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Annual General Meeting

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in Munich

- The spoken word prevails -

Greeting

Dear Shareholders,

When I stood in front of you a year ago, your support for the route proposed and taken by the Management Board was palpable. The management and personnel were grateful for your backing. The progress made in pursuing this path has paid off in the truest sense of the word.

By resolute restructuring, intelligent refinancing and by boldly gearing the portfolio to high-margin and less volatile products, Infineon is today more successful and stable than ever before. Focusing on energy efficiency, mobility and security – dynamic trends of importance to society – opens up disproportionately high growth opportunities for Infineon. The value of your company has increased. The movement of the share price and the general approval among analysts and investors are two clear indications of this.

Dear Shareholders, Media Representatives and Guests,

My colleagues on the Management Board and I warmly welcome you to today's Annual General Meeting of Infineon Technologies AG.

Introducing Dominik Asam and thanking Wucherer

Before I move on to the first item on today's agenda – the development of the company's business over the last year and a look to the future – I'd like first to introduce you to a new member of the Management Board: Dominik Asam, our new CFO.

He joined us on January 1 and I am very pleased that we succeeded in winning his capacity for Infineon. For him, Infineon is a home game, as he was responsible for Strategy and Investor Relations at Infineon from 2003 to 2005. He is not only familiar with the semiconductor business at best. He also knows to lead a company financially. Mr. Asam will take you through the details of the figures of the last financial year following my address.

On behalf of the entire Management Board, I'd also like to thank you – Professor Wucherer – for your challenging but constructive and highly dedicated cooperation at all times. A year ago, as everyone will recall, there was considerable turmoil surrounding the appointment of the Chairman of the Supervisory Board. In the end Professor Wucherer won through. He promised you that in the year he held office he would see to an orderly succession process and I think he has delivered impressively on that promise. Under your supervision, Professor Wucherer, in fruitful collaboration with the entire Supervisory Board, Infineon has performed outstandingly well. My sincere thanks once again.

Turnaround achieved – Infineon today on firm foundations

Ladies and Gentlemen, the general climate is pretty good. There is the smell of spring in the air. All the signs point to growth. It will stay that way for the time being if we continue to get things right.

The successful reorientation gives us the opportunity to take advantage of the good economic climate. High, demanding mountains are far easier to climb in good weather. But even if the weather is good, they can be conquered only if the mountaineer is in good shape. Having said that, bad weather like that we experienced in 2009 builds up stamina.

Therefore allow me to take a look back. For a long time – as well you know – there was little reason for enthusiasm.

I still remember very well my first Annual General Meeting as CEO in 2009. The report on the financial year was anything but easy for me. The Infineon share price ranged below the one-euro mark in 2008 right into 2009. The outlook was bleak. To compound the situation, the company was weighed down by billion-euro write-offs due to Qimonda. We were showered with your justified criticism.

It called for taking a candid stance, for rationally analyzing and accepting the reality, drawing the right conclusions and not giving in. Our aims were challenging. Infineon, our management and our employees took up the gauntlet and shaped the change themselves.

- By implementing the IFX10+ program we decreased costs and increased profitability. The program helped us not only to withstand the economic crisis well, but also to regain our position as a financially strong player in the semiconductor market.
- Since the successfully placed convertible bonds in May 2009 and the capital increase in August 2009, our balance sheet is again on a firm foundation. The company is now fully able to act and has wide managerial scope.
- Alongside these measures, we systematically geared our portfolio to markets that are less volatile and instead offer higher and, above all, sustained profitability. We parted company with the Memory Products business and Wireline Communications business because they caused fluctuations in the results time and again. The sale of our mobile phone business to Intel effective January 31, 2011 marked the completion of this process.

I believe I am not exaggerating when I now say that Infineon today plays in a different league. The turnaround has been achieved. We have been in the black for six quarters in a row. One might say the 2009 financial year marked the dawn of a new era for Infineon. Today we are no longer talking about potential, we are seeing results. And our aims remain ambitious. Rest assured of the fact.

Wireless Solutions sale concludes the portfolio optimization

Allow me to stress once again what significance the Wireless Solutions sale to Intel has for Infineon. The increasing convergence in the mobile phone market would have required enormous additional research and development investment in the near future.

We would certainly been able to manage this investment somehow or other. And with new partnerships and lower profitability we would very probably have been in the race between the top three players. But we would certainly never have become number one and hence permanently vulnerable. We lacked what Intel today contributes, the application processors, for setting the tempo in this fast-paced market. But

that is precisely what our aspiration is: to shape the markets from a top position – as we already do in the Automotive, Industrial & Multimarket and Chip Card & Security segments.

That is why the decision to accept Intel's attractive offer was right. By having developed Wireless Solutions into a profitable segment we were able to obtain the tidy sum of 1.4 billion U.S. dollars. The timing of the sale was ideal in every respect. However, this success could be achieved only because we managed to make this segment so profitable. Who would have thought it possible after the insolvency of BenQ, our main customer at the time. Professor Eul and his team, all the employees of the Wireless Solutions division, did an excellent job. We managed to create enormous value here – for the company and for you, the shareholders. A huge compliment and many thanks go to our former colleagues. Our best wishes accompany them.

I am equally grateful to the employees and to the management team of the new Infineon. The Wireless Solutions sale involved the complex undertaking of carving a third of the company out of well-established structures. They all identified themselves with the change and contributed their ideas to drive it forward. I am aware how challenging and stressful such phases are. We pay all the more tribute to our employees for having made it their very own job to bring about the change.

Without this will for renewal, Infineon would not be in such a good position today. Therefore it is important to us to offer our employees an attractive working environment which encourages commitment and enables creativity.

One building block for this is the current revision of the personnel development system. Executives and staff are to enter into far closer dialog. The aim is to identify personal development potential and to optimally harness the resulting opportunities for both parties.

Another building block is the change of our pay system last year. The variable salary component is now no longer dependent on the attainment of individual targets, but is exclusively linked to the company's overall performance. Non-pay-scale employees thereby participate to a greater degree in the corporate success achieved.

Infineon staff members are the company's ambassadors to the outside world. They make Infineon an attractive brand. Given the shortage of skilled workers, the satis-

fraction of our staff is a decisive factor in the competition for talent. Infineon has a lot to offer in this respect. However we want to become yet more attractive as an employer by means of our personnel policies.

Asia is the most important market

At the beginning of 2010 nobody here would have dared to forecast that Germany's economy would grow 3.6 percent in the course of the year.

Half the world can be felt to be drawn out of the crisis mainly by the booming Asian markets, with the heavyweights India and China. China presents itself as if there had never been a global economic crisis. The Chinese put a massive economic stimulus package into place early on, investing 400 billion euros in new rail networks, airports and in developing renewable energy sources. The result will be amazing. China's growth in 2010 was over 10 percent despite tight curbs on lending.

Rising prosperity levels are boosting car sales. The year 2010 alone saw 18 million vehicles being sold in the People's Republic – more than anywhere else in the world. This year's first issue of the German news magazine "Der Spiegel" reported that globalization was making China increasingly Western, saying that men wore dark suits, read the Financial Times and were chauffeur-driven in big Mercedes limousines in New York and Shanghai alike. Whether dark suits or the Financial Times are symbols of Western culture is not something I want to comment on here, but what I am delighted about is the appetite for premium vehicles because it is there that the semiconductor quota is particularly high.

China is looking to make the jump to the top in renewables as well. The People's Republic might soon leave the West behind in these technologies of the future, not least thanks to generous state funding. The Chinese solar industry is already larger than its German counterpart. And China built more wind power plants last year than the Americans who had held the scepter so far. Giants such as Sinovel and Goldwind have risen to become leading wind power companies and they have become our partners.

Driven by increased mobility demands on the part of burgeoning Asian middle classes and energy efficiency awareness, Asia has developed into a key global sales market for semiconductors. In the year 2009, Asia accounted for 57 percent of the

global semiconductor market. If forecasters are proved right, this figure will increase to 60 percent by the middle of the decade with continued overall market growth.

Infineon's growth was disproportionately high in Asia compared to other regions. Based on the 2010 business figures, Infineon generates 42 percent of its revenues in the Asia region including Japan. That makes the company the front-runner in this category among all the DAX30 companies. In short: we do not just talk about Asia, we are also on the ground there and do good business.

All the same, we will further expand our presence in the region. To do so, we have to become a "local citizen in China" – to use the name of one of our company's projects. The new business unit in Peking that opened in January also illustrates this aim. We develop and manufacture so-called IGBT stacks under one roof there. They are modern subsystems composed of power semiconductors. That enables us to provide tailored solutions for our local customers, such as Goldwind.

Our success in Asia is primarily based on the recognition that business in the region can never be investments calculated right down to the last detail purely in business terms. It is also about customer focus and close cooperation with our partners on the spot. Together we search for a solution and together we create value. We intend to integrate more tightly into the local structures of the market – to be a local citizen, to become a Chinese company. This will equip us best for continued success in a fast-growing market.

Ladies and Gentlemen, I hope to manage today to convey a mix of self-confidence and respect for the challenges that lie ahead. Even though only the fastest and most innovative contenders survive in this business and you always have to be on your guard, one can still be pleased about a good year. Infineon's continued recovery, assisted by a good global economy and completion of the portfolio optimization by the sale of Wireless Solutions to Intel, give me sufficient reason to be pleased. Infineon is thoroughly sound. The employees and the management team have restored value to your company over the last almost three years.

Business development

This fact is borne out especially by the figures of the last financial year. In the end, the guidance we raised several times over was exceeded in terms of both revenues

and profit. Revenues increased 51 percent year-on-year to 3.3 billion euros. Never before has Infineon seen such a revenue hike.

At the end of the day, profit decides the way the shareholder fares. In the 2010 financial year the net profit was 660 million euros. All the segments contributed to this result. Things could not have gone much better. In addition, in the last financial year we already almost achieved our ambitious target of 15 to 20 percent Segment Result margin. Furthermore we have reached an orderly position and established the company's dividend-paying ability. Therefore the Management Board recommends a dividend of 10 cents per share.

We are optimistic for the current financial year. We have got off to a good start. We have maintained the momentum of the last financial year. Revenues in the first quarter of the new financial year were 922 million euros. We posted a total Segment Result of 177 million euros, the total Segment Result margin reached 19.2 percent.

Mr. Asam will go into the details of these figures later on.

The Infineon share and application of funds

The good news about Infineon is penetrating the financial markets more and more. We have succeeded in restoring confidence and have broken free from being hostage to the past. That is probably the best news of the last financial year.

Infineon shares stood at 8.11 euros yesterday, compared to the prior year the share price has nearly doubled. With this jump in price we not only outperform the DAX, but also outperform the Philadelphia Semiconductor Stocks Index, or Stoxx, by far.

The current Infineon share price is accompanied by a market capitalization of 8.8 billion euros. We last reached this estimation in the summer of 2002. In 2002 we still had six divisions and had double the revenue. This shows you that today our business has significantly higher intrinsic value, is far leaner and has a customer focus that is far greater than ever before.

The managerial scope we carved out for ourselves in the recent past has again been greatly increased by the sale of our Wireless Solutions business to Intel. At present our liquid funds available are 2.7 billion euros. The equity-to-assets ratio is 53 percent. The company is financially not only in a very healthy state, but also in excellent shape.

As shareholders you will be asking yourselves what Infineon will do with the money. We want to take a three-pronged approach:

1. Drive organic growth.
2. Allow you to benefit.
3. Keep money in the kitty for acquisitions.

As regards organic growth, we will invest 700 million euros in the current financial year, mainly in the expansion of our production capacity. Infineon is therefore in a position to outpace market growth.

With a view to allowing you, the shareholders, to participate in Infineon's success: last year we repurchased part of our convertible bonds ahead of schedule for 80 million euros. Through the repurchase we reduced Infineon's interest charges on the one hand, and the fully diluted share count on the other. The convertible bond is deep in the money and is therefore to be valued as equity. We redeemed an equivalent number of 11.8 million shares by the repurchase.

Moreover, we are considering also a share buyback. Therefore the Management Board wishes to ask you today for share buyback approval.

Last but not least, acquisitions promoting the three areas we focus on – energy efficiency, mobility and security – are conceivable in principle. However, our criteria remain strict. Candidates have to be a strategic fit and offer reasonable appreciation potential. Above all, the price has to be right.

But as regards valuation, the level has risen considerably over recent months. The semiconductor market has undergone rapid development. Many companies in our industry are expensive at present. With this in mind, the question of the extent to which acquisitions make sense in the current market environment has to be asked.

Speaking casually, just because we now have a lot of money we will not squander it. Money does not burn holes in pockets, but problematic acquisitions can be a permanent drain.

We will stay alert and, should suitable opportunities arise, we will be in a position to act. I have been long enough in the semiconductor industry not to be swept along on a wave of euphoria in every upswing. All too often, market highs are a lure for daring strategic action. Before long the triumph often turns into disaster. The higher the

price of a candidate, the higher the potential for Infineon has to be. Otherwise the money stays in the kitty.

Energy efficiency, mobility and security – the future of our company

Ladies and Gentlemen, I have thrown light on the path that has brought us here. I have given an account of how we will deal with our liquidity. I will now show you where the journey with Infineon is to lead.

At present Infineon is firing on all cylinders. The volume of orders is excellent, providing plenty of fuel for the coming quarters. We will continue to see strong growth in the current financial year and will raise our profitability. However, that does not render us immune to any cyclical downturns. As the company turns its course away from the so-called “hog cycles” of some semiconductor markets, our business is now almost fully dependent on our customers’ business cycles. We, as suppliers, are hit a little earlier and mostly a little harder by the fluctuations. However, having streamlined our portfolio, we are now far away from the extreme ups and downs of the past.

Our goal is to maintain full entrepreneurial capacity across economic cycles and to achieve sustained profitability. We have created the necessary conditions for this by the restructuring, the refinancing and, not least, by gearing our products to markets offering high, long-term growth: they are energy efficiency, mobility and security – areas of enormous relevance to society.

Allow me to elaborate a little on these areas to point out the magnitude of the markets. Let us begin with the first trend – energy efficiency.

Energy efficiency

If we want to stop climate change, we first have to see that increasing prosperity in the world is not accompanied by a commensurate increase in energy consumption and emissions. Thankfully, this thinking has become almost universal. However I believe that will not go far enough in the long term. We have to reverse the present trend. That is to say, less energy consumption and significantly reduced emissions.

This calls for huge investments. According to a study by the Accenture management consultancy and Barclays Bank, EU countries would have to spend 2.9 trillion euros in the coming years to achieve the climate goals in Europe, that is 2900 billion euros

for technical innovation. 350 billion euros of that sum fall upon Germany. Economic experts and climatologists agree that the money is invested most effectively in the electricity sector.

In other words: electricity will become the most important energy carrier of the 21st century. Electrical power is, so to speak, the most elegant form energy can take. It can be transferred quickly and cheaply from A to B. Furthermore, it is simplest to convert into the form you, the consumer, ultimately need.

The semiconductor industry is in a key position here. Semiconductors are vital for generating power from wind, sun and water. State-of-the-art power semiconductors are essential for transporting energy over long distances. And without semiconductors, thrifty use of energy would be inconceivable, no matter whether in motors, power supply units, lamps, or in computers, TVs, and so on and so forth.

Look at this wafer. Under the 2,052 chips on this wafer it conceals the 3.5 billionth CoolMOS. CoolMOS are power transistors that increase energy efficiency in a host of applications.

Infineon's energy-efficient semiconductor solutions allow saving as much as 25 percent of global power consumption. Thanks to the CoolMOS transistors, the electronic circuitry of a server board, for instance, needs about 30 watts less power. Projected on to approximately 60 million servers in use worldwide, energy savings would add up to 1.8 gigawatts – the output of a medium-sized nuclear power station. This shows you the major contribution that can be made to environmental protection by a small chip costing less than one euro.

Ladies and Gentlemen, the development of renewable energy sources is an important part of the battle against climate change. What is generally forgotten in the debate is that it is necessary for conventional electricity networks to be transformed into smart grids. Smart grids are vital for efficiently interlinking a wide variety of decentralized power sources on the one hand and consumers on the other: Wind power stations, just like the rooftop solar system and in future the electric car in your garage, which both draws electricity and feeds it back into the grid.

Smart grid management is highly complex. Along the way from generation to consumption, electricity is converted umpteen times, from one frequency to another,

from a.c. to d.c. and back, from a high voltage to a lower and even lower one. And we, with our chips, are on board each time.

Behind the upgrading of conventional electricity networks into smart grids lies an enormous market. The annual smart grid investments are expected to increase annually from some 40 billion U.S. dollars in 2010 to over 250 billion U.S. dollars in the next 20 years.

Without exaggeration, these are rosy prospects for Infineon – we intend to seize on them and we will do so. That is our aspiration and I'm sure you share it.

I will now turn to the second major societal trend – mobility.

Mobility

What applies to energy efficiency, applies equally to mobility. The cards are being reshuffled. Transport as we have known it up to now will change drastically – particularly in the megacities of this world.

Cities are expanding, 70 percent of all people are expected to be city dwellers by the year 2050. Economic growth will increase faster there than the global economy as a whole. Particularly in the emerging-market cities, the economic momentum is breathtaking.

The high momentum is however also accompanied by increasing problems. Cities account for around 80 percent of the global CO₂ emissions and for 75 percent of the global energy consumption. We all still see before us the images of Peking shortly before the Olympic Games in 2008. The whole city disappeared under a blanket of smog.

There are two ways of mastering the emission problem from private transport:

1. More rail transport and
2. More fuel-efficient cars, in particular electric cars.

We are seeing a railroad renaissance with vast railway network expansion particularly in heavily populated countries like China. By the year 2020, the high-speed railway network in the People's Republic will be expanded 54 percent from currently 13,000 to 20,000 kilometers. That entails enormous investments in fleets of trains with drive systems packed full with semiconductors. Semiconductors enable regenerative braking and energy management, while increasing comfort. Perhaps

you are familiar with this from Deutsche Bahn ICE trains. They start traveling almost unnoticed and glide into the station without any jolting or sudden braking. That is thanks to our chips.

The growth in high-speed trains is not confined to China. Railway companies in Europe are also updating their fleets of trains. To give one example: Eurostar recently ordered 10 new Velaro trains from Siemens. That is not only great business for Siemens, but also for us. Each train comes with up to 130 IGBT modules totaling nearly 100,000 euros in value. I am holding such an IGBT module. It may not look all that spectacular and is not such a miniature product as you may imagine a semiconductor component to be. An IGBT module is however high-tech par excellence. This gizmo switches up electric tensions to 6500 volts and currents up to 800 amperes, without sparks and almost without loss.

Putting more trains on the rails alone will not solve the climate issue. A lot still has to be done in private transport as well and that is where the magic word is electric mobility. Ultimately this represents the greater sales potential for us.

In order to facilitate the breakthrough of electric vehicles it is essential to understand the early adopters. Electric vehicles should not only be low priced and have an adequate range, they should also have emotional appeal. When I look at the Tesla Roadster in the foyer though, I have no concerns about the future of electric mobility. The attractive design and acceleration of 0 to 100 km/h in 3.7 seconds are great fun. The Tesla is capable of this top performance because the driving motor is controlled by 84 water-cooled power transistors from Infineon. The use of our special Infineon thin wafer technology is vital for maximum energy efficiency.

At the lower end of the price scale there is already a mass market and here I am referring in particular to electric bicycles, for instance in China. China is a nation of cyclists. The bicycle is the number one means of transportation there. 25 million e-bikes were sold there in 2009 alone. About every third e-bike incorporates Infineon chips, so-called microcontrollers ensuring smooth and hence efficient operation of the motor. Within only three years, Infineon has carved out an approximately one-third global market share in electric-powered bicycles.

Today electric vehicles are no longer a vision. They not only look like normal bicycles or cars – they handle the same, if not better. They serve many familiar segments, from the compact city car to the people carrier or van.

It will take time until these vehicles conquer the roads. Possible constraints in the case of the electric car are still the high battery costs and limited driving range. However, with rapid progress in battery manufacture the price will soon drop to 400 U.S. dollars per kilowatt hour. Then the electric car will become very attractive.

Electric mobility will come – either from Germany or to Germany.

Either Germany manages to take the technological lead with the heart of the electric car, the battery and powertrain, or we will have to fear for our status as *the* automobile nation. The most important news for you today – regardless of who wins the race in the end – is that Infineon is not only the market leader in automotive electronics, but is party to almost every electric car project outside Japan.

Security

In conclusion, I'd like to address the third pillar of our success: security. Here I refer not just to averting danger in the conventional sense, but also to the growing importance of protection mechanisms on the Internet. At the Munich Security Conference at the beginning of February, Chancellor Angela Merkel said that the threats posed by cyberspace attacks were no less dangerous than classic military attacks. IT security has suddenly become the top item on the political agenda.

There is good reason for the high priority. As the data volume grows, so does the need for data security. That applies to private persons and companies alike. For some businesses, a secure Internet is nothing less than basic for survival. Security on the Internet will therefore become a key locational advantage. In future the state will not only have to see to legal security. Internet security will presumably soon also form part of its sovereign duties. First signs of this are already apparent. German Minister of the Interior de Maizière is planning a national cyber defense center for protection against cyber attacks.

More security goes hand in hand with a growing market for Infineon. Our security solutions reduce the insecurity inherent in modern communication. Further, and above all, we ensure more predictability and reliability in deliberate or undeliberate digital exchange.

I hope you can all see the ID card I am holding up. It is the new German ID card with chip and security technology from Infineon. The average validity is 10 years – theoretically a long time until hackers can find a way to the sensitive data. We have found a method of double protection for the ID chip content. We encrypt not only data but also the computing operations. There is no non-encrypted information on the chip, either in the memory or on the data paths. This achieves a previously unheard-of level of security. Infineon has been nominated for the Innovation Award of German Industry for this leading-edge technology.

Conclusion

Dear Shareholders, Infineon is an attractive company with the right strategy for the future. I hope to have been able to convince you of the fact. Our balance sheet is healthy. The costs are under control. Our business runs profitably in step with our customers' business cycles.

There will soon be 10 billion people on Earth. They will all want to live in prosperity. The hunger for energy will increase. The desire for individual freedom, for added mobility will grow. At the same time there will be a greater desire for privacy in an ever denser, digital, global network.

These are primarily technical challenges for which Infineon supplies the innovation components - the DNA.

The scenario for 2050 may be as follows: cars will all run on eco-electricity. Cities will be linked by express trains – including in China, India and Brazil. We will have sufficient clean energy. And despite being omnipresent, the Internet will be secure.

This future is not a fantasy. This world is feasible. A recent study by WWF shows us. However this requires that we keep working hard on it and that all the nations pull together. Infineon, for one, will play its part. Prompted by responsibility for society, prompted by responsibility towards our employees and responsibility towards you, the shareholders. We will continue to harness potential to create value. I promise you that.

Thank you for giving me your attention!

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