital increase in the commercial register of the Local Court of Munich (the "Commercial Register"). The underwriters plan to subscribe for the new ordinary shares pursuant to the underwriting agreement. The underwriters can, under certain conditions, terminate the underwriting agreement until such time as the new ordinary shares have been delivered. If the underwriting agreement is terminated, the offering expires and the subscription rights become void or worthless. Even investors who have acquired subscription rights in the secondary market will then suffer a corresponding loss since transactions involving subscription rights in connection with a termination of the offering will not be reversed.

***Future corporate actions could result in a further material dilution of shareholders' investments in us.***

To finance our business activities and growth, as well as our continuing and future obligations, we may require additional capital in the future. The issuance of additional new shares or convertible notes or notes with warrants would cause further dilution of the proportionate holdings of our existing shareholders. Moreover, the acquisition of other enterprises or equity investments in companies in exchange for new shares to be issued by us and the exercise of stock options by our employees could result in further dilution.

**Table of Contents****PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATES**

Our financial statements included with this prospectus are denominated in Euro, or €. The tables below set forth, for the periods and dates indicated, information concerning the Federal Reserve Bank of New York's noon buying rate for Euro, expressed in United States dollars or \$, per one Euro or €. Information in the tables below for periods after December 31, 2008 are from the Federal Reserve Board's noon buying rates.

The table below states the average exchange rates of US dollars per Euro for the periods shown. The annual average exchange rate is computed by using the noon buying rate for the Euro on the last business day of each month during the period indicated.

**Annual average exchange rates of the U.S. dollar per Euro**

	<b>Average</b>
Fiscal year ended September 30, 2005	\$ 1.2727
Fiscal year ended September 30, 2006	1.2361
Fiscal year ended September 30, 2007	1.3420
Fiscal year ended September 30, 2008	1.5067
Six months ended March 31, 2009	1.3004

The table below shows the high and low exchange rates for Euro in US dollars per Euro for the periods shown below:

**Recent high and low exchange rates of the U.S. dollar per Euro**

	<b>High</b>	<b>Low</b>
January 2009	\$ 1.3946	\$ 1.2804
February 2009	1.3064	1.2547
March 2009	1.3730	1.2549
April 2009	1.3458	1.2978
May 2009	1.4126	1.3267
June 2009	1.4270	1.3784
July 2009 (through July 10)	1.4186	1.3852

The noon buying rate on September 30, 2008 was 1.00 = \$1.4081, and on July 10, 2009 was 1.00 = \$1.3926.

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**SELECTED CONSOLIDATED FINANCIAL DATA OF INFINEON  
PREPARED IN ACCORDANCE WITH IFRS**

*The financial information set forth in this prospectus may not contain all of the financial information that you should consider when making an investment decision. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Risk Factors section of this prospectus, beginning on page 15. You should also carefully read the sections headed Selected Consolidated Financial Data of Infineon Prepared in Accordance with U.S. GAAP and Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the consolidated financial statements included in this prospectus.*

For periods beginning October 1, 2008, we have prepared our financial statements in accordance with IFRS. In connection with our transition to IFRS, we have also prepared financial statements for the two years ended September 30, 2008 in accordance with IFRS. Below we present selected consolidated statements of operations data for the 2007 and 2008 fiscal years and the six-month periods ended March 31, 2008 and 2009, and selected consolidated balance sheet data at September 30, 2007 and 2008 and at March 31, 2009, derived from Infineon's consolidated IFRS financial statements. The selected consolidated statements of operations data for the 2007 and 2008 fiscal years and the selected consolidated balance sheet data at September 30, 2007 and 2008, prepared in accordance with IFRS, have been extracted from financial statements as of and for the fiscal year ended September 30, 2008, prepared in accordance with IFRS, and appear in this prospectus beginning on page F-2. We also present selected consolidated statements of operations data for the six-month periods ended March 31, 2008 and 2009, and selected consolidated balance sheet data at March 31, 2009, derived from our condensed consolidated IFRS financial statements, which appear in this prospectus beginning on page F-79.

	<b>For the years ended</b>			<b>For the six months ended</b>		
	<b>September 30,<sup>(1)</sup></b>			<b>March 31,<sup>(1)(2)</sup></b>		
	<b>2007</b>	<b>2008</b>	<b>2008<sup>(2)(3)</sup></b>	<b>2008</b>	<b>2009</b>	<b>2009<sup>(4)</sup></b>

(in millions, except per share data)

**Selected Consolidated Statement of  
Operations Data**

Revenue	4,074	4,321	\$ 6,084	2,139	1,577	\$ 2,091
Income (loss) from continuing operations before income taxes	(44)	(147)	(207)	82	(264)	(350)
Income (loss) from continuing operations	(43)	(188)	(265)	59	(266)	(353)
Loss from discontinued operations, net of income taxes	(327)	(3,559)	(5,011)	(2,543)	(396)	(525)
Net loss	(370)	(3,747)	(5,276)	(2,484)	(662)	(878)
Attributable to:						
Minority interests	(23)	(812)	(1,143)	(552)	(49)	(65)
Shareholders of Infineon Technologies AG	(347)	(2,935)	(4,133)	(1,932)	(613)	(813)
Basic and diluted loss per share from continuing operations	(0.08)	(0.33)	(0.46)	0.06	(0.36)	(0.48)
Basic and diluted loss per share from discontinued operations	(0.38)	(3.58)	(5.04)	(2.64)	(0.46)	(0.61)

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Basic and diluted loss per share	(0.46)	(3.91)	(5.50)	(2.58)	(0.82)	(1.09)
<b>Selected Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	1,809	749	1,055		532	706
Available-for-sale financial assets	417	134	189		133	176
Working capital (deficit), excluding cash and cash equivalents, available-for-sale financial assets and net assets held for disposal	(43)	86	121		(28)	(37)
Assets held for disposal	303	2,129	2,998		6	8
Total assets	10,599	6,982	9,831		3,977	5,274
Short-term debt and current maturities	336	207	291		170	225
Liabilities held for disposal	129	2,123	2,989			
Long-term debt	1,227	963	1,356		816	1,082
Total equity	6,004	2,161	3,043		1,703	2,259

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*Notes*

- (1) During the 2008 fiscal year we committed to a plan to dispose of Qimonda. As a result, the results of Qimonda are reported as discontinued operations in the Selected Consolidated Statements of Operations Data for all periods presented, and the assets and liabilities of Qimonda have been reclassified as held for disposal in the Selected Consolidated Balance Sheet Data as of March 31, 2008 and as of September 30, 2008. On January 23, 2009, Qimonda and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG filed an application at the Munich Local Court to commence insolvency proceedings. As a result of this application, we deconsolidated Qimonda during the second quarter of the 2009 fiscal year. On April 1, 2009, the insolvency proceedings formally opened.
- (2) Unaudited.
- (3) Converted from Euro into U.S. dollars at an exchange rate of 1 = \$1.4081, which was the noon buying rate of the Federal Reserve Bank of New York on September 30, 2008.
- (4) Converted from Euro into U.S. dollars at an exchange rate of 1 = \$1.3261, which was the noon buying rate of the Federal Reserve Board in New York on March 31, 2009.

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**SELECTED CONSOLIDATED FINANCIAL DATA OF INFINEON  
PREPARED IN ACCORDANCE WITH U.S. GAAP**

*The financial information set forth in this prospectus may not contain all of the financial information that you should consider when making an investment decision. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Risk Factors section of this prospectus, beginning on page 15. You should also carefully read the sections headed Selected Consolidated Financial Data of Infineon Prepared in Accordance with IFRS and Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the consolidated financial statements included in this prospectus.*

For periods prior to October 1, 2008, we prepared our financial statements in accordance with accounting standards generally accepted in the United States ( U.S. GAAP ). Below we present selected consolidated statements of operations data for the 2004 through 2008 fiscal years and selected consolidated balance sheet data at September 30, 2004 through 2008 derived from our consolidated U.S. GAAP financial statements. Selected financial information prepared in accordance with International Financial Reporting Standards is included in the section headed Selected Consolidated Financial Data of Infineon Prepared in Accordance with IFRS .

	<b>2004</b>	<b>For the years ended September 30,<sup>(1)</sup></b>				<b>2008<sup>(2)</sup></b>
		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	
		<b>(in millions, except per share data)</b>				
<b>Selected Consolidated Statement of Operations Data</b>						
Net sales	4,187	3,934	4,114	4,074	4,321	\$ 6,084
Income (loss) before income taxes, discontinued operations, and extraordinary loss	83	(291)	(203)	32	(74)	(105)
Income (loss) from continuing operations	140	(324)	(250)	(37)	(135)	(190)
Income (loss) from discontinued operations, net of tax	(79)	12	(18)	(296)	(2,987)	(4,206)
Net income (loss)	61	(312)	(268)	(368)	(3,122)	\$ (4,396)
Basic and diluted earnings (loss) per share:						
Earnings (loss) per share from continuing operations	0.19	(0.43)	(0.34)	(0.05)	(0.18)	\$ (0.25)
Earnings (loss) per share from discontinued operations	(0.11)	0.01	(0.02)	(0.40)	(3.98)	\$ (5.60)
Basic and diluted earnings (loss) per share	0.08	(0.42)	(0.36)	(0.49)	(4.16)	\$ (5.86)
<b>Selected Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	31	516	1,108	1,073	749	\$ 1,055
Marketable securities	1,936	858	477	210	143	201
Working capital (deficit), excluding cash and cash equivalents, marketable securities and net assets held for disposal	377	381	39	(16)	105	150
Assets held for disposal	4,750	4,861	5,861	5,653	2,224	3,131
Total assets	10,976	10,853	11,693	10,753	7,083	9,974
Short-term debt and current maturities	103	99	797	260	207	291

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Liabilities held for disposal	1,933	1,813	1,911	1,897	2,091	2,945
Long-term debt	1,400	1,458	1,058	1,149	1,051	1,480
Shareholders' equity	5,978	5,629	5,315	4,914	1,764	2,484

*Notes:*

- (1) During the 2008 fiscal year, we committed to a plan to dispose of Qimonda AG ( Qimonda ). As a result, the results of Qimonda are reported as discontinued operations in the Selected Consolidated Statement of Operations data for all periods presented, and the assets and liabilities of Qimonda have been reclassified as held for disposal in the Selected Consolidated Balance Sheet data for all periods presented.
- (2) Converted from Euro into U.S. dollars at an exchange rate of 1 = \$1.4081, which was the noon buying rate of the Federal Reserve Bank of New York on September 30, 2008.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and other financial information included elsewhere in this prospectus. Our audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, and on the basis of a number of assumptions more fully explained in Note 1 (Description of Business and General Information) and Note 2 (Summary of Significant Accounting Policies) to our audited consolidated financial statements appearing elsewhere in this prospectus.*

*This management's discussion and analysis of financial condition and results of operations contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include those identified under the heading Risk Factors and elsewhere in this prospectus.*

**Our Business**

We design, develop, manufacture and market a broad range of semiconductors and complete system solutions used in a wide variety of microelectronic applications, including computer systems, telecommunications systems, consumer goods, automotive products, industrial automation and control systems, and chip card applications. Our products include standard commodity components, full-custom devices, semi-custom devices, and application-specific components for analog, digital, and mixed-signal applications. We have operations, investments, and customers located mainly in Europe, Asia and North America.

Our core business is currently organized in five operating segments: Automotive, Industrial & Multimarket, Chip Card & Security, Wireless Solutions, and Wireline Communications:

The Automotive segment designs, develops, manufactures and markets semiconductors for use in automotive applications. Together with its product portfolio, Infineon offers corresponding system know-how and support to its customers.

The Industrial & Multimarket segment designs, develops, manufactures and markets semiconductors and complete system solutions primarily for use in industrial applications and in applications with customer-specific product requirements.

The Chip Card & Security segment designs, develops, manufactures and markets semiconductors and complete system solutions primarily for use in chip card and security applications.

The Wireless Solutions segment designs, develops, manufactures and markets a wide range of ICs, other semiconductors and complete system solutions for wireless communication applications.

The Wireline Communications segment designs, develops, manufactures and markets a wide range of ICs, other semiconductors and complete system solutions focused on wireline access applications. On July 7, 2009,

we entered into an asset purchase agreement to sell the Wireline Communications business, and such sale is expected to close in the fall of 2009.

Our current segment structure reflects a reorganization of our operations effective October 1, 2008. Segment results for all periods presented in this prospectus have been reclassified to be consistent with the current reporting structure and presentation, as well as to facilitate analysis of operating segment information.

We have two additional segments for reporting purposes, our Other Operating Segments, which includes remaining activities for certain product lines that have been disposed of, and other business activities, and our Corporate and Eliminations segment, which contains items not allocated to our operating segments, such as certain corporate headquarters costs, strategic investments, unabsorbed excess capacity and restructuring costs.

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**Measures Taken to Date to Improve Our Financial Condition**

We have taken the following measures to date with the goal of cutting costs, reducing debt, preserving cash and otherwise improving our financial condition:

***Repurchase of the Convertible Notes due 2010 and Exchangeable Notes due 2010***

During the 2008 fiscal year, we repurchased an aggregate nominal amount of 100 million of our Convertible Notes due 2010.

Since September 30, 2008, we have continued to repurchase our Convertible Notes due 2010 and Exchangeable Notes due 2010. In particular, on May 5, 2009, we invited holders of the Convertible Notes due 2010 and Exchangeable Notes due 2010 to submit offers to sell their Convertible Notes due 2010 and Exchangeable Notes due 2010 to us. Through this invitation and other direct purchases, we purchased an aggregate nominal amount of 246 million of the Convertible Notes due 2010 and Exchangeable Notes due 2010 during the period from September 30, 2008 to June 30, 2009, for a total purchase price of approximately 161 million, excluding related fees and expenses.

On June 30, 2009, the outstanding nominal amount of the Convertible Notes due 2010 was 522 million, and the outstanding nominal amount of the Exchangeable Notes due 2010 was 48 million.

***Cost Reduction Measures***

To address rising risks in the current market environment, adverse currency trends and below benchmark margins, we implemented our cost-reduction program IFX10+ in the third quarter of the 2008 fiscal year. Subsequent to the end of the 2008 fiscal year, and in light of continuing adverse developments in general economic conditions and in our industry, we identified significant further costs savings in addition to those originally anticipated. We expect that this program will result in significant annualized cost savings in the next fiscal year, primarily through measures in the following areas:

Product portfolio management to eliminate unprofitable or insufficiently profitable product families and to increase efficiency in R&D;

Reduction of manufacturing costs and optimization of the value chain;

Improved efficiency of processes and tasks in the fields of general and administrative expenses, R&D, and marketing and sales;

Re-organization of our structure along our target markets. Starting October 1, 2008, we are divided into five segments: Automotive, Industrial & Multimarket, Chip Card & Security, Wireless Solutions and Wireline Communications; and

Reductions in workforce.

During the 2008 fiscal year, we incurred restructuring charges of 188 million, which are primarily related to the IFX10+ cost-reduction program.

We initially expected to reach annual savings of at least 200 million, but we increased annual savings expectations in December 2008 to at least 250 million. In response to the continued and increasingly severe deterioration in the general market environment, we implemented additional substantial cost reductions and achieved cash savings. In

February 2009, we increased targeted savings to 600 million for the 2009 fiscal year compared to actual costs in the 2008 fiscal year, some of which may be temporary in nature, and 200 million of which related to savings in operating expenses and 400 million to manufacturing costs savings.

Our operating expenses for the third quarter of the 2009 fiscal year decreased by 88 million when compared to the fourth quarter of the 2008 fiscal year. Our management believes that these savings are mainly due to our IFX 10+ cost reduction program.

In the second quarter of the 2009 fiscal year, we continued to make significant progress in reducing the number of employees. As of March 31, 2009, we employed 26,362 employees compared to 29,119 employees as of September 30, 2008. As of June 30, 2008, we employed 26,108 employees. In connection with the sale of the Wireline Communications business, approximately 900 employees will be transferred, of which 600 employees are from the Wireline Communications division and 300 employees are currently working in central functions mainly for the Wireline Communications segment.

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### ***Issuance of New Notes***

On May 26, 2009, our company, through our subsidiary Infineon Technologies Holding B.V., issued 196 million in the New Convertible Notes due 2014 at a discount of 7.2 percent in an offering to institutional investors guaranteed by us. The notes are convertible, at the option of the holders of the notes, into a maximum of 74.9 million ordinary shares of our company, at a conversion price of 2.61 per share through maturity. The notes accrue interest at 7.5 percent per year. The principal of the notes is unsecured and ranks *pari passu* with all present and future unsecured subordinated obligations of the issuer. The coupons of the notes are secured and unsubordinated. The noteholders have a negative pledge relating to future capital market indebtedness and an early redemption option in the event of a change of control. We may redeem the New Convertible Notes due 2014 after two and a half years at their nominal amount plus interest accrued thereon, if our closing share price exceeds 150 percent of the conversion price on 15 out of the last 30 consecutive trading days. The notes are listed on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

### ***Divestiture of the Wireline Communications Business***

On July 7, 2009, we entered into an asset purchase agreement to sell the Wireline Communications business for cash consideration of 250 million. The majority of the purchase price is payable at closing, which is expected to occur in the fall of 2009, with 20 million of the purchase price being payable nine months after the closing date. We are selling the Wireline Communications business in order to focus on the further development of our main business, our strategy and strong position in the key areas of energy efficiency, security and communications, while at the same time further improving our balance sheet and strengthening our liquidity position. The sale is expected to close in the fall of 2009. The sale of the Wireline Communications business will allow us to concentrate on our four remaining operating segments.

## **The Semiconductor Industry and Factors that Impact Our Business**

Our business and the semiconductor industry generally are highly cyclical and characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life-cycles and wide fluctuations in product supply and demand.

### ***Cyclicality***

The market for semiconductors has historically been volatile. Supply and demand have fluctuated cyclically and have caused pronounced fluctuations in prices and margins. According to iSuppli (May 2009), the overall market growth compared to the previous year was 10 percent in 2006 and four percent in 2007, before shrinking by five percent in 2008. iSuppli (May 2009) predicts that the overall market will contract by approximately 24 percent in the 2009 calendar year.

The industry's cyclicality results from a complex set of factors, including, in particular, fluctuations in demand for the end products that use semiconductors and fluctuations in the manufacturing capacity available to produce semiconductors. Semiconductor manufacturing facilities (so-called fabrication facilities, or "fabs") can take several years to plan, construct, and begin operations. Semiconductor manufacturers have in the past made capital investments in plant and equipment during periods of favorable market conditions, in response to anticipated demand growth for semiconductors. If more than one of these newly built fabs comes on-line at about the same time, the supply of chips to the market can be vastly increased. Without sustained growth in demand, this cycle has typically led to manufacturing over-capacity and oversupply of products, which in turn has led to sharp drops in semiconductor prices. When prices drop, manufacturers have in the past cut back on investing in new fabs. As demand for chips grows over time, without additional fabs coming on-line, prices tend to rise, leading to a new cycle of investment. The semiconductor industry has generally been slow to react to declines in demand, due to its capital-intensive nature and

the need to make commitments for equipment purchases well in advance of planned expansion.

We attempt to mitigate the impact of cyclicalities by investing in manufacturing capacities throughout the cycle and entering into alliances and foundry manufacturing arrangements that provide flexibility in responding to changes in the cycle. See Risk Factors We operate in a highly cyclical industry and our business has in the past suffered, is currently suffering and could again suffer from periodic downturns.

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### ***Substantial Capital and R&D Expenditures***

Semiconductor manufacturing is very capital-intensive. The manufacturing capacities that are essential to maintain a competitive cost position require large capital investments. The top 10 capital spenders in the industry, according to IC Insights, account for approximately 60 percent of the industry's projected 2009 capital spending budgets. Manufacturing processes and product designs are based on leading-edge technologies that require considerable R&D expenditures. A high percentage of the cost of operating a fab is fixed; therefore, increases or decreases in capacity utilization can have a significant effect on profitability. See Risk Factors In difficult market conditions, our high fixed costs adversely affect our results.

Because pricing, for commodity products in particular, is market-driven and largely beyond our control, a key factor in achieving and maintaining profitability is to continually lower per-unit costs by reducing total costs and by increasing unit production output through productivity improvements.

To reduce total costs, we intend to share the costs of our R&D and manufacturing facilities with third parties, either by establishing alliances or through the use of foundry facilities for manufacturing. We believe that cooperation in alliances for R&D, as well as manufacturing and foundry partnerships, provide us with a number of important benefits, including the sharing of risks and costs, reductions in our own capital requirements, acquisitions of technical know-how, and access to additional production capacities. Our principal alliances are with IBM, Chartered Semiconductor Manufacturing Ltd., Singapore and Samsung Electronics Co. Ltd., Seoul, Korea for CMOS development and manufacturing at 65-nanometer, 45-nanometer, and 32-nanometer process technologies. Further, we have established foundry relationships with United Microelectronics Corporation, Taipei, Taiwan for 130-nanometer and 90-nanometer manufacturing and with Taiwan Semiconductor Manufacturing Corporation, particularly with respect to leading-edge CMOS products for wireless communications down to 90-nanometer. In the backend field, in August 2008, we, STMicroelectronics NV and STATS ChipPAC Ltd. announced an agreement to jointly develop the next-generation of embedded Wafer-Level Ball Grid Array ( eWLB ) technology, based on our first-generation technology, for use in manufacturing future-generation semiconductor packages. This will build on our existing eWLB packaging technology, which we have licensed to our development partners. The new R&D effort, for which the resulting IP will be jointly owned by the three companies, will focus on using both sides of a reconstituted wafer to provide solutions for semiconductor devices with a higher integration level and a greater number of contact elements.

We expect to continue to increase unit production output through improvements in manufacturing, which is achieved by producing chips with smaller structure sizes (more bits per chip) and by producing more chips per silicon wafer (by using larger wafers). Currently, a substantial portion of our standard CMOS manufacturing capacity is based on 130-nanometer structure sizes. Our 130-nanometer process technology, with up to eight layers of copper metallization, is in full production at several manufacturing sites, including our Dresden facility. Additional 130-nanometer process options have been developed to fulfill the needs of specialty applications. Our 90-nanometer technology is in production. We are currently qualifying 65-nanometer technology at several manufacturing partners and have begun to develop products based on 40-nanometer technology which are currently planned to be manufactured initially at one of our manufacturing partners.

About half of our fab capacity is used for the manufacture of power semiconductors used in automotive and industrial applications. We have manufacturing sites in Regensburg, Germany, in Villach, Austria and in Kulim, Malaysia. We continue to focus on innovation for power semiconductors, introducing power copper metallization and special processes to fabricate ever thinner wafers to optimize electrical resistance.

### ***Technological Development and Competition***

Sales prices per unit are volatile and generally decline over time due to technological developments and competitive pressure. Our products generally have a certain degree of application specification. Unit sales prices for logic products typically decline over time as technological developments occur.

We aim to offset the effects of declining unit sales prices on total net sales by optimizing product mix, by increasing unit sales volume and by continually reducing per-unit production costs. The growth in volume depends in part on productivity improvements in manufacturing. By moving to ever-smaller structure sizes, the number of functional elements has historically doubled approximately every two years.



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***Seasonality***

Our sales are affected by seasonal and cyclical influences, with sales historically strongest in our fourth fiscal quarter. These short cycles are influenced by longer cycles that are a response to innovative technical solutions from our customers that incorporate our products. The short-term and mid-term cyclicity of our sales reflects the supply and demand fluctuations for the products that contain our semiconductors. If anticipated sales or shipments do not occur when expected, expenses and inventory levels in a given quarter can be disproportionately high, and our results of operations for that quarter, and potentially for future quarters, may be adversely affected.

***Product Development Cycles***

The cycle for test, evaluation and adoption of our products by customers before the start of volume production can range from several months to more than one year. Due to this lengthy cycle, we may experience significant delays from the time we incur expenses for R&D, marketing efforts, and investments in inventory, to the time we generate corresponding revenue, if any.

***Acquisition and Divestiture Strategy***

A key element of our core business strategy is to seek to reduce the time required to develop new technologies and products and bring them to market, and to optimize our existing product offerings, market coverage, engineering workforce, and technological capabilities. We plan to continue to evaluate strategic opportunities as they arise, including business combination transactions, strategic relationships, capital investments, and the purchase or sale of assets or businesses.

***Intellectual Property***

Due to the high-technology nature of the semiconductor industry, IP, meaning intangible assets relating to proprietary technology, is of significant importance. We also derive modest revenues from the licensing of our IP, generally pursuant to cross licensing arrangements.

***Challenges that Lie Ahead***

Going forward, our success will remain highly dependent on our ability to stay at the leading edge of technology development, and to continue to optimize our product portfolio. We must achieve both objectives to ensure that we have the flexibility to react to fluctuations in market demand for different types of semiconductor products. We believe that the ability to offer and the flexibility to manufacture a broad portfolio of products will be increasingly important to our long-term success in many markets within the semiconductor industry. Establishing and maintaining advantageous technology, development and manufacturing alliances, including the use of third-party foundries, and continuing our efforts to broaden our product portfolio while focusing on our core competencies will make it easier for us to respond to changes in market conditions and to improve our financial performance.

**Table of Contents****Results of Operations*****Results of Operations as a Percentage of Revenue***

The following table presents the various line items in our consolidated statements of operations expressed as percentages of revenue.

	For the years ended September 30, <sup>(1)</sup>		For the six months ended March 31, <sup>(1)</sup>	
	2007	2008	2008	2009
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	(66.7)	(65.8)	(65.0)	(83.2)
Gross profit	33.3	34.2	35.0	16.8
Research and development expenses	(18.2)	(16.1)	(16.4)	(17.2)
Selling, and general administrative expenses	(12.4)	(13.1)	(12.6)	(14.1)
Other operating income	0.9	2.8	2.2	1.2
Other operating expenses	(1.4)	(8.4)	(1.8)	(3.2)
Operating income (loss)	2.2	(0.6)	6.4	(16.5)
Financial income	2.7	1.3	1.4	5.1
Financial expense	(6.0)	(4.1)	(4.1)	(5.6)
Income from investments accounted for using the equity method, net			0.1	0.2
(Loss) income from continuing operations before income taxes	(1.1)	(3.4)	3.8	(16.8)
Income tax expense		(0.9)	(1.0)	(0.1)
(Loss) income from continuing operations	(1.1)	(4.3)	2.8	(16.9)
Loss from discontinued operations, net of income taxes	(8.0)	(82.4)	(118.9)	(25.1)
Net loss	(9.1)%	(86.7)%	(116.1)%	(42.0)%
Attributable to:				
Minority interests	(0.6)%	(18.8)%	(25.8)%	(3.1)%
Shareholders of Infineon Technologies AG	(8.5)%	(67.9)%	(90.3)%	(38.9)%

<sup>(1)</sup> Columns may not add up due to rounding.

**Six Months Ended March 31, 2009 Compared with Six Months Ended March 31, 2008*****Revenue***

We generate our revenues primarily from the sale of our semiconductor products and systems solutions. Our semiconductor products include a wide array of chips and components used in electronic applications ranging from wireless and wireline communication systems, to chip cards, to automotive electronics, and industrial applications.

Our revenues fluctuate in response to a combination of factors, including the following:

The market prices for our products, including fluctuations in exchange rates that affect our prices;

Our overall product mix and sales volumes;

The stage of our products in their respective life cycles;

The effects of competition and competitive pricing strategies;

Governmental regulations influencing our markets (e.g., energy efficiency regulations); and

The global and regional economic cycles.

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Our revenues decreased by 26 percent, from 2,139 million in the first half of the 2008 fiscal year to 1,577 million in the first half of the 2009 fiscal year. Our Automotive, Industrial & Multimarket and Chip Card & Security segments were most affected.

**Revenue by Segment**

	<b>Six months ended March 31,</b>			
	<b>2008</b>		<b>2009</b>	
	<b>( in millions, except percentages)</b>			
Revenue:				
Automotive	634	30%	395	25%
Industrial & Multimarket	567	26	427	27
Chip Card & Security	237	11	171	11
Wireless Solutions <sup>(1)</sup>	450	21	401	25
Wireline Communications	208	10	167	11
Other Operating Segments <sup>(2)</sup>	123	6	10	1
Corporate and Eliminations <sup>(3)</sup>	(80)	(4)	6	
<b>Total</b>	<b>2,139</b>	<b>100%</b>	<b>1,577</b>	<b>100%</b>

<sup>(1)</sup> Includes revenues of 8 million and 1 million for the six months ended March 31, 2008 and 2009, respectively, from sales of wireless communication applications to Qimonda.

<sup>(2)</sup> Includes revenues of 70 million for the six months ended March 31, 2008, from sales of wafers from Infineon's 200-millimeter facility in Dresden to Qimonda under a foundry agreement.

<sup>(3)</sup> Includes the elimination of revenues of 78 million and 1 million for the six months ended March 31, 2008 and 2009, respectively, since these sales were not part of the Qimonda disposal plan.

*Automotive* In the six months ended March 31, 2009, segment revenues decreased by 38 percent to 395 million, compared to 634 million in the six months ended March 31, 2008. This decrease mainly reflects the continuing demand-driven worldwide downturn in the automobile market as well as inventory adjustments in the value chain.

*Industrial & Multimarket* In the first half of our 2009 fiscal year, revenues of our Industrial & Multimarket segment decreased by 25 percent from 567 million to 427 million compared to the first half of the 2008 fiscal year. This decrease primarily resulted from weak demand for consumer products as well as inventory adjustments in the value chain.

*Chip Card & Security* In the six months ended March 31, 2009, revenues of our Chip Card & Security segment decreased by 28 percent to 171 million, compared to 237 million in the six months ended March 31, 2008. This decrease was mainly driven by decreases in revenues from government identification and payment & communication applications.

*Wireless Solutions* In the six months ended March 31, 2009, revenues of our Wireless Solutions segment decreased by 11 percent to 401 million, compared to 450 million in the six months ended March 31, 2008, mainly driven by a weakened demand due to the economic downturn and resulting decline in handset sales.

*Wireline Communications* In the six months ended March 31, 2009, revenues of our Wireline Communications segment decreased by 20 percent to 167 million, compared to 208 million in the six months ended March 31, 2008. This decrease was mainly driven by the economic slowdown and inventory corrections in the supply chain.

*Other Operating segments* Revenues of other operating segments decreased by 92 percent from 123 million in the six months ended March 31, 2008 to 10 million in the six months ended March 31, 2009. Revenues of other operating segments in the six months ended March 31, 2008 comprised mainly revenues from sales of wafers from our 200-millimeter facility in Dresden to Qimonda under a foundry agreement, which revenues have been eliminated in the Corporate and Eliminations segment. Effective November 30, 2007, Qimonda canceled the foundry agreement. The last wafers were delivered to Qimonda in May 2008. Furthermore, revenues of other operating segments in the six months ended March 31, 2008, included revenues from our hard disk drive ( HDD ) business which we sold to LSI Corporation ( LSI ) in April 2008.

**Table of Contents****Revenue by Geographic Area**

	<b>Six months ended March 31,</b>			
	<b>2008</b>		<b>2009</b>	
	<b>( in millions, except percentages)</b>			
Revenue:				
Germany	460	21%	315	20%
Other Europe	409	19%	286	18%
North America	282	13%	164	11%
Asia/Pacific	848	40%	720	46%
Japan	104	5%	72	4%
Other	36	2%	20	1%
<b>Total</b>	<b>2,139</b>	<b>100%</b>	<b>1,577</b>	<b>100%</b>

The regional distribution of revenues in the six months ended March 31, 2009, changed compared to the six months ended March 31, 2008, primarily reflecting changes in the revenues of the segments. The shift in the regional distribution from Germany, other Europe, and North America to Asia/Pacific resulted primarily from the significant revenue decreases of our Automotive segment, whose customers are based largely in Germany, other Europe and North America. Furthermore, increased revenues of our Wireless Solutions segment in Asia/Pacific during the six months ended March 31, 2009, compared to the six months ended March 31, 2008, contributed to the changes in the regional distribution of revenues.

**Cost of Goods Sold and Gross Profit**

Our cost of goods sold consists principally of:

Direct materials, which consist principally of raw wafer costs;

Labor costs;

Overhead, including maintenance of production equipment, indirect materials, utilities and royalties;

Depreciation and amortization, including amortization of capitalized development cost;

Subcontracted expenses for assembly and test services;

Production support, including facilities, utilities, quality control, automated systems and management functions; and

Foundry production costs.

In addition to factors that affect our revenue, our gross profit is impacted by:

Factory utilization rates and related idle capacity costs;

Amortization of purchased intangible assets and capitalized development costs;

Product warranty costs;

Provisions for excess or obsolete inventories; and

Government grants, which are recognized over the remaining useful life of the related manufacturing assets.

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>( in millions, except percentages)</b>	
Cost of goods sold	1,390	1,312
Gross Profit	749	265
Percentage of revenues	35%	17%

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Cost of goods sold decreased by 6 percent to 1,312 million in the six months ended March 31, 2009 compared to 1,390 million in the six months ended March 31, 2008. As a percentage of revenue, our gross profit decreased from 35 percent in the six months ended March 31, 2008 to 17 percent in the six months ended March 31, 2009. This deterioration primarily resulted from lower sales volumes and higher idle capacity cost.

**Research and Development Expenses**

R&D expenses consist primarily of salaries and benefits for R&D personnel, material costs, depreciation and maintenance of equipment used in our R&D efforts, and contracted technology development costs. R&D expenses also include our joint technology development arrangements with partners such as IBM. Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred. Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and we intend, and have sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and directly attributable general overhead expenditure that serves to prepare the asset for use.

We continue to focus our investments on the development of leading-edge manufacturing technologies and products with high potential for growth and profitability.

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>( in millions, except percentages)</b>	
Research and development expenses	351	271
Percentage of revenues	16%	17%
Government subsidies	37	29
Percentage of revenue	2%	2%

Some of our R&D projects qualify for subsidies from local and regional governments where we do business. If the criteria to receive a grant are met, the subsidies received reduce R&D expenses over the project term as expenses are incurred.

R&D expenses totaled 271 million in the six months ended March 31, 2009 compared to 351 million in the six months ended March 31, 2008. This decrease resulted primarily from cost savings measures which were implemented under our IFX10+ cost-reduction program. Additionally, the reversal of bonus provisions and lower bonus and incentive expenses due to our current results contributed to the decrease in R&D expenses. As a percentage of revenues, R&D expenses in the six months ended March 31, 2009, slightly increased compared to the six months ended March 31, 2008, primarily as a result of lower revenues, and despite lower R&D expenses.

R&D expenses decreased throughout all segments in the six months ended March 31, 2009 compared to the six months ended March 31, 2008, primarily as a result of implemented cost savings measures. As a percentage of revenues, R&D expenses decreased in the Wireless Solutions segment, the Wireline Communications segment and other operating segments despite the significant decreases in revenues in these segments. R&D expenses as a percentage of revenues increased in the Automotive segment, the Industrial & Multimarket segment and the Chip



Card & Security segment.

**Selling, General and Administrative Expense**

Selling expenses consist primarily of salaries and benefits for personnel engaged in sales and marketing activities, costs of customer samples, other marketing incentives, and related marketing expenses.

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General and administrative expenses consist primarily of salaries and benefits for administrative personnel, non-manufacturing related overhead costs, consultancy, legal and other fees for professional services, recruitment and training expenses.

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>( in millions, except percentages)</b>	
Selling, General and Administrative Expense	270	222
Percentage of revenues	13%	14%

In the six months ended March 31, 2009, selling, general and administrative expenses decreased by 18 percent to 222 million, compared to 270 million the six months ended March 31, 2008. This decrease primarily reflected cost savings as a result of our IFX10+ cost-reduction program. Additionally, the reversal of bonus provisions and lower bonus and incentive expenses due to our current results contributed to the decrease of selling, general and administrative expenses. As a percentage of revenues, selling, general and administrative expenses increased slightly from 13 percent in the six months ended March 31, 2008 to 14 percent in the six months ended March 31, 2009, primarily as a result of lower revenues, despite lower selling, general and administrative expenses in absolute terms.

**Other Items Affecting Earnings**

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>( in millions)</b>	
Other operating income	48	18
Other operating expense	(39)	(50)
Financial income	31	81
Financial expense	(88)	(88)
Income from investments accounted for using the equity method, net	2	3

In the six months ended March 31, 2009, other operating income decreased by 63 percent to 18 million, compared to 48 million in the six months ended March 31, 2008. Other operating income for the six months ended March 31, 2008 included a gain before tax of 28 million from the sale of 40 percent of our interest in Infineon Technologies Bipolar GmbH & Co. KG ( Bipolar ) to Siemens AG ( Siemens ).

Other operating expense increased from 39 million in the six months ended March 31, 2008 to 50 million in the six months ended March 31, 2009. These increases primarily relate to the loss on the sale of the SensoNor business of 16 million, which were partly offset by lower restructuring expenses in the six months ended March 31, 2009. Other operating expense in the six months ended March 31, 2008, also included an amount of 14 million allocated to purchased in-process R&D from the acquisition of the mobility product business of LSI which was expensed because there was no future economic benefit from its use or disposal.

Financial income increased by 50 million in the six months ended March 31, 2009, compared to the six months ended March 31, 2008. This increase primarily resulted from the 48 million gain we realized in the six months ended

March 31, 2009, from the repurchase of notional amounts of our Exchangeable Notes due 2010 and our Convertible Notes due 2010.

In the six months ended March 31, 2009, financial expense remained unchanged, as increased valuation charges and losses on sales of financial assets were nearly offset by reduced interest expenses.

Income from investments accounted for using the equity method, net for the periods presented consisted of our share in the net income of Bipolar.

### **Segment Result**

Beginning October 1, 2008, the management board uses the financial measure Segment Result to assess the operating performance of our reportable segments and as a basis for allocating resources among the segments. We define Segment Result as operating income (loss) excluding asset impairments net of reversals, restructuring and other related closure costs, share-based compensation expense,

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acquisition-related amortization and gains (losses), gains (losses) on sales of assets, businesses, or interests in subsidiaries, and other income (expense), including litigation settlement costs. Gains (losses) on sales of assets, businesses, or interests in subsidiaries, include, among others, gains or losses that may be realized from potential sales of investments and activities.

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	( in millions)	
Segment Result:		
Automotive	48	(121)
Industrial & Multimarket	49	(5)
Chip Card & Security	36	(9)
Wireless Solutions	2	(73)
Wireline Communications	7	3
Other Operating Segments	7	(4)
Corporate and Eliminations	(2)	(3)
<b>Total</b>	<b>147</b>	<b>(212)</b>

Segment Result development for our operating segments was as follows:

*Automotive* Segment Result decreased from positive 48 million in the six months ended March 31, 2008 to negative 121 million in the six months ended March 31, 2009, mainly due to the significant decline in revenues and higher idle capacity costs which were only partially offset by savings realized by the segment under the IFX10+ cost-reduction program.

*Industrial & Multimarket* Segment Result decreased from positive 49 million in the six months ended March 31, 2008 to negative 5 million in the six months ended March 31, 2009. This decrease was mainly caused by the decline in revenues and an increase in idle capacity costs which could only be partially offset by savings realized by the segment under the IFX10+ cost-reduction program.

*Chip Card & Security* Segment Result decreased from positive 36 million in the six months ended March 31, 2008, to negative 9 million in the six months ended March 31, 2009, mainly due to reduced gross profits in-line with the revenue decline and accompanied by increased idle capacity costs. Realized savings under the IFX10+ cost-reduction program only partially offset these effects.

*Wireless Solutions* Segment Result decreased from positive 2 million in the six months ended March 31, 2008 to negative 73 million in the six months ended March 31, 2009. This decrease was mainly due to the significant decline in revenues and an increase in idle capacity costs which could only be partially offset by the measures the segment has implemented under the IFX10+ cost-reduction program.

*Wireline Communications* Segment Result decreased from positive 7 million in the six months ended March 31, 2008 to positive 3 million in the six months ended March 31, 2009. The decline resulted from lower revenues and was partly offset by the measures the segment has implemented under the IFX10+ cost-reduction program.

*Other Operating Segments* The Segment Result for our other operating segments in the six months ended March 31, 2009 decreased compared to the six months ended March 31, 2008, primarily due to the significant decrease in revenues of the other operating segments.

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The following table provides the reconciliation of the combined Segment Result to our loss from continuing operations before income tax:

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	( in millions)	
Combined Segment Result	147	(212)
Adjustments:		
Asset impairments, net of reversals	2	(1)
Restructuring and other related closure cost	(9)	(6)
Share-based compensation expense	(3)	(1)
Acquisition-related amortization and losses	(14)	(12)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries	14	(17)
Other expense, net		(11)
Operating income (loss)	137	(260)
Financial Income	31	81
Financial Expense	(88)	(88)
Income from investment accounted for using the equity method, net	2	3
Income (loss) from continuing operations before income tax	82	(264)

**Income Taxes**

Income (loss) from continuing operations before income taxes and income tax expense (benefit) are as follows:

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	( in millions, except percentages)	
Income (loss) from continuing operations before income taxes	82	(264)
Income tax expense	23	2
Effective tax rate	28%	

Generally, deferred tax assets in tax jurisdictions that have a three-year cumulative loss are subject to a valuation allowance excluding the impact of forecasted future taxable income.

In the six months ended March 31, 2008 and 2009, our income tax expense and benefit is affected by lower foreign tax rates, tax credits and the need for valuation allowances on deferred tax assets in certain jurisdictions.

**Loss from discontinued operations, net of income taxes**

We currently hold a 77.5 percent interest in the memory products company Qimonda, which was carved out from Infineon in 2006. During the 2008 fiscal year, we committed to a plan to dispose of Qimonda. As a result, we report the results of Qimonda as discontinued operations in our consolidated financial statements and its assets and liabilities as held for disposal. On January 23, 2009, Qimonda and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG filed for an application to commence insolvency, and formal insolvency proceedings were opened in the local registry court in Munich on April 1, 2009. As a result of the application, we deconsolidated Qimonda during the second quarter of the 2009 fiscal year. The future of Qimonda remains highly uncertain. See Risk Factors Risks Relating to Infineon and our Market Infineon may face significant liabilities as a result of the insolvency of Qimonda.

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The results of Qimonda presented in the condensed consolidated statements of operations as discontinued operations consist of the following components:

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2009<sup>(1)</sup></b>
	<b>( in millions)</b>	
Revenue	925	314
Costs and expenses	(2,014)	(867)
Reversal (write-down) of measurement to fair value less costs to sell	(1,442)	460
Expenses resulting from Qimonda's application to open insolvency proceedings		(203)
Losses resulting from the realization from accumulated losses related to unrecognized currency translation effects upon deconsolidation		(100)
Loss from discontinued operations, before income taxes	(2,531)	(396)
Income tax expense	(12)	
Loss from discontinued operations, net of income taxes	(2,543)	(396)

<sup>(1)</sup> No information concerning Qimonda's condensed consolidated statements of operations was available for the period from January 1, 2009 to January 23, 2009, the date of Qimonda's application to commence insolvency proceedings. As disclosed above, due to the write down of Qimonda's net assets to zero as of September 30, 2008, the operating losses of Qimonda for the period from October 1, 2008 to January 23, 2009 did not affect the consolidated financial results of Infineon, but instead were eliminated via an offsetting partial reversal of previously recorded impairments. Therefore, while the amount of revenue and costs and expenses in the table above exclude amounts for the period from January 1, 2009 to January 23, 2009, the loss from discontinued operations, net of income taxes of \$396 million is unaffected.

In the six months ended March 31, 2008, loss from discontinued operations, net of income taxes amounted to \$2,543 million and included Qimonda's net loss and an after tax write-down of \$1,442 million in order to remeasure Qimonda to its estimated fair value less costs to sell as of March 31, 2008. During the six months ended March 31, 2009, loss from discontinued operations, net of income taxes, totaled \$396 million. This amount was primarily composed of the realization of accumulated currency translation effects totaling \$188 million and provisions and allowances of \$203 million resulting from Qimonda's insolvency described above. The realization of accumulated currency translation effects, which were previously recorded in equity, resulted mainly from Qimonda's sale of its interest in Inotera Memories Inc. ( Inotera ) to Micron Technology, Inc. ( Micron ) in November 2008 and the deconsolidation of Qimonda in the second quarter of the 2009 fiscal year.

As a result of the commencement of insolvency proceedings by Qimonda, we are exposed to potential liabilities arising in connection with the Qimonda business. Such potential liabilities include, among others, pending antitrust and securities law claims, potential claims for repayment of governmental subsidies, employee-related contingencies and purported unfair dismissal claims by employees of Qimonda North America. For pending antitrust and securities law claims, we are a named defendant and therefore potentially liable to third parties. Qimonda is required to indemnify us, in whole or in part, for any claim (including any related expenses) arising in connection with these pending antitrust and securities law claims. As a result of Qimonda's insolvency, it is very unlikely that Qimonda will



be able to indemnify us for these losses. In addition, as a result of Qimonda's insolvency, Qimonda may not be in compliance with certain requirements of governmental subsidies received prior to the carve-out of Qimonda from us. Depending on the actions of the insolvency administrator, repayment of some of these subsidies could be sought from us. In addition, in its capacity as a former general partner of Qimonda Dresden GmbH & Co OHG ( Qimonda Dresden ), we may also be held liable for certain employee-related contingencies in connection with Qimonda's insolvency and certain subsidies received by Qimonda Dresden. Furthermore, we are subject to a pending lawsuit in Delaware in which the plaintiffs are seeking to hold us liable for the payment of severance and other benefits allegedly due by Qimonda North America in connection with the termination of employment in connection with Qimonda's insolvency. In addition, we may be subject to claims by the insolvency administrator under specific German insolvency laws for repayment of certain amounts that we received, as a Qimonda shareholder, for example, payments for intra-group services and supplies, during defined periods prior to the commencement of insolvency proceedings.

We recorded aggregate provisions and allowances of 203 million as of March 31, 2009, relating to the amounts which management believes are probable and can be estimated with reasonable accuracy at

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this time. The recorded provisions are primarily reflected within Current provisions, the remainder is recorded within Long-term provisions. There can be no assurance that such provisions and allowances recorded will be sufficient to cover all liabilities that may ultimately be incurred in relation to these matters. No reasonable estimated amount can be attributed at this time to those potential liabilities that may occur but which are currently not viewed to be probable. Any disclosure of amounts with respect to specific potential liabilities arising in connection with Qimonda's insolvency could seriously prejudice our position in connection with the resolution of Qimonda's insolvency proceedings and related proceedings, including any potential claim for the repayment of governmental subsidies received or employee claims, and therefore no further information is provided in this regard.

Furthermore, we may lose the right to use Qimonda's intellectual property rights under the contribution agreement or cross-license agreement between us and Qimonda if and to the extent these agreements were successfully voided or otherwise challenged.

The insolvency of Qimonda may also subject us to other claims arising in connection with the liabilities, contracts, offers, uncompleted transactions, continuing obligations, risks, encumbrances and other liabilities contributed to Qimonda in connection with the carve-out of the Qimonda business, as it is unlikely that Qimonda will be able to fulfill its obligation to indemnify us against any such liabilities due to its insolvency. No reasonable quantification of such potential claims can be made at this time.

See Risk Factors We may face significant liabilities as a result of the insolvency of Qimonda.

The operating losses of Qimonda through deconsolidation, exclusive of depreciation, amortization and impairment of long-lived assets, in the three months ended December 31, 2008 were offset by a 460 million partial reversal of the write-downs recorded in the 2008 fiscal year to reduce the net assets of Qimonda to fair value less costs to sell. Such reversal was recorded due to the fact that we had neither the obligation nor the intention to provide additional equity capital to fund the operating losses of Qimonda.

***Net Loss***

For the six months ended March 31, 2009, we realized a net loss of 662 million compared to 2,484 million in the six months ended March 31, 2008. In the six months ended March 31, 2008, net loss was significantly impacted by the results from discontinued operations, net of income tax, of 2,543 million, primarily due to Qimonda's net loss, which resulted from the deterioration in memory product prices and a weaker U.S. dollar, and consequently a significant decrease in Qimonda's gross profit and the write-downs of 1,442 million to reduce Qimonda to its estimated current fair value less costs to sell, compared to 396 million in the six months ended March 31, 2009. For the six months ended March 31, 2009, we realized a loss from continuing operations of 266 million compared to income from continuing operations of 59 million in the six months ended March 31, 2008. This decline primarily reflects the decrease in revenues and higher idle capacity cost, which was partly offset by decreases in R&D expenses and selling, general and administrative expenses.

**2008 Financial Year Compared with 2007 Financial Year**

***Revenue by Segment***

**For the years ended September 30,**  
**2007** **2008**  
 ( in millions, except percentages)

Net sales:				
Automotive	1,267	31%	1,257	29%
Industrial & Multimarket	1,188	29	1,171	27
Chip Card & Security	438	11	465	11
Wireless Solutions <sup>(1)</sup>	637	16	941	22
Wireline Communications	414	10	420	10
Other Operating Segments <sup>(2)</sup>	343	8	169	4
Corporate and Eliminations <sup>(3)</sup>	(213)	(5)	(102)	(3)
Total	4,074	100%	4,321	100%

<sup>(1)</sup> Includes revenues of 30 million and 10 million for fiscal years ended September 30, 2007, and 2008, respectively, from sales of wireless communication applications to Qimonda.

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- (2) Includes revenues of 189 million and 79 million for fiscal years ended September 30, 2007 and 2008, respectively, from sales of wafers from Infineon Logic's 200-millimeter facility in Dresden to Qimonda under a foundry agreement.
- (3) Includes the elimination of revenue of 219 million and 89 million for fiscal years ended September 30, 2007 and 2008, respectively, since these sales are not expected to be part of the Qimonda disposal plan.

*Automotive* In the 2008 fiscal year, revenues were 1,257 million, and remained broadly unchanged compared to 1,267 million in the 2007 fiscal year. Higher sales volumes partially offset the continued pricing pressures caused by technological developments and competition.

*Industrial & Multimarket* In the 2008 fiscal year, revenues slightly decreased due to the sale of an interest in Infineon Technologies Bipolar GmbH & Co. KG ( Bipolar ) which is being consolidated under the equity method of accounting effective October 1, 2007. Revenues of the remaining businesses increased as higher sales volumes more than offset the continued pricing pressures caused by technological developments and competition. Growth in revenues was driven mainly by continued strong demand for industrial high power applications, an increase in sales of multimarket applications.

*Chip Card & Security* In the 2008 fiscal year, revenues were 465 million, an increase of 6 percent compared to 438 million in the 2007 fiscal year. This increase primarily reflects a continued growing demand for government ID applications.

*Wireless Solutions* In the 2008 fiscal year, revenues were 941 million, an increase of 48 percent compared to 637 million in the 2007 fiscal year, primarily resulting from a strong increase in mobile phone platform shipments and the consolidation of the mobility products business acquired from LSI.

*Wireline Communications* In the 2008 fiscal year, revenues were 420 million and increased slightly compared to 414 million in the 2007 fiscal year, primarily as growth in broadband solutions, mainly driven by the consolidation of the Customer Premises Equipment ( CPE ) business acquired from Texas Instruments, Inc. ( Texas Instruments ), was partially offset by declining legacy revenues and negative currency effects.

*Other Operating Segments* In the 2007 and 2008 fiscal years, revenues comprised mainly inter-segment revenues of wafers from Infineon's 200-millimeter facility in Dresden to Qimonda under a foundry agreement which are eliminated in the Corporate and Eliminations segment. Effective November 30, 2007, as part of its measure aimed at further focusing its production on 300-millimeter capacities, Qimonda canceled the foundry agreement with Infineon resulting in a significant decline in revenue during the 2008 fiscal year. The last wafers were delivered to Qimonda in May 2008. Furthermore, revenues of other operating segments in the 2007 and 2008 fiscal years, included revenues from our hard disc drive business which we sold to LSI in April 2008.

**Revenue by Region**

**For the years ended September 30,**  
**2007** **2008**  
 ( in millions, except percentages)

Germany	907	22%	924	21%
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Other Europe	888	22	818	19
North America	564	14	503	12
Asia/Pacific	1,450	36	1,800	42
Japan	213	5	198	4
Other	52	1	78	2
Total	4,074	100%	4,321	100%

The absolute and relative increase in the share of revenues in Asia/Pacific in the 2008 fiscal year was mainly due to the acquisition of the mobility products business from LSI and higher shipments of mobile phone platforms solutions to customers in Asia/Pacific in our Communication Solutions segment.

**Table of Contents*****Cost of Goods Sold and Gross Profit***

We include in cost of goods sold the cost of inventory purchased from our joint ventures and other associated and related companies. Our purchases from these associated and related companies amounted to 47 million and 148 million in the 2007 and 2008 fiscal years respectively.

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions, except percentages)</b>	
Cost of goods sold	2,716	2,843
Changes year-on-year		5%
Percentage of revenue	67%	66%
Gross profit	33%	34%

During the 2008 fiscal year our gross profit increased primarily as a result of productivity measures.

*Automotive* In the 2008 fiscal year, gross profit of the segment remained broadly unchanged compared to the 2007 fiscal year by means of measures to increase productivity and despite an increase in idle capacity cost.

*Industrial & Multimarket* In the 2008 fiscal year, gross profit of the segment remained broadly unchanged compared to the 2007 fiscal year by means of measures to increase productivity and despite an increase in idle capacity cost.

*Chip Card & Security* In the 2008 fiscal year, gross profit of the segment increased significantly mainly reflecting the increase in revenue as well as changes in product mix.

*Wireless Solutions* In the 2008 fiscal year, gross profit of the segment increased compared to the 2007 fiscal year mainly as a result of the revenue increase, cost savings and productivity measures, despite the negative impact of currency fluctuations between the U.S. dollar and the Euro.

*Wireline Communications* In the 2008 fiscal year, gross profit of the segment decreased compared to the 2007 fiscal year mainly as a result of the negative impact of currency fluctuations between the U.S. dollar and the Euro, despite positive effects from cost savings and productivity measures.

***Research and Development Expenses***

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions, except percentages)</b>	
Research and development expenses	743	694
Changes year-on-year		(7)%
Percentage of revenue	18%	16%

Government subsidies	91	65
Percentage of revenue	2%	2%

Some of our R&D projects qualify for subsidies from local and regional governments where we do business. If the criteria to receive a grant are met, the subsidies received reduce R&D expenses over the project term as expenses are incurred.

In the 2008 fiscal year R&D expenses decreased by 49 million or 7 percent compared to the prior year. This decrease partly relates to a higher capitalization of development cost in the 2008 fiscal year. During the 2008 fiscal year we capitalized development cost of 44 million compared to 27 million in the prior year.

*Automotive* In the 2008 fiscal year, R&D expenses remained stable as a percentage of revenues and decreased in absolute terms.

*Industrial & Multimarket* In the 2008 fiscal year, R&D expenses remained stable as a percentage of revenues and decreased in absolute terms.

*Chip Card & Security* In the 2008 fiscal year, R&D expenses remained stable as a percentage of revenues and increased in absolute terms.

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*Wireless Solutions* In the 2008 fiscal year, R&D expenses decreased as efficiency gains and cost reduction measures initiated during the 2007 fiscal year were taking effect for a full fiscal year, despite the acquisition of the mobility products business from LSI. As a percentage of revenue, R&D expenses declined sharply, mainly driven by the revenue increase.

*Wireline Communications* In the 2008 fiscal year, R&D expenses decreased in absolute terms and as a percentage of revenues as efficiency gains and cost reduction measures initiated during the 2007 fiscal year were taking effect for a full fiscal year.

***Selling, General and Administrative Expenses***

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions, except percentages)</b>	
Selling, general and administrative expenses	504	565
Changes year-on-year		12%
Percentage of revenue	12%	13%

The year-on-year increase in absolute terms in the 2008 fiscal year primarily reflects increased selling expenses following the acquisitions of the mobility product business from LSI and the CPE business from Texas Instruments.

***Other Items Affecting Earnings***

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions, except percentages)</b>	
Other operating income	38	120
Other operating expense	(57)	(366)
Financial income	107	58
Financial expense	(243)	(182)
Income from investments accounted for using the equity method, net		4

*Other Operating Income.* In the 2007 fiscal year, other operating income consisted mainly of gains of 17 million from the sale of the Polymer Optical fiber ( POF ) business to Avago Technologies Ltd, and gains of 3 million from the sale of the Sci-Worx business to Silicon Image Inc. Other operating income increased by 82 million from 38 million in the 2007 fiscal year to 120 million in the 2008 fiscal year. This increase mainly relates to higher gains from sales of businesses of 80 million resulting from the sale of 40 percent of our interest in Bipolar to Siemens, the sale of our HDD business to LSI, and the sale of our acoustic wave filter business to Avago. Additionally, we realized gains from disposals of long-term assets of 4 million in the 2008 fiscal year.



*Other Operating Expense.* Other operating expense increased by 309 million from 57 million in the 2007 fiscal year to 366 million in the 2008 fiscal year. This increase relates primarily to higher restructuring charges of 188 million. During the 2007 fiscal year, we took further restructuring measures, mainly in response to the insolvency of one of our largest mobile phone customers, BenQ Mobile GmbH & Co. OHG, and in order to further streamline certain R&D locations. Approximately 280 jobs were affected worldwide, thereof approximately 120 in the German locations Munich, Salzgitter and Nuremberg. A large portion of these restructuring measures were completed during the 2007 fiscal year. We launched the Infineon Complexity Reduction program ( ICoRe ) in July 2007, aimed at reducing costs and seeking added efficiencies by optimizing process flows. To address rising risks in the current market environment, adverse currency trends and below benchmark margins, we implemented the IFX10+ cost-reduction program in the third quarter of the 2008 fiscal year. The IFX10+ program includes measured target areas including product portfolio management, manufacturing costs reduction, value chain optimization, processes efficiency, reorganization of our structure along our target markets, and reductions in workforce. Approximately 10 percent of our workforce worldwide is expected to be impacted by IFX10+, which resulted in restructuring charges of 172 million in the 2008 fiscal year. Furthermore, higher impairment charges of 130 million related primarily to the write-down of ALTIS to its estimated fair value at the reclassification date from held for sale to held and used contributed to the increase. Additionally, we

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recorded a write-down of in-process R&D acquired from LSI of 14 million as no future economic benefit from its use or disposal was expected.

*Financial Income and Expense, net.* Financial income and expense, net, including interest income and interest expense, decreased slightly during the 2008 fiscal year by 12 million compared to the prior year. We derive interest income primarily from cash and cash equivalents and marketable securities. Interest expense relates principally to our convertible subordinated notes issued in February 2002, our Convertible Notes due 2010, our Exchangeable Notes due 2010 and, to a lesser extent, bank loans and interest on outstanding tax obligations. In February 2007, we redeemed the remaining outstanding nominal amount of the convertible subordinated notes issued in 2002, which resulted in a reduction of interest expense in the 2008 fiscal year. In addition, we realized higher interest income during the 2008 fiscal year. However, this net decrease in interest expense was partly offset by a loss of 8 million realized as a result of the repurchase of Convertible Notes due 2010 in the outstanding nominal amount of 100 million during the third quarter of the 2008 fiscal year, which was classified as interest expense.

During the quarter ended March 31, 2007, we entered into agreements with Molstanda Vermietungsgesellschaft mbH ( Molstanda ) and a financial institution. Molstanda is the owner of a parcel of land located in the vicinity of our headquarters south of Munich. Pursuant to SIC 12 *Consolidation Special Purpose Entities* , we determined that Molstanda meets the criteria of a Special Purpose Entity ( SPE ) and as a result of the agreements our company controls it. Accordingly, we consolidated the assets and liabilities of Molstanda beginning in the second quarter of the 2007 fiscal year. The 35 million excess in fair value of liabilities assumed and consolidated of 76 million, over the fair value of the newly consolidated identifiable assets of 41 million, was recorded as other financial expense during the second quarter of the 2007 fiscal year. Due to our loss situation, no tax benefit was provided on this loss. We subsequently acquired the majority of the outstanding capital of Molstanda during the fourth quarter of the 2007 fiscal year.

*Income from Investments Accounted for Using the Equity Method, net.* In the 2008 fiscal year, equity in earnings of associated companies, net was 4 million, and primarily reflected our share in the net income of Bipolar, the joint venture with Siemens.

**Segment Result**

Segment Result for our separate reporting segments was as follows:

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions)</b>	
Segment Result:		
Automotive	122	105
Industrial & Multimarket	127	134
Chip Card & Security	20	52
Wireless Solutions	(126)	(18)
Wireline Communications	(16)	12
Other Operating Segments	2	(3)
Corporate and Eliminations	7	(24)
<b>Total</b>	<b>136</b>	<b>258</b>

Segment Result development for our reporting segments were as follows:

*Automotive* In the 2008 fiscal year, Segment Result was 105 million, a decline of 14 percent compared to 122 million in the 2007 fiscal year, primarily as a result from ongoing pricing pressure and higher idle capacity costs.

*Industrial & Multimarket* In the 2008 fiscal year, Segment Result was 134 million, an increase of 6 percent compared to 127 million in the 2007 fiscal year, primarily reflecting the increase in gross profits as a result of changes in the product mix, despite ongoing pricing pressure.

*Chip Card & Security* In the 2008 fiscal year, Segment Result was 52 million, an increase of 32 million compared to 20 million in the 2007 fiscal year. This increase mainly reflected the increase in revenues and productivity as well as effects from changes in product mix.

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*Wireless Solutions* In the 2008 fiscal year, Segment Result was negative 18 million, an increase of 86 percent compared to negative 126 million in the 2007 fiscal year. Despite the negative impact of currency fluctuations between the U.S. dollar and the Euro, this increase was mainly driven by a strong increase in revenues and efficiency gains and cost reduction measures initiated during the 2007 fiscal year that were taking effect for a full fiscal year.

*Wireline Communications* In the 2008 fiscal year, Segment Result was positive 12 million, an increase of 28 million compared to negative 16 million in the 2007 fiscal year. This increase mainly resulted from efficiency gains and cost reductions measures initiated during the 2007 fiscal year.

*Other Operating Segments* In the 2008 fiscal year, Segment Result was negative 3 million, a decline of 5 million compared to positive 2 million in the 2007 fiscal, resulting primarily from a decrease in revenues.

*Corporate and Eliminations* In the 2008 fiscal year, Segment Result was negative 24 million, a decline of 31 million compared to positive 7 million in the 2007 fiscal, resulting primarily from increased unabsorbed excess capacity cost.

The following table provides the reconciliation of Segment Result to the Company's loss before tax and discontinued operations for the years ended September 30:

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions)</b>	
Total Segment Result	136	258
Adjustments:		
Asset impairments, net of reversals	(2)	(132)
Restructuring and other related closure cost	(45)	(188)
Share-based compensation expense	(12)	(5)
Acquisition-related amortization and losses	(7)	(27)
Gains on sales of assets, businesses, or interests in subsidiaries	28	70
Other expense, net	(6)	(3)
Operating income (loss)	92	(27)
Financial Income	107	58
Financial Expense	(243)	(182)
Income from investment accounted for using the equity method, net		4
Loss from continuing operations before income tax	(44)	(147)

**Income Taxes****For the years ended**

	<b>September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions, except percentages)</b>	
Income tax benefit (expense)	1	(41)
Percentage of net sales	0%	(1)%
Effective tax rate	1%	(28)%

Generally, deferred tax assets in tax jurisdictions that have a three-year cumulative loss are subject to a valuation allowance excluding the impact of forecasted future taxable income.

In the 2007 and 2008 fiscal years we continued to have a three-year cumulative loss in certain tax jurisdictions and, accordingly, we recorded increases in the valuation allowance of 31 million, and 181 million in those periods, respectively. We assess our deferred tax asset position on a regular basis. Our ability to realize benefits from our deferred tax assets is dependent on our ability to generate future taxable income sufficient to utilize tax loss carry-forwards or tax credits before expiration. We expect to

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continue to recognize no tax benefits in these jurisdictions until we have ceased to be in a cumulative loss position for the preceding three-year period.

***Loss from discontinued operations, net of income tax***

The results of Qimonda, presented in the consolidated statements of operations as discontinued operations for the 2007 and 2008 fiscal years, consist of the following components:

	<b>For the years ended September 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>( in millions)</b>	
Revenues	3,608	1,785
Costs and expenses	(3,956)	(3,773)
Loss on measurement to fair value less costs to sell		(1,475)
Loss from discontinued operations before tax	(348)	(3,463)
Income tax (expense) benefit	21	(96)
Loss from discontinued operations, net of tax	(327)	(3,559)

In the 2008 fiscal year Qimonda's total revenues decreased by 1,823 million, or 51 percent, to 1,785 million from 3,608 million in the 2007 fiscal year. Primarily responsible for this decrease was a significant decrease in DRAM prices and to a lesser extent the average exchange rate of the U.S. dollar against the Euro. These decreases were partly offset by increases of higher bit shipments.

Cost and expenses of Qimonda decreased by 183 million from 3,956 million in the 2007 fiscal year to 3,773 million in the 2008 fiscal year, mainly as a result of a decrease in cost of goods sold. This decrease was partly offset by restructuring charges, impairment charges and higher R&D expenses primarily related to Qimonda's efforts in the new Buried Wordline technology for 65-nanometers and 46-nanometers. Restructuring expenses of Qimonda during the 2008 fiscal year related mainly to the relocation of the back-end production in Malaysia, the combination of the research centers in North America, a comprehensive cost reduction program, the shutdown of our Flash activities in Italy and a global repositioning program. During the 2008 fiscal year, Qimonda recognized impairment charges for goodwill and for long-lived assets of the Richmond 200-millimeter facility. Additionally, as a result of Qimonda's agreement to sell its 35.6 percent interest in Inotera to Micron for \$400 million, Qimonda recognized impairment charges to reduce the carrying value of its investment in Inotera to the sales price less costs to sell.

***Net Loss***

In the 2007 fiscal year, net loss was significantly impacted by the results from discontinued operations, net of income tax, primarily due to Qimonda's net loss, which resulted from the deterioration in memory product prices and a weaker U.S. dollar, and consequently a significant decrease in Qimonda's gross profit. Net loss from discontinued operations in the 2007 fiscal year also included an 84 million loss from the sale of 28.75 million Qimonda ADSs. Restructuring charges of 45 million, and the expenses of 35 million resulting from the consolidation of Molstanda also contributed to the net loss in the 2007 fiscal year. In the 2008 fiscal year, net loss increased to 3,747 million, compared to 370 million in the 2007 fiscal year. In the 2008 fiscal year, the increase in net loss was primarily due to the increase in losses from discontinued operations, resulting from Qimonda's net loss and the write-downs of 1,475 million to reduce Qimonda to its estimated current fair value less costs to sell. Furthermore, restructuring charges of 188 million primarily related to the IFX10+ program, and impairment charges contributed, to the net loss in the 2008 fiscal year.



**Table of Contents****Financial Condition**

	As of September 30,			As of March 31,	
			Percentage		Percentage
	2007	2008	Change	2009	Change
			year-on-year		from
			(		September 30,
			in millions, except percentages)		2008
Current assets	5,210	4,648	(11)%	1,883	(59)%
thereof assets classified as held for disposal	303	2,129	+++%	6	(100)%
Non-current assets	5,389	2,334	(57)%	2,094	(10)%
Total assets	10,599	6,982	(34)%	3,977	(43)%
Current liabilities	2,853	3,673	29%	1,240	(66)%
thereof: liabilities associated with assets					
classified as held for disposal	129	2,123	+++%		
Non-current liabilities	1,742	1,148	(34)%	1,034	(10)%
Total liabilities	4,595	4,821	5%	2,274	(53)%
Minority Interests	960	70	(93)%	55	(21)%
Total equity attributable to shareholders of					
Infineon Technologies AG	5,044	2,091	(59)%	1,648	(21)%
Total equity	6,004	2,161	(64)%	1,703	(21)%

**March 31, 2009 compared to September 30, 2008**

As of March 31, 2009, our current assets decreased in comparison to September 30, 2008 by 2,765 million, which is primarily due to the decrease in assets held for disposal of 2,123 million due to the deconsolidation of Qimonda. The remaining decrease in current assets primarily relates to a decrease of 281 million in trade and other receivables, a 218 million decrease in our gross cash position, consisting of cash and cash equivalents and available-for-sale financial assets, and a decrease in inventories of 122 million. Trade and other receivables decreased primarily as a result of lower revenues during the first half of the 2009 fiscal year. Furthermore, the receipt of 95 million from the German bank's deposit protection fund in the second quarter of the 2009 fiscal year and increased allowances for doubtful accounts following Qimonda's application to commence insolvency proceedings contributed to the decrease in trade and other receivables. Our gross cash position decreased as of March 31, 2009 compared to September 30, 2008, primarily due to the repayments of long-term debt of 182 million which mainly relates to the repurchase of notional amounts of 130 million and 22 million of our Exchangeable Notes due 2010 and our Convertible Notes due 2010, respectively, and 41 million of our syndicated loan. Additionally, payments of termination benefits and purchases of intangible assets and property, plant and equipment contributed to the decrease of our gross cash position, which was partly offset by the receipt of 95 million from the German bank's deposit protection fund and the contingent consideration of 13 million refunded from Texas Instruments due to the failure to achieve the revenue



targets of the CPE business.

As of March 31, 2009, non-current assets decreased by 10 percent to 2,094 million, compared to 2,334 million as of September 30, 2008. This decrease primarily results from a 195 million decrease in property, plant and equipment, net, as capital expenditures during the six months ended March, 31, 2009 were lower than depreciation. Furthermore, the sale of the SensoNor business contributed to the decrease in property, plant and equipment. Additionally, goodwill and other intangible assets decreased by 18 million mainly due to the reduction of goodwill relating to the acquisition of the CPE business from Texas Instruments as a result of the contingent consideration of 13 million received from Texas Instruments. Other financial assets decreased by 25 million.

As of March 31, 2009, current liabilities decreased by 2,433 million compared to September 30, 2008, mainly due to the deconsolidation of Qimonda, resulting in a decrease of liabilities associated with assets classified as held for disposal of 2,123 million. Furthermore, trade and other payables decreased as of March 31, 2009 by 204 million compared to September 30, 2008, mainly resulting from lower trade accounts payables due to lower purchased services and lower capital expenditures. Also, other current liabilities decreased by 80 million, resulting from the decrease of employee related liabilities, mainly due to payments of termination benefits from our IFX 10+ cost-reduction program and the reduction of liabilities for bonus payments. Finally, short-term debt and current maturities of long-term debt decreased by

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37 million, mainly as a result of repayments, while other current financial liabilities increased by 10 million due to accrued interest on financial liabilities.

As of March 31, 2009, non-current liabilities decreased by 10 percent to 1,034 million, compared to 1,148 million as of September 30, 2008, primarily due to a decrease of long-term debt of 147 million, which mainly relates to the repurchase of notional amounts of 130 million and 22 million of our Exchangeable Notes due 2010 and our Convertible Notes due 2010, respectively. This decrease was partly offset by a 63 million increase in long-term provisions, primarily for potential liabilities resulting from Qimonda's insolvency.

### ***September 30, 2008 compared to September 30, 2007***

As of September 30, 2008, our total assets decreased by 34 percent to 6,982 million from 10,599 million at the prior year-end. This decrease was mainly due to the decrease in assets held for disposal from Qimonda and the write-down recorded to reduce Qimonda's net assets to their estimated current fair value less costs to sell. Excluding assets held for disposal, total assets also decreased as of September 30, 2008, compared to the prior year-end. This decrease was mainly due to the decrease in current assets, as cash and cash equivalents and available for sale financial assets decreased, as a result of cash used in investing activities from continuing operations and cash used in financing activities being higher than cash provided by operating activities from continuing operations. In addition, cash and cash equivalents and available-for-sale financial assets in the amount of 121 million were reclassified to trade and other receivables as of September 30, 2008. This decrease in current assets was partly offset by increases of non-current assets as of September 30, 2008. This increase primarily related to the increase in goodwill and other intangible assets resulting from the acquisition of the mobility business from LSI and Primarion, Inc. ( Primarion ). The increase in non-current assets was partly offset by a decrease in property, plant and equipment as capital expenditures were more than offset by depreciation, amortization, and impairment charges during the 2008 fiscal year.

Total liabilities increased by 5 percent to 4,821 million as of September 30, 2008, compared to 4,595 million as of September 30, 2007. This increase was primarily caused by an increase in Qimonda's total liabilities, which are classified as liabilities associated with assets held for disposal as of September 30, 2008. The increase in Qimonda's total liabilities is mainly due to increased short and long-term debt of Qimonda, partly offset by a decrease in trade accounts payable. Excluding liabilities associated with assets held for disposal, total liabilities decreases compared to September 30, 2007, primarily due to a decrease in short and durable debt and trade accounts payable.

Total equity decreased by 3,843 million as of September 30, 2008, primarily as a result of the net loss incurred in the 2008 fiscal year.

## **Liquidity**

### ***Cash Flow***

Our consolidated statements of cash flows show the sources and uses of cash and cash equivalents during the reported periods. They are of key importance for the evaluation of our financial position.

Cash flows from investing and financing activities are both indirectly determined based on payments and receipts. Cash flows from operating activities are determined indirectly from net loss. The changes in balance sheet items have been adjusted for the effects of foreign currency exchange fluctuations and for changes in the scope of consolidation. Therefore, they do not conform to the corresponding changes in the

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respective balance sheet line items. The following table shows selected data from our consolidated statements of cash flows, for the periods indicated:

(IFRS)	For the years ended September 30, <sup>(1)</sup>		For the six months ended March 31, <sup>(1)(2)</sup>	
	2007	2008	2008	2009
	( in millions)			
Net cash provided by (used in) operating activities from continuing operations	256	580	149	(65)
Net cash provided by (used in) operating activities from discontinued operations	995	(664)	(270)	(398)
Net cash provided by (used in) operating activities	1,251	(84)	(121)	(463)
Net cash provided by (used in) investing activities from continuing operations	(48)	(665)	(894)	31
Net cash provided by (used in) in investing activities from discontinued operations	(869)	3	(127)	21
Net cash provided by (used in) investing activities	(917)	(662)	(1,021)	52
Net cash used in financing activities from continuing operations	(214)	(230)	(97)	(180)
Net cash provided by (used in) financing activities from discontinued operations	(311)	343	200	(40)
Net cash provided by (used in) provided by financing activities	(525)	113	103	(220)
Net increase (decrease) in cash and cash equivalents	(191)	(633)	(1,039)	(631)
Effect of foreign exchange rate changes on cash and cash equivalents	(40)	(6)	(14)	(7)
Cash and cash equivalents at beginning of period	2,040	1,809	1,809	1,170
Cash and cash equivalents at end of period	1,809	1,170	756	532
Less: Cash and cash equivalents at end of period from discontinued operations	736	421	529	
Cash and cash equivalents at end of period from continuing operations	1,073	749	227	532

*Notes*

- (1) During the 2008 fiscal year, Infineon committed to a plan to dispose of Qimonda. As a consequence, the cash flows of Qimonda are reported as net cash provided by (used in) activities from discontinued operations in the separate line below cash flows from continuing operations. On January 23, 2009, Qimonda and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG filed an application at the Munich Local Court to

commence insolvency proceedings. As a result of this application, Infineon deconsolidated Qimonda during the second quarter of the 2009 fiscal year. On April 1, 2009, the insolvency proceedings formally opened.

(2) Unaudited.

***Six months ended March 31, 2009 compared with six months ended March 31, 2008***

Net cash used in operating activities from continuing operations was 65 million for the six months ended March 31, 2009 and reflected mainly the loss from continuing operations of 266 million less non-cash charges for depreciation and amortization of 282 million and 16 million resulting from the sale of the SensoNor business. Net cash used in operating activities in the six months ended March 31, 2009 was negatively impacted by changes in operating assets and liabilities of 117 million and positively impacted by income taxes received of 19 million.

Net cash provided by investing activities from continuing operations was 31 million for the six months ended March 31, 2009 and primarily resulted from the receipt of 95 million from the German bank deposit protection fund in the second quarter of the 2009 fiscal year and the refund of contingent consideration of 13 million from Texas Instruments due to the failure to achieve the revenue targets of the CPE business. Furthermore, proceeds of 10 million from the sale of available-for-sale financial assets and the consideration received from the sale of the SensoNor business contributed to cash provided by investing activities. We used 91 million for the purchases of property, plant and equipment, and intangible assets.

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Net cash used in financing activities from continuing operations was 180 million during the six months ended March, 31, 2009, and reflected principal repayments of long-term debt of 182 million, of which the majority related to the repurchase of nominal amounts of 22 million and 130 million of our Convertible Notes due 2010 and Exchangeable Notes due 2010, respectively, for an amount of 90 million in cash. Additional repayments of long-term debt amounted to 92 million, mainly 41 million for our syndicated loan.

The net decrease in cash and cash equivalents from discontinued operations in the six months ended March 31, 2009 consisted primarily of cash used in operating and financing activities of Qimonda aggregating 398 million and 40 million, respectively. The net cash provided by investing activities from discontinued operations of 21 million consists primarily of cash received by Qimonda in connection with the sale of Inotera to Micron in November 2008 for U.S. \$400 million (approximately 296 million), partially offset by the cash and cash equivalents of Qimonda totaling 286 million as of January 23, 2009, the date Qimonda filed an application to commence insolvency proceedings.

***2008 fiscal year compared with 2007 fiscal year***

Net cash provided by operating activities from continuing operations was 580 million in the 2008 fiscal year, and reflected mainly the loss from continuing operations of 188 million, which is net of non-cash charges for depreciation and amortization of 571 million, impairment charges of 137 million and a 14 million charge for in-process R&D acquired from LSI. Also included in loss from continuing operations were gains from sales of businesses of 80 million. Net cash provided by operating activities from continuing operations was positively impacted by the changes in operating assets and liabilities of 145 million.

Net cash used in investing activities from continuing operations of 665 million in the 2008 fiscal year mainly reflects capital expenditures of 353 million for the acquisition of the mobility products business of LSI and Primarion, and of 312 million for the purchase of property, plant and equipment. These cash outflows were partially offset by proceeds from the sale of businesses and interests in subsidiaries of 121 million, and by net proceeds from the sale and purchase of marketable securities of 27 million.

Net cash used in financing activities from continuing operations increased by 16 million to 230 million in the 2008 fiscal year. During the 2008 fiscal year, we made repayments of short-term and long-term debt of 294 million, of which 97 million related to the repurchase of a notional amount of 100 million of Convertible Notes due 2010. We also made dividend payments to minority interest holders of 80 million, which were partly offset by proceeds from issuance of long-term debt of 149 million.

Net decrease in cash and cash equivalents from discontinued operations was 318 million in the 2008 fiscal year compared to 185 million in the prior year. The net decrease in cash and cash equivalents from discontinued operations was mainly due to Qimonda's net cash used in operating activities which was partly offset by Qimonda's net cash provided by financing activities. Qimonda's cash flow from operating activities decreased significantly from net cash provided of 995 million in the 2007 fiscal year to net cash used of 664 million in the 2008 fiscal year. This was mainly caused by Qimonda's net loss, which was largely a result of lower revenues due to the strong decline in average selling prices as compared to the prior year. This negative impact on Qimonda's cash flow from operating activities was partly offset by working capital improvements resulting from a decrease in its inventories and trade accounts receivable. Qimonda's cash flow from operating activities was also negatively impacted by a decrease in trade accounts payable in the 2008 fiscal year compared to the 2007 fiscal year. Qimonda's net cash provided by financing activities was 343 million in the 2008 fiscal year and refers mainly to Qimonda's issuance of \$248 million of convertible notes due 2013 from which Qimonda raised 168 million. Furthermore, drawings under several short-term and long-term loan agreements net of repayments and partially offset by redemptions under capital lease agreements contributed to Qimonda's net cash provided by financing activities.



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The following table presents our gross and net cash positions and the maturity of debt. It is not intended to be a forecast of cash available in future periods.

As of March 31, 2009	Total	Less than 1 year	Payments due by period				After 5 years
			1-2 years	2-3 years	3-4 years	4-5 years	
			( in millions)				
Cash and cash equivalents	532	532					
Available-for-sale financial assets	133	133					
Gross cash position	665	665					
Less:							
Long-term debt	816		670	79	53	14	
Short-term debt and current maturities	170	170					
Total financial debt	986	170	670	79	53	14	
Net cash position	(321)	495	(670)	(79)	(53)	(14)	

Our gross cash position as of March 31, 2009, representing cash and cash equivalents and available-for-sale financial assets, decreased to 665 million from 883 million as of September 30, 2008, primarily reflecting the cash used in operating and financing activities from continuing operations.

Our gross cash position, representing cash and cash equivalents, plus available-for-sale financial assets, was 883 million at September 30, 2008, compared with 2,226 million at the prior year end. Prior year gross cash position included Qimonda's gross cash position which as of September 30, 2008 is included in assets classified as held for disposal. The decrease was due to the cash outflow from operating and investing activities, net of sale (purchases) of available for-sale financial assets of 112 million, the repurchase of Convertible Notes due 2010 in the nominal amount of 100 million for 97 million cash, and the reclassification of cash and cash equivalents and available-for-sale financial assets in the amount of 121 million into trade and other receivables as of September 30, 2008.

Long-term debt principally consists of convertible and exchangeable subordinated notes that were issued in order to strengthen our liquidity position and allow us more financial flexibility in conducting our business operations. The total notional amount of outstanding convertible and exchangeable notes as of September 30, 2008 and March 31, 2009 amounted to 815 million and 663 million, respectively.

On June 5, 2003, we issued 700 million in Convertible Notes due 2010 at par in an underwritten offering to institutional investors in Europe. The notes are unsecured and accrue interest at 5 percent per year. The notes are convertible, at the option of the noteholders, into a maximum of 68.4 million ordinary shares of our company, at a conversion price of 10.23 per share through maturity. During the third quarter of the 2008 fiscal year and the first quarter of the 2009 fiscal year, we repurchased a notional amount of 122 million of Convertible Notes due 2010. The repurchase was made out of available cash.

On September 26, 2007, we issued 215 million in exchangeable subordinated notes due 2010 at par in an underwritten offering to institutional investors in Europe. The notes are unsecured and accrue interest at 1.375 percent per year. The notes are exchangeable for a maximum of 20.5 million Qimonda ADSs, at an exchange price of 10.48 per ADS at any time during the exchange period through maturity. During the six months ended March, 31, 2009, we repurchased notional amounts of 130 million of our exchangeable subordinated notes due 2010.

Subsequent to March 31, 2009, we repurchased additional nominal amounts of 38 million of our Exchangeable Notes due 2010 for 27 million in cash and nominal amounts of 56 million of our Convertible Notes due 2010 for 44 million in cash. The repurchases were made out of available cash.

On May 26, 2009, we issued an aggregate nominal amount of 196 million of New Convertible Notes due 2014 for aggregate gross proceeds of 182 million. See Measures Taken to Date to Improve Infineon's Financial Condition Issuance of New Notes.

Our net cash position as of March 31, 2009, defined as gross cash position less short and long-term debt was negative 321 million, a decrease of 34 million from September 30, 2008, mainly reflecting cash



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used in operating activities, which was only partly offset by the effect on our net cash position of the repurchase of Exchangeable Notes due 2010 and Convertible Notes due 2010, respectively, net of accretion for the Exchangeable Notes due 2010 and Convertible Notes due 2010.

Our net cash position decreased by 950 million to negative 287 million at September 30, 2008, compared with positive 663 million at September 30, 2007, primarily because prior year amounts also included Qimonda's net cash position. Additionally, net cash position decreased principally due to cash outflow from operating and investing activities, net of sale (purchases) of available-for-sale financial assets of 112 million from continuing operations and dividend payments to minority interest holders.

To secure our cash position and to keep flexibility with regards to liquidity, we have implemented a policy with risk limits for the amounts deposited with respect to the counterparty, credit rating, sector, duration, credit support and type of instrument.

## **Capital Requirements**

We require capital to:

- Finance our operations;
- Make scheduled debt payments;
- Settle contingencies if they occur; and
- Make planned capital expenditures.

We expect to meet these requirements through:

- Cash flows generated from operations;
- Cash on hand and securities we can sell;
- Available credit facilities; and
- Other initiatives as described in this prospectus.

As of September 30, 2008, we require funds for the 2009 fiscal year aggregating 929 million, consisting of 207 million for short-term debt payments and 722 million for commitments. In addition, we may need up to 31 million for currently known and estimable contingencies. We also plan to invest approximately 200 million in capital expenditures. We have a gross cash position of 883 million as of September 30, 2008, and also the ability to draw funds from available credit facilities of 541 million.

## ***Statement on Working Capital***

We can provide no assurance that, without additional equity or debt capital or other inflow of funds, we will have sufficient working capital during the next 12 months due to the Convertible Notes due 2010 outstanding in the nominal amount of 522 million and the Exchangeable Notes due 2010 outstanding in the nominal amount of 48 million falling due in 2010.

We believe that we will continue to be able to fund our normal business operations out of cash flow from operations. However, in an effort to obtain sufficient funds to repay the Convertible Notes due 2010 and the Exchangeable Notes due 2010 and to solidify our balance sheet structure, we commenced the offering which is the subject matter of this prospectus. This offering relates to up to 337,000,000 ordinary shares (in the form of ordinary shares or ADSs) that we are offering to our shareholders and ADS holders for subscription. The backstop investor has, subject to receiving a minimum allocation conveying a stake of at least 15 percent of our increased share capital, agreed with us to subscribe for up to 326,022,625 ordinary shares at the subscription price. If persons exercising subscription rights subscribe to purchase 173,988,688 or more ordinary shares, the backstop investor would not receive this minimum allocation and the backstop would not take effect unless the backstop investor waives the minimum allocation condition. If the backstop would not take effect (and assuming the backstop investor does not waive the condition), we would receive gross issue proceeds of at least 374,075,679. If all 337,000,000 ordinary shares are placed at the subscription price, the gross issue proceeds will be 724,550,000. See Description of the Offering Backstop Arrangement.

Assuming that 337,000,000 ordinary shares are placed at the subscription price, we expect to have sufficient funds to repay the Convertible Notes due 2010 and the Exchangeable Notes due 2010 and to solidify our balance sheet structure.

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However, it is possible that we may only be able to place 173,988,688 million ordinary shares for the above minimum gross proceeds of 374,075,679 in the offering for reasons beyond our control, including among others, that the backstop investor does not achieve its minimum threshold and does not waive this requirement, and that the backstop investor terminates the backstop agreement in accordance with its terms. See Risk Factors Risks Relating to Infineon and our Market The financial resources available to Infineon, including the proceeds of the offering, may be insufficient to meet our capital needs. and Description of the Offering Backstop Arrangement.

If we place only the minimum number of 173,988,688 million ordinary shares, we will still be able to use part of our available cash to repay a portion of the outstanding nominal amount of, and accrued interest on, the Convertible Notes due 2010 and Exchangeable Notes due 2010, but may need to find alternative sources of funds to repay the remaining amounts due. These alternatives may include new debt financing instruments, such as loans provided or guaranteed by the governments of jurisdictions in which we operate manufacturing facilities; portfolio measures, including asset sales; further internal cost and cash savings; and other corporate restructuring measures.

**Commitments and Contingencies**

As of September 30, 2008 <sup>(1)</sup>	Total	Payments due/expirations by period					
		Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Contractual commitments:							
Long-term debt obligations	1,170	207	773	82	68	40	
Operating lease payments	776	75	63	59	58	56	465
Unconditional purchase commitments	634	594	18	11	3	4	4
Future interest payments	111	53	43	8	4	1	2
Other long-term liabilities	44		44				
<b>Total commitments</b>	<b>2,735</b>	<b>929</b>	<b>941</b>	<b>160</b>	<b>133</b>	<b>101</b>	<b>471</b>
Other contingencies:							
Guarantees <sup>(2)</sup>	97	11		5	14	3	64
Contingent government grants <sup>(3)</sup>	47	20	12	4	5	6	
<b>Total contingencies</b>	<b>144</b>	<b>31</b>	<b>12</b>	<b>9</b>	<b>19</b>	<b>9</b>	<b>64</b>

(1) Certain payments of obligations or expiration of commitments that are based on the achievement of milestones or other events that are not date-certain are included for purposes of this table, based on our estimate of the reasonably likely timing of payments or expirations in each particular case. Actual outcomes could differ from those estimates.

(2) Guarantees are mainly issued for the payment of import duties, rentals of buildings and contingent obligations related to government grants received.

(3)

Contingent government grants refer to amounts previously received, related to the construction and financing of certain production facilities, which are not guaranteed otherwise and could be refundable if the total project requirements are not met.

The above table should be read together with note 40 to our consolidated financial statements for the year ended September 30, 2008.

***Off-Balance Sheet Arrangements***

We issue guarantees in the normal course of business, mainly for the payment of import duties, rentals of buildings and contingent obligations related to government grants received. As of March 31, 2009, the undiscounted amount of potential future payments for guarantees was 78 million.

**Table of Contents*****Capital Expenditures***

	For the years ended September 30,		For the six months ended March 31,	
	2007	2008	2008	2009
	( in millions)			
Continuing operations	498	312	170	69

Depending on market developments and its business situation, we currently expect to invest approximately 130 million in capital expenditures for property, plant and equipment in the 2009 fiscal year. Assuming a successful completion of the offering, we will seek to continue to improve our productivity and upgrade technology at existing facilities. We believe that we will be able to finance these capital expenditures using net cash flow from operating activities from continuing operations.

The principal items relating to our capital expenditures in the six months ended March 31, 2009 included 69 million for our front-end facilities in Kulim and Dresden, and our back-end facilities in Malacca. In addition to those capital expenditures, we invested 22 million in intangible assets and received 13 million for the refund of contingent consideration from Texas Instruments due to the failure to achieve the revenue targets of the CPE business.

The principal items relating to our capital expenditures in the 2008 fiscal year included 184 million mainly for capacity expansion of our front-end facilities in Europe and the ramp-up of the Kulim facility, and 77 million mainly for capacity expansion of our back-end facilities in Batam, Regensburg and Malacca. In addition to those capital expenditures, we invested 58 million in intangible assets and spent 353 million for the acquisitions of the mobility products business from LSI and the digital power business of Primarion.

The principal items relating to our capital expenditures in the 2007 fiscal year included 879 million at Qimonda, 279 million mainly for capacity expansion of our front-end facilities in Kulim and Villach, and 160 million mainly for capacity expansion of our back-end facilities. In addition to those capital expenditures, we invested 40 million in intangible assets and spent 45 million for the acquisition of the CPE business from Texas Instruments.

The principal items relating to our capital expenditures in the 2006 fiscal year included 686 million at Qimonda, 392 million mainly for capacity expansion at our front-end facility in Kulim, Malaysia, and 108 million mainly for capacity expansion of our back-end facilities. In addition to those capital expenditures, we invested 44 million in intangible assets.

***Credit Facilities***

We have established both short- and long-term credit facilities with a number of different financial institutions in order to meet our anticipated funding requirements. These facilities, which aggregate 913 million, of which 536 million remained available at March 31, 2009, comprise the following:

Term	Nature of financial institution commitment	Purpose/ intended use	As of March 31, 2009	
			Aggregate facility	Drawn Available

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Short-term	firm commitment	working capital guarantees	508	117	391
Short-term	no firm commitment	working capital, cash management	145		145
Long-term <sup>(1)</sup>	firm commitment	project finance	260	260	
Total			913	377	536

<sup>(1)</sup> Including current maturities.

In September 2004, we executed a \$400/ 400 million syndicated credit facility with a five-year term, which was subsequently reduced to \$345/ 300 million in August 2006. The facility consists of two tranches. Tranche A is a term loan originally intended to finance the expansion of the Richmond, Virginia, manufacturing facility. In January 2006, we drew \$345 million under Tranche A, on the basis of a repayment schedule that foresees equal installments falling due in March and September each year. At March 31, 2009 \$70 million was outstanding under Tranche A. Tranche B, which is a multicurrency revolving facility to be used for general corporate purposes, remained undrawn at March 31, 2009. The facility has customary financial covenants, and drawings bear interest at market-related rates that are linked to financial

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performance. The lenders of this credit facility have been granted a negative pledge relating to the future financial indebtedness of the Company with certain permitted encumbrances.

In May 2009, the Infineon and Infineon Technologies Holding BV (as original borrowers and original guarantors, respectively) executed a 100 million revolving credit facility to be utilized by way of drawings of loans in Euro and any optional currency with an availability period until and including the date falling one month prior to March 15, 2010. The credit facility is available for general corporate purposes and currently undrawn. It is unsecured with customary financial covenants, and drawings bear interest at market-related rates that are linked to the interest period of each loan plus a margin.

At March 31, 2009, we were in compliance with our debt covenants under the relevant facilities.

### ***Pension Plan Funding***

Our defined pension benefit obligation, which takes into account future compensation increases, amounted to 376 million at September 30, 2008, compared to 475 million at September 30, 2007. The fair value of plan assets as of September 30, 2008 was 333 million, compared to 409 million as of September 30, 2007.

The actual return on plan assets between the last measurement dates amounted to negative 11.1 percent, or (41) million, for domestic (German) plans and negative 8.0 percent, or (2) million, for foreign plans, compared to the expected return on plan assets for that period of 6.5 percent for domestic plans and 7.0 percent for foreign plans. We have estimated the return on plan assets for the next fiscal year to be 7.1 percent, or 21 million, for domestic plans and 7.2 percent, or 3 million, for foreign plans.

At September 30, 2007 and 2008, the combined funding status of our pension plans reflected an under-funding of 66 million and 43 million, respectively.

Our investment approach with respect to the pension plans involves employing a sufficient level of flexibility to capture investment opportunities as they occur, while maintaining reasonable parameters to ensure that prudence and care are exercised in the execution of the investment program. The pension plans' assets are invested with several investment managers. The plans employ a mix of active and passive investment management programs. Considering the duration of the underlying liabilities, a portfolio of investments of plan assets in equity securities, debt securities and other assets is targeted to maximize the long-term return on plan assets for a given level of risk. Investment risk is monitored on an ongoing basis through periodic portfolio reviews, meetings with investment managers and liability measurements. Investment policies and strategies are periodically reviewed to ensure the objectives of the plans are met considering any changes in benefit plan design, market conditions or other material items.

Our asset allocation targets for pension plan assets are based on our assessment of business and financial conditions, demographic and actuarial data, funding characteristics, related risk factors, market sensitivity analyses and other relevant factors. The overall allocation is expected to help protect the plans' level of funding while generating sufficiently stable real returns (that is, net of inflation) to meet current and future benefit payment needs. Due to active portfolio management, the asset allocation may differ from the target allocation up to certain limits. As a matter of policy, our pension plans do not invest in our shares.

### ***Financial Instruments***

We periodically enter into derivatives, including foreign currency forward and option contracts as well as interest rate swap agreements. The objective of these transactions is to reduce the impact of interest rate and exchange rate fluctuations on our foreign currency denominated net future cash flows. We do not enter into derivatives for trading or

speculative purposes.



**Table of Contents****Employees**

The following table indicates the composition of our workforce by function and region at the end of the periods indicated.

	<b>As of September 30,</b>		<b>As of March 31,</b>	
	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>
Function:				
Production	20,376	19,358	19,677	17,080
Research & Development	5,833	6,273	6,313	6,019
Sales & Marketing	1,832	1,905	1,955	1,742
Administrative	1,557	1,583	1,594	1,521
Infineon Logic	29,598	29,119	29,539	26,362
Qimonda	13,481	12,224	13,298	
Total	43,079	41,343	42,837	26,362
Region:				
Germany	10,151	10,053	10,115	9,361
Europe	5,564	5,192	5,333	4,610
North America	581	821	847	745
Asia/Pacific	13,145	12,897	13,082	11,501
Japan	157	156	162	145
Infineon Logic	29,598	29,119	29,539	26,362
Qimonda	13,481	12,224	13,298	
Total	43,079	41,343	42,837	26,362

During the first half of our 2009 fiscal year, workforce decreased in all functions and regions primarily as a result of our IFX10+ cost-reduction program, as well as a result of the sale of the SensoNor business.

During the 2008 fiscal year, the number of employees in our logic business decreased slightly, primarily due to the deconsolidation of our Bipolar business, and further decreases in the number of production employees primarily in Asia/Pacific. These decreases were partly offset by employees that joined the company as a result of the acquisitions we made during the year.

In the 2007 fiscal year, the number of employees in our logic business decreased in Germany primarily as a result of the phase out of manufacturing at Munich-Perlach, and the restructuring program initiated following the insolvency of BenQ's German subsidiary, but increased in the Asia/Pacific region due to expansion of production in Kulim, Malaysia, and R&D in Malaysia and China.

**Critical Accounting Policies**

Our results of operations and financial condition are dependent upon accounting methods, assumptions and estimates that we use as a basis for the preparation of our consolidated financial statements. We have identified the following critical accounting policies and related assumptions, estimates and uncertainties, which we believe are essential to understanding the underlying financial reporting risks and the impact that these accounting methods, assumptions, estimates and uncertainties have on our reported financial results.

***Revenue Recognition***

We generally market our products to a wide variety of customers and a network of distributors. Our policy is to record revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. We record reductions to revenue for estimated product returns and allowances for discounts and price protection, based on actual historical experience, at the time the related revenue is recognized. We establish reserves for sales discounts, price protection allowances and product returns based upon our evaluation of a variety of factors, including industry demand. This process requires the exercise of

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substantial judgments in evaluating the above-mentioned factors and requires material estimates, including forecasted demand, returns and industry pricing assumptions.

In future periods, we may be required to accrue additional provisions due to (1) deterioration in the semiconductor pricing environment, (2) reductions in anticipated demand for semiconductor products or (3) lack of market acceptance for new products. If these or other factors result in a significant adjustment to sales discount and price protection allowances, they could significantly impact our future operating results.

We have entered into licensing agreements for our technology in the past, and anticipate that we will increase our efforts to monetize the value of our technology in the future. As with certain of our existing licensing agreements, any new licensing arrangements may include capacity reservation agreements with the licensee. The process of determining the appropriate revenue recognition in such transactions is highly complex and requires significant judgment, which includes evaluating material estimates in the determination of fair value and the level of our continuing involvement.

### ***Recoverability of Non-Financial Assets***

Our business is extremely capital-intensive, and requires a significant investment in property, plant and equipment. Due to rapid technological change in the semiconductor industry, we anticipate the level of capital expenditures to be significant in future periods. During the 2008 fiscal year and the six months ended March 31, 2009, we spent 312 million and 69 million on purchases of property, plant and equipment, respectively. At September 30, 2008 and March 31, 2009, the carrying value of our property, plant and equipment was 1,310 million and 1,115 million, respectively. We have acquired other businesses, which resulted in the generation of significant amounts of long-lived intangible assets, including goodwill. At September 30, 2008 and March 31, 2009, we had long-lived intangible assets of 443 million and 425 million, respectively.

In accordance with the provisions of International Accounting Standard ( IAS ) 36, *Impairment of Assets* , we test goodwill and indefinite life intangible assets for impairment at least once a year.

We also review long-lived assets, including intangible assets, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying value of the assets exceeds their recoverable amount.

Infineon determines its cash generating units ( CGUs ) based on the smallest group of assets which are grouped and generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. CGUs are represented by one or a group of individual product lines. We determine the recoverable amount of a CGU based on discounted cash flow calculations. We believe that this is the most meaningful method, in order to reflect the cyclicity of the industry and to determine the recoverable amount of the CGUs. This approach was applied consistently in fiscal years 2007 and 2008.

The material assumptions underlying our discounted cash flow model for all of our CGUs include the weighted average cost of capital ( WACC ) as well as the terminal growth rate of the CGUs. The calculation of the discount rate is based on a market participant's view of the asset or CGU. In accordance with IAS 36, we determine the appropriate WACC for the CGUs based on market information, including our peer group's beta factors and leverage, and other market borrowing rates. The assumptions used in fiscal years 2007 and 2008 reflected market-driven changes but did not differ significantly.

The terminal value growth rate has been taken from available market studies from market research institutes.

In addition, the individual impairment tests include sensitivity analyses taking into account the above-mentioned material assumptions. As part of the sensitivity analysis for each impairment test for a CGU, these parameters were also subsequently revised to reflect further slowdown of the worldwide economic conditions during the 2008 fiscal year and until the filing of the audited financial statements.

During the 2008 fiscal year and the six months ended March 31, 2009, impairment charges of 130 million and 1 million, respectively, were recognized on long-lived assets, including intangible assets.

We did not recognize any goodwill impairment charges in the 2008 fiscal year and the six months ended March 31, 2009.