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Annual General Meeting

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- the spoken word prevails -

Ladies and Gentlemen,

Welcome, on behalf of the Management Board, to today's Annual General Meeting of Infineon Technologies AG.

Fiscal 2007 was an eventful year. We moved forward significantly in some areas, but we also had to deal with a number of setbacks. If I had to summarize the year in one sentence, I would say: We made good progress in Infineon's core business and achieved our targets even though conditions were far from favorable. These successes, however, were overshadowed by the serious crisis in the memory market. This directly impacted on our subsidiary Qimonda and, as a consequence, on the earnings of the Infineon group and our share price.

This effect has grown even more pronounced since the beginning of fiscal 2008. The persistently high losses at Qimonda also in the first quarter of the current fiscal year and the revised outlook for our wireless business for the second quarter and fiscal 2008 as a whole are dominating the headlines. I will address these developments and their implications in greater detail later.

Results for fiscal 2007

I will start, though, by casting an eye back over the fiscal year ended. Mr. Fischl will be discussing the figures in detail in his report, so I will limit myself for the moment to the key indicators.

For Infineon excluding Qimonda we have finished the fiscal year as announced with positive earnings before interest and taxes excluding net gains and charges. This means that we exceeded our announced target of breaking even on this basis in 2007.

Let me now explain our earnings in detail.

EBIT for **Infineon excluding Qimonda** amounted to 79 million euros excluding net gains and charges. The corresponding figure still stood at minus 18 million euros in fiscal 2006 and even was minus 105 million euros in fiscal 2005. EBIT is clearly moving in the right direction also including net gains and charges: it improved to minus 49 million euros in the fiscal year ended from minus 217 million euros in fiscal 2006. In fiscal 2005 it was minus 294 million euros.

We incurred net charges for Infineon excluding Qimonda of 128 million euros in the fiscal year ended. A large chunk of these net charges – 84 million euros – stem from the sale of additional Qimonda shares. We have said that we intend to reduce our stake in Qimonda gradually over time and we consequently disposed of another tranche of Qimonda shares in September of last year. The sale did, however, involve a corresponding book loss.

Apart from these net charges, currency effects also had an adverse impact on our figures. The weakness of the US dollar against the euro may be a boon for people vacationing in the USA, but it has equally significant negative implications for our business: We put the resulting losses at very nearly 80 million euros even after currency hedging measures. The effect on our revenues as measured in euros was even more dramatic: we effectively lost around 175 million euros, which would have given us additional revenue growth of four percent.

Not only did the exchange rate situation depress our revenues for the fiscal year ended, but we also had to deal with the revenue lost as a result of the BenQ insolvency. The global semiconductor market offered no tailwind either: the market for non-memory products may have grown by 5 percent year on year in calendar 2007 compared to 2006 in US dollar terms, but in euro terms it shrank by 4 percent in this period. And remember euro-terms growth in the non-memory products market was still as high as 5 percent in calendar 2006.

With regards to the difficulty of the general conditions, we are overall satisfied with the revenues trend at Infineon excluding Qimonda in fiscal 2007: The revenues declined only slightly to 4.07 billion euros from 4.11 billion euros in fiscal 2006.

Ladies and Gentlemen, our earnings are still well below the level all of us would like to see. However they are moving in the right direction, which demonstrates that the steps we have taken are gradually beginning to bear fruit.

The two logic segments contributed equally strongly to the good progress of Infineon excluding Qimonda in the last fiscal year.

Fiscal 2007 brought another year of growth for **AIM** with revenues up 6 percent. Adjusting the figures to remove currency effects reveals an even stronger 9.5 percent rise. EBIT, which includes the proceeds of the sale of the Polymer Optical Fiber business to Avago, was up 22 percent year on year. AIM did particularly well in the fourth quarter: revenues hit a new high and the segment managed to push its EBIT margin all the way up to 12 percent.

Revenues at **COM** were down for the year as a whole as the full force of the BenQ insolvency came to bear. Despite these difficult conditions the segment has successfully continued its turn-around path and took another substantial step forward in the fourth quarter with a quarter on quarter gain of 23 percent. Successes with our new customers in the wireless business shared some of the credit for this jump in revenues. The first contribution from the DSL customer premises equipment business we acquired from Texas Instruments also made its mark. The EBIT margin has improved notably over the quarters from minus 40 percent in the fourth quarter of 2006 to minus 5 percent in the fourth quarter of 2007.

The year proved considerably less kind for **Qimonda**. The dramatic decline in DRAM prices in the second half of the year was the main culprit: prices started the year in relatively good shape, but the downward spiral that kicked in in the second quarter grew steeper and steeper as the months passed and by the end of the fiscal year prices had fallen almost 80 percent.

This pattern was reflected in the way the business developed over the year. In the first quarter Qimonda actually posted a strong profit increase with a clearly positive EBIT and an increase of 10 percent quarter on quarter. EBIT remained positive through the second quarter, although by now conditions were clearly deteriorating. The final two quarters of fiscal 2007 delivered a slump in both revenues and EBIT. Besides the fall in DRAM prices, Qimonda suffered particularly badly from the strength of the euro: it has more of its value creation activities in the eurozone than any of its competitors and yet does almost all of its business in dollars. The fact that Qimonda executed the technology conversion later compared to the competition also had a negative impact on the business development.

Qimonda introduced a number of measures to counter these negative factors over the course of fiscal 2007. While it was not possible to fully offset the price fall and the effects of the US dollar exchange rate, some achievements deserve to be acknowledged. Examples are the further diversification of the product portfolio and the increased manufacturing productivity. The diversification of the product portfolio helped Qimonda to gain a series of new customers in the consumer electronics industry. The proportion of revenues originating outside the PC memory segment exceeded 50 percent once again in fiscal 2007. This enabled Qimonda to realize a higher price overall for its products than the market average. In order to increase the manufacturing productivity, Qimonda has increased the proportion of 300-mm manufacturing. Especially in the last quarter Qimonda was successful in increasing the productivity. Qimonda ended the fiscal year with a robust balance sheet structure, a very low debt ratio and an improved cash position as compared with the previous year. I should also point out that despite the fall in revenues Qimonda successfully defended its number three position in the DRAM market.

Qimonda's sales revenue and EBIT declines have a negative effect on the **Infineon Group's** earnings. EBIT for the Infineon Group consequently dropped to minus 256 million euros in fiscal 2007 from minus 15 million euros the year before.

Qimonda's problems also weighed heavily on Group revenues, which slipped to 7.68 billion euros last year from 7.93 billion euros in fiscal 2006.

Especially the impact on the earnings figures for the Group is more than unpleasant, as it casts a long shadow over the operating achievements of our logic segments.

Results for the first quarter of fiscal 2008

This effect is still evident in the first quarter of fiscal 2008. We published the results last week. I would like to start by discussing the principal figures briefly before explaining our outlook for the current quarter and for fiscal 2008 as a whole.

Infineon excluding Qimonda made further progress over the first quarter of 2008. We improved EBIT again, and have achieved our objective of breaking even in the wireless business and at COM as a whole excluding net charges.

EBIT at Infineon excluding Qimonda reached 65 million euros, which represents a substantial improvement not only over the previous quarter, but also over the same quarter last year.

Revenues, on the other hand, dipped slightly to 1.09 billion euros from 1.13 billion euros last quarter, a fall of three percent, but were still 14 percent up on the same period last year. This means that we have achieved respectable growth as compared with last year despite the intervening dramatic slump in the value of the dollar. And we have grown organically too. Infineon acquired the DSL CPE business from Texas Instruments and LSI's mobile phone activities during the period concerned, but adjusting the sales revenue data to strip out these effects and the impact of exchange rate fluctuations reveals a year on year increase in revenues of 15 percent.

Revenues at **AIM** fell quarter on quarter as expected. This was due in part to the loss of revenues from the high-power bipolar business, which we have carved out to create a joint venture with Siemens. The weak US dollar also left its mark once again. EBIT declined slightly. Income of 28 million euros from the sale of a part of the high-power bipolar business is included in the first quarter figure.

Revenues at **COM** picked up considerably. The contribution of the acquisitions obviously came to bear here, but COM has also grown organically. EBIT improved again. Excluding the net charges associated with the LSI acquisition, we achieved our objective of balancing EBIT by the end of the calendar year for both the wireless business and the entire segment. Considering the fact that EBIT at COM was still minus 160 million euros in fiscal 2007, and fewer than five full quarters have passed since we lost our former principal customer BenQ overnight, reaching this milestone despite the adverse development of the exchange rates is definitely a remarkable intermediate success.

For the **Infineon Group**, however, we had to cope with a negative EBIT of minus 368 million euros in the first quarter of the current fiscal year. Here again, the losses at Qimonda play major role. Qimonda suffered renewed difficulties as DRAM prices continued to fall, and its first quarter losses wiped 433 million euros off the Infineon Group's EBIT.

Outlook for the second quarter and fiscal 2008

The achieved results for the first quarter have though been overshadowed also by the revised outlook for Infineon excluding Qimonda for the current quarter and fiscal 2008 as a whole.

We expect a somewhat weaker performance in this respect in the current second quarter. There will be a quarter on quarter fall in revenues by a mid single-digit percentage. EBIT before net gains or charges will also decline, though, with a low single-digit EBIT margin, will be clearly positive.

This development is largely down to events at COM, where we expect revenues to drop by 15 percent during the current quarter. The wireless business always has a seasonal element, but we can also now see that certain projects will not reach the volumes originally expected and that access solutions business is developing more slowly than had been anticipated. We expect a negative EBIT figure in the region of minus 30 million euros for the current quarter at COM as a consequence of these various factors.

This also has implications for fiscal 2008 as a whole.

We expect **Infineon excluding Qimonda** to see sales revenue growth in a high single-digit percentage range and a low to mid single-digit positive EBIT margin before net gains or charges.

COM's EBIT will include 25 million euros of write-downs on purchased assets in connection with an acquisition. We now think this segment is likely to post a negative low to mid single-digit EBIT margin. This falls short of our expectations. We have also revised our expectations for revenues downward, although we are still predicting a rise of 25 to 30 percent in 2008.

I would like to emphasize once again that none of this is due to customer projects lost or technical problems at our end. It is now perfectly normal in the wireless business for the customer to postpone delivery dates and model volumes for new products. This generally poses no problem for the supplier provided he has been working with the customer for some time, as he simply continues to produce the predecessor product instead. We, however, have chased off competition to capture a host of new customers over recent years, which means we do not have any predecessor products to keep us busy through the delays. Consequently, these effects are especially troubling us at the moment.

Our expectations for **AIM** have not changed and we continue to predict a slight decline year on year in sales revenue and EBIT. The main underlying factors here are the worsening exchange rate situation and a weaker market environment with increased price pressure for power semiconductors in automotive, computer and consumer electronics applications.

Let me spend a word on the exchange rate topic. The ever increasing strength of the euro against the US dollar poses a particular problem, as the dollar is the key currency in the semiconductor industry. We generated more than 40 percent of our revenues in US dollars over the last fiscal year, but had less than 20 percent of our cost base in US dollars. COM is especially exposed, as 50 percent of its revenues are billed in dollars. A move of one cent in the exchange rate changes our annual EBIT by about 8 million euros, which means currency fluctuations knocked around 80 million euros off our earnings last fiscal year.

We moved our value creation onto a broader and more international footing some time ago with the development of wafer production at Kulim in Malaysia. That option aside, however, we have little scope to relocate value creation at short notice: production plants are long-term investments that cannot simply be uprooted and relocated, and the skills built up at a development facility over decades of work cannot be recreated overnight in another part of the world.

Exchange rates are not the only influential variable not under our control. Current forecasts as to the course of the global economy – and hence the prospects for the semiconductor market – are riddled with uncertainty. Expectations concerning global economic growth in 2008 have already been reduced, and most market researchers have also scaled back their predictions for the semiconductor market. The market is still expected to expand overall in 2008, however, and the year may well eventually yield a higher growth rate than 2007 in spite of the turbulence in the global economy. Clearly we are going to have to keep a very close eye on developments here.

The Infineon share

Let me now turn to the Infineon share. The performance of our share has fallen well short of what we consider satisfactory, especially of late. The capital market was already very edgy, particularly in respect of tech shares, so last week's response to Qimonda's ongoing difficulties and the revised outlook for COM came as no surprise.

There are other factors behind the recent trend too, and to explain these I would like to look back a little further and remind you how the share has progressed since November 2005, when we announced the carve-out of the memory business, which more or less was the starting point for the reorganization of the company.

As you can see from this chart, the Infineon share rose almost continuously, its value when we announced the separation from Qimonda on November 17, 2005, from 8.14 euros at the day before the announcement to 13.44 euros, the high point for the year reached on July 16, 2007. The value of the Infineon share grew at a rate of 65 percent over this time, which is slightly better than the 60 percent achieved by the DAX in this period and well ahead of the performance of the major semiconductor indexes the SOX and the Dow Jones US Semiconductor Index, which rose by just 15 and 14 percent respectively.

If we take fiscal 2007 the trend is also thoroughly satisfactory: the price of the Infineon share increased by 29 percent over the course of the year as a result partly of the progress we have made with Infineon excluding Qimonda and partly of the news about our new customers in our wireless business. The DAX rose by 31 percent in this period, so we were only very slightly off the pace by this measure, and we beat the SOX and the Dow Jones US Semiconductor Index, which rose by ten percent and 16 percent respectively, by a healthy margin once again.

The mid-July 2007 peak unfortunately marked the beginning of a sharp fall that by the end of last week had seen the Infineon share lose 58 percent of its value. Our share has suffered much more than the DAX too, which fell by about 16 percent over the same period. Comparison with the semiconductor indexes though reveals that all semiconductor shares have been through a similar experience and face similar problems. The SOX, for example, has dropped 34 percent, the Dow Jones Semiconductor Index 25 percent.

These developments also betray the considerable uncertainty prevailing in the financial markets as to the impact of the mortgage crisis in the USA. The general feeling at the time our fiscal 2007 drew to a close was still that the consequences of the mortgage crisis had already largely worked their way through the system, but since then fears have grown of a recession in the USA and the effects this would have for the global economy. Chip shares tend to show a closer correlation with global economic trends than the all-sector average, so such concerns hit semiconductor company share prices especially hard.

These general factors affect all semiconductor companies equally, of course, but a number of more specific factors have also been eating away at the Infineon share. The strength of the euro, as I mentioned earlier, certainly did us no favors, and the massive fall in DRAM memory prices and the resulting negative profits trend at Qimonda both left their mark. The Qimonda share itself has lost around 70 percent of its value since mid-July last year, which obviously has implications for the Infineon share. Finally, the revised outlook for COM last week triggered another fall in price. The growth and improvements in earnings it predicts are still remarkable, but they do not measure up to our original expectations.

Success factors in the semiconductor industry

Ladies and Gentlemen, having covered our current position I would now like to move on to the rather more long-term issue of corporate strategy: What do we consider to be the success factors in our industry? In what areas do we have the greatest potential, what steps have we taken already and what do we still intend to do in order to realize more of this potential?

Before I take this issue any further let me clarify what we believe to be the current success factors for a semiconductor company operating outside the memory market.

Success depends on the ability to develop a relative strength in a specific market segment and focus on activities with similar success factors. The most successful semiconductor companies, as all of the recent studies show, are those that concentrate on business areas with similar success factors and build a strong market position in these areas.

Our current strategy is based on these insights: we aim to focus on areas in which we can become a market leader and to pay particular attention to markets that promise better than average growth.

Phase 1: establish a basis for profitable growth

We have sharpened Infineon's focus in three steps over recent years in line with these considerations.

First: We began by selling or closing down all the units that were unprofitable, that did not have a sufficiently strong position in their market and that offered no visible sign of long-term success. We pulled the plug on our optical networks activities, parts of our fiber optic operations and our business with controllers for mobile communications infrastructure, for example, and sold other parts of our fiber optic operations, the Polymer Optical Fiber unit and our SciWorx subsidiary.

Second: We created an independent company from our memory business. We floated Qimonda on the New York Stock Exchange in August 2006. The carve-out reflects our belief that memory business and logic business no longer have very much in common and have better future prospects in the hands of separate companies. We persevered with the float despite a rather unfavorable market environment, and despite the criticism we received at the time we are happy with the results; after all the now infamous price slide in the memory market set in just a few months later and snowballed over the course of 2007 to become one of the worst crises ever to strike our industry.

The strategic decision to separate the memory business from the logic business was correct, but putting it into practice has proved to be considerably more difficult than we had hoped. We explained at the time that we viewed Qimonda as a financial participation and that we wanted gradually to reduce our stake. What we could not foresee was the rapidity and extent of the price slump and its consequences for the memory market. We nevertheless implemented a variety of capital market measures during the year ended and reduced our stake to 77.5 percent. We do of course wish that we were further along in this process, but as you will understand this is easier said than done in the prevailing conditions. Ultimately, however, we still aim to reduce our stake to significantly below 50 percent with the 2009 Annual General Meeting at the latest. Once this is achieved, we will no longer have to fully consolidate Qimonda.

Third: The carve-out of Qimonda narrowed our focus from three business areas to two: on automotive and industrial electronics and on communications. We restructured the activities in these two remaining business areas that were not yet profitable enough but had a strong position in their market and a good chance of long-term profitability. The business areas which returned to profitability along the way include our discrete semiconductors, wireline access solutions and the chipcard. Eventually we managed to bring all of our principal operations back into the black. Even the wireless business turned to a profit in the first quarter but won't be able to stay profitable during the following quarters.

Such a delay is unpleasant of course, but it does not alter our conviction that this unit is one for thorough turn-around not closure. I say again, nothing creates more value in the long term than a successful restructuring. The projects and products we have in the pipeline with our customers give us continued confidence that we will be able to guide this business to a profitable future. May I remind you once again that despite everything we expect COM to post sales revenue growth of 25 to 30 percent for fiscal 2008 and to finish this year with a much better earnings situation compared to the previous year. That is entirely acceptable in light of the difficult operating environment. Telecommunications technology is one of the great growth markets for many industries including ours, moreover, so we feel a distinct obligation to preserve the related skills and expertise here in Germany.

Phase 2: expansion through organic growth and selective acquisition

Ladies and Gentlemen, the path ahead of us will be dominated by two major developments. The focus in the short term will obviously rest on ensuring sustained profitability for the COM segment and on continuing to reduce our stake in Qimonda. Looking ahead to the medium term, however, we will also be striving to achieve further growth and a sustained improvement in the profitability of our core business.

The short-term imperatives I have already discussed.

We intend to tackle our medium-term objectives by concentrating on three key principles:

1. Focus on energy efficiency, communications and security
2. Make selective acquisitions to augment organic growth
3. Reduce capital intensity to enhance profitability

Let me now explore these three principles in greater detail.

First: Focusing on the fields of energy efficiency, communications and security will do much to help keep our business expanding. High rates of growth can be expected in all three areas, and we have the innovative products to take advantage on this.

The area of energy efficiency is attractive because with more and more legal requirements, environmental awareness growing and energy costs climbing demand for modern electronic systems that can ensure intelligent and efficient use of energy is likely to increase continuously. We stand to make substantial gains from this trend, as our power semiconductors contribute substantially to reducing energy consumption and thereby ease the pressure on the environment, natural resources and our finances at home, in industry and on the road.

Electric motors rank among the most greedy energy consumers of all. Used in everything from industrial production plants and pumps to home appliances and fans, motors account for more than 60 percent of total electrical energy consumption. Our power semiconductors and microcontrollers can slash the amount of electricity used by such motors without any compromise in performance. Last year we launched a new family of highly integrated intelligent power modules for use in consumer products such as washing machines and air conditioning units. These modules reduce the appliance's energy consumption significantly: using an electronic controller with an air conditioning unit, for example, can cut electricity costs by up to 30 percent a year compared with conventional systems.

Energy efficiency naturally is also an issue automotive area. Targets for the maximum CO2 emissions permitted per vehicle are currently being examined and defined all around the world. Electronic components in the form of power semiconductors, microcontrollers and sensors will play an important role in bringing these targets within reach. As a market leader we will profit substantially from these developments.

Most of the contribution made by microelectronic devices to reducing consumption and hence CO_2 emissions so far has come in the form of intelligent engine and powertrain control, but in future the demand-based regulation of additional components will also play an important part. As vehicle designers add more and more safety and convenience functions, the number of onboard electrical consumers – air conditioning, heated seats, heated screens, electric windows, power steering, brake boosters and so on – increases. More electrical consumers mean a greater load on the engine and generator and that in turn means higher vehicle fuel consumption and CO_2 emissions. Smarter semiconductor components can break this cycle by making the various systems more efficient. A vehicle with electronic steering control, for example, will emit 885 kilograms less CO_2 over a distance of 150,000 kilometers than one with a conventional system driven in the same way, while demand-based regulation of compressor output in air conditioning systems can save an unbelievable three metric tons of CO_2 over a similar system with a conventional controller.

Another of the markets with high potential for growth is communications. More and more people want the ability to stay in touch from anywhere at any time or access information fast over broadband data connections. The wireless communication market is expanding rapidly thanks to the mobile phone boom in newly industrialized countries like India and China: China alone adds around 7 million new mobile communication customers every month. Demand in these countries tends to focus on simpler units that have few extras and are consequently relatively cheap. What users in the industrialized countries want, in contrast, is more advanced handsets whose complex multimedia applications make them almost closer to a mini-computer than a telephone. It is estimated that 1.5 billion cell phones will be sold worldwide in 2010. The broadband connection and home networks segments remain on course for growth too, with more and more people around the world installing a broadband internet connection at home.

These developments are universally very positive for us, as all of these products use of semiconductor components. We serve the market for simple, low-cost cell phones with our single-chip solutions, which combine more or less all mobile communication functions on one chip. This reduces unit production costs enormously and brings cell phones within the reach of less affluent consumers including those in the rapidly expanding markets in the newly industrialized countries. We are a leader in this field. Our ultra-low-cost mobile phone platforms have sold over 50 million units by 2007 and are used by important global manufacturers such as LG, Sagem and Ningbo Bird and also by ZTE, which produces handsets for customers including Vodafone. Nokia too has opted for this platform. Our flagship for ultra-low-cost mobile phones, the X-GOLD101, was in fact recently named among the finalists for the German Industry Innovation Prize, which is awarded once a year to recognize especially innovative products. At the same time, we also received the German Industry Decade Prize for consistent innovation at the same time in recognition of our ability to carry on innovating year after year.

Today’s single-chip solutions remain the preserve of low-tier phones, but in future they will also begin to appear in more advanced handsets. The next step involves integrating functions such as photography, video, MP3 and mobile internet. This is entirely possible with the latest generation of our X-GOLD single-chip family, which we announced last week, so mid-tier phones, known as “feature phones”, are now within reach. We have a considerable lead in the effort to integrate all telephone functions on a single chip and are consequently in an excellent position to benefit as the market share of single-chip units grows. This has already happened with GSM phones, is underway with EDGE and will extend to UMTS phones in the more distant future.

The security area too appears poised for further growth be it in the market for electronic ID systems, in the financial sector or in mobile communication. An increasing number of countries are replacing printed ID documents with chip-based equivalents, and banks are gradually phasing out magnetic strip cards in favor of cards with an integral chip.

I am sure many of you will already hold an electronic passport. The passport contains a chip that protects your personal details against unauthorized access and manipulation. Our security chips are trusted by the passport authorities in Germany and elsewhere. In 40 countries around the world the electronic passport has already been introduced. This year a further 15 states in Eastern Europe, South America and Asia will be added to the list. In 2007 Infineon supplied around 70 million chips for government ID projects such as passports, health cards or National ID cards and thus has a market share of roughly 50 percent in this segment, excluding China.

It seems likely that from the second half of this year onward, many of you may also take a new Infineon chip with you when you visit the doctor. The electronic health card, which is currently scheduled for introduction in Germany in the second quarter of 2008, is based on a security chip that protects the patients' details. Infineon, a supplier for the German health card for many years, began supplying chips for pilots of the new generation of the electronic health card in Germany last year. We also won a contract in 2007 for the largest patients' card project in the USA.

Another growth area in which Infineon holds a strong position as a supplier is SIM cards. Previously used only to identify the user to the network and store user data such as telephone numbers, SIM cards will in future also be required for applications such as mobile TV and pay by cell phone. Estimates suggest that by 2020 more than 6.5 billion chipcard controllers will be issued for payment systems, identification and mobile communication.

Second: The second key principle for profitable growth is selective acquisition. Acquisitions will remain an option as a way of opening up additional growth opportunities to augment our organic growth. Moves like the acquisition of LSI's mobile phone business and the Texas Instruments DSL CPE business not only provide an opportunity to enhance our already strong position in our target markets, but can also give us much better access to important customers, with Samsung being a case in point. Making strategic acquisitions also enables us to play an active role in the consolidation of the semiconductor industry. This consolidation process will not, as is often suggested, lead to a situation with just a few large companies, but it will reduce the number of suppliers per segment of the market. Both of the acquisitions mentioned illustrate our acquisition strategy perfectly: we want to strengthen specific business areas selectively, and not simply to grow larger overall. This would happen, for example, if we merely merged with another diversified semiconductor manufacturer.

Third: In order to stable returns in the long term, we have to make further reductions in our capital intensity, which is an essential step if we are to deliver. Our new production strategy, which I introduced to you last year, will make it considerably easier for us to do just this. The new model, called “Fab-light”, provides for us to invest only in production technologies that enable us to set ourselves apart from the competition. Where standard technologies are concerned we will increasingly be looking to contract manufacturers. We currently invest an amount equivalent to around 11 to 12 percent of revenues in plant and equipment, but according to our calculations consistent application of the Fab-light model should reduce our ratio of fixed to total assets by at least one to two percent. We intend to trim investment to 400 to 500 million euros in the current fiscal and expect to end up toward the lower end of this range.

Conclusion

Ladies and Gentlemen, we have made some real progress over the last three years. We have mapped out our path and begun to advance along it, but unfortunately we still have some hard miles ahead. We must accept that we still have two problem areas on board and that completing the separation from Qimonda and restoring profitability for the long term at COM is going to take longer than originally planned. We intend to tackle both of these as a matter of the highest priority over the course of the current fiscal year.

That said, we also reached a number of important milestones during the fiscal year ended.

- We have made good progress with Infineon’s core business, that is to say at AIM and COM, despite difficult conditions in the market and were able to achieve a positive operating result.
- Almost all of our principal businesses are now at least breaking even before interest and taxes.
- We have continued to develop our market position in important segments and we have done so through organic growth and selective acquisition.
- We have captured a host of important new customers right across our segments.
- We have reduced our stake in Qimonda again.

Turning now to the future, you may recall that last year we set ourselves the objective to achieve an EBIT margin of 10 percent by 2009. We continue to pursue this goal – although we have to recognize that almost all of the most influential factors, including the market and the exchange rates, have not developed in our favor since we made this decision. The lowered expectations for COM are certainly not going to help our cause either.

Ladies and Gentlemen, the path we have chosen may be longer than we had anticipated, but I remain confident that it is the right one for our company. I would like to conclude by thanking you for your trust and assuring you that we will stick consistently to the course we have laid out and do our utmost to ensure that we achieve our objectives. I trust you will choose to stay with us on this journey.

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