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Annual Press Conference

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- The spoken word prevails -

Ladies and Gentlemen,

I, too, would like to warmly welcome you to our annual press conference.

The past 2010 fiscal year has been perhaps one of the most exciting years in the history of Infineon – but certainly the most successful one in the past ten years. It marks a remarkable turnaround for Infineon: We succeeded in increasing revenue by more than 50 percent year-on-year and posted a record result. The significant improvement in consolidated net income by more than Euro 1.3 billion to positive Euro 660 million sends a clear message. For six consecutive quarters now Infineon has continuously reported positive, rising results. And we have already almost reached our ambitious return target of a 15 percent Segment Result margin. In the last quarter we exceeded it by far.

The good market development has certainly promoted faster target achievement, but all the same – Infineon has undergone a massive transformation.

Infineon has not only withstood the crisis well, it now presents itself as a successful, sustainably profitable, high-growth and, above all, stable company.

Infineon is in good shape

The excellent shape we are in today is the result of hard work by our employees and our management team. They not only kept a level head in the crisis and persistently pursued the course, but they also made personal sacrifices.

Our strategy has been based on a combination of restructuring, refinancing and portfolio measures.

An essential component has been the IFX10+ cost reduction program that put Infineon on a more profitable footing overall. IFX10+ equipped us in good time to successfully overcome the past crisis.

In implementing our cost reduction program, we also regained the confidence of shareholders and the capital market, and laid the foundations for the refinancing.

The successful placement of convertible bonds in 2009 and the capital increase in August 2009 formed a very sound basis for our balance sheet. The company's ability to act was fully restored.

By stepping up productivity, particularly in the manufacturing area, we avoided having to make too excessive cutbacks in the strategically important sales and development services.

Finally – the third element in our strategy – at the same time we consistently geared our portfolio to higher margins and less volatility. In a number of steps we parted company with the Memory and Wireline Communications businesses, which were responsible time and again in the past for fluctuations in the Infineon results. We have now completed these portfolio measures by taking the strategic decision to sell the successfully restructured Wireless Solutions business to Intel. Today Infineon is sounder than ever before. My aim was to get out of the position of forever having to catch up and we have achieved that.

Let me underline the significance of the planned sale of Wireless Solutions for Infineon. The increasing convergence in the mobile communications market would

have meant enormous additional investments in the R&D area in the near future, which we could only have made to the detriment of the other three business segments. Despite steep growth, Infineon was still not large enough to be a successful front-line player in the mobile communications market over the long term. What is more, the synergies with the other businesses were too small for them to take a share in the expenditure.

Therefore the decision to accept Intel's offer is wise and value-enhancing for all the stakeholders: for Infineon employees, for Wireless Solutions employees and customers, and – last but not least – for our company's shareholders.

Today Infineon is optimally equipped for the future. Infineon holds leading global market positions in our three remaining segments – Automotive, Industrial & Multimarket, and Chip Card & Security. We expect to see above-average growth and sustained profitability in these three segments in future.

Business development

What was the financial development over the past fiscal year and how do we assess the future prospects?

On September 21 our guideline for the fourth quarter was revenue growth of around 15 percent and a margin ranging between 18 and 20 percent. For the full 2010 fiscal year we expected revenue to rise by around 50 percent and a margin of 13 to 14 percent.

We have reached these targets – in some cases we even slightly exceeded them. We grew significantly faster than the market and further increased our profitability. And we did so not only in the Wireless Solutions segment. Our six percent growth in the businesses we will be continuing was also above the average of our competitors' growth.

And this is how the 2010 fiscal year actually turned out.

As you see, revenue and result for the Infineon Group developed in a positive direction in all the segments, including Wireless Solutions. Revenue increased by 51 percent year-on-year, taking the figure to almost Euro 4.6 billion. This means our growth has outpaced the market and – may I stress – also many of our competitors.

The Segment Result margin – including Wireless Solutions – increased to 14 percent. Therefore, two years after the introduction of our IFX10+ cost reduction and efficiency program, we have already almost reached our 15 percent return target. And in the fourth quarter we even significantly exceeded it.

The consolidated net income in the 2010 fiscal year was about Euro 660 million.

Now I'd like to go into the key financial figures for the last fourth quarter and for the full 2010 fiscal year in more detail. But allow me to point one thing out beforehand.

In August 2010 we announced the planned sale of our Wireless Solutions business to Intel. Therefore in the consolidated reporting we show this business under “discontinued operations”. Only the business comprising analog and digital TV tuners, reception components for satellite radio and RF power amplifiers for cellular base stations will remain with Infineon. In the consolidated balance sheet, as of the fourth quarter, we regrouped all assets and liabilities to be transferred to Intel to the item “Assets/Liabilities held for sale”.

For the reporting of the fourth quarter and full year, only the results of the remaining segments are shown under “continuing operations” in the statement of operating results. The income of the Wireless business is reported in the item “Income from discontinued operations”.

All the same, the excellent results of the Wireless business deserve recognition. The revenue of Wireless Solutions was Euro 1.372 billion in the last fiscal year, an increase of Euro 455 million or 50 percent year-on-year. The growth is largely due – particularly in the last quarter – to the success of our customers in the smart phone business.

However, allow me now to continue my account by going into the income from “continuing operations” only.

Let me begin with the figures for the fourth quarter just ended. Revenue increased by 6 percent to Euro 942 million, up Euro 57 million from the third quarter. All three segments – Automotive, Industrial & Multimarket and Chip Card & Security – contributed to this growth. We outperformed most of our competitors with this growth in the last quarter, despite restricted capacity.

The operative Segment Result of the continuing segments improved to Euro 171 million overall, which is equivalent to an operative Segment Result margin of 18.2 percent.

Allow me to go briefly into the results of the individual segments:

Automotive revenue increased by about two percent compared to the prior quarter to Euro 340 million. The demand from the automotive industry continued to be strong. The Segment Result increased by Euro 6 million to Euro 58 million.

Industrial & Multimarket revenue increased eleven percent compared to the prior quarter to Euro 413 million. With a Segment Result up 16 percent to Euro 98 million in the fourth quarter, we achieved an exceptionally good Segment Result margin just short of 24 percent. Sales were driven by strong demand in industrial applications, but our products for power supply and security in the consumer electronics, computing, gaming and communications sectors were also in keen demand.

Chip Card & Security generated revenue of Euro 115 million, up five percent compared to the third quarter. The Segment Result came to just under Euro 12 million. The fourth quarter saw growth in demand particularly in security chips for passport projects. As a result, this segment also achieved the targeted 10 percent mark.

The Segment Result of the other areas was almost Euro three million.

The consolidated net income after taxes reached Euro 390 million, up Euro 264 million from the third quarter. The consolidated net income includes the following exceptional items:

- The reclassified income from Wireless Solutions aggregating Euro 122 million
- The recognition of a deferred tax asset on the gains of the sale of Wireless Solutions of Euro 82 million
- The recognition of deferred tax due to a positive earnings forecast for Infineon's remaining core business of Euro 69 million

The basic earnings per share were 36 Euro cents. The basic earnings per share from continuing operations were 18 Euro cents, up 8 Euro cents per share or 80 percent from the previous quarter.

Ladies and Gentlemen, I think it isn't immodest to say it's a good result!

Our liquidity also improved further. We generated a positive free cash flow from continuing operations of Euro 236 million, despite higher investment activity in the fourth quarter.

As of the end of September our gross cash position therefore increased to Euro 1.7 billion, our net cash position reached Euro 1.3 billion.

All in all, we can also look back on a successful 2010 fiscal year. As already mentioned, I will be reporting here only on the continuing operations.

In the fiscal year under review Infineon generated revenue approximating Euro 3.3 billion. On a comparable basis – i.e. excluding Wireless Solutions – this represents a year-on-year increase of 51 percent or about Euro 1.1 billion. Therefore our continuing businesses have grown at the same rate as the Wireless business which was exceptionally successful last year. This can also be seen from the Segment Result of the continuing segments:

from negative Euro 140 million the previous year to positive Euro 475 million now. The operating margin was 14.4 percent.

Let us take a look how the individual segments developed:

Automotive revenue was up 51 percent year-on-year to about Euro 1.3 billion. This is due primarily to the huge increase in global demand for cars and production following the crisis. At the same time the number of semiconductor content per car has risen. The Segment Result improved to Euro 198 million, which signifies an operating margin of 15.6 percent.

Industrial & Multimarket revenue also increased substantially in the past fiscal year, rising 52 percent to about Euro 1.4 billion. All the product areas contributed to this strong growth. The Segment Result increased to Euro 283 million. The operating margin was an excellent 21 percent.

Chip Card & Security succeeded in making up for the previous year's backlog. With figures standing at Euro 407 million, the segment achieved good growth. The Segment Result was Euro 22 million, the operating margin 5.4 percent. Profitability was satisfactory here. We still have some way to go though to reach our aim of a double-digit margin across the year in this segment as well. But we're working on it: in the fourth quarter Chip Card & Security already achieved a margin of over ten percent.

The consolidated net income for the 2010 fiscal year totals Euro 660 million.

The consolidated net income from continuing operations was Euro 312 million, from discontinued operations it was Euro 348 million. The latter includes, in addition to the income of the part of Wireless Solutions to be sold, special items such as the proceeds from deferred tax assets and the gains on the sale of Wireline Communications.

The basic earnings per share improved in the 2010 fiscal year to positive 61 Euro cents. The year before they were negative 73 Euro cents. The basic earnings per share from continuing operations were 29 Euro cents – up 56 Euro cents per share

compared to the previous year. 50 Euro cents of this come from operating performance alone.

Let us turn to the free cash flow from continuing operations which has developed favorably. At Euro 573 million, we have significantly exceeded the previous year's figure of Euro 274 million.

In the past fiscal year we made investments of Euro 325 million. We achieved two goals: We were able to respond quickly to the steep rise in demand for our chips. And at the same time we were able to safeguard the high standard of quality of our products.

In the past fiscal year we managed to further reduce our debt and hence the liquidity increased significantly. As of September 30, 2010 the cash stood at Euro 1.7 billion. That is 15 percent up from the Euro 1.5 billion as of September 30, 2009. The net cash position balanced out by the debt improved by Euro 674 million compared to the previous year to Euro 1.3 billion.

All in all, ladies and gentlemen, we not only reached our financial targets in the past fiscal year but exceeded them. It's a gratifying success!

A few words on our workforce: At the end of the fiscal year the Infineon Group had 26,654 employees. This figure includes the approximately 3,400 employees who will transfer to Intel as part of the sale of the mobile phone business.

We now move on to the cost trend.

Here you see the progression of our research and development costs which went up 25 percent to Euro 399 million. In relation to revenues our R&D quota is 12 percent. Our focus is on the development of advanced manufacturing technologies and products holding a large potential in terms of growth and earnings.

In the past fiscal year the selling, general and administrative expenses were Euro 386 million, about 16 percent above the previous year's level. The increase is due primarily to costs proportionate to sales and investments particularly in Asian sales

and marketing. You also have to consider – as with all the other cost items – that in the year before we had several temporary cost savings.

Selected key balance sheet figures

Finally, let us take a look at our balance sheet. The fitting word to describe it is sound. With this balance sheet we belong to the top group in our industry.

As of September 30, 2010, our assets totaled Euro five billion, up about Euro 630 million compared to the previous year.

As of the balance sheet date, September 30, 2010, the equity was roughly Euro 2.6 billion. The equity ratio was 53 percent, five percentage points above the previous year's figure.

Due to the planned sale of Wireless Solutions, all assets and liabilities of the Wireless business that is for sale are shown on the consolidated balance sheet as "Assets/Liabilities held for sale". The reclassified assets and liabilities totaled Euro 493 million and Euro 177 million, respectively.

To bring up another point in connection with the deferred tax assets:

The "Deutsche Prüfstelle für Rechnungslegung" DPR, a German government-appointed private institution, subjected the consolidated financial statements of Infineon Technologies AG for the 2008 fiscal year to a random sample audit. DPR raises objections to the procedure selected at the time of recognizing deferred tax assets for loss carry-forwards of Euro 237 million.

In view of the future corporate structure, in particular without the mobile phone business of the Wireless Solutions segment, the reason for recognition of these deferred tax assets is today anyway out-dated.

For that – and also for reasons of "process efficiency" – Infineon decided to comply with DPR's demand. As a result, the deferred tax assets for loss carry-forwards were reduced by Euro 237 million as of October 1, 2008. The shareholders' equity was

reduced by the same amount as of October 1, 2008. These retrospective adjustments have no effect on the existing tax loss carry-forwards and do not lead to any cash outflows.

Outlook

We have every reason to look forward to the 2011 fiscal year with optimism. We continue to register high demand worldwide for our semiconductor products. Talks with our major customers and distributors confirm the positive business outlook for the future.

Depending on the development of the exchange rate of the U.S. Dollar, revenues in the current quarter will be down slightly or at about the level of the previous quarter. The Segment Result margin will remain at about the same level.

For the 2011 fiscal year we expect revenues to grow at a rate of close to ten percent. The Segment Result margin is expected to be in the mid to high teens percentage range.

Both estimates are based on an assumed exchange rate of 1.40 U.S. Dollar for a Euro.

In the 2011 fiscal year we will increase our investments further and currently anticipate that investments will be around Euro 550 million. We will capitalize on our good liquidity position not only to expand our capacity but particularly to swiftly drive our manufacturing innovations ahead.

This brings us to the

Application of funds

With almost Euro 1.7 billion liquid funds and an equity ratio of 53 percent – this data relates to September 30, 2010 – we have a very sound financial base. We expect a further cash inflow of about Euro one billion in the second quarter of the 2011 fiscal

year from the planned sale of the Wireless Solutions business to Intel. Therefore we will then have sufficient room for manoeuvre to competently shape our future.

The basis for the application of our funds is a healthy mix of operational and strategic liquidity, while having regard to appropriate shareholder participation.

To drive forward our sustainable growth, we will make targeted investment in further expansion of our manufacturing capacity, which came to a standstill during the crisis. The focus will be on both expanding capacity and stepping up productivity. We started setting up a pilot line for manufacturing discrete power semiconductors on 300-mm wafers using thin wafer technology. We are expecting to invest a three digit million Euro sum.

The unexpectedly strong economic recovery at the beginning of the 2010 fiscal year very rapidly led to the full reactivation of shut-down production lines. In particular, our customers' demand for power semiconductors for the automotive and industrial electronics sectors then prompted us to rapidly expand our front-end facilities in Kulim. By the end of the 2010 fiscal year, almost half the maximum production capacity possible was installed and completion should be reached by the middle of the 2012 calendar year.

In addition to the expansion and investments in higher productivity of our manufacturing facilities, we have already released funds to enable faster organic growth in our target markets.

Furthermore, for expansion of our three segments – Automotive, Industrial & Multimarket and Chip Card & Security – we are also looking into acquisitions, again an important element of our growth strategy. However, potential takeover candidates have to satisfy strict criteria particularly as to strategic direction and their value-enhancing potential.

A good example of a takeover with a good strategic fit is the acquisition of Primarion in 2008, even though it is a relatively small company. This acquisition secured our entry into digital power management. Several major server manufacturers now use

our power management solutions. In addition, in making this move we increased the sales potential for our discrete power products.

The timeline for such acquisitions is difficult to plan and we feel no pressure whatsoever to make near-term acquisitions just because of our liquid position. Rather, we see acquisitions as an opportunity to make our business even stronger, provided they are a good match strategically and financially.

To put it bluntly: I'd rather have money than a hole in my pocket. At any rate we are watchful – and capable of acting should appropriate opportunities arise.

Ladies and Gentlemen, naturally the shareholders are also to participate in our company's excellent development over the past fiscal year. In recognition of the good cash flow in the past fiscal year and the comfortable liquidity, the Infineon Supervisory Board and Management Board have decided to propose to the Annual General Meeting next February that a dividend of ten Euro cents per share be paid for the 2010 fiscal year. The level of this dividend is in line with the usual expectations of companies who can regularly pay such a dividend.

In addition, we intend to ask the Annual General Meeting to approve a share buyback. Infineon would then be in a position in the course of the 2011 fiscal year to buy back up to ten percent of the shares outstanding with the use of the cash flow or cash reserves.

Infineon's future positioning

Ladies and Gentlemen, Infineon will concentrate on three strategic focal areas in future:

- Energy efficiency
- Mobility
- Security

This statement is not new and you'll hear it from me time and again. They are global megatrends and they are central, if not THE central challenges facing all industrial

societies and those developing rapidly in that direction. We identify enormous growth potential here in the coming years as the challenges in these areas cannot be mastered without innovative semiconductor solutions. Innovative chips from Infineon form a fundamental basis for sustainable growth on this planet. The energy appetite of an ever-growing global population can be satisfied only by energy-saving innovations and they are reliant on highly innovative semiconductor solutions.

Or, to put it in a nutshell: Nothing goes without Infineon.

The momentum behind the key issues of energy efficiency, mobility and security drives the growth of semiconductor solutions

- in cars and other vehicles,
- in industrial applications,
- and in chip card and security technologies.

Infineon is geared precisely to these target markets with our three business segments. In this way we can optimally exploit the momentum of these markets and pinpoint our innovations. Our starting position could hardly be more favorable: today Infineon is the global Number One in all three markets. Infineon is an innovation and market leader.

We have clearly set ourselves apart from the competition in the disciplines of analog and mixed-signal circuits, embedded control and power semiconductor development as well as in our proprietary manufacturing processes. We are expanding our technological leadership further in these challenging sectors and turning it into competitive advantages, more growth and higher margins.

Electromobility, a key issue for the future, is an excellent example in this context. It demonstrates the way in which Infineon contributes the leading expertise of all three business segments:

- Our semiconductors are indispensable for any electric vehicle to operate.
- The infrastructure needed with a smart grid and a multitude of charging stations is inconceivable without our chips.

- And our semiconductors enable secure identification and payment processes at the electric “filling station”.

In the foyer downstairs you will find the “Green Energy Landscape” clearly presenting the host of applications we develop relating to the smart grid.

The fact that electromobility is more than just a utopian vision is shown by taking a look at China where 25 million e-bikes were sold last year. About every third one of them incorporates Infineon chips controlling the drive system.

In October Infineon received the Bavarian State Award for Electric Mobility in recognition of this achievement.

One of the prime prerequisites for the success of electromobility is carbon neutral energy generation. We will soon be announcing an agreement with one of the largest Chinese wind turbine manufacturers for the supply of our innovative power semiconductor technology.

We factor sustainability not only into the applications but also into the manufacture of our products. A satisfying result of our endeavors is that in September 2010 we received a place on the Dow Jones Sustainability Index World. We joined the ranks of the semiconductor companies who are the world’s sustainability leaders the very first time we took part in the survey.

Innovation

Ladies and Gentlemen, further efforts are needed to maintain the leading positions in our target markets on a sustained basis. The innovativeness of our engineers enables us to meet present and future market demands and keep our lead over our competitors.

Due to the time constraints today it’s not possible to mention the multitude of innovation projects here at Infineon. But nevertheless I would like to highlight one example from our mobility focus area.

For future generations of cars we are developing our present microcontroller architecture further towards multicore. Our new generation of microcontrollers will

provide our automotive customers with a uniform, scalable processor architecture, simplifying and speeding up hard- and software development.

The first versions will be manufactured in 65-nanometer technology from 2014 onwards. We expect the product life of our new generation of microcontrollers to be at least 15 years. About 300 colleagues are involved in this project.

Ladies and Gentlemen, this is just one example of the innovative expertise of our company. As you see, we are making enormous efforts to maintain and build further on our leading market positions and technological leadership in all three business segments in order to future-proof Infineon.

Before I close, let me go into some changes in personnel at Infineon.

When the carve-out of the Wireless Solutions Division is successfully finalized at the beginning of the coming calendar year, my colleague Hermann Eul will leave the Management Board of Infineon. I regret that we will lose a long-standing colleague and partner who has played a decisive role in Infineon's successful development and under whose leadership the turnaround of this incredibly demanding mobile communications business was achieved. Having said that, I very much appreciate that he will continue to lead the employees of the Wireless Solutions Division and that he will head the new company Intel Mobile Communications. This will ensure continuity. And, of course, it is a compliment for us that Intel insisted on having Hermann Eul.

We are making progress in filling the vacant post of Chief Financial Officer. Even though I cannot give a name yet, I am confident that we will soon introduce a new colleague on the Management Board to you.

I know that you are also interested in the upcoming changes to the composition of the Supervisory Board. Please understand that I am not commenting here on the Supervisory Board's matters. I can however confirm to you everything is going very favorably and according to plan in searching for and selecting appropriate candidates.

Closing remarks

Ladies and Gentlemen, let me sum up: You have seen how well our company has developed in the past fiscal year. Today Infineon is in excellent shape, has a rock solid balance sheet and can fall back on comfortable cash reserves. In focusing on energy efficiency, mobility and security, Infineon is addressing central challenges facing modern society, which promise the company sustained growth and profitability.

As a result, Infineon has excellent future prospects.

We have successfully mastered the past crisis and today we are a thoroughly sound and successful company. This is due among other things to a simple management principle: To explain candidly what one intends to do. And then to do what one has identified as right and has announced.

And, of course, this success is then also reliant on our employees.

We haven't shouted it from the rooftops, but in the light of the positive business development, we decided in September to make the sum of Euro ten million available for payment of a special bonus to all employees. It is a token of gratitude for what they have achieved.

In the case of our non-pay scale employees, a relatively large proportion of the salary is variable and linked to the company's performance.

As a result of Infineon's excellent success, this salary component will of course be particularly high this time. In our new compensation system we have attached importance to employees' pay being a closer reflection of the company's jointly achieved economic performance.

I would like to take this opportunity to express my gratitude once again to our company's employees and management. I am very proud of what we have achieved together over the past fiscal year.

And I am confident that, highly motivated, we will continue to achieve our ambitious goals.

Ladies and Gentlemen, many thanks for having given me your attention.

Now together with my two colleagues Hermann Eul und Reinhard Ploss I'll be pleased to take your questions.