Dear Shareholders,

Ladies and Gentlemen,

I, too, would like to warmly welcome you to this year’s Annual General Meeting – incidentally the tenth one in the company’s short history.

I am standing before you today for the second time, Ladies and Gentlemen, to report on the past year and on the business prospects ahead. For me it was the most challenging year of what has never been a really quiet time at this company. I will also be addressing strategy, new products and the important trends impacting our business.

Fiscal year successfully concluded – decisive response to the crisis

When I look back over the last months, then indeed I do so with a little pride – pride in our staff and the management team who worked hard and achieved a great deal over recent months. But I am not going to beat around the bush: Infineon is not yet where it should be. There is still quite a long way to go. Having said that, we are heading in the right direction and things are looking up for our company. Therefore, as I embark on my address, I seek your approval for the route we are taking.

We faced a tough challenge with the repercussions of Qimonda’s insolvency and particularly with the worst financial and economic crisis of the post-war era. The first quarter of the 2009 fiscal year saw revenues plummet 28 percent compared to the previous quarter. You all witnessed the nosedive in sales in the automobile industry alone. Our customers canceled their orders and stopped their call orders at a
moment’s notice to reduce their inventory levels. Given the semiconductor industry’s high fixed costs, the threat of disastrous losses and cash outflow loomed. Our other target markets were severely affected as well. Since, however, in the second half of the year our business in Asia revived and the economy picked up a little, the revenues decreased “only” 22 percent year-on-year. Despite all the measures taken to reduce fixed costs, this decline impacted the Segment Result. For the 2009 fiscal year it was negative 167 million euros.

We responded quickly and decisively to the crisis, benefiting from the fact that we had launched our cost reduction program before its outbreak. We tightened up the measures early on and on a broad front in response to the critical situation. Unfortunately this also included extensive headcount reductions. Together with short-time work, unpaid leave and later on a slight economic recovery, this led to a positive Segment Result of 52 million euros in the fourth quarter. The share price bottomed out and strengthened appreciably.

**Refinancing resolved**

The cost reduction accompanied by an improvement in operating performance was key to mastering the greatest challenge Infineon ever faced: the refinancing of about 1 billion euros in debts under very difficult conditions! Due to the global financial crisis, debt restructuring through banks was ruled out. We developed several alternative concepts and put the refinancing plan into action with military precision.

To begin with, we made a buyback offer for our outstanding bonds. However, significantly fewer bondholders accepted the offer than we had thought. That was the first signal: many investors obviously thought they would realize the full nominal value on maturity of the bonds and believed in the company.

The next logical step was to launch a bond offering which – to our positive surprise – was more than seven times over-subscribed – further testament to confidence in the company.

This prepared the ground for a capital increase. Through the purchase commitment of Apollo, the private equity investor, we were able to successfully place the new shares despite a price of only just above the nominal value. Dr. Schröter will be going
into details shortly. Ladies and Gentlemen, many of you exercised your subscription rights and my sincere thanks go to you for this mark of confidence.

Freed from the burden of refinancing, backed by higher profitability and spurred by economic recovery at the end of the year, the share price made encouraging headway. Closing yesterday at 4 euros, the share price has increased more than eleven-fold since the all-time low of 35 cents. The value of your company has risen once again.

We are pleased to have re-entered the leading German share index in the record time of only six months. Even though many of you have not forgotten the high share price after the IPO, Infineon was still the most successful DAX share at least in 2009. An important step in the reorientation was the sale of our Wireline Communications business. Concentrating the communications business on the growing market of mobile communications means we will now be able to put our R&D investments to more focused and targeted use. This will help to expand our leading position in two major markets: high-price smart phones with their multimedia applications on the one hand, and entry-level mobile phones in the ultra-low-cost segment on the other.

Exercising cost discipline, resolving the refinancing, parting company with the memory business and further strategic focusing – these were the key issues of the last fiscal year – no mean task. They mark a new beginning in the history of Infineon.

I am not here to sing our own praises, far from it – even though I perhaps sound a little more self-assured today. What we have seen so far have been only stages on the way to becoming a true world-class semiconductor company – I’m well aware of the fact. All the same: we are on the right course. Infineon has the wind in its sails. A year ago you voiced understandable, harsh criticism and I assured you that it would be taken seriously. We believe we have done our homework.

We have set our sights firmly on the next objective: We have to increase our profitability further to a Segment Result margin of over 10 percent. Achieving this is an essential condition for earning money even in times of downturn. Only then can we emerge from a crisis stronger than some competitors.

This brings me to the second section of my address, to the
2010 fiscal year

The global economy seems to be recovering faster than initially presumed. The positive trend of the fourth quarter is persisting in the new fiscal year. As an early-cycle company, we are at the forefront of this development. Our Automotive, Industrial & Multimarket divisions are benefiting particularly strongly from the upswing. While Chip Card & Security suffered a slight drop in revenues, Wireless Solutions saw continued slight growth.

Overall, both revenues and results significantly exceeded our forecast at the end of last year. Revenues increased 10 percent sequentially and by as much as 27 percent year-on-year. The Segment Result, i.e. the indicator of operating performance, increased 69 percent compared to the prior quarter, taking the figure to 88 million euros. Our Segment Result margin increased from 6.1 percent to 9.4 percent in the last quarter.

We face the current fiscal year with definite optimism. For sure – there are still risks and uncertainties in the forecast, but all the same most economic researchers expect to see a further recovery of the global economy. For the semiconductor market, the researchers predict clear double-digit growth rates in 2010. On the basis of this assumption and by virtue of our leading market positions worldwide, solid customer relations and leaner company line-up, we should be able to substantially increase revenues and results.

We now anticipate a year-on-year growth in revenues in excess of 20 percent – more than doubling our original forecast. Automotive and Industrial & Multimarket will achieve particularly high growth. Wireless Solutions and Chip Card & Security will also post continued growth.

We have also significantly raised our guide for the Segment Result. We originally pegged our forecast at a mid single-digit percentage, now we expect to see a Segment Result margin in the high single-digit range.

Ladies and Gentlemen, this is good news. Infineon is on the way to sustainable profitability. The fact that we were able to achieve this even in times of a global economic crisis is essentially due to our employees. Their personal contributions, their acceptance of painful financial cuts helped considerably in stabilizing the company in the crisis. The great willingness to follow our course was, for me, the best experience last year and – even if it sounds a little emotional – a moving one of the
past year. It became blatantly obvious in the crisis: the management and personnel don’t just do their job, they stand by Infineon and identify themselves with the company. I would like to take this opportunity to again express my sincere thanks for this.

As you see, we have made a successful start but we have not yet reached the goal.

- More than 10 percent Segment Result margin on a sustained basis is the requirement for earning the cost of capital and for achieving a reasonable return on your investment.

- More than 10 percent Segment Result margin on a sustained basis is also the indispensable requirement for still being able to generate profit in a cyclical business during downturn and for being able to make investments.

- More than 10 percent on a sustained basis opens the opportunity to emerge from crises stronger than the competition.

Sailing permanently close to the wind is not viable in our business – we have already seen that. I am quite certain that despite all natural differences of interest, our employees understand and indeed they support this goal.

We want to achieve the 10 percent Segment Result target that is so important for our success already in the next fiscal year, that is, 2011.

This brings me to the third section:

**Further improvement in profitability**

In tightening up our IFX10+ program, we responded swiftly to the global economic crisis and slashed the cost base. The savings were over 600 million euros. A good basis for further optimization. Now it is not so much a matter of making further, short-term cutbacks, but rather of implementing concepts for sustainable profitability.

We will concentrate particularly on improving the gross margin, the indicator of the cost efficiency of production.

Let me explain this part of our continued IFX10+ program by giving some examples:

The further increase in productivity: We are pursuing a package of measures for this purpose. Although we do not want to substantially increase our development costs,
we will step up development for the transition to smaller technology nodes. Shrinking – getting more chips out of a wafer – belongs to every semiconductor manufacturer’s repertoire. We want to take the lead especially in the market for power semiconductors, the IGBTs, the MOSFETs and mixed-signal products. Other examples are reducing the cost of testing and the innovative use of new, cheaper materials. It may sound trivial but it is an engineering feat to use copper wires instead of gold wires for bonded interconnections in high power chips.

We will concentrate on higher-yield products. In this context we will fan out our product spectrum, in power electronics for instance, to address applications with fewer volume quantities, but with higher product profitability.

A further aspect of improving the gross margin is the better exploitation of our strong IP position: An example is the licensing of our patents to Fairchild. Fairchild paid us 6 million U.S. dollars for this in the last quarter.

Another example is the improvement of our development efficiency, especially in software development which is becoming ever more important. The aim is increased product output.

These examples are, as said, part of the IFX10+ program we are carrying forward. It goes without saying that – beyond these longer-term measures – we will have to exercise strict cost discipline and keep a tight rein on our administrative costs, even in times of upswing.

**Shaping the future with innovative technologies**

The fourth and last section of my address will take an in-depth look at our strategy and our future business and market focus.

Infineon is the right size in three of four lines of business. We continue to pursue organic growth. We address the right markets and we hold leading market positions. We are the number one in power electronics and have strengthened our lead over the competition, right in the time of crisis. We have gained further ground in automotive electronics and are now head-to-head with the number one so far. In Europe we are the uncontested market leader and in Asia we gained a great deal of market share last year. We top the league in the security chip sector for the twelfth consecutive year. The Wireless division ranks at number four. Here we have
successfully extended our business relationships in a vendor market which is undergoing consolidation. However we must and we will increase our market share by further project wins.

Infineon is internationally positioned. Asia is already essential and its importance will gain momentum. Our growth strategy is determined by the potential of the markets in Asia. China in particular came out of the economic crisis much faster than other countries and is setting the pace for the global upswing. In the Chinese economic stimulus program there are plans for multi-billion investments in renewable energy sources and expansion of the infrastructure. China aspires to a leading role in wind and solar energy. The expansion of the railway network and train fleet is in full swing. With our strong position in power semiconductors, we can benefit greatly from this development.

We already generate almost half our revenues in Asia, and a good part of this is achieved in China. Our activities in China will be expanded further. We will extend our production in Wuxi where we run a chip packaging plant. And just a fortnight ago we signed a letter of intent with the Peking government to establish a another development center – our fourth in China – in Yizhuan, an industrial park in Peking, where we intend to pursue application development for state-sponsored industries of the future, such as automotive, wind energy and mobile communications. This move means we stand a good chance of benefiting from the strong growth in the Chinese domestic market, which is a strong driver particularly for semiconductors.

Given the growth of the Asian markets we will further expand production there and improve our payroll mix. Complete relocation of European plants to Asia is not planned though at present.

Over a five to seven year time frame the costs of relocating semiconductor fabs are significantly higher than the payroll savings. The expenditure for the redevelopment and the product requalification and reorganization at the customer’s end then required, especially in the automotive business, ties up considerable development resources that are used today for new products and innovation. In the present phase, deploying our tight supply of development personnel to expand our market position makes more economic and strategic sense. Preserving highly skilled workplaces in Europe near our large development locations also means we remain capable of
ramping up new shrink technologies and developing innovative manufacturing and automation concepts very rapidly.

The expansion of further production capacity will however take place in Asia. We will also continue to rigorously pursue our fab-light strategy in the field of CMOS production. That is to say, we will continue the shift towards outsourcing manufacturing to silicon foundries.

**Energy efficiency, communications, security**

Ladies and Gentlemen, now we come to the market factors.

In focusing on energy efficiency, communications and security, we are addressing the three major challenges to modern society in which double-digit growth rates are possible in the long term.

**Energy efficiency**

Let us begin with energy efficiency, the issue affecting our future. The Copenhagen Climate Conference failed to deliver any concrete results, which is regrettable because the problems are pressing. It is a mammoth task. We are already living clearly beyond our means. To put it in drastic terms: We are exhausting our planet. The World Energy Council has calculated that the energy demand will almost double by the middle of this century. This appetite for energy has to be satisfied with as little impact on the climate as possible. There are technical answers to the problem. Radical technical innovation represents the only possibility of making do with the available resources. We need innovation strategically geared to reducing energy consumption and to increasing the efficiency of regenerative energy sources. Success in this quest is reliant on highly innovative semiconductor solutions. Our semiconductors are indispensable for the efficient generation, transmission and use of power.

Renewable energy sources will account for a significant proportion of the energy mix in tomorrow’s world. In many countries there are already defined targets. Wind and solar energy in particular are gaining ground around the globe. And: as the subsidies for these alternative forms of energy are canceled, so the pressure for higher
efficiency levels will increase. Our power semiconductors are the key. This growth market of renewables harbors great opportunities for Infineon. We are already a player for most systems.

Allow me to give a couple of striking examples: The World Games Stadium was opened in Taiwan in 2009. It is the first stadium operated using solar energy only. With the help of our CoolMOS™ power transistors, over 1 million kilowatt hours p.a. of clean solar power is produced there, avoiding 660 metric tons of CO₂ emission a year.

Germany’s first commercial offshore wind farm, BARD Offshore I, is currently being installed 90 km off the coast of the North Sea island of Borkum. Infineon high-power modules enable electrical energy to be fed efficiently into the grids.

In future we need grids for the lossless transmission of electric power over very large distances. Even today, our thyristors are used with great success for ultra-efficient electricity transmission, for example from the coastal wind farms to the large cities situated far inland.

Another issue for the future is intelligent electricity grids or smart grids. The starting point is to maintain a balance between the demand and supply of electrical energy at all times. Since power generation from regenerative energy sources like sun and wind cannot be planned with precision, smart grids will control power consumption in future.

For example, a washing machine will be switched on automatically when there is surplus electricity. The kilowatt hour will also cost less. Smart meters enable minute-based billing at the rate applicable at the time. This enables large-scale deployment of regenerative energy sources. In the coming years a great deal of money will be invested worldwide in expanding these smart grids. We are the only semiconductor manufacturer to offer a huge portfolio for the implementation of smart grids. In the long term, a very interesting growth market.

Let me now turn to another important area of energy efficiency: the car.

“Green” growth drivers are also coming from the motor industry. Automakers are called upon to significantly reduce CO₂ emissions. They are investing in fuel-saving engine management on the one hand and in alternative drive concepts on the other. Our high-performance semiconductors play a central role in both sectors.
The electric car market is still in its infancy. But the route has been defined. Automakers around the globe are gearing up for the age of the electric car. Thanks to our high expertise in power electronics, Infineon is in pole position for powertrain electrification. Manufacturers from Europe, the USA and Korea count on our chips for their hybrid models. The HybridPACK™ 2 used in full hybrid vehicles is designed for a power range up to 80 kilowatt and feeds braking energy into the battery.

Infineon will profit even more from the pure electric car. The vehicle and the entire infrastructure needed are especially semiconductor-intensive. Our products will be used in the drive system, in the vehicle electronics, in the charging stations, and in the energy and network systems. Incidentally, Infineon is leading a pan-European, cross-company research project (E3Car) to boost the efficiency of electric cars. As you see, we are at the helm in the development of this new technology.

Incidentally, for many Germans the car carries emotional associations: A green car does not have to be boring. With their high starting torque, the acceleration performance of electric cars puts many sporty CO₂ emitters in the shade at traffic lights.

Some of you are sure to have seen our eBuggy in the foyer. We use this concept car to develop, test and demonstrate Infineon’s semiconductor solutions for hybrid and electric vehicles. Those who wish to delve deeper into the world of our products and applications are warmly invited to visit our exhibition in the foyer. Our staff will be pleased to answer your questions.

Communications: Ultra-low-cost and mobile multimedia applications are growth markets

This brings us to the second issue for the future: communications. Here again, all the signs point to growth. A major driver is the mobile internet. More and more people want to be able to communicate with one another by mobile phone, send e-mails, surf the internet, download films and music, and much more – any time, any place. Whether they are at home, at the office, traveling or in their free time.

Mobile internet is the new killer application in mobile communications. The current revolution has a name: “smart phone”, small computers with an endless variety of features – making calls is just one of many. Fast data transmission accompanied by
minimized power consumption is important for these devices. We are proud to serve the industry trendsetters with our chips. In the forthcoming generation of smart phones, users will be able to surf the internet faster and for longer with our slim modem. Besides smart phones, other devices are currently entering the market which will increase the sales opportunities for our modem solution: netbooks, e-readers for downloading books, or tablet PCs.

Mobile data services are gaining importance in the lower price segment as well. In many countries the mobile phone is the only access to the internet. That is why, here again, there is increasing demand for fast 3G transmission rates. We will extend our single-chip architectures to this segment. This enables a single-chip solution for mobile phones even in sophisticated 3G technology, cutting phone manufacturing costs by more than 30 percent.

Our single chips are very successful for especially low-cost mobile phones. So far we have stood alone in being able to integrate the complex radio-frequency circuits for high-volume production. In the ultra-low-cost segment we have so far sold over 200 million units. Customers are, for example, Nokia, LG, Samsung, Huawei and ZTE. They address end customers particularly in emerging markets who leapfrog straight to a cell phone, without the landline phase. As an example of this market segment I'm showing you this phone based on our ultra-low-cost chips. It has a price tag of the equivalent of 17 euros in a store in India. This market will see very robust growth for some time yet, while the markets for ordinary mobile phones in the major economies of the world are already almost saturated.

**Security solutions for chip cards, passports and national ID cards**

And that brings me to the third subject for the future: Security.

The world is becoming increasingly connected, the protection of our privacy and our data is becoming ever more important. Just think how much the way we handle money has changed. Many of you shop online, you present your credit card in shops and take your EC and credit card along on holiday instead of cash. The cash card works on the suburban railway, and online payment services are gaining ground. Despite all the convenience, there is also a downside to this connected world. The theft of credit card data in Spain is just one prominent example.
Chip-based security technologies are all the more important. Infineon has been operating successfully in this sector for many years. Thanks to our expertise in hardware-based security technologies, we are leaders in semiconductors for payment systems and electronic ID applications.

We expect the growth rates to be highest here in the next few years. Infineon is the largest supplier of contact-based and contactless chip cards for payment applications. About 750 million payment cards a year are issued worldwide.

Again, we expect growth in government ID documents such as electronic passports, national ID, health and social security cards. Roughly every second one of these documents issued in 2008 incorporated an Infineon security chip. Over 60 countries count on the reliability and level of security provided by our products. Last year we clinched several new projects, in India for example, and – as you are sure to have read – the electronic passport project for China.

We also expect good business from the introduction of electronic ID cards in check-card format. They will be introduced in many European countries in the next few years. Germany will already start changing over to this new ID card from November this year. It is multifunctional: This document is used not only as a conventional ID card. You can contact your local government around the clock via internet. Thus, in future you might report a change in your place of residence or re-register your car like this. Unequivocal and hence secure authentication will also be possible for private online transactions: extra security, service and convenience all round.

Our new “Integrity Guard” security concept makes us the market leader for extremely demanding security requirements. The chip has to be designed so that the card is protected today against tomorrow’s potential attack scenarios.

**Innovation driver Infineon**

Ladies and Gentlemen, as you see, our semiconductors are the bases for essential innovations in our society. Infineon is engaged in fields of very great importance for tomorrow’s world.

My aim has been to convey to you that our strategy has become clearer, more understandable and less risky. It is based on the innovative strength of our development engineers and on almost three decades grown competence. Don’t
forget, Germany is the lead market for cars and industry electronics and cryptology. Due to the truly global position, Infineon can benefit greatly from the international growth markets.

We have excellent and exceedingly successful customers worldwide who value our technical expertise as well as the insight into their needs and system requirements. Together with the customers we will be the driver for products which enhance communication and security in our lives, and enable the responsible, efficient use of energy resources. In the process we will not lose sight of the objective of increasing earnings and our corporate value – this increase should and will be the consequence of our strategy.

Ladies and gentlemen, I would like to take the opportunity to thank you for your confidence. I hope I could show you: It is worth to further go along with us. Thank you for having given me your attention. I will now hand over to Dr. Schröter to comment on the financial facts and figures.