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Annual General Meeting

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- the spoken word prevails -

Ladies and Gentlemen,

Welcome, on behalf of the Management Board, to the 2007 Annual General Meeting of Infineon Technologies AG.

Ladies and Gentlemen, a quick look at the latest news about Infineon here behind me should make it clear why I am more relaxed about this year's Annual General Meeting than I was last year! And I can honestly say that I am really proud of what we have achieved for Infineon during the past fiscal year.

We pressed ahead with our program to restructure Infineon consistently throughout fiscal 2006. The changes made are already beginning to tell and it would appear that we are very much on the right track.

- We split the company into two focused businesses, one for memory products and one for logic products, and
- we pressed ahead with the restructuring of unprofitable areas.

The restructuring phase will be largely complete by the end of the current fiscal year.

Results Fiscal Years 2006 and 2005

I intend to consider these issues in detail shortly, but first I would like to present to you the key financial indicators for the past fiscal year. Later Mr. Fischl will explore the financial data in depth as part of his address.

General growth in the semiconductor market enabled us to substantially improve revenues for the Infineon group to Euro 7.93 billion in fiscal 2006 from Euro 6.76 billion in fiscal 2005. This equals a gain of 17 percent. This is a highly satisfactory outcome since we grew significantly faster than the market which in 2006 as a whole grew by 8 percent.

The increase in revenues was essentially driven by two factors: first of all, the **Automotive, Industrial and Multimarket** segment enjoyed healthy growth, especially in the area of industrial and automotive applications; and secondly demand in the **Memory Products** segment was markedly stronger. The Automotive, Industrial and Multimarket segment posted year-on-year growth of 13 percent. Memory Products business meanwhile rose by a striking 35 percent.

Unfortunately we were unable to head off a fall in revenues in the **Communication Solutions** segment. Sales revenues in the segment did recover strongly in the fourth quarter, but the dramatic slide in demand for baseband products, largely due to the widely publicized events at our former principal customer BenQ Mobile, inevitably negatively impacted our annual sales figures. The discontinuation of the optical fiber components business also contributed to a decline of revenues.

Turning now to earnings, I have some welcome news to report. We have managed to significantly improve our earnings before interest and taxes year on year: while EBIT in fiscal 2005 was minus Euro 183 million; last year the deficit was much smaller at minus Euro 15 million.

The main contributor to this strong improvement was the **Automotive, Industrial and Multimarket** segment, which succeeded in boosting its EBIT margin from a solid

5 percent in the previous year to very nearly 9 percent in fiscal 2006. The segment's performance is all the more remarkable in light of the costs it had to digest over the fiscal year ended: not only did we ramp up our new production facilities at Kulim in Malaysia, but we also phased out production at Munich-Perlach. These two items together generated costs of around Euro 70 million.

Like the Automotive, Industrial and Multimarket segment, **Qimonda** also played a major part in improving our earnings. Qimonda managed to all but double its EBIT.

The **Communication Solutions** segment assisted too, reducing its negative EBIT year-on-year despite lower revenues.

All in all the past fiscal year brought significant improvements on the operational side. Unfortunately the positive impact of these gains was dampened somewhat by a series of one-off extra costs, most of which came from the carve-out and flotation of the memory business plus the insolvency of the German subsidiary of BenQ Mobile. EBIT for fiscal 2006 excluding these extra costs totaled Euro 181 million – a far better result than the previous year, when we achieved an EBIT before extra costs of minus Euro 79 million.

Results First Quarter Fiscal Year 2007

I would like at this juncture to take a brief look at our results for the first quarter of the present fiscal year and the outlook for the current quarter.

You will no doubt already be familiar with the first quarter figures released on January 29, 2007. However I think it is worth emphasizing that this was our first quarter to feel the full effects of the loss of BenQ sales.

Revenues excluding Qimonda have decreased as expected, but it is significant that we have managed to keep the operational EBIT at much the same level despite the prevailing difficult market conditions. EBIT for Infineon excluding Qimonda amounts

to minus Euro 9 million, which means that the operational results are more or less unchanged despite falling revenues.

Revenues for the Infineon group dropped by 7 percent to Euro 2.13 billion from Euro 2.29 billion last quarter. EBIT for the Infineon group rose substantially quarter-on-quarter to Euro 216 million from Euro 30 million.

Overall we expect Infineon without Qimonda to achieve at least stable revenues and earnings for the current quarter excluding extra costs.

Share Price

Having reviewed our results for the fiscal year ended, I would now like to look at how they and other factors affected the Infineon share during fiscal 2006.

The price of the Infineon share rose by 14 percent between September 30, 2005 and September 29, 2006. This, as you can see from the chart, means that our share outperformed the semiconductor market as a whole by quite a distance. The Dow Jones US Semiconductor Index fell four percent over the same period, as did the SOX semiconductor index. However the Infineon share failed to match the growth of the DAX, which was up by just over 19 percent.

A number of factors combined to push the Infineon share in the right direction. Chief among these were the carve-out and flotation of Qimonda, the rise in DRAM prices, the improved EBIT margin in the Automotive, Industrial and Multimarket segment and a host of highly promising new customers in the Communication Solutions segment.

The Infineon share did suffer a blow at the end of the fiscal year with the announcement of the insolvency of the German subsidiary of BenQ Mobile, but at Euro 9.35 on September 29, 2006 it was still well ahead of the previous year-end price of Euro 8.18.

Milestones

I would now like to turn my attention to the principal restructuring milestones reached by our company during fiscal 2006.

The ultimate goals of our restructuring program are to bring sustainable profitability to Infineon and ensure that we are able to share in the growth of the semiconductor market.

When I spoke to you here last year I highlighted two key priorities that we had set for 2006, namely:

- the successful separation of memory business and logic business and
- the successful restructuring of those areas still making a loss.

We pursued both of these priorities with vigor, and I am pleased to be able to report to you that our efforts have certainly paid off.

The **first priority** was to split the memory business and logic business into two separate companies. Our fundamental idea was to focus Infineon on two business areas, automotive and industrial electronics as well as communication solutions, rather than three as before, and thereby strengthen our position accordingly in the preferred segments.

Absolute size is no longer the principal parameter in determining the profitability of a semiconductor company: what matters today is the company's strength in the various segments of the market. When the benefits of size stemmed mostly from production, absolute size was vital, but now these benefits stem largely from development instead, so the critical factor is to target segment-specific expertise at the largest possible sales revenue. The decision we have taken, in other words, is that we would rather be strong in two fields than average in three.

It is my belief, moreover, that businesses of a distinct nature do better if they are managed separately and have the freedom to do what is right for them in each instance without having to make constant concessions to the need for synergies.

We completed the carve-out of the memory business on May 1, 2006 – two months earlier than initially planned – and successfully floated the memory products business on the New York stock exchange under the name **Qimonda** in August 2006. Conditions for the flotation turned out to be far from ideal: the climate on the exchanges in the USA deteriorated sharply during the summer and many planned IPOs were abandoned.

We, however, were undeterred, and where others put off the decision to go public we pressed ahead and achieved an effective launch for Qimonda despite the prevailing gloom. Ultimately we felt it was more important to forge ahead with the consistent implementation of our strategic restructuring than to hold out for the highest possible return on the sale. The decision met with criticism in some areas at the time, but all are now agreed that we were right to proceed as we did.

The performance of the Qimonda share since its initial listing has been more than satisfactory. The share gained almost 15 percent between the flotation on August 9 last year and the end of last week, rising from an initial price of US dollars 13 to US dollars 14.89 on February 9, 2007.

The Infineon share too has done very well since the carve-out: from a starting price of Euro 8.44 when Qimonda floated, it gained more than 40 percent to close at Euro 11.86 on February 9, 2007.

The performance of both shares really speaks for itself.

Qimonda remains a part of the Infineon group, but we still intend to reduce our stake in the company to a minority interest. When we choose to take the necessary steps depends on developments in the memory market, on Qimonda's performance relative to the competition and on our need for finance.

The second major task we set ourselves for fiscal 2006 was to restructure those areas still languishing in the red. Here too our efforts were not in vain, as we managed to drive business areas representing total sales revenues of Euro 700 million back into profitability. I think it is worth emphasizing that these earnings would have been lost to our company totally had we not been prepared to fight for the future of these areas.

A particularly significant turnaround came in the Automotive, Industrial and Multimarket segment, where we managed to return our Discrete Components and Sensors activities to profitability after a long spell of losses. The clouds also lifted from our Chipcard ICs area, which reached the break-even point in the fourth quarter of the year under review – one quarter earlier than planned.

The Communication Solutions segment's Tuners and RF Power Transistors business areas also moved back into the black. Wireline Communications, a long-time loss-maker in the Communication Solutions segment, has been on the road to recovery for a while now having achieved turnaround at the end of fiscal 2005. The fiscal year ended saw it not only post significant positive earnings before interest and taxes, but also substantially expand its market share. We expect another stable, positive result in this area for the current fiscal year.

Infineon has been criticized repeatedly in some quarters for allegedly taking far longer than other semiconductor companies to turn its fortunes around. I am aware of this criticism and would like to make our position clear in response.

First of all it is essential to draw a distinction between **portfolio measures**, by which I mean the closure or sale of areas of the business, and **restructuring measures**.

Portfolio measures are quick to implement, but are only an option when there is no apparent prospect of success in the long term. Like our competitors, we have parted company with several unprofitable areas in which we could see no potential for a lasting return to profitability. The optical fiber components business, for example, falls into this category.

The purpose of restructuring measures, in contrast, is to identify and root out the causes of poor profitability. Clearly this takes considerably longer to achieve. Some restructuring measures can be realized faster than others. Sorting out a poor cost structure, for example, is relatively quick work. A poor cost structure turned out to be the main cause of losses at Chipcards, which explains how we managed to reach break-even one quarter ahead of schedule.

Building up a customer base from almost nothing – the challenge we have faced for our mobile communication platforms since the insolvency of BenQ Mobile Germany – is the most time-consuming measure imaginable. We certainly appreciate the scale of the task, but have nevertheless decided to press ahead with this business because we have a very good technology base and because this market, still the second-largest semiconductor segment after the PC market, remains highly attractive. Our efforts to capture new customers for the mobile platforms over the course of the year ended proved very successful. We have been able to chalk up some very important new customers in the form of LG Electronics, Panasonic for UMTS and other top customers and, as announced last week, Nokia, and have also added breadth to our customer base.

It will undoubtedly be some time before the effects of these new customer acquisitions penetrate through to revenues and profits, and paradoxically, the more successful we have been in attracting new customers, the higher our costs will be in the meantime.

We remain confident, however, that the final days of calendar 2007 will mark the end of the period of losses in Wireless Communications and that fiscal 2008 will bring a return to positive EBIT.

“New Infineon”

Ladies and Gentlemen, when we speak of your Infineon in future, we will be referring to a company

- with revenues of more than Euro 4 billion;
- with around 30,000 employees,
- of whom, an outstanding figure here, 6,000 work in research and development;
- that invests around Euro 800 million in research and development; and
- that holds more than 22,900 patents to safeguard its technical leadership.

We have been very successful in almost all of our target markets for a long time and consequently occupy a strong position in the world market.

We are number 1 for power semiconductors, an area in which we have enjoyed prolonged success and a constantly expanding market share. Currently our market share stands at 9.4 percent.

We are the undisputed number 1 in access products for broadband communication with a market share of 19 percent.

We are number 1 in radio frequency solutions for wireless communication. Nobody supplies more radio frequency components for mobile phones than Infineon. Our current market share in this area stands at 11 percent.

We have been the market leader for chipcard ICs for years. Our market share of almost 30 percent is greater than those of our two closest competitors combined.

We enhanced our position considerably last year in key markets such as the automotive industry. Our growth beat the market in 2005/06, enabling us to consolidate further the number 2 position we have occupied for some years.

Our share of the world market currently amounts to more than 9 percent, and we remain number 1 in Europe.

We intend to continue developing the strengths that brought us to this position.

Focus Areas

We have chosen to enhance our strengths by concentrating our activities on three critical areas, each of which can reasonably be ranked among the great challenges of our time. These are:

- Energy Efficiency,
- Mobility and
- Security.

I would like to start with Energy Efficiency.

The release of the most recent report from the UN's Intergovernmental Panel on Climate Change two weeks ago thrust the issue of climate change firmly back onto the front pages. "The Earth is burning", the headlines proclaimed. Few challenges loom as large for humanity as that of climate change. There is no magic bullet with which to stop it; what we have instead are a range of technologies, each of which can make a greater or lesser contribution to solving the problem.

Electronics in general and power semiconductors in particular will play an essential role in making these technologies deliver, and as the global market leader in power semiconductors Infineon bears a particular responsibility in this respect. Power semiconductors can improve efficiency substantially in the generation, transmission and consumption of energy.

Let me give you a few examples from everyday life.

The traditional electric hob has a huge appetite for energy: when it tries to heat up a pan of soup, it ends up heating the entire cooking surface as well. Induction hobs equipped with our IGBTs – a special type of power transistor – can cut the energy consumed in cooking by up to 70 percent.

One of the most inefficient energy consumers of all is illumination: lighting alone is responsible for 15 percent of the world's total electricity consumption. A lamp fitted with an electronic ballast needs just a quarter of the energy used by a conventional incandescent bulb. Our CoolMOS products include vital components for these ballasts.

Our power semiconductors are used in washing machines to control the drum precisely and efficiently so that it always rotates at just the right speed. The compressor in a refrigerator, in contrast, knows only two states: on and off. Effective compressor management using technology such as our IGBTs can slash the energy consumption of any refrigerator or electric air conditioning unit by up to 25 percent.

Televisions, stereo systems and home computers consume energy insidiously whenever we turn our back: today we need an entire nuclear power station just to power all of the televisions left on standby in Europe. Chips from Infineon can reduce this waste to just a hundredth of its present magnitude. Our power semiconductors are particularly effective at reducing energy consumption in power supply units and voltage regulators.

Current price trends are such that the cost of the electricity consumed by a server will soon exceed the acquisition cost of the server itself. We can reduce server power consumption substantially using our CoolMOS and OptiMOS products – power transistors that have the ability to control major power consumers without themselves generating too much heat and thereby wasting energy. The operator of a very popular search engine with several hundred thousand servers around the world that

recently switched to our products calculates that it will recover the cost of the change in less than a year as a result of lower electricity bills.

Wind and solar power and the various water-driven generation technologies already contribute a fifth of the world's electricity, and the importance of these renewable technologies will undoubtedly continue to grow as global demand for energy around the world rises. Power semiconductors from Infineon sit at the heart of such systems: without power semiconductors, the varying flows of energy made available by wind and solar radiation could never be converted to give the constant voltage and defined phase position necessary if electricity is to be fed into the power grid.

No discussion of energy efficiency would be complete without a mention of the car. Automobile hybrid drives, which recover energy from the vehicle during braking, can cut consumption by 10 percent or more depending on the driving cycle. We have developed power modules especially for use in hybrid drives, making us an important player in this technology of the future. Hybrid drive automobiles, I should add, contain a sizeable quantity of semiconductors too. A conventional car uses around a third of a silicon wafer, a hybrid vehicle requires a whole wafer.

Ladies and Gentlemen, reducing energy consumption is one of the great issues of the moment across a tremendous spectrum of applications and, as you can see, promises enormous potential for Infineon and for our power semiconductors in particular. May I remind you at this point that we are already the global market leader for power semiconductors and that we managed to increase our lead over the competition once again during the year under review.

Thanks to our new production facilities in Kulim, Malaysia, which began producing power semiconductors for use in industrial and automotive applications in August 2006, we now have both the capacity to keep pace with rising demand and, most importantly, a very competitive cost structure.

Our second focus area, **Mobility**, also harbors huge potential.

Today almost everyone wants to be able to access information and receive incoming communication via a cell phone, broadband internet connection or wireless application from anywhere at any time.

We used the fiscal year ended to launch a series of innovative products that are further strengthening our position in mobile communication platforms, radio frequency solutions for wireless communication and high speed data networks. These new products include chips for use in mobile communication that reduce manufacturing costs – and hence acquisition costs – dramatically by integrating all aspects of mobile communication functionality on a single chip.

A few days ago we presented another innovation, a single chip called the S-GOLDRadio that supports the EDGE mobile communication standard, at the 3GSM World Congress in Barcelona. EDGE is the fastest growing segment in the mobile communication market and the largest in terms of volume. The S-GOLDRadio is the most highly integrated chip for the EDGE standard. Presently the prospects for the mobile communication market look very good: around a billion mobile phones have been sold over the past year, and the market researchers tell us there will be somewhere in the region of 3.5 billion mobile communication subscribers by the end of 2010. Naturally we intend to share in this growth, and have accordingly sharpened up our product portfolio and aligned it even more closely with the requirements of our key customers.

The product innovations of the last fiscal year also include chips that will allow telephony, internet access and television reception over one and the same cable to become a reality. Anyone who has spent time in Munich recently must have noticed the gray cabinets that Deutsche Telekom has installed by the side of the road all over the city. These are distribution boxes used to connect homes to the company's VDSL network, a network that operates with Infineon chips. This is one more area in which we see strong potential: data networks will continue to converge, and our broadband business will continue to expand accordingly. A few days ago we announced that our

VDSL technology has now also been adopted by Korea, the country with the highest broadband density in the world!

One further technology highlight I ought to mention is the world's smallest GPS receiver, which Infineon announced only recently. Another single-chip design, the CMOS-GPS receiver has been developed specifically for mobile phones, smartphones and portable navigation systems. The chip scores highly on several fronts, notably its low power consumption and very small size.

The third of the three focus areas on which we have chosen to concentrate is **Security**, by which we mean the protection of people, data and intellectual property.

Security is a matter of growing concern for all, not least because the new technical capabilities that emerge every day are unfortunately also available to those intent on misuse.

Consequently data security looks likely to become even more important in future for individuals, companies and the state alike. Our expertise in the field of secure hardware gives us the ability to make a significant contribution to protecting intellectual property, personal data and business intelligence.

We are presently involved in providing improved security against passport counterfeiting and better protection for personal data on health records and credit cards, for example, in numerous projects around the world. Our strong position in the areas of security and contactless technologies, furthermore, enabled us successfully to attract a series of highly promising new projects over the course of the last year.

The US government, for example, has chosen to use high security chips from Infineon in its passports in future, which means that we are now supplying the largest national passport project in the world. We have won a new customer in the area of payment systems too in the form of MasterCard, as a result of which we are currently involved in one of the world's largest projects for cashless payment using contactless chipcards.

Although you may not realize it, you are actually using one of Infineon's contactless technologies right now: as in previous years, the envelope containing the entry ticket and voting card block which you used to register at the door contains an RFID chip from Infineon. This chip ensures not only that every shareholder is definitively identified, but also that each of you is able to gain entry to the Annual General Meeting easily and without having to stand in line for too long.

Our Trusted Platform Module, a security chip that prevents unauthorized data access on notebooks and PCs, boosts the security of individual systems and thereby makes e-commerce as a whole safer. The market for security chips of this type is expected to grow from 50 million units in 2006 to 250 million units in 2010. We anticipate that Windows Vista, the new operating system from Microsoft, will trigger a surge in demand in this area. Recently we announced that we would be the first company to offer a solution for Windows Vista based on the Trusted Platform Module.

Growth: Acquisitions and organic growth

That concludes my remarks on our main growth fields.

Ladies and Gentlemen, I said at the beginning of my address to you here today that by reducing our share in Qimonda we want to make the two other businesses stronger, especially in the growth areas just described.

So, how do we intend to do this?

In two ways: we will make acquisitions and we will grow organically.

Today acquisitions are recommended as a quick measure. Often the stock exchange rushes to show its approval even when the integration work required has yet to be completed and real hard evidence of value creation has yet to emerge. We believe in a cautious approach to acquisitions. Only when there are clear benefits to be gained, be it through scale effects or access to new markets or technologies, will we have

recourse to acquisitions. Of course acquisitions are by their nature difficult to plan: the other party must be prepared to be acquired and, most importantly, must be motivated chiefly by the advantages of the acquisition rather than the lure of a high price.

Much more important for us than acquisitions is organic growth. Organic growth is more reliable, more easily planned and, on average, more successful as well. And with our position in the growth fields I mentioned previously, we feel we have more than enough potential for successful growth.

Manufacturing strategy

Ladies and Gentlemen, at this point last year I presented our production strategy to you. I explained that we intended to continue to do our own manufacturing in those areas in which product and production technology are closely linked and in which our in-house manufacturing expertise gives us a significant competitive advantage. This is very much the case for power semiconductors and analog and mixed signal circuits, but for our advanced logic products – logic circuits using the very latest technologies – we prefer to make use of foundries.

The decision to follow this approach represented a major step for us at the time, but as you have probably noticed in the media over the last few weeks, some of our main competitors have now elected to adopt the same strategy.

ICoRe – Infineon Complexity Reduction Program

Another of the tasks we set ourselves for the year ended was to reduce the complexity of our organization. Not only does complexity cost money, but it also diminishes performance for the customer and threatens to stifle employee motivation if commitment cannot be converted into corresponding results. Infineon's costs have

not necessarily fallen proportionately following the carve-out of Qimonda. The memory business tends to be a fairly straightforward business anyway, but in this case we also made a special effort to make sure that Qimonda started out with a very lean structure.

We developed “ICoRe”, the Infineon Complexity Reduction Program, to tackle our complexity issues during fiscal 2006 and have already implemented large parts of it. We have scrutinized all of our administrative activities to ascertain whether or not they are essential and have examined the possibilities for simplifying them, for example by reducing the division of labour. We expect the improvements realized to deliver savings of Euro 50 million in the current fiscal year rising to Euro 80 million in the next fiscal year.

Objectives

Ladies and Gentlemen, over the course of the last two years we have laid solid foundations for sustainable profitability for your company. Now the time has come to specify exactly what it is that we hope to achieve.

We have summarized our objectives under the headline “Focus on 10”. What does this actually mean? We want to achieve an EBIT margin of at least 10 percent. And we want to grow by at least 10 percent every year.

By when do we want to achieve these objectives, and in particular by when do we want to hit our earnings target?

We intend to spend the current fiscal year doing everything we can to break even.

We will then aim in the next fiscal year to advance half way to our objective.

Come the year after that, we should be closing in fast on our target figures.

I appreciate that predictions of this nature are inevitably subject to greater uncertainty in the semiconductor market than in other markets, and also that we are still a long way from where we want to be, but rest assured we will do our utmost to get there.

Closing remarks

Ladies and Gentlemen, we have dedicated the last two fiscal years to building the platform Infineon needs to break into robust profitability.

The key elements of this process were:

- the move to concentrate on logic business by carving out Qimonda,
- the restructuring measures implemented in the various business areas and plants, and
- the adoption of the new manufacturing strategy.

The current fiscal year is a time of transition during which we will be devoting all of our efforts to returning the mobile communication area to profitability.

I would like to close by thanking you for the trust you have shown in us over the last two years.

Your support has enabled us to come this far. Now I and my colleagues on the Management Board intend to consistently do everything within our power to pursue and achieve our next set of short- and medium-term goals: on that you have my word.

Thank you.

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