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## **Annual General Meeting 2013**

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- The spoken word prevails -

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Dear shareholders and guests,

Good morning! On behalf of my colleagues on the Management Board, I would like to welcome you to Infineon's Annual General Meeting. I am delighted to be speaking to you here today as the new CEO.

Mr. Mayrhuber, many thanks for your kind introductory words and especially for the trust you have placed in me.

I am also very grateful to my predecessor. Dear Peter, to Mr. Mayrhuber's fitting praise, I would also like to add my own personal thanks. Over decades, we went through a great deal with each other as we moved things forward for Infineon. Your support and advice were a great help to me as I started out in my new role.

Thank you very much, Peter!

Ladies and Gentlemen,

- What have we achieved?
- Why is Infineon successful – and why does it remain so?
- How will your company continue to develop?

## **Semiconductors made by Infineon – the determining factor**

For 60 years, chips have propelled important innovations and technical advances. Modern industrial society is inconceivable without semiconductors.

Even if we do not see them, semiconductors from Infineon are everywhere: They are the invisible companions in our daily lives.

- They make cars more economical and environmentally friendly as well as safer and more comfortable.
- They feed regenerative energy from wind turbines and solar energy systems into power grids – nearly loss-free.
- Televisions, smartphones and computers need less energy due to our products.
- Our chips ensure data security in credit cards and identity documents.

This shows you, Ladies and Gentlemen, that Infineon semiconductors play a crucial role in our daily lives.

All of the above examples have one thing in common: they make a contribution to energy efficiency, mobility and security – areas that are of great relevance for society, both today and tomorrow.

These are our markets – and this is where we are successful: The company has worked its way to the top. We started in the lower ranks, but today, Infineon is a leading global player. We are in:

- Position 2 for automobile chips,
- Position 1 for power semiconductors and
- Position 1 for chip cards.

We are a market and technology leader. The competence of our engineers is recognized throughout the world.

Infineon semiconductors are the determining factor.

They are the prerequisite for progress. Let's take global automobile production, for example. Semiconductors play an important role here: They are responsible for some 80 percent of all innovations.

Here, you see one of these innovations: a tire pressure sensor.

Ladies and Gentlemen, let's be honest. How often do we check the pressure in our car tires?

The right pressure saves fuel, extends tire life and – very importantly – increases safety. Regular control would be very good. But hardly anyone does it.

Electronic systems that monitor tire pressure are the solution. Infineon sensors regularly measure the air pressure in tires and wirelessly transmit this data to the on-board computer. If the pressure falls, they indicate that we need to seek out the next gas station and adjust the tire pressure.

This technology can be easily and cost-effectively integrated.

A small contribution with a large impact!

The market is huge: As of 2014, it will be obligatory for all new cars in the European Union to be equipped with systems for monitoring tire pressure.

Not only do semiconductors drive innovation, however; they are also of tremendous economic importance. Let's remain with the automobile for a moment: With a relatively low volume of 27 billion dollars, they are an essential factor – not only for a supplier market of nearly 200 billion dollars, but also for a worldwide automotive market of over two trillion dollars.

The leverage is enormous: This is a factor of 77!

Here too, we see a small contribution with a large impact!

Our colleagues in the lobby would be happy to show you additional products and their application. Our highlights today are two cars: a BMW electric automobile and a Mercedes hybrid.

## **Review of fiscal year 2012**

Ladies and Gentlemen, Infineon has shown outstanding development in recent years. These days, the company focuses on profitable products and stable markets.

While 2011 was a boom year, the 2012 fiscal year was affected by a very different economic environment: The sovereign debt crisis in Europe and slower growth in Asia have burdened the global economy. Infineon is not immune to this.

But despite this,

Infineon achieved what we announced for the 2012 fiscal year:

- 3.9 billion euros in revenue
- A 527 billion euro segment result
- This is a 13.5 percent margin.

Which is quite a decent result!

Infineon was profitable in the past fiscal year despite the downturn. All four Divisions have contributed to this.

The Automotive segment made the biggest contribution to our revenue. This area profited from the successes of premium manufacturers, from growth in Asia and from the market recovery in the USA. The Automotive segment achieved a revenue plus of seven percent in fiscal year 2012.

In the Industrial Power Control segment, government subsidies for renewable energies and strong demand for trains in Asia were responsible for an exceptional boom in the 2010 and 2011 fiscal years. In the last fiscal year, there was a significant decrease in the investment activities of industrial customers. This led to a decline in demand: Revenue in Industrial Power Control dropped by nine percent.

The Power Management & Multimarket segment thrives on supplying power for the communications and information technology. Infineon is feeling the shift away from classic PCs and notebooks – to smartphones and tablets. All in all, business declined. In Power Management & Multimarket, revenue sank by seven percent.

Developments in Chip Card & Security, on the other hand, were very positive. Business with government documents, payment applications and security solutions is not as dependent on economic cycles. In the past fiscal year we recorded a growth of seven percent in this area.

All in all, our revenue growth and declines balanced each other out. Summing up, the four segments achieved nearly the same revenue in the past fiscal year as in 2011.

The 2.3 percent decline in group revenue, however, was due to lower revenue in the other operating segments. These are being reduced according to plan. As you know, we have sold our wireline and wireless business. The remaining production work carried out for these divested activities is summarized under other business activities.

My colleague Dominik Asam will present you with additional key figures from the past fiscal year in his speech.

Summarizing the 2012 fiscal year:

Infineon has handled the economic pressures well. The results of fiscal year 2012 meet our expectations.

Infineon is a stable and healthy company. Dear shareholders, you also profit from this. The Supervisory Board and Management Board again recommend a dividend of twelve euro-cents per share. In this way, you also participate in Infineon's success.

Ladies and Gentlemen, this completes my look at fiscal year 2012.

### **Competitiveness, growth, value enhancement**

Where will your company go from here?

Since last summer, we have experienced a decline in revenue and profitability. Within the shortest possible time, the management developed and implemented measures to stabilize profitability. This is bearing fruit: It has allowed us to limit the negative effects of our reduced revenue on our overall results.

We expect to see an increase in revenue again in the coming quarters. There are first signals that indicate this. The Ifo Index, for example – Germany's most important economic barometer – rose again just one week ago.

We predict that there will be a decline in revenue for the 2013 fiscal year as a whole. But despite this, Infineon will remain profitable. This is a remarkable achievement in the light of the current market weakness.

But we are and remain determined to ensure sustainable profitable growth.

We hold firmly to our long-term goal of a 15 percent segment result margin over the cycle. This is the prerequisite for adequate return on your capital. Only when we achieve an average margin of 15 percent do we earn more than our costs of capital, and this is what you rightly expect from us.

Infineon remains capable of action in difficult economic times. Our solid balance sheet makes us strong enough to successfully survive a weak market. If an attractive opportunity arises, we could make a purchase at any time. And we firmly adhere to our strategy of making important investments for the future.

One example is production of power semiconductors on 300-millimeter thin wafers, or Power 300 for short. This month, we received the first customer releases for products of the CoolMOS™ family.

Power 300 gives us a considerable competitive edge. Growth will no longer cost us as much money. Until now, we had to invest one euro for every euro more in revenue. With this 300-millimeter technology, we will only need 70 cents for one euro of growth.

This is a worthwhile investment in the truest sense of the word!

We think and act with vision. This will pay for itself: When the next upswing comes, Infineon will be well prepared. We can supply high-quality products quickly and efficiently. We will also use every opportunity to gain market share.

Infineon is perfectly prepared for competitiveness, growth and value enhancement.

Why am I so optimistic?

There are three good reasons.

First:

Infineon is focusing on the right areas: those that are socially important and offer enormous potential for growth.

Energy efficiency, mobility and security are three central challenges facing modern society. This is where Infineon semiconductors make an essential contribution.

Let me go into these areas in more detail.

First of all, energy efficiency: Global energy demand is growing. We cannot cover this demand solely with fossil fuels alone. They are limited and burden the environment.

Energy efficiency means consuming less while achieving the same or even more. Using energy more efficiently – this is a key competency of Infineon chips. With our chips, we can also help generate electric power in an environmentally friendly manner and transport it with minimum loss.

Our engineers are developing solutions to make wind power and solar power plants more efficient. As intelligent power grids – the so-called smart grids – are developed, we will be right at the top. With our semiconductors, cars require less fuel and large electrical drives in industry need less energy.

Infineon semiconductors reduce energy consumption. They also reduce CO<sub>2</sub> emissions. Infineon employees are especially proud about this. And I hope that you, as our shareholders, are proud of this achievement as well.

Mobility is a freedom people enjoy. But here as well: Population growth, a growing middle class and new megacities call for alternative transport concepts. Ideas for both individual and public transport are needed. We require more efficient vehicles. This means intelligent drives: the electrically driven bicycle or car for city usage, hybrid vehicles for longer distances and express trains for intercity traffic. Nothing moves without semiconductors from Infineon.

Data security is the third major are. We want to know that our data are secure – both in our private life as well as in business and government. Security and the trustworthiness of data are a central element in an interconnected world. Whenever payments are made with a mobile phone or credit card, whenever an identity card or passport is used for identification purposes, whenever the highest security standards are required – customers come to Infineon. Our chips protect you against cyber-attacks when you save or transmit sensitive data.

Here too, Infineon semiconductors are the determining factor.

I thus come to the second reason that makes me look to the future with such confidence:

Infineon is pursuing the right strategy, which will enable us to create added value for our customers. We are writing a new chapter. Its title is: “From product to system”.

Or in other words:

From thinking in products to understanding systems.

What do I mean by this?

If we want to grow faster than the market, we must be better than our competitors. Infineon can achieve this by offering customers added value. Added value that will make customers who use our semiconductors more successful than if they use products made by our competitors.

For this we need not only leading technological products. Technology has been our strength for years as well as the basis of our success. This will not be sufficient, however, in a world where the competition is becoming increasingly tough.

Together with customers, we want to work on solutions for tomorrow. For this we need a highly developed understanding of our customers' products and markets. This is what I mean when I use the word "system".

I would like to give you an example.

This is a modern LED lamp. In contrast to the conventional light bulb – which is almost obsolete – its efficiency factor of 85 percent makes it many times more effective.

The LED lamp contains a number of electronic components. You can see these in this model that we've opened up for you. These are power semiconductors and IC controllers made by Infineon.

These chips do a great deal:

- They regulate LED lamps to create the desired warm or cool light.
- They ensure uniform light without color or brightness changes throughout the entire service life of the lamp.

Only a few years ago, chips with this performance would have required too much space for a lamp fitting.

We have extensively thought about the LED lamp as an application. The result is that with our semiconductors, the customer can offer an efficient product. The LED lamp is small but contains the complete power electronics. It requires very little power, lasts a long time and generates hardly any warmth. This means added value for our customers and a contribution to energy efficiency.

But there is more to it than that. With LED technology, the entire system of illumination as we know it today is about to change. We are standing on the threshold of a fundamental paradigm shift. Architecture and lighting will grow closer together. Lighting will gain even higher priority in the design of our living rooms and offices. And completely new lamp design based on smaller light sources with a longer life is only one aspect.

Wallpaper, textiles, walls and ceilings can be designed as nearly flat light sources. Intelligent controls allow the creation of all kinds of colors and moods. These can be controlled as desired, either manually or automatically. LEDs enable the progression of daylight to be brought into building interiors. The pure function of illumination becomes an “emotional” design element.

We are only at the beginning of what is possible. Not everything that is possible will find a use in daily life. But much of what we cannot yet imagine will be available tomorrow.

When we understand the system of illumination with LEDs, we will be able to provide optimum power supplies and controls. We will then be able to help our customers successfully market new lighting concepts faster than their competitors. Being ahead of our time for our customers – this is what I understand under “From Product to System”.

Being not only prepared for future requirements, but actively shaping them – this is our goal. For this, it is not only sufficient to know the customer’s current needs. Many companies can do this. We must ask ourselves: What can we do to give our customers a competitive advantage tomorrow and the day after tomorrow with Infineon semiconductors? To do this, we want to and need to have a superior understanding of our customers’ applications and systems – in other words, their products and markets.

We want to learn from the future.

It is not enough to simply think ahead – we must also be able to pursue the right path. Infineon has the necessary technical competence. We have proven this for many years. Technological developments are making our chips continually smaller, more powerful and cost-effective. In technical jargon, this is called “shrink”. We have also succeeded in integrating increasingly more functions on one chip. More functions in a compact product – this increases the value of our products and the competitiveness of our customers:

- Products will then become more versatile, smaller and more cost-effective.
- Customers will be able to develop them faster and bring them to market earlier.

An understanding of systems makes Infineon a partner with added value.

Here’s another example:

You all know Google. This Internet search engine answers three billion search queries every day. To do this, the company operates computer centers throughout the world. Thousands of computers are at work in each one. Altogether, Google has a million of these so-called servers.

Other Internet companies like Amazon, Twitter or Facebook also operate such server farms. The power need of all computer centers throughout the world is immense and continually growing.

If we want to reduce their energy consumption but maintain their performance, we have to ask:

- What is this energy needed for?
- Where is it unnecessarily lost?

The answer is surprising: A large part of this energy – nearly 50 percent – is used by the air conditioners that cool the servers. At first, you may think that not much can be saved – but actually, it can.

If we want to increase energy efficiency, there are two places we can start: firstly, with the direct consumption by the servers and secondly, with their cooling needs.

This is the conclusion we have reached. But what do we do now? A journey through the various levels of the system reveals the answer.

In the power supplies for servers, our power semiconductors ensure efficient conversion of electricity. This allows servers to consume less energy – and as a result, they do not get as hot. This is how we improve the power supply as an application.

But the power supply of the server goes further. There is a voltage converter located close to the processor. Innovative digital control increases the overall efficiency.

By considering this as part of an entire system, one can increase its efficiency and reliability through intelligent control that combines the power supply and voltage converter. This is how we improve the server as an application.

In the future, however, we will even go one step further because our chips can do more. They will measure the utilization of the server. When it changes, they will send a signal to the air conditioning, which will adapt its performance before the room temperature rises noticeably. This will save energy in the computer center as a system.

The amount of electricity consumed by the computer centers in the world is equal to the electricity needed for the entire country of Spain. Here is another comparison: The CO<sub>2</sub> emissions of all server farms are higher than that of all global airlines. Even using one percent less energy would have a gigantic effect.

As you can see, power supply devices do not only have to do with supplying power. We want to understand this at an early stage in order to develop the appropriate products and solutions. We want to know today what customers will want tomorrow. This will enable Infineon to gradually move from being a product supplier to a competent, valued system partner.

Already today, many customers do not make any product-related decisions without talking to Infineon beforehand. They are increasingly involving us in their design development processes.

We will continue to work on this. Our goal is to be the leading partner for system solutions in two to three years.

We are writing a new chapter in the history of Infineon. The right strategy for our company is: From Product to System. This is the way to more competitiveness, growth and value enhancement.

This brings me to the third reason why I am confident:

Infineon is present in the right regions. As I said earlier: We want to grow faster than the market. We can only achieve this when we develop our business in prosperous regions.

Let me give you three examples:

First:

The USA – a high-tech country. This is where growth impulses for microelectronics are born: smartphones and tablet PCs, social networks and cloud computing.

The US automobile market remains one of the largest in the world. It is now growing strongly again.

America remains important for Infineon. Here, we want to double our market share from four percent in 2011 to circa eight percent by 2016.

Second:

Japan is a major market that is opening up more and more. Here, we see chances for our semiconductors, especially in automobiles and solar applications. Our long-term goal is for customers in Japan to contribute over ten percent to Infineon's total revenue. By way of comparison: In the 2012 fiscal year, our share was six percent.

Third:

Above all, we expect growth in Asia – especially in China.

Increasing numbers of products with our components are coming from China: consumer electronics, household appliances and cars. China continues to grow, and we are growing along with it.

Many international companies in China are already our customers. We also want to grow with the local players. By this, we mean small companies, many of which have what it takes to belong to the winners of tomorrow.

To do this we must learn to think like the Chinese and do business the same way as the Chinese. In China, we want Infineon to be increasingly perceived as a Chinese company.

Support in the use of Infineon products is the right way: either directly, through technical service – or via partnerships. Chinese universities are an important development partner for industry. We will be significantly expanding our cooperation with customers and universities in coming years.

By 2016, we want to achieve revenue in China of over one billion euros.

Ladies and Gentlemen, I would like to summarize:

- Infineon is focusing on the right areas.
- We are pursuing the right strategy.
- And we are concentrating on the right regions.

The company is and remains competitive. Infineon has the best prerequisites for long-term growth and lasting value enhancement.

### **Innovation in Germany**

Commitment in growth regions is important. Infineon is strengthening itself wherever growth is the highest – now and in the near future.

But we also know that Infineon's worldwide success is only possible due to its strong roots in the high-tech location of Germany.

One of the key strengths of our country is research and development in networks – together with customers, suppliers and technology partners.

I have also brought a good example of this.

This radar sensor is now included in the basic equipment of many premium automobiles. It measures the distance to the vehicle ahead of it and transmits this information to the on-board computer. If the driver in front of you brakes, the computer automatically reduces the speed of your vehicle. The radar sensor thus always ensures the right distance. This makes driving safer and more pleasant.

Radar technology is actually nothing new. But would you want to have a large radar antenna on the front of your car? Not really. Yet the interplay of very special chips, software and mechanical design makes this possible: This radar sensor fits virtually in one hand.

We will soon succeed here too in reducing the costs through further technical developments. We are convinced that this new equipment will then prevail in middle-class automobiles.

This was made possible by pooling know-how. Manufacturers like BMW and Daimler, suppliers like Bosch and Continental as well as universities like the TU Munich and the Ruhr University Bochum united their innovation efforts – together with Infineon. The project was supported by the Federal Ministry for Education and Research. Thus, this network – called “Radar on Chip for Cars” – succeeded in creating an innovation that is now integrated into each premium vehicle.

Innovation in networks – this strength must be developed. This is one of the foundations for industrial value creation and economic success in Germany. A complete end-to-end support strategy helps at all stages:

- When selecting partners,
- Developing ideas,
- Testing the mature product, and the
- Market launch.

When large companies look for research locations and award budgets, Germany faces global competition. Other countries, however, provide targeted support for application-oriented research and development – which is a success factor for the economy of a country.

Germany is currently doing well, but it needs to do more to maintain its leading position. Measured in terms of its gross domestic product, Finland or Sweden invests a higher share in research and development. In past years, Korea and China have also significantly increased their research and development expenditures.

Sustainable growth in the twenty-first century will only succeed by placing top products on the world markets. For this, Germany must concentrate on and specifically promote key technologies.

Tax benefits for research activities are an economically feasible and unbureaucratic option. This would strengthen innovation in Germany as regards the international competition. Supporting promising ideas until they become market-ready products – this is the right concept.

Microelectronics is such a key technology. As an innovation lever, it has a significant share in the economic success of important branches in our country, ranging from the automobile industry and mechanical engineering to the energy industry.

This is not the only reason why Germany is so important to us as a technology location.

## Summary and conclusion

In conclusion, Ladies and Gentlemen:

Infineon has handled the economic headwind well. We have reacted promptly and appropriately to today's difficult situation.

Infineon's employees do an outstanding job. Their commitment ensures that we will get through the current downswing. I would like to express my gratitude to them – also on behalf of my colleagues Dominik Asam and Arunjai Mittal.

I would especially like to thank the Supervisory Board and its Chairman, Mr. Mayrhuber. Your faith, your advice, your support – and your critical questions and constructive input in recent months have been much appreciated.

Ladies and Gentlemen, Infineon is well prepared for the future. We can supply high numbers of our high-quality products. In the next upswing, we will take advantage of every opportunity to gain new market share.

With our strategy "From Product to System", our company will become even more competitive. Infineon meets all the requirements necessary to grow and increase in value.

We are shaping Infineon's future and mastering the current challenges.

I thank you for your attention.