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Member of the Management Board
CFO
Infineon Technologies AG
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in Munich

- The spoken word prevails -

Ladies and gentlemen,

I would like to welcome you all to today's annual general meeting. "We're making progress" is displayed boldly in capital letters on the cover of our 2011 annual report. But as we are all aware, content is important and not the packaging. So we should let the figures speak for themselves. I would like to make a few preliminary comments to start with. In February of the last fiscal year we completed the sale of the Wireless Solutions segment's wireless mobile phone business to Intel Corporation.

Therefore, Infineon is reporting the results of the Wireless mobile phone business as discontinued operations in the consolidated statements of operations. Likewise, the consolidated statement of cash flows shows the cash inflows and outflows of the Wireless mobile phone business as discontinued operations. The prior period amounts of the consolidated statement of operations and the consolidated statement of cash flows have been adjusted accordingly. The business remaining with Infineon with radio frequency power transistors for amplifiers in cellular base stations was dedicated to the segment Industrial & Multimarket, the business remaining with the analog and digital TV tuner and satellite radio receiver was dedicated to other operating segments. The prior periods' amounts have been adjusted accordingly. In the consolidated statements when reporting the whole year, under "continued operations" we only posted the results of the remaining Automotive, Industrial & Multimarket and Chip Card & Security segments.

The Industrial & Multimarket segment has now been divided up into the "Industrial Power Control" and "Power Management & Multimarket" segments. This measure took force on 1 January 2012. Therefore, Infineon will not report in accordance with the new segments until the next annual general meeting.

I would like to start my presentation with the statement of operations on continued operations in the 2011 fiscal year:

Revenues and earnings have once again developed very encouragingly. As Peter Bauer already said, in the past fiscal year Infineon generated revenue of around Euro 4 billion. Compared with the previous year, this figure has increased by a good Euro 700 million or 21.3 percent. By comparison, over the past fiscal year the semiconductor market as a whole only grew 4.6 percent. If we net this figure of microprocessors and memories, both businesses we are not, or no longer active in, market growth totals 7.5 percent. In other words, we grew just under 14 percentage points faster than the market.

If we look at revenue development during the year, it rose from Euro 921 million in the first quarter to Euro 995 million in the second quarter to a record high of Euro 1.042 billion in the third quarter. When the euro crisis erupted with the ensuing macro-economic uncertainty, the majority of our competitors experienced substantial drops in revenue in the fourth quarter already. Infineon on the other hand was able to maintain revenue for another quarter at virtually record levels of Euro 1.038 billion.

We have also made further progress on the gross margin. In the past fiscal year, at 41 percent we improved the margin by three percentage points compared with the year before. Key reasons were the constant increases in productivity and our factories' high output. We have met our objective of sustainably achieving a gross margin of 40 percent in all quarters of the reporting year.

The operating segment result rose by more than 65 percent, from Euro 475 million in the year before, to Euro 786 million. This figure is equivalent to an operational segment result margin of just under 20 percent.

The consolidated result was Euro 1.119 billion. Compared with the previous year's figure of Euro 660 million, this figure is an increase of Euro 459 million. The pre-tax earnings from the sale of our wireless solutions business to Intel boosted the result. In this case, Infineon booked Euro 507 million. However, additions to provisions in connection with the Qimonda insolvency had a negative impact on the consolidated result to the tune of Euro 213 million before tax. Total tax expenses were Euro 141 million.

In the 2011 fiscal year, the basic earnings per share increased to Euro 1.03, or an increase of 42 cents compared with the figure the year before.

Ladies and gentlemen, we will now turn to each of the segments.

In the previous fiscal year, **Automotive's** revenue climbed to around Euro 1.6 billion – an increase of 22 percent. The reasons lie in the on-going global demand for cars and the increasing share of semiconductors per car. At 40 percent, the segment result grew even more strongly than the revenue. In figures, this amounts to Euro 279 million, or a segment result margin of 18 percent.

The revenue attributed to **Industrial & Multimarket** also showed a marked increase in the past fiscal year of 26 percent to a total of Euro 1.8 billion. Therefore, IMM has been the global market leader on power semiconductors for the eighth year in succession. In addition to the market rallying in general, the rise is primarily a result of the demand for controllers in electric engines (particularly from the mechanical engineering industry) and the surge in demand on the Chinese market for renewable energy.

Compared with revenue, the segment result climbed significantly - by 51 percent to Euro 444 million. Consequently, the segment result margin was an excellent 24.7 percent.

In the past fiscal year, **Chip Card & Security** achieved revenue of Euro 428 million – an increase of five percent. The segment result was Euro 54 million and the segment result margin about 13 percent. Profitability has improved vastly: for the first time in this segment we have attained a double-digit margin throughout the whole year.

In terms of regions, Infineon still reported around Euro 1.1 billion, or a good 27 percent of revenues in Germany, and a further Euro 830 million, or just under 21 percent in the rest of Europe. Approximately Euro 100 million of revenue, in other words just two percent of consolidated revenue, was posted in Portugal, Ireland, Italy, Greece and Spain.

As Peter Bauer already mentioned, in the Asia-Pacific region (including Japan) we easily generated Euro 1.6 billion, or 41 percent of our revenue.

Revenue in North America totaled Euro 425 million, or a share in total revenue of 11 percent.

I will now turn to the operating costs.

As you can see, research and development costs have risen by Euro 40 million, or ten percent, to Euro 439 million. R&D therefore accounts for 11 percent of our revenue. The focus continues to lie on developing products and manufacturing technologies with high growth and earnings potential.

In the past fiscal year, selling and general administrative costs totaled Euro 449 million. In relation to revenue, these costs decreased to 11 percent.

Despite this encouraging development, I do not want to conceal the fact that this drop is a result of a significant rise in revenue and not due to a decrease in selling and general administrative costs. Quite the contrary: the residual costs from the demerger of the wireless business swelled administrative costs.

As already explained, the consolidated result in the 2011 fiscal year produced annual net income of Euro 1.1 billion.

The group net income from continued operations was Euro 744 million. The remaining Euro 375 million are attributed to discontinued operations and are a result, at Euro 352 million due to after-tax earnings, of the sale of the majority of the wireless solutions business. The result from continuing operations of the wireless solutions business, until the sale on 31 January 2011 to the tune of Euro 189 million, was for the most part set off by a post-tax expense due to the increase in reserves for risks from Qimonda's insolvency to a level of Euro 176 million.

To you as shareholders, I would now like to report on the free-cash flow from continued operations. At Euro 106 million, the free-cash flow is way below the previous year's figure of Euro 573 million. The key reasons are investments in property, plant and equipment, particularly in Kulim (Malaysia), Villach (Austria) and Dresden (Germany). The objective is to expand capacities and eliminate bottlenecks. In the previous year, the majority of the growth was still gained by exploiting previously under-

utilized capacities. In the 2011 fiscal year, the net cash for investments in property, plant and equipment was Euro 845 million, but in the previous year the figure was still Euro 292 million. As a result, combined with our research and development expenses, we have invested a good Euro 1.3 billion (or almost one third of our revenue) in the future of our company. This is an excellent figure amongst the DAX 30 group of companies.

As you know, our objective is to generate a return on capital employed, or RoCE, after taxes that is above our costs of capital. With a RoCE of 62 percent, we easily surpassed this goal in 2011. Even if we calculate the capital employed without the increase in reserves for the Qimonda insolvency and without current liabilities connected with the share buy-back program, we still have a RoCE of 46 percent.

Ladies and gentlemen, the excellent results in the 2011 fiscal year bear out the strength of our business model.

Our job is now to prove that Infineon can stay on course even under difficult market conditions. My message is that we are aiming for a segment result margin of 15 percent on average over a whole economic cycle and a RoCE which is significantly above our costs for capital. Taking into account the asset intensity, both with regard to our existing business and growth investments, at 15 percent segment result margin we are aiming for a return on capital employed that is sustainably above costs of capital. Our growth also provides encouraging boosts to the value of our business to you the shareholders.

I would like to make a few comments on the development of employee statistics. At the end of the fiscal year, 25,720 people were employed in the Infineon group. This figure is only 934 lower than the previous year's, although 3,000 employees transferred to Intel's mobile phone business because of the sale.

One of the reasons is the high demand as regards production and the associated rise in employees. Another reason is that we had to selectively increase employee numbers in certain departments. Slightly more than 4,300 people were recruited in the previous fiscal year. Just under 3,000 of these were for production. In terms of regions, just under 2,900 people were hired at the Asian sites.

Overall, at about nine percent the number of our employees in continued operations grew significantly slower than the revenue.

Now I would like to take a look at our statement of financial position:

In the previous fiscal year, our non-current assets rose by almost half a billion to Euro 1.9 billion which is primarily due to the previously mentioned investments in property, plant and equipment. We have continued to reduce our financial liabilities as part for example of the capital return program - which I will be going into in more detail later on in my speech.

As of 30 September 2011, our gross cash position amounted to Euro 2.7 billion. Compared with Euro 1.7 billion on 30 September 2010, this figure represents a rise of 56 percent. The increase chiefly reflects the cash flow from the sale of our mobile telephony business to Intel.

Balanced with the financial liabilities, compared with the previous year the net-cash position improved by just under Euro 1.1 billion to almost Euro 2.4 billion.

Our current financial position allows us to feel very confident about the future. By making investments, Infineon can continue its organic growth and will allow you our shareholders to participate in this success by means of the capital return program for example. As already announced on 1 February, we are once again highly active on both these fronts in the current fiscal year too. Should interesting acquisition options arise, we want to take advantage of these too. But in this case too, in addition to a number of requirements regarding whether such acquisitions make strategic sense, the rule is: every acquisition must at least recoup the costs of capital.

The reserves created on 30 September 2011 due to the Qimonda insolvency equal Euro 300 million. I hope you understand that we cannot go into detail about actual reserves provided for individual liabilities and risks in conjunction with the Qimonda insolvency. We do not want to prejudice current litigation and our negotiating position with the liquidator.

At the end of the reporting period on 30 September 2011, the assets totaled just under Euro 5.9 billion. This figure is an increase of Euro 880 million on the previous year.

On the same date, our equity amounted to around Euro 3.4 billion. This translates into an increase of Euro 730 million on the previous year. At 57 percent, the equity

capital ratio was four percentage points over the previous year's figure and is an indication of our very firm capital structure.

Ladies and gentlemen, the 2011 fiscal year has proved what earning potential your company has when the economy is doing well. Working at full capacity, we generated a segment result margin of 20 percent. However, since the summer of 2011 macro-economic conditions have worsened. We were also affected by this trend. Consequently, revenue in the first quarter of the 2012 fiscal year dropped by nine percent. For the 2012 fiscal year we expect a decline in revenue in the mid single-digit percentage range. After 2002 and 2009, this would be the third year since Infineon was founded that revenue has shrunk.

However, we are optimistic because in the first quarter of the downturn we still delivered a segment result margin of 15 percent. After 14 percent in 2010 and 20 percent in 2011, this is a very important step towards achieving this margin on average over a full economic cycle too.

As the development of the share price shows, the capital market is increasingly sure that we will meet our targets. Since the beginning of the 2011 fiscal year until the end of February 2012, the DAX has risen by 10 percent. The Philadelphia Semiconductor Index, or SOX, has shown much more substantial growth of 22 percent. Infineon on the other hand has left the SOX as a comparable index trailing way behind. In this period, your shares gained 49 percent in value.

The only downside is the extremely high volatility of the shares. I would now like to explain how we are endeavoring to make a virtue out of necessity.

At the past annual general meeting, you authorized the management board to buy back shares and to use derivative instruments. By buying back shares and our convertible bond, we have reduced the number of diluted shares and therefore boosted participation of the remaining shares in the future success of the company. We believe that share buy-backs, whether directly via the share or indirectly via the convertible bond, are a good solution particularly when share prices are weaker. In the last fiscal year, we were able to make use of the extreme fluctuations in share prices to reduce the remaining number of fully diluted shares. In this respect, it was especially

useful to be able to write put-options on our own shares. At the same time implied volatilities of up to 45 percent were paid on the Infineon share. If we take into account that at the climax of capital market turbulence in the summer of 2011 roughly one third of our market capitalization was covered by our net-cash position, there is still much higher volatility for the value of our operational business. Because of their very nature, the value of fixed-term bank deposits and money market funds is only subject to extremely low volatility. Therefore, we believe that writing put-options as part of the capital return program is a suitable method of exploiting the extreme nervousness on the capital market to our benefit. Since the beginning of the 2011 fiscal year, up to and including 29 February 2012, in combination with buy-backs of our convertible bond we have bought back 40.7 million fully diluted shares, or 3.74 percent of the share capital outstanding at the beginning of the 2011 fiscal year. By the end of February 2012, in accordance with paragraph 71, section 1, sub-section 8 of the German Stock Corporation Act (Aktiengesetz) a total of seven million shares with a notional value of Euro 14 million, or 0.6 percent of the share capital, were purchased via put-options at an average purchasing price of Euro 6.62. Premiums received for expired or exercised put-options are not taken into account in this average price. Deducting this pre-tax cash flow produces an average purchasing price of Euro 6.06.

If we take into account all premiums received by the end of February 2012 for expired or exercised put-options, as well as the present value of the savings on interest for bought-back convertible bonds, the average price for the bought-back underlying shares is Euro 6.23. By comparison, Infineon's volume-weighted share price was Euro 6.71. Furthermore, by buying back the convertible bond we were able to achieve tax-deductible losses of over Euro 100 million which reduce the price effectively paid after taxes per underlying share and therefore the pressure on our liquidity.

Since the beginning of the previous fiscal year and including the dividend of Euro 109 million paid out in February 2011, we have used Euro 362 million for the capital return program. This figure excludes the current value of the savings on interest for bought-back bonds, as well as premiums received for all expired and exercised put-options by the end of February, but does not exclude tax. By the end of February 2012, there are still put-options with an exercise value of Euro 116 million for 22 million shares, for which we have received premiums of Euro 8.5 million. The options were issued with a maximum term of nine months.

To you as shareholders, I would like to say that Infineon has made the right choices. Energy efficiency, mobility, security are not just vast challenges to society as a whole, but also growth drivers for Infineon. In the past, Infineon grew much more quickly in these markets than the global economy or the semiconductor markets did. In the future we want to step up the pace. There are plenty of opportunities for investment in organic growth. And we will consistently grasping them. At the same time, the rule of thumb is that every investment must at least cover its costs of capital. Which is why the target margin throughout the cycle is 15 percent. In this respect, we are not prepared to make any compromises. Growth must translate into results. This is the cornerstone for constantly increasing the value of Infineon and the value of your company.

Thank you for listening.

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