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## **Annual General Meeting**

on 12 February 2009,  
in Munich

- The spoken word prevails -

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Dear Shareholders,  
Ladies and Gentlemen,

It's not easy for me to get up here in front of you all today.

Not only because I am standing here in my new function as the spokesperson for the Management Board for the first time. I am speaking for a company that has been accompanied by a lot of negative press in the last little while. Billions in write-offs due to Qimonda, our share price that has fallen below one euro, compounded by a fairly dismal future outlook and all that overshadowed by Qimonda's insolvency proceedings.

That's not news that's going to score a lot of points. Especially not with a critical audience. And I can well understand that some of you are critical and – even more – angry. And that many of you came here even furious because you have lost money. We have always promised you improvement in the past. And this has not been the case to the extent that we wanted it to be.

Dear Shareholders, nevertheless, I would like to heartily welcome you to the Infineon Technologies Annual General Meeting.

Even if my task is very difficult now and I probably won't be able to win some of you over: I am here today to win back your confidence, the confidence of you, the shareholders. Your confidence in my work and in the work of my colleagues on the Management Board, your confidence in our executives and our employees, who

have worked so very hard to bring the company forward. But first and foremost, your confidence in the future and the performance of your company.

After all, despite the bad news from Neubiberg, there are enough good reasons to continue to have confidence in Infineon. We produce really outstanding products and have a highly motivated, highly qualified team of employees. And we have worked our way up to the top on the most important markets of the future – energy efficiency, communications and security.

And we can fight. When we lost Siemens/BenQ, our largest mobile communications customer, two and a half years ago and therewith virtually all of our business in this field, we did not close down that segment. We were successful in building up a new customer base and in putting the business back onto a solid foundation. Even though this turnaround is overshadowed by the current economic crisis.

Our chips are so firmly anchored in your day-to-day life that we will inevitably be needed in the future. Semiconductor products continue to make their way into very different parts of our lives, and this will increase in the future. We are not just doing business for foreign markets or in applications that people can ultimately do without. We continue to develop our products and control our business here in the heart of Europe so that the consumer goods we use on a daily basis get better.

Ladies and Gentlemen, during the next half an hour, I don't want to try to convince you that things are better than they are, but I do want to help you to filter through the bad news to see how Infineon is still able to perform. I want to be open and honest with you, also about the more unpleasant topics. In other words, about Qimonda's insolvency proceedings, about why our share price has dropped so dramatically, about the effects of the economic and financial crisis and the upcoming refinancing.

But I also want to show you exactly what we have accomplished during the past year and why we feel well equipped to move into a bright future once the crisis has passed.

## **Qimonda**

First of all, let's talk about Qimonda. The intense efforts made by Infineon, the German state of Saxony and the country of Portugal to create a sustainable rescue package ultimately failed. This is a fact that we sincerely regret. The uncertain future that the Qimonda employees now face deeply saddens me as well as my colleagues. The losses incurred are enormous.

All the parties involved did their utmost to find a common solution right up until the very end. At this point, I would also like to thank the governments involved in Germany and Portugal for the enormous efforts they have made.

Unfortunately, in the end, it was impossible to reconcile the different positions because of the well-known disastrous situation on the memory market, because of the renewed capital need of Qimonda and because of the currently limited financing options.

In view of our own financial situation, we went to the absolute limit of what we could afford with the Euro 75 million we had promised to this project. Setting this limit was the result of some very serious, carefully deliberated consideration. There was no way we could justify promising more. Also in view of wanting to protect your interests, the interests of our shareholders.

Yes, a final insolvency of Qimonda does present certain risks as far as Infineon is concerned – as you already know from our previous publications. Should Qimonda should stop business, we will have to reckon with defaults on payments in the short term. In the medium and long term, there may be more substantial liabilities connected with Qimonda that we will have to face – resulting from pending antitrust and securities law claims, potential claims for repayment of governmental subsidies received and employee-related contingencies. However, we anticipate that the majority of any possible payments will not fall during this fiscal year, and if there are any at all, will not be due until the next fiscal year at the earliest. As announced, we have, according to accounting regulations, already made provisions to close to Euro 200 million.

## **Share price under pressure primarily due to the financial and economic crisis**

Ladies and Gentlemen, please allow me to move on to another unpleasant topic: the dramatic drop in the share price.

The fact that the share fell below the magical level of one euro at the beginning of December and is now the first DAX share to be traded under the unfortunate designation of “penny stock” is painful for you as well as for me personally, first of all because of my responsibility for this company, but also, like you, as a shareholder. Due to this low share price, our days on the DAX are also likely to be numbered. And it also means a loss of image, of course, even though this is not likely to have such a negative impact due to our shareholder structure.

Due to Qimonda’s bad numbers and the beginning of the economic crisis, the progress that we made in our core business also in the past fiscal year was not able to turn around our share price. After all, year over year we achieved an increase in revenues of 6 percent in our core business and were also able to improve our operative results. At first, it was the dramatic developments at Qimonda that had a negative impact on the share price during the past fiscal year. Following our weak outlook for the current fiscal year, the skeptical expectations of the capital market put even more pressure on the share price because of the extended period under consideration up until far into the year 2010.

This apparently relates to our longer term financing, in particular to our convertible and exchangeable bond. Although we have a relatively large amount of cash on hand, or more than Euro 700 million, many of the capital market participants because of a pessimistic assessment of the further market development are obviously still skeptical with regards to our financial setting and the difficult framework conditions of the financial markets. I will come back to this point a little bit later.

First, let’s have a look at our future outlook for the current fiscal year: due to the overall economic situation, the forecast for the semiconductor market still doesn’t look very promising.

Since last autumn, the economic and financial crisis has embraced the semiconductor industry at a pace and to an extent that no one could have reckoned with before. What began as a financial crisis has now turned out to be a massive

market slump, the likes of which we didn't even experience to this dramatic extent in 2001.

Instead of ordering new products, customers first began to clear out their own inventory and also adjusted their own production capacities at the same time. As the first link in the value-added chain, the semiconductor manufacturers feel this particularly keenly and very early. Semiconductor companies all around the world are suffering.

The results we published for the first quarter last week are convincing evidence of the speed and intensity of this downturn. Even though we did better than anticipated, we still had to record a loss of 28 percent compared to the previous quarter. And of course that is reflected in the segment profit: a loss of Euro 102 million compared to a positive Euro 59 million still recorded in the September quarter.

I want to be completely honest with you: this situation will not improve substantially during the current year. Even though no one is able to say anything exact at the moment, most market researchers are anticipating an improvement in 2010 at the earliest. The capital market even seems to anticipate that there will be no improvements in the coming year. In any case, we are reckoning with considerable losses in revenues year over year, although we hope that the current quarter marks the absolute low point. For the current quarter, we expect a decline of approximately 10 percent compared to the previous quarter.

Due to the unpredictable market environment, it is current virtually impossible to make an exact prognosis for the entire year. We do, in either case, expect losses in revenue of at least 15 percent in any case. The current analysts' expectations are a decline of slightly more than 20 percent, which according to us cannot be ruled out.

This is of no comfort to you or to me and it won't really change anything that we are currently doing, but just let me say that some of our competitors, even the very good ones, are also reporting even more dramatic decreases in revenues. This means that we are still doing well on the market and with our customers.

The fact that there was little change in our net debt in the last quarter is also convincing evidence of our consistent actions.

## **Work against the crisis – IFX 10+**

Ladies and Gentlemen, what we are planning to do and what we have already done to be prepared to face the challenges the future will present us? We are currently doing our utmost to counteract the negative effects of the financial and economic crisis.

We had already launched IFX 10+ in the summer – even before the downturn – as a comprehensive program designed to cut costs. IFX 10+ is based on a four-point plan: portfolio management, reduction of production costs, reduction of functional and operating costs, closer gearing of our organization to our customer segments.

We have achieved impressive results in all the measures packages we have launched.

In terms of portfolio management, we have, among others, sold the business with so-called bulk acoustic wave filters. In addition, we discontinued a larger number of development projects that failed to pass the profitability test.

As far as the production costs are concerned, we have been successful in significantly reducing material costs and in continuing to improve productivity in production. Unfortunately, the savings identified to date are offset by the idle costs resulting from the low rate of factory loading. That's why we have stepped up these actions to reduce production costs once again and have increased the originally planned savings of Euro 150 million to Euro 400 million. Of these Euro 400 million, Euro 300 million will be used primarily as temporary measures to counteract idle costs.

We have also reduced our costs base considerably as far as operating costs are concerned – this affects sales, marketing and administration as well as research and development. Thanks to the measures we began to implement in July, we have already been able to save approximately Euro 45 million in the first quarter of the current year, compared to the previous quarter – considerably more than we had planned in July for the four fiscal quarter of this year.

Faced with the massive decline in demand, we also considerably accelerated the overall speed and scope of our cost-savings program once again in the December quarter and in January. Last December, we had already increased our original cost-

savings goal of an annual total of Euro 200 million to Euro 250 million. We have now raised that bar even much higher to Euro 600 million a year, Euro 200 million of which will come from operating costs and Euro 400 million of which will fall upon the manufacturing costs that I just mentioned.

In addition to this, we have also defined additional measures, some of which have already been implemented and others that will be implemented or accelerated in the near future. This includes, among other things, reduced working hours at our production facilities in Regensburg and Dresden, more restrictive travel guidelines and painful changes in the bonus system. Now that we have officially left the Bavarian Metal and Electrical Industry Employer Association, there will be no wage increases for the pay-scale employees as well as no increases for the non-pay-scale employees. In addition, as far as this complies with the labor laws, we have now also planned time-limited reductions in terms of working time and thus in remunerations for all levels of our corporate hierarchy that are not affected by reduced working hours. This will apply worldwide.

The members of the Board will also make a contribution, of course, and will do without a portion of their fixed salaries for the current fiscal year. My colleagues will take a 10-percent cut and I myself will take a 20-percent reduction. The variable portion is now at the zero point in any case.

In addition, we were forced to make a decision last summer that was not easy for any of us, nor for me very personally. We were forced to reduce our headcount. We already announced last July that we would be cutting approximately 3,000 of the original 30,000 jobs around the world. And believe me, I am certainly not somebody who likes to let employees go, especially since I know many of the colleagues personally throughout all the corporate levels through my long years of work at Infineon. Unfortunately, the currently prevailing economic conditions left us with no other choice. As far as these job cutbacks are concerned, we try to be as fair, as transparent and as socially responsible as possible and prefer to reach voluntary agreements in as many cases as possible. Such agreements have already been made with the majority of the employees affected, to be more exact with 85 percent of them.

I am very happy that we went through with the reorganization before the economic crisis hit – the new organization has been in effect since October 1<sup>st</sup>.

Since then, we have been working in five units, which are closely geared to our target markets: 1. Automotive Electronics, 2. Industrial Electronics and Multimarket Products, 3. Chip Cards and Security Solutions, 4. Mobile Communications and 5. Broadband Access. In order to increase efficiency, we have also used the restructuring process to eliminate any overlaps between the individual business units and the central office.

Ladies and Gentlemen, please allow me to summarize: IFX 10+ was the right step to take at the right time – and this in defiance of the criticism that the only thing I could think of doing was to save costs. Without the quick implementation of this program, the weakened market development would have hit us even harder. Needless to say, a crisis situation like this won't be turned around by simply saving costs – that much is clear. And we also don't want to save Infineon into the ground.

We have still retained our innovative strength in our core businesses – I've been in the semiconductor business for too long a time not to know that you can also die later in the upswing if you have lost too much strength and power beforehand.

Finding the right point in time for even more radical action is one of my, and our, challenges. And I can assure you: in the event that the economic crisis becomes more severe – either because of a further decrease in demand or a lack of opportunities for financing – we will implement an alternative plan.

You can also be certain that I will use the crisis to sound out strategic options. Please understand that I cannot go into any more detail at this point. Experience has shown that it is never a wise idea to throw out the baby with the bath water and particularly not to talk too early about such sensitive topics. After all, we are a beloved target of public speculation, which has not been good for us in the past and has unsettled our partners, our customers and our investors. But please be assured: we will do everything necessary and will actively participate in the change in our industry.

## **Financial situation**

Ladies and Gentlemen, Dr. Schröter will provide you with more details on the financial facts and figures in just a few minutes – here I would just like to say a few words on the topic of liquidity.

During the quarterly presentation for the press last week, I clearly contradicted the claim that our business was like a “walk on a tightrope”. We know what the risks are, and we still have sufficient financial means to finance the operative business through the crisis. Our cost-savings program is also helping us to do this.

The replacement of our long-term liabilities would be no critical at all in normal times. We would simply go to the bank markets to get new loans or float a new loan on the money and capital market.

Following the financial crisis, however, and as a result of our low share price, this has become considerably more difficult, but according to our assessment is manageable.

Due to the current bottlenecks in the financial market, we are of course eager to have financial security as soon as possible.

As announced, we have taken action early. The restructuring process, the reduction of our costs base and the measures introduced for cash-flow management within the scope of our IFX 10+ program provide for a firm foundation. We are now concentrating on refinancing and raising capital with all the means we have available to us and to do so, we are taking advantage of a mixture of very different financing instruments. We bought back a portion of our outstanding bonds prematurely at very good conditions. We are also in open, constructive dialog with the banks. Since the negotiations are still in progress, I am not at liberty to provide information in any more detail today.

## **Focus on three central social challenges – Energy efficiency, communications and security**

Ladies and Gentlemen, let me now come to my last point: aside from the financing problems, how do we plan to secure Infineon's future in the long term?

Even when difficult times demand new ways of thinking and new strategies: we believe that our market and product strategy is not only effective, it hits the mark particularly with respect to the current social challenges we face. With our core competencies in high frequency electronics, our proficiency in system integration, our leading role in analog or analog/digital circuitry as well as our power semiconductors, we have in the past very successfully addressed the potential for growth offered to us in the fields of energy efficiency, communications and security. And we will continue to do so in the future as well.

And the market will not be able to do without our semiconductors, regardless of the crisis. Even if there are fewer cars currently rolling off production lines – in the future, there will be even more electronics integrated into those vehicles that are being produced. To reduce fuel consumption and the emission of environmentally unfriendly CO<sub>2</sub>, or to increase the safety of compact cars, for example. As we are the market leader in this business, our products will always be in demand. There is no major automaker that is not one of our customers.

In the future, the limited availability of natural resources, the growing energy needs and the steadily increasing energy costs will encourage people and companies to look for ways to use energy more efficiently. Whether in energy generation, in energy transmission or in energy consumption. And chips are also needed everywhere. To make notebooks or cell phones more powerful, to make sure that the energy costs of such Internet giants as Google or eBay, who operate enormous server farms, do not take on astronomical dimensions, or to allow solar power plants to feed as much solar energy as possible into the network as electricity. Our customers include such well-known companies as Siemens, Emerson, ABB, Delta, SMA and many small and mid-sized companies in the field of mechanical and plant engineering.

We are doing justice to these trends, particularly with the solutions from our Industrial Electronics division.

We see the same type of development in the field of communications, which we are addressing in our Mobile Communications and Broadband Landline divisions.

A growing number of people want to be able to communicate with one another or to access the Internet at any time from anywhere around the world. Using devices that are computers and cell phones all rolled into one. With high-speed transmission rates, regardless of whether on the road with a cell phone or at home using a DSL line. In the future, you will also want to access your own personal television program via your telephone connection at home. This would all not be possible without semiconductors. At the German Chancellor's IT Summit at the end of November, the expansion of the broadband infrastructure in Germany was declared as a strategic goal. The German Telekom will be using our semiconductors to do this. In such countries as India or China, the people want particularly inexpensive cell phones. This is where our single-chip solution will be used, for which, by the way, we received the Innovation Award of German Industry just a few weeks ago. Our chips can be found in cell phones made by Nokia, Samsung, LG, in such Chinese brands as Huawei and ZTE and right on up to the American Smart Phones, which have already become something of a cult.

In the stiff competition for these markets, we have meanwhile focused our attention on specific areas, i.e. we will serve only those applications whose future we understand as well as our customers do themselves and in which we have a sustainable head start in terms of innovation.

On the topic of security: as our world continues to be linked and networked ever more closely, we will be looking for solutions that reflect the need for increased security requirements. Whether it's about data protection, for payments made by bank or credit card or at border crossings, to name just a few examples. With our cutting-edge products in the Chip Card and Security business unit, we will continue to be the pace setter for secure applications in the future as well.

Ladies and Gentlemen, allow me to summarize once again. Thanks to our high degree of technological competence and our innovative products, we have been among the top players on our target markets for many years. That's why we are firmly convinced that despite the economic crisis: No one will be able to do without our products in the future as well.

## Closing remarks

And now I would like to come to the end of my remarks.

Yes, the ground is hard to climb and difficult. I don't want to use this image too often – but the fact is I've become used to difficult grounds. I am very aware that 2009 is and will be a difficult year and will present us with many tough challenges.

As you see me now, I am not the least bit relaxed – however, in view of what we have accomplished thus far, I feel self-confident and have a fighting spirit. We have created good prerequisites early on to be able to operate profitably once the market begins to recover.

We have reorganized the company in record time, lowered our costs base and introduced measures designed to secure our liquidity. We will now focus on the topic of refinancing as our top priority.

Perhaps you have already heard the saying “Revenue is vanity, profit is sanity, but cash is king”. In other words: what's most important is having cash in the kitty. Our actions in 2009 will be strongly guided by this concept.

Despite all our efforts to save, we will continue to concentrate on retaining and expanding our competitive edge, which we have as a result of our first-class product and customer portfolio. After all, regardless of the current weakness in demand, semiconductors will be THE innovation driver in the future as well. And that applies in particular to our topics of energy efficiency, communications and security. This is where we are the market leaders. And this is also where we aim to exploit all our options to generate additional business, even during the downswing.

At this point, I want to thank my colleagues in the Management Board for the good cooperation and our supervisory board for its support and its confidence in turbulent times. Ladies and Gentlemen, I can sincerely promise you that we – the Infineon Management Board – will do everything in our power to guide your company successfully through this crisis. Together with our employees whom I would like to heartily thank at this point. I know that some of you may be thinking “That's what they all say at the end”. But it's not just a flowery phrase for me. We have demanded a lot from our employees during the past few months and I would like to take advantage of this opportunity to thank them – for their great performance and for their willingness

to work and to fight during a phase that is anything but easy and last, but certainly not least, for their great loyalty towards Infineon.

And I would like to ask you, our shareholders, also on behalf of the other members of the Board, to regard yourself as investors who weather with us through crises, despite the anger and many a disappointment.

I will now hand over the microphone to Dr. Schröter, who will give you some more detailed information on the financial situation and will then move on to the agenda for today's meeting.

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