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- The spoken word prevails -

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Growth, returns, innovation. In the course of the past fiscal year, Infineon continued the success story it began writing in 2009: a 21 percent increase in sales, proceeds of Euro 4 billion, a Segment Result of nearly Euro 800 million and over 60 percent return on capital employed. Not only did we achieve our financial goals, we even surpassed many of them. Our 300-millimeter thin wafer technology secures us a significant competitive advantage. Restructuring has been completed and Infineon could not be better positioned in the market.

Dear shareholders,  
Ladies and gentlemen,  
Dear guests,

Good morning!

I would like to warmly welcome you to today's Annual General Meeting – in the name of my Board colleagues as well.

Before discussing our business developments, I would also like to say a few words about our new colleague on the Management Board, Arunjai Mittal. Although he is one of the youngest board members in a DAX company, I think I

may say he is an "old hand". Arunjai Mittal has worked at our company for 20 years and has been at Infineon right from the start. His career is remarkable: it took him from Mumbai to Singapore and Villach and finally, to Munich. Between October 2008 and December 2011, he headed the Industrial & Multimarket segment and developed it very successfully.

Since January, Mr. Mittal is on Infineon's Management Board. He is responsible for the regions, for sales, marketing, strategic development as well as for mergers and acquisitions. Mr. Mittal is the best person for these tasks. He has years of international experience. He is very well connected to our customers. He has an outstanding knowledge of the Asian markets, which are of utmost importance for us. We are delighted that we could win him as a new Board member.

### **Review of fiscal year 2011**

Ladies and gentlemen, now we come to the review of the 2011 fiscal year.

The sale of the mobile phone business in January 2011 completed a restructuring process that lasted several years. The company is now optimally geared to the markets of energy efficiency, mobility and security. Infineon is a world leader in these areas. Having focused our portfolio, we are no longer subject to the typical "hog cycles" of many semiconductor markets.

Infineon has thus become more robust and efficient. With our current business model, we will continue to grow in the future: on average, at least 10 percent per year over the economic cycle - hence faster than the semiconductor market.

This calls for skillful cycle management – our most precious tool of the trade in economic ups and downs. For Infineon, this means:

- making anticyclical investments that allow us to gain our market share during upswings,

- remaining lean and fast regardless of the economic cycle and
- always maintaining appropriate reserves in order to be able to develop the company – in line with the motto: "Save for a rainy day."

This has put Infineon on a course for stable and sustainable growth.

We are more stable but we are not immune to economic fluctuations. The second half of the past year clearly showed this. The global economy weakened; growth in Asia – especially in China – slowed. The expected stimulus from the USA did not come to begin with. But above all, the high sovereign debt in Europe created great uncertainty throughout the world.

Despite this:

The mood in the real economy in Germany, is increasingly improving. Quite rightly, in my view. This is due mainly to exports. German industry occupies leading positions in many markets. This success is due to outstanding basic research that is supported by excellent universities, institutes and innovative companies.

However, I still worry about the general conditions for further economic development on our continent. If I may, I would briefly like to discuss industrial policy:

Asia is catching up very quickly – last but not least due to targeted government support particularly for products and applications. In Europe – especially in Germany – we are exposed to the risk of a substantial competitive disadvantage. We see this, for example, in regard to the electric automobile:

- The large markets are in Asia.
- The Japanese are the technology leaders.
- Government subsidies are much higher in Asia.

Europe will have to exert itself to keep up.

Know-how alone is simply not enough. We also need to translate it into marketable products. Two key markets show the results of underestimating the power of applying technological knowledge: we Europeans have completely left the area of consumer electronics. In the telecommunications sector, we are nearly gone. We used to be technological leaders in both.

Energy efficiency, mobility and security – these are global growth markets. They are also the markets in which Infineon is the technology leader. If we wish to maintain our lead, Infineon needs highly qualified employees, outstanding engineers and scientists. For this, Infineon also needs an innovation-friendly framework for future-oriented technology and product development.

The European Commission speaks of "key enabling technologies" as an important factor in global competition. Semiconductors are the key technology for electrical engineering. This, in turn, plays a central role for important German lead markets: alternative energy generation, power transmission, automobile production, mechanical engineering and plant construction. Even if it sounds somewhat presumptuous: if Germany, if Europe wants to remain a leader in these markets and have command over the creation of value there's no way to get around Infineon.

Ladies and gentlemen, growth in the twenty-first century will only succeed with top products on world markets. Asia is fast – including when it comes to catching up technologically. If we in Europe want to keep up, speed is of the utmost importance – not only in overcoming the European debt crisis – but also in regard to implementing industrial policies that are competitive throughout the world.

But let us now return to the past fiscal year. In selling Wireless Solutions, we sold a third of the revenue. Nevertheless our proceeds were higher than during the pre-crisis year of 2008. It is also the high earnings level that makes Infineon a company with long-term growth perspectives. We achieved or even surpassed all of our 2011 goals. We kept all the promises we made to you.

The past two years have been characterized by growth and results. May I again call to mind: during fiscal year 2010, our revenue grew by over 50 percent; in the past year by a further 21 percent. This puts us above the trend of the semiconductor industry and our competitors.

To continue along this path, Infineon has pressed ahead with the expansion of production capacity. Altogether, we invested Euro 887 million – which were distributed over capacity expansion and strategic investments in new manufacturing technologies. In the current fiscal year, we will invest a similar amount. This makes Infineon well prepared for future growth.

In the past fiscal year Infineon demonstrated that amid growth and investment we keep an eye on returns: our return on capital amounted to over 60 percent – many times over our capital costs.

Ladies and gentlemen, at the end of the 2010 fiscal year, Infineon first announced that it would pursue a consistent dividend policy. We have recommended the Supervisory Board to increase the distribution of dividends to shareholders by 20 percent. Ladies and gentlemen, if you agree to this recommendation today then – together with the buy-back of bonds and shares – we will have returned a total of half a billion euros to the capital market since the beginning of the last fiscal year. Euro 239 million, that is just under half the sum, are dividend payments to you, Infineon's shareholders.

Without the turmoil in the financial markets, Infineon would be even better placed today. However we were not caught unprepared by the sudden downturn. Although revenue fell by just under 10 percent in the first quarter of the 2012 fiscal year, the decline was less than that seen in the semiconductor market in general and among our direct competitors. The Segment Result margin was 15 percent – our target margin across the economic cycle. A very respectable result.

My colleague Dominik Asam will be pleased to inform you about the further financial details later on.

Infineon has clearly built confidence among you, our investors: In the past fiscal year, the share price rose by 10 percent, while the DAX declined by 12 percent in the same period. The SOX semiconductor index fell 3 percent during that time; Dow Jones Semiconductors Index movement was similar.

The more stable earnings model is proving successful.

We deliver on our promises.

Credibility, to be true to one's own word – that is important to me and my colleagues.

We also create trust by transparency. Therefore I would also like to address the subject of Qimonda. We have increased our provisions for the risks from the insolvency of our former Memory Products subsidiary: At the end of the last fiscal year they totaled Euro 300 million, they currently amount to Euro 305 million.

As you know, the insolvency administrator's claims are considerably higher. However we have so far successfully defended ourselves against unjustified claims – also before court – and we will continue to do so vigorously. In our ad hoc announcement of February 14 you could read about the insolvency administrator's detailing and, above all, his quantification of the claims relating to so-called "economic re-establishment" and liability for impairment of capital. As reported earlier, Infineon considers no claims based on alleged economic re-establishment to be constituted. We are also confident as regards the latest claims relating to so-called liability for impairment of capital: they run contrary to several valuations.

We do not rule out agreeing with the insolvency administrator on a compromise settlement that covers all the aspects of the Qimonda insolvency. However we will give our agreement only if, for Infineon, such a compromise settlement duly takes into account the chances and risks arising from the various disputes.

## **Outlook**

What, ladies and gentlemen, does the future hold for your company? Why are we looking to the future with optimism, despite the uncertain economic climate? The answer is that we are focusing on growth markets of great importance to society.

Take, for example, energy efficiency: the world population is growing and energy demand is rising. Saving electricity and providing sustainable energy from renewable resources belong to the most pressing tasks facing society today. 60 percent of our revenue is already generated with products and solutions for more efficient use of energy.

Take mobility: Whether private or public transport – Infineon provides for mobility in and between metropolitan areas. Our semiconductors are to be found in express trains, metro trains, cars powered by combustion engines or electric motors, in hybrid cars, which have both, and in electric-powered two-wheelers.

We benefit particularly from the trend towards electromobility: Infineon semiconductors are on board everywhere.

Take security: The networking of society places ever greater demands on the protection of personal data. Infineon's semiconductors offer the world's highest security standards. This enables new applications such as Near Field Communication. The NFC contactless connectivity technology transforms smart phones and other mobile devices into wallets, tickets and keys. You can see on the picture behind me how easy it is: you hold your mobile phone in front of the

reader for secure payment. Infineon is a leading supplier of security microcontrollers for Near Field Communication. We also see to security in PCs and laptops: for example, the Google Chromebook has our Trusted Platform Module for secure online communication.

As you see, ladies and gentlemen, Infineon has good answers to the question:

What do our customers need?

However if we want to continue to grow so successfully, we do not just have to ensure we satisfy our present customers.

We also have to ask ourselves:

Where are our future customers?

To answer this, we are looking more and more to Asia. Asia – and China in particular – offers Infineon enormous market potential. In the past 2011 fiscal year, Infineon generated more than 40 percent of the Group's revenues in Asia: a quota that gives us a leading position in the league of DAX companies. China alone accounted for almost 17 percent of revenue. For some products, such as IGBT switches for very high voltages and currents, China is already the largest single national market.

The medium-term prospects for the Chinese semiconductor market are excellent. The coming ten years will see rapid growth of China's middle class, with a corresponding increase in demand for goods containing semiconductors. As you see, it is important for Infineon to be optimally positioned in this region. That is also why it is right that in Arunjai Mittal we now have a proven Asia expert on board.

An example from the electromobility arena shows how successful we already are in this region: e-bikes have revolutionized private transport in Chinese cities. An estimated 25 million are made every year. We have developed a voltage

regulator specifically for China. Our local partner uses it to produce control units for e-bikes and he serves a third of the Chinese market with this product.

Ladies and gentlemen, we have exhibited some products in the foyer to show the wide spectrum of applications for Infineon's semiconductors. You will also find an e-bike there. I invite you to take a stroll through the world of Infineon products during the lunch break. Members of staff are at each exhibit and will be pleased to answer your questions.

If we want to continue to be a successful player in China we have to strengthen our local presence and become a "more Chinese" company. It is with this in mind that we launched the "China Local Citizen" project in January. We want to enter into strategic partnerships and gain greater support from the local government. The goal is to significantly increase Infineon's market share and revenues in China.

We have already put this into practice with great success in, for example, Korea.

Asia is and remains a growth market for semiconductors. Here, again, we are on the right track.

### **Culture of innovation focused on the customer**

We focus on the right customers in the old and in the new world: the foundation for being successful.

But Infineon also has to stay successful, which can be achieved only by innovation.

Innovative strength drives Infineon's growth, productivity and success. Innovation is the competitive differentiator, particularly in the semiconductor

industry. Converting excellent development work into marketable, attractive products is our major task.

The old saying

“standstill is regression”

holds true particularly in our fast-paced high-tech sector. As in the past year, we will continue to make strategic investments to sharpen our technological edge and secure our innovative leadership.

One outstanding example is the new 300-millimeter thin wafer manufacturing technology where we have achieved a breakthrough. The 300-millimeter thin wafer technology enables us to produce power semiconductors far more cost effectively and so strengthen Infineon’s leading position in the market.

Ladies and gentlemen, this is a sample of a 300-millimeter thin wafer. It is thinner than a sheet of paper – ideal for power semiconductors, because this allows almost lossless conduction. Our engineers have accomplished an impressive technical feat!

In the meantime we have produced the first power semiconductor chips on a 300-millimeter thin wafer for testing purposes. We call that “first silicon”. Infineon is the first company to have succeeded here. It has given Infineon a significant lead as it will take our competitors at least two years to replicate this development.

New ideas for products or manufacturing technologies are not heaven-sent though: Such success is built on a culture of innovation that gives our engineers scope and incentive: errors are allowed and experiments with an uncertain outcome are sometimes important as they are essential to push the envelope. All the same, the development engineer has to have the marketable product in his mind’s eye from the outset.

We have come to be very good at achieving the tricky balance between creative scope, market requirements and a focus on returns.

Innovative products have secured major new business for Infineon over the past months – in applications as diverse as the automotive drivetrain sector, in trains or in smart health cards. The common denominator of all these achievements is: We know customers' systems and applications and together with them we develop tailored semiconductor solutions. These enable customers to offer competitive products. And that, in turn, gives Infineon an excellent position.

I would like to show you two applications which you will probably not associate with semiconductors when you see what they are:

We are going to develop IGBT modules together with a major construction machinery manufacturer. These modules control electric motors driving the individual wheels of the construction machinery. Therefore there is no need for fault-prone gearboxes. Of course, the manufacturer's vehicles still have diesel engines, but they are used only for providing the electric motors with electric energy. The advantage of this technology is that each wheel can be driven individually in difficult terrain. The maneuverability is far greater than with conventional drives and the operational reliability is increased. Particularly when used in mines with tight bends, gearbox failure may lead to a breakdown and, at worst, disaster.

As you see, ladies and gentlemen, Infineon's semiconductors move things in a big way.

From very big to very small.

A hearing aid. It is light, efficient and tiny. The digital signal processor comes from Infineon. It has the same computing power as the famous Saturn V rocket that took Neil Armstrong to the moon in 1969. Infineon's processor is just 10

square millimeters small and is a perfect example of energy efficiency: That is why the miniature battery can supply the hearing aid with power for ages.

### **The energy turnaround as an opportunity**

Ladies and gentlemen, to return to a major issue: The energy turnaround is one of the world's most pressing tasks. It is a matter of generating more electricity from wind, water and the sun. And to do so faster than we thought.

Last March the world was alarmed by the terrible news from Fukushima. The images of clouds of smoke over reactor blocks in the highly developed industrialized nation of Japan prompted us to rethink nuclear energy.

For me, nuclear power in countries like Japan or Germany was sufficiently safe, the lesser evil compared with fossil fuels. If all goes to plan, it produces cheap electricity and reduces the impact on the climate. However technology is good only as long as man can control it. It seems that there is no such thing as one hundred percent controllable nuclear power. That is the bitter lesson learned from Fukushima.

Therefore I believe today: The energy turnaround is right. We have to get out of nuclear power and go into renewables more quickly. But: We need more than solar and wind power stations for the energy turnaround. We need new lines to transport the power to where it is used. In particular, we have to encourage consumers to use energy efficiently and offer them the technical solutions to do so. We have not yet made enough headway on this front. The problem with the energy turnaround is not lack of intention, but lack of implementation. We have drafted laws and regulations – but too little has yet been done.

I remain an optimist though. The technology already exists, we just have to deploy it properly. Germany can show the world: Highly industrialized nations are able to do without nuclear power. The energy turnaround offers enormous market opportunities.

And that applies particularly to Infineon.

Two figures: A conventional power station uses chips worth about Euro 250,000. A modern offshore wind farm with the same output needs semiconductors worth about Euro 11 million. Factor 45! You see what potential renewables hold for Infineon.

Germany of all countries has the chance to transform the energy turnaround into an ecological economic miracle. I mean that in a double sense because we benefit from the new technologies both as an exporting and as a consuming nation. The financial as well as the ecological potential of the energy turnaround is vast.

However we must not confine ourselves to searching for new renewable energy sources.

The greatest energy source we can already tap today is: energy efficiency – admittedly, not an energy source in the technical sense.

All the same:

Enormous potential lies dormant here. For far too long we have only been interested in where we can get more energy from to meet our needs. We have neglected to show factories, cars, computers and consumers how to manage with less energy.

Energy efficiency plays a central role in modern society. The BP Energy Outlook 2030 estimates that the increase in global energy demand will be 39 percent by 2030.

We therefore have to think about how we can make more efficient use of existing energy sources. A lot can be achieved with little input. We see

promising approaches to raising energy efficiency without compromising performance when it comes to electricity.

Electricity is probably the purest form of energy and will become the number one energy carrier of the 21st century – mainly because it can be transported cost effectively and very quickly, and can be converted efficiently.

That is good for Infineon.

That is the case because our power semiconductors are used wherever electricity is generated, transported and consumed. Our products ensure reduction of losses across all the stages of this value-added chain. In this way we enable more efficient use of energy.

The reduction of energy consumption without performance deficits will be the greatest contribution to the energy turnaround. There is no way around our semiconductors.

I would like to show you a shining example of this – in the truest sense of the word:

This LED lamp is driven using a small circuit with our power semiconductors. The chips provide for a constant flow of current with appropriate voltage across temperature fluctuations and throughout the life of the lamp. As a result, the light always shines with equal brightness. This makes the LED lamp especially durable and energy efficient. The savings over conventional bulbs are enormous: LED lamps already saved altogether one terawatt-hour of electricity worldwide in 2010 – which is equivalent to the annual consumption of a medium-sized city like Kiel.

Infineon's power semiconductors also increase the efficiency of wind turbines. To put it in simple terms: They ensure that as much wind-generated electricity

as possible can be fed into the grid. But that is precisely where the next problem lies: At present up to 10 percent of electric power is lost during transport.

The answer is: high-voltage direct-current transmission. Loss is minimized if direct current is transported at a voltage level of up to 800,000 volts. However, the electricity has to arrive at the consumer's end as alternating current at 230 volts. Direct current hence has to be transformed back into alternating current with lower voltage. Infineon's smart semiconductor solutions ensure almost loss-free conversion.

And at the consumer's end, Infineon chips ensure for instance that power supply units of servers or laptops do not generate any unnecessary heat and so do not burn any energy. Furthermore, they are becoming more and more compact: modern power supply units for servers are ten times smaller than models eight years ago. You can see this for yourselves in the foyer where exhibits are shown.

### **Energy efficiency and sustainability**

Energy efficiency is far more than just business, more than just a market. We make a valuable contribution to slowing down climate change: Our products enabled savings of 4.6 million metric tons CO<sub>2</sub> in the last year alone.

Naturally semiconductor production also causes CO<sub>2</sub> emissions. For years now, however, we have managed to continually reduce them. Even in times when faced with major business challenges, we did not fight shy of improving the sustainability of our value added.

From 2002 to 2010 the cumulative electricity saving in our manufacturing facilities approximated the annual consumption of a city with 1.7 million inhabitants.

Compared to average figures for the semiconductor industry, we need 58 percent less water, 44 percent less electricity and we produce 49 percent less waste in manufacturing a square centimeter of wafer area. Impressive results stemming from an array of smart decisions. The most recent example is the 300-millimeter thin wafer technology already mentioned: tangible energy savings will again be achieved as soon as we deploy this technology in high-volume production.

If we add everything together – that is to say, the production-based emissions, logistics and power consumption – then Infineon arrives at a total of one million metric tons CO<sub>2</sub> emissions. If we deduct the saving of 4.6 million metric tons CO<sub>2</sub> enabled by our products, then Infineon's balance for last year is a saving of 3.6 million metric tons. We do not just talk the talk, but walk the walk.

As you see, sustainability is an integral part of our corporate activity, as is independently verified: Infineon has been listed in the Dow Jones Sustainability Europe Index since September 2010. The criteria were tightened up in 2011. Infineon is meanwhile the only European semiconductor company in this index.

Furthermore, the Sustainability Yearbook is published by the investment specialists of Sustainable Asset Management in collaboration with KPMG, the provider of audit, tax and consulting services. The 2012 issue was presented at the World Economic Forum in Davos a few weeks ago. In this work of reference Infineon ranks among the world's top-scoring 15 percent of companies in terms of sustainability.

A great result – and a reward for our effort.

### **Closing remark**

2011 was a very successful fiscal year for your company. A year ago we promised you growth, a return on investment and innovation.

We have kept our promise. My colleagues and I thank you for the trust you placed in us.

I also thank the employees. The successful fiscal year is the result of our joint work.

Infineon is stable, the strategy is sound and we are optimally positioned. Our products and solutions for energy efficiency, mobility and security deliver the answers to the important issues of our time.

Therefore today I promise you that Infineon will keep making progress.

Thank you very much for your attention.