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Infineon Technologies AG

Annual General Meeting 2014

Munich, February 13, 2014

Embargo 10:15 am

- The spoken word prevails -

Many thanks, Mr. Mayrhuber.

Dear shareholders,

Good morning – and welcome!

I would also like to extend that welcome on behalf of my colleagues on the Management Board, Dominik Asam and Arunjai Mittal.

Ladies and Gentlemen,

- What is our assessment of fiscal year 2013?
- Where do we stand now with Infineon?
- What are we doing today to secure tomorrow's success?

I would like to answer these key questions about the situation of our company today.

A year ago, I presented our goals and strategy to you. I am delighted to be able to tell you that we are making good progress.

Review of fiscal year 2013

Ladies and gentlemen, at the beginning of the last fiscal year, Infineon faced major challenges. The global economy was performing poorly, and it was difficult to make forecasts. We were expecting a marked fall in our revenue and operating result.

In the first quarter, demand for our products slumped by over 13 percent. We responded quickly and flexibly to counter this: Production capacity that was not required was temporarily shut down, and projects were sidelined or canceled. We cut costs throughout the company. Overall, we reduced our spending by over 100 million euros. But in everything we did, we always maintained our focus on our long-term strategy and drove forward our important projects for the future.

As we forecast, the markets recovered in the second half of the fiscal year. We were able to step up production again quickly and gain market share. Our revenue, result and margin rose for several months in succession. And by the end of September, we were able to look back on a successful fiscal year.

My colleague Dominik Asam will present the figures for the last fiscal year in more detail.

But I would like to highlight three key figures here:

- Revenue of 3 billion 843 million euros
- A segment result of 377 million euros
- And a segment result margin of 9.8 percent

Compared to fiscal year 2012, revenue fell by just 1.6 percent. That means that group revenue was significantly better than we had expected a year before. Not only that, but Infineon remained profitable at all times – even when demand reached its low point in the first quarter.

The four segments generated more revenue overall in fiscal year 2013 than in the previous year. Group revenue fell slightly due to the other operating segments, which were reduced in size according to plan.

Let's take a brief look at the four segments individually: Automotive, Chip Card & Security and Power Management & Multimarket were able to increase revenue compared to 2012. This more than compensated for the fall in revenue in the Industrial Power Control segment.

Revenue in the Automotive segment rose despite the persistently lackluster automotive market in Europe. Sales figures in the U.S. and China enjoyed a positive development. In addition, demand for premium vehicles from German manufacturers remained at a high level. This is good for Infineon since premium vehicles require semiconductors worth 1,000 dollars or more. By contrast, the figure for midrange vehicles is around 400 dollars.

Power Management & Multimarket benefited from the growing global demand for smartphones and tablets. We have been able to more than compensate for the fall in demand for typical desktop and notebook PCs thanks to the boom in mobile devices.

Industrial Power Control had the most difficult year of all our segments – in particular because global demand for capital goods was initially very weak. After a major slump in the first quarter, however, demand increased rapidly.

Finally, Chip Card & Security had a successful year with its solutions for modern IDs and passports, authentication and payment cards. We are an important partner for many government agencies when it comes to secure digital personal documents. Europe plays a pioneering role here: 20 of the 35 countries around the world that provide their citizens with electronic ID documents with online functionality are in Europe. 70 percent of these European countries rely on Infineon solutions for this.

As you can see, ladies and gentlemen, we have fared extremely well in a difficult market environment.

Fiscal year 2013 delivers proof of our sound cycle management. In the semiconductor industry, in particular, identifying the ups and downs in the market in good time, assessing risks and opportunities – and then taking the right decisions – is something of an art. And we are increasingly improving our mastery of this art: We identify the dynamics at play in the market and are well prepared. We respond quickly and appropriately when demand rises or falls.

Our employees have made an essential contribution: with ideas, discipline, stamina, team spirit and drive – and also personal sacrifice. On behalf of the Management Board, I would like to thank them most sincerely for their commitment and efforts in this demanding period.

My thanks also go to the members of the Supervisory Board for the trust they have placed in us and for the constructive working relationship we have enjoyed during the fiscal year. They made every effort to support me and my colleagues on the Management Board. That has been a great help, particularly to me in my first year as CEO.

I would also like to express my sincere thanks to you, dear shareholders, for placing your trust in Infineon. Our aim is to continue to live up to your trust. That includes ensuring that you benefit appropriately from the company's earnings. You, too, should be able to share in the successes of the last fiscal year. The

Supervisory Board and Management Board therefore again propose a dividend of 12 euro cents per share.

At the Annual General Meeting in 2011 we announced to pay a dividend regularly. Since then, it has been our policy to continue to pay dividends. If you again agree to our proposal today, it will be the fourth year in succession that you have received a dividend payment from your company.

Performance and outlook

The last fiscal year demonstrated that our product portfolio secures the profitability of our company – even in difficult economic times. The three central topics of energy efficiency, mobility and security are already important for modern society and will become even more important in the future. We have the right products for important markets. And Infineon occupies leading positions in these markets.

Let me give you an example:

Here you see an IGBT module. It bears the name HybridPACK™ 2. This module is a central component of the powertrain of the new BMW i3 – BMW's first electric car. It regulates the speed of the electric motor, which delivers horsepower of 170, or 125 kilowatts.

But it's not just the centerpiece of the BMW i3 that includes Infineon products. Semiconductors also control the airbag and the LED lighting. Our chips deliver safety and ensure that the car has a long range. We are thus making a contribution to eco-friendly driving. Or, as BMW likes to say: sheer driving pleasure.

Infineon has played an important part in implementing this car. We are proud of that.

Ladies and gentlemen, I invite you to visit our exhibition in the foyer. There you will find the new BMW i3. Our staff will gladly explain to you how Infineon chips help to provide a totally new driving experience – clean, quiet and energy efficient.

Microelectronics is responsible for 80 percent of automotive innovation. Electromobility is only possible thanks to semiconductors. This is a market with great potential in the coming years. Infineon is the world's second-largest supplier of semiconductors for cars. And we also have technical expertise in electromobility. We will be assuming a leading position here and thus achieving sustainable, profitable growth.

As well as electromobility, our two other central topics of energy efficiency and security are also proving to be growth drivers. We see that in the current fiscal year: Demand for our products and solutions is increasing. The level of incoming orders is very satisfactory.

This is also clear from the forecast for the current fiscal year: The Management Board expects revenue growth of between 7 and 11 percent compared to the previous year. That marks a return to growth for Infineon. Profitability is also set to improve: We expect a segment result margin of 11 to 14 percent.

We are sticking to our target of achieving a segment result margin of 15 percent across the cycle. And we're on the right track to achieve that.

To secure further growth, we are planning to make investments of around 650 million euros in new machinery and buildings in the current fiscal year – above all, to increase our production capacity and develop our ability to innovate.

One focus of this is the development and expansion of our production capacity for power semiconductors on 300 mm thin wafers at our plants in Villach in Austria and Dresden. The first of these products were qualified by our customers last year, with more to follow this year.

Infineon has a clear competitive advantage here. We are currently the only semiconductor manufacturer in the world to master this technology. As the global market leader in power semiconductors, we also have the size and growth to fill our production lines and fully exploit the cost benefits of this pioneering technology. As capacity utilization increases at our plants, our profitability will continue to improve.

Production on 300 mm thin wafers contributes significantly to our sustainable, profitable growth. With this strategic investment, we are laying the foundation today for success in the future. Infineon will make good use of this lead.

The development and series production of power semiconductors on 300 mm thin wafers in Villach and Dresden is a clear commitment on our part to Europe as a production location. But the foundation for the future success of Infineon does not only lie here in our European home. In recent years, we have repeatedly made reference to the importance of the Asian region to our company. This applies, in particular, to China. Not only is the country an important production location; China is also a huge market and a leading export nation, which will continue to increase in importance.

We have to be involved in this. In the future, we want to work together with Chinese companies to develop products for export from China throughout the world.

To put it simply: Sustainable growth for Infineon is only possible if we grow, above all, in Asia.

We are very satisfied with how our company is developing in Asia. In the first quarter of the current fiscal year – from October to December 2013 – our revenue passed two noteworthy milestones for the first time:

- The Asia-Pacific region including Japan accounted for over 50 percent of revenue.
- At 22 percent, China accounted for a greater share of revenue than any other country – including Germany.

One example of the success of Infineon in Asia is the strategic partnership with the Chinese telecommunications company Huawei. Huawei and Infineon have a joint development laboratory in the city of Shenzhen. The two companies combine their expertise here and develop joint systems for mobile infrastructure. For Infineon, this partnership is an important step on the way to becoming a „local citizen“ – a company that is seen in China as a Chinese partner.

As you can see, ladies and gentlemen, we are increasing our presence in Asia. This is a very positive development. Here, too, it's clear that we have the right products for an important regional market. Our strategy of embedding Infineon more firmly in Asia – and China, in particular – is bearing fruit.

Nevertheless, I would like to emphasize that Infineon is and will remain a German company that is firmly rooted in Europe. And we will continue to generate a significant portion of our revenue in Germany and Europe. Key research and development work is carried out here.

For a whole range of industries, Europe remains the center of innovation – in particular for the automotive, mechanical engineering and aerospace industries. The success of these industries is based on an extensive network involving complex processes that cannot be easily duplicated. These successful industries have expertise throughout the entire value chain and in technologies that make them stand out above the international competition.

German engineering skills lay the foundation for success in the global market. That also applies to Infineon.

Transition from product thinking to system understanding

Ladies and gentlemen, a year ago I presented our new strategic direction to you: From Product to System. Based on a clear understanding of our customers' products, applications and markets, we want to continue to grow faster than the market in the future. We want to offer our customers added value that makes them more successful with our semiconductors than with those of our competitors.

To succeed in this, Infineon is developing the ability to see what is around the corner. Innovations and changes in markets generally come from a quite unexpected direction. We can identify and influence developments in markets at an early stage – and, wherever possible, before the competition.

Three capabilities are critical to this. Infineon has had two of these for a long time: outstanding expertise in both semiconductor technology and manufacturing. What we are now increasingly developing and encouraging is a clear understanding of systems. That doesn't just mean, however, that we need to know our way around the circuit diagrams of our customers' devices. We also have to ask ourselves:

- What's critical to the success of our customers?
- How are their markets changing?
- What regional and political factors are they subject to?

That's why we talk to automotive manufacturers, for example. We develop technical concepts jointly with them, even though it may be their suppliers to whom we subsequently sell our products.

For energy-saving power devices, we have to know how server farms work. When it comes to payment cards, we have to know the problems facing banks and their customers.

If we understand the requirements of the system, we can offer products with a better price/performance ratio – which is the critical purchasing criterion for our customers. Even if this makes the prices of our products a little higher, customers will still gladly pay them. With us, customers are more successful:

- Because they save money on many other components or cut operating costs.
- Because we give them an optimized overall system.
- Because with us, their time to market is shorter.

Semiconductors are a key technology in many different sectors. They are what make innovations possible: in the automotive industry, for example, in mechanical engineering or in the generation, distribution and consumption of power.

So it's no wonder that global sales of semiconductors per capita are continuing to rise: In 1980, this figure was around 3 US dollars a year, but by 2013 it had risen to over 42 dollars – and that's with a continuously growing world population.

Innovations that would be impossible without semiconductor technology have an impact on virtually all of us. One good example of this is traffic on the roads.

Chips now play a part in making driving safer. Sensors measure how far you are from the car in front. Microcontrollers calculate when you have to brake in

congested traffic and when you can drive off again. In the premium segment, these functions are already part of the standard equipment. And the future is already in the test phase: cars that drive themselves without any human intervention.

System-based thinking doesn't stop with sensors and microcontrollers. The entire system – comprising the interplay between the hardware and software – must be free of errors. We need the reliability of an aircraft at the cost of a car. We cannot achieve this unless we have delved deep into the car as a system and have the required development methods at our disposal.

Mobile phones provide another example of innovation in everyday life. On the left, you see a picture of the printed circuit board of a mobile phone from 2005 – filled with components involved almost exclusively in making phone calls. Today, this is dealt with by a few tiny chips, leaving valuable space for new functions.

You can see that when you look at the printed circuit board of a modern smartphone on the right. The phone function now takes up only a fraction of the space. Many new functions have been added. Chips from Infineon – marked in blue here – are behind a number of them, such as navigation, secure payments and rapid battery charging. Three microphones allow stereo recordings and eliminate background noise during phone calls.

You can see that space in a smartphone is in great demand. A colleague of mine once said: The most expensive real estate in the world is on the printed circuit boards of mobile devices.

That's why we ensure that our products not only become smaller and smaller but also increasingly powerful.

This is very clear with the latest generation of our navigation modules for smartphones. The smallest module on the market is not much bigger than a grain of sand – and less than half the size of its predecessor. In addition to

GPS, the module also supports the navigation standards of China, Russia and Europe. Its outstanding sensitivity means that it receives the signals of navigation satellites better and allows you to find your current position more quickly.

In moving on from product thinking toward developing an understanding of systems, we are maintaining a company tradition: a tradition of being able to repeatedly reinvent ourselves. Over the years, we have managed to develop this ability and demonstrate it impressively. This is evident in the applications in which our products and solutions are used: smartphones, server farms, flat screens, radar sensors and LED car headlights. 15 years ago, when Infineon was founded, many of these applications were not even conceivable.

We are presenting a further innovation for cars in the foyer: anti-glare headlights. This is the result of a research project involving a number of partners: Audi, Osram, Fraunhofer, NXP – and, of course, Infineon. The project was supported by the German Federal Ministry of Education and Research.

These matrix LED headlights consist of many small LED spots. Each of these illuminates a small area in front of the vehicle and can be controlled electronically and individually. Behind the rear-view mirror is a digital and thermal imaging camera. This provides the data for controlling the light.

As soon as the camera detects other vehicles, individual LEDs are rapidly dimmed or switched off. The light they cast does not dazzle the drivers of oncoming cars or the cars in front of you. The rest of the field of view remains brightly illuminated. This makes driving at night safer and less tiring.

But that's not all the system can do: As soon as the thermal imaging camera detects a pedestrian in the critical zone in front of the car, the pedestrian can be selectively illuminated with a light signal. This warns the driver, who can then react accordingly.

Another advantage of LEDs, for the drivers among you, is that they virtually never fail. Anyone who has ever had to change a car headlight will know the value of that.

In the new Audi A8, LED headlights are already being offered as standard equipment. Other models and manufacturers will follow soon.

There is also another Audi model in the foyer: the A3 e-tron, a plug-in hybrid. The car has an electric motor for driving in town and an internal combustion engine for longer trips. That significantly reduces its fuel consumption and emissions. Over 40 semiconductors from Infineon ensure the efficiency of the electric powertrain alone. Further chips in the vehicle improve safety and driving comfort.

With innovations like these, Infineon is holding its own in an industry characterized by its increasingly rapid pace of change. We make these changes possible. And with our strategic transition from product thinking to system understanding, we are laying the foundation for tomorrow's success.

Sustainability at Infineon

Ladies and gentlemen, our approach is to think today about what will come tomorrow. Our successes when it comes to sustainability are one example of this. Infineon is about more than just the pursuit of business objectives. We see it as our mission to combine business success with a commitment to sustainability and social issues.

Our CO₂ emissions offer a very clear demonstration of how we manage to include sustainability in our business model:

Like any company in industry, Infineon generates CO₂ emissions. That starts with the manufacture of raw materials such as silicon wafers, continues with the production of semiconductors in our plants and ends when we ship our products to customers. If we add that all up, we find that Infineon emitted a total of 1.2 million tons of CO₂ in fiscal year 2012.

On the other hand, our semiconductors increase the eco-efficiency of our customers' end products. Over the entire life cycle, they deliver savings of around 15.8 million tonnes of CO₂.

On balance, Infineon chips are thus responsible for a net benefit to the environment of around 14.6 million tonnes of CO₂. To put that into perspective: That corresponds to the annual emissions of around eight million cars.

One result of our efforts is that Infineon was included in the Dow Jones Sustainability Index in September for the fourth time in succession. This lists the world's most sustainable companies. And we are among the best 15 percent in this group. Inclusion in the index helps us because investors increasingly take sustainability into account when they make investment decisions.

Customers also praise us for it. Last July, Bombardier Transportation paid tribute to Infineon's high level of product responsibility and the positive contribution made by our semiconductors to sustainable transport. Infineon received Bombardier's Supplier Sustainability Award for 2013.

Industrial policy framework

Ladies and gentlemen, sustainability in thought and action goes well beyond cutting CO₂ emissions. Infineon will only be able to achieve business success and make a contribution to society in the future if the right industrial policy framework is in place.

I have already spoken about our investments. The 650 million euros that we are planning to invest correspond to around 15 percent of the revenue that we expect in this fiscal year. The majority of these investments are being made in Germany.

Investing must bring a return. This fundamental business principle has a particularly significant impact on the semiconductor industry, which, given the expensive plant required and the long-term nature of the decision-making involved, depends on an investment-friendly climate. Infineon has annual depreciation running into the triple-digit millions. This money has to be earned again.

Our country needs to do more today to ensure that we are still successful tomorrow and can maintain our leading position. Germany must be careful not to become some kind of industrial museum of days gone by.

Because other countries are working hard to catch up with us. Asian countries are supporting their industries with enormous sums of money. China recently launched a fund to support its semiconductor industry – worth a total of five billion dollars. Germany and Europe must make an effort to continue to remain competitive. China is not just an attractive market; it also represents a major challenge for European industry.

Germany must also be careful not to place too heavy a burden on its industry. Take Germany's „Energiewende“, the plan to transition from fossil fuels and nuclear energy to a sustainable economy based on renewable energy. There

can be no question that developing renewable energy is the right thing to do. Infineon is also making a contribution to this: Semiconductors ensure that wind and solar energy is generated efficiently and transmitted to consumers with as few losses as possible. But we mustn't think it's enough only to talk about the development of renewable energy. We also have to develop strategies for the efficient use of energy.

The German renewable energy legislation (EEG) is currently concerned only with generation and has created a difficult situation with rising levies. Only highly energy-intensive companies are freed from the costs associated with the legislation. This unequal distribution of the burden is a distortion of competition.

Let me illustrate this with some figures: The energy bill that Infineon has to pay this year in Germany would be almost 25 million euros lower in Austria – and almost 30 million euros lower in Malaysia.

This burden weakens Germany as a location for industry. German industry must not be unduly disadvantaged compared to its international competitors. This principle must be central to the amendment to the renewable energy legislation that the government is currently working on.

The „Energiewende“ or energy transition entails thinking sustainably. That applies, in particular, to the way in which we implement it.

Experience has shown that only with a healthy industrial base is the economy in Germany and Europe strong enough to hold its own against global competition and overcome crises as in the past.

A strong industrial sector is the foundation for economic success and prosperity in Europe. I therefore welcome the initiative of the European Commission to reindustrialize Europe. We are taking a step in the right direction here.

Closing remarks

So, to summarize, ladies and gentleman:

- First: Infineon completed fiscal year 2013 in a better position than was expected at the start of the year. With our products and solutions for energy efficiency, mobility and security, we have an effective business model to rely on. Even when demand was at its low point, the company remained profitable. We practice successful cycle management – we have the ability to respond quickly and appropriately to the current market situation at all times.
- Second: Infineon is currently in an excellent state. The prospects are good: Demand in our markets is increasing, and we are in a position to supply that demand. In the current fiscal year we expect significant increases in our revenue and results – in other words, sustainable, profitable growth. Infineon creates value.
- Third: By realigning the strategy of the company from product thinking toward system understanding, we are taking the right decisions today to secure success in the future.
- Fourth: Infineon combines business success with social responsibility and is among the most sustainable companies in the world.

We are ready for tomorrow.

Dear shareholders, ladies and gentlemen, many thanks for your attention.