

– The spoken word prevails –

Ladies and Gentlemen, .....

Welcome on behalf of the whole of the Management Board to the fifth Annual General Meeting of Infineon Technologies AG.

It gives me great pleasure to appear before you today for the first time and give you as Infineon's shareholders an account of the position and progress of your company.

You will already be familiar with three of my colleagues on the Management Board, Mr. Bauer, Mr. Fischl and Dr. von Zitzewitz, but today we also have one new face on the podium who has already been introduced by Mr. Kley: Mr. Loh. Mr. Loh has been with Siemens and Infineon for 26 years and was most recently responsible for the Asia/Pacific region. Very few can match his knowledge of our company and the semiconductor market. Mr. Loh's appointment to the Management Board on December 1 thus not only gives us the benefit of one of Asia's leading semiconductor experts, but also makes our Board considerably more international.

I will begin my address with a recap of the fiscal year ended. Mr. Fischl will present the key financial data to you later. I also intend to speak briefly about our less than altogether satisfactory results for the first quarter of 2005 before moving on to consider the outlook for the rest of the current fiscal year. In this respect I will draw particular attention to the reorganization of responsibilities in the Management Board and comment on some recent events.

**Results for fiscal 2004**

**Fiscal year 2004 sales and results**

(according to US GAAP in € m)	FY 2003	FY 2004
Net sales	6,152	7,195
Sales growth (%)		17
EBIT	(299)	256
<b>Therein impairments and antitrust related charges</b>	<b>(126)</b>	<b>(345)</b>
Net income (loss)	(435)	61
Net income (loss) per share (€)	(0.60)	0.08

2004 was a good year for the semiconductor industry. Preliminary figures in US dollars indicate that the global market for semiconductor products grew by more than 23 percent. Infineon too enjoyed a good period of continued growth, although the year was not entirely free of difficulties.

Assessed on a like-for-like basis, Infineon closed the fiscal year ended with its best ever sales revenue figures. Despite the weakness of the dollar, sales revenue beat fiscal 2003 by 17 percent to finish at 7.2 billion euros. In other words, our sales revenue would have been approximately 445 million euros higher had the dollar maintained a stable exchange rate. In dollar, our growth would even have amounted to 24 percent.

Fiscal 2004 also saw us move back into profit after three years in the red. Earnings before interest and taxes jumped by more than half a billion euros to 256 million euros. Net income grew by almost half a billion euros as well; I need hardly point out, however, that a net income position of just 61 million euros is still entirely unsatisfactory both for you as shareholders and for us as a company.

Exceptional effects hit net income hard, most notably the fine of 160 million dollar in connection with the antitrust investigation in the USA. It has to be kept in mind that the DRAM investigations not only concern Infineon alone but the bigger part of the memory industry. These fine payments hurt the company. We nevertheless felt that it was right to take this step. In all the companies affected the continuing investigations are tying up considerable internal resources. Therefore, it was very important for us to put the case firmly behind us.

In addition, we have already enacted concrete measures to prevent any repeat of this type of situation in the future. In this context we organized an intensive training program and tightened up our business rules. Never again can we allow the company to lose so much money over events of this nature.

Valuation allowances on goodwill arising from the acquisition of Catamaran in fiscal 2001 also impacted on our results and we were forced to accept expenses for declines in value due to terminated venture capital activities.

Our performance would have been 345 million euros better without the negative effects of these factors. If we take into account all exceptional effects, our operative improvement on last year has been even more impressive, namely about 900 million euros.

What is also satisfying for me is the fact that we managed to improve our free cash flow substantially: 206 million euros is quite an achievement after a loss of 53 million euros in fiscal year 2003. We even managed to more than double our net cash position. At the end of the fiscal year it amounted to more than half a billion euros.

I want to seize the opportunity to thank all of our people at all Infineon sites for another year of hard work and outstanding commitment. Our employees have gone the extra mile for Infineon in start-up phases at new sites, in initiatives to

acquire new customers, in the critical phases of various projects and in many other areas as well. In the weeks immediately following my appointment I visited almost all of Infineon's sites in Europe, Asia and North America. Wherever I went, I was continuously reminded of the high skill levels, can-do attitude and pervasive team spirit of our Infineon employees. This is a strength we need to acknowledge and one for which I am enormously grateful.

**Share price**

Ladies and Gentlemen, a word now about the Infineon share. I have no intention of beating about the bush. Our share price is unsatisfactory: it hurts you and it hurts us, of that there can be no doubt.

However, we as a Management Board will continue to concentrate on our business and will not be induced to shortterm measures by the stockmarket.

Share prices are a consequence of a company's performance and we therefore intend to devote all of our efforts to this earning power. Such measures include cost reductions but also and even more important the accomplishment of our customers' satisfaction as the immediate and day by day indicator of our achievements. If we wish to boost our share price, the first step has to be to take better care of our customers. That, and only that, is what drives the members of the Management Board.

**Business groups**

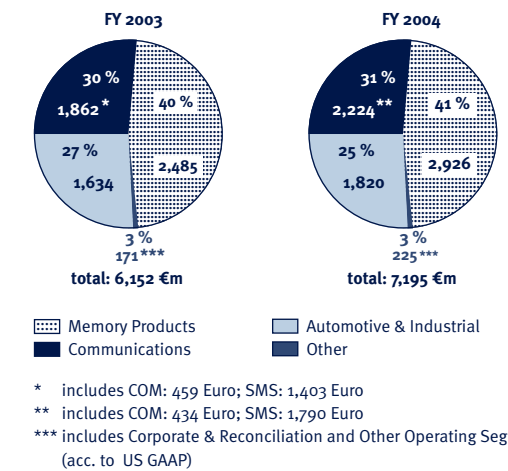
Let's now move on to the individual business units. All of our business groups have played their part in improving Infineon's position over the past fiscal year.

The Automotive and Industrial business group has turned in record sales revenue figures quarter after quarter. The Memory Products and Secure Mobile Solutions business groups have also both increased sales revenue significantly,

while the Wireline Communications business group has managed to cut its operating loss. Wireline Communications, I should point out, has been operating in the face of intense competition and considerable pricing pressure for many years.

**Sales by segment**

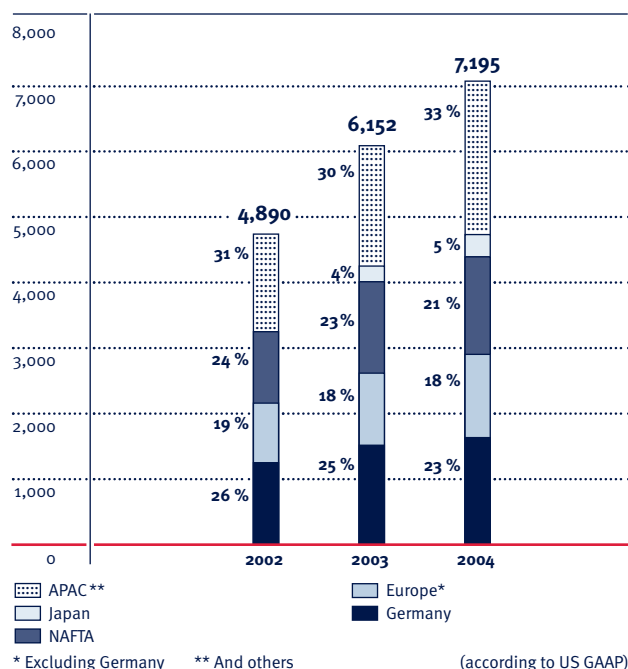
**Sales by segments**  
financial years 2003 and 2004



Now about the composition of our sales revenue. Relatively little has changed here: Memory Products still accounts for around 40 percent of our sales revenue and the contribution of the Communications segment is also almost the same at 31 percent. Automotive and Industrial has slipped slightly, but this is perfectly normal for our company in boom years.

Sales by region

Strong growth in Asia and Japan

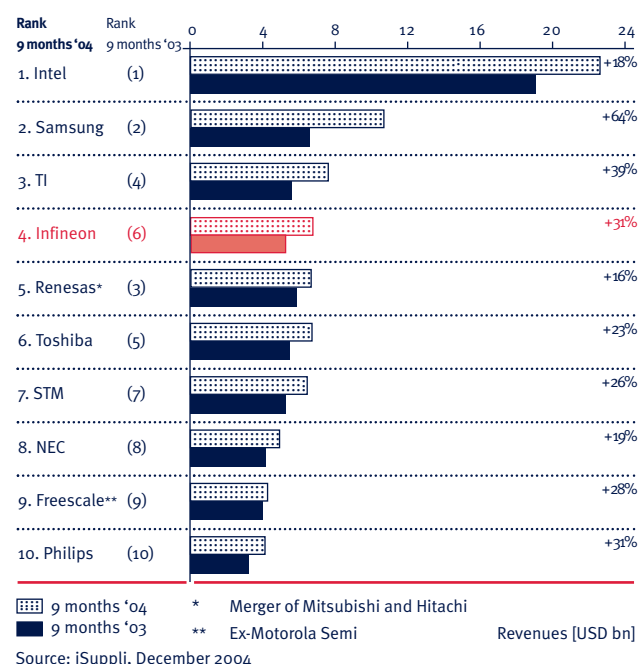


The breakdown of sales revenue by region for the fiscal year ended is considerably more interesting, as it reveals some significant changes as compared with previous years. The shift of our business toward the Asia/Pacific region is most striking. Our sales revenue in this area has been growing strongly for three years and we have yet to see any sign of a slowdown. The Japanese market too grows more important all the time, whereas Germany and the rest of Europe have fallen back slightly in terms of their ranking among the most important semiconductor markets. The percentage drop in North America also owes much to the current weakness of the dollar.

Ranking among semiconductor companies

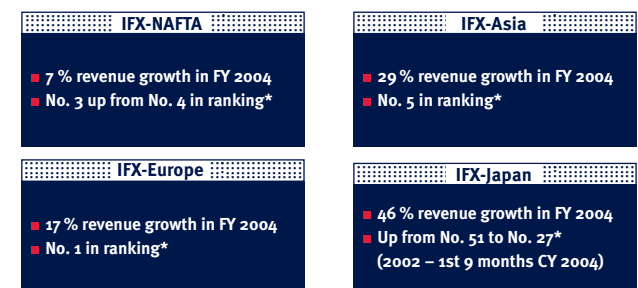
Our sales revenue growth, especially in Asia, has boosted our standing in the global semiconductor market as well as improved our position in certain key regions.

Worldwide semiconductor ranking 9 months 2004 and 9 months 2003



The figures available so far for the first nine months of calendar 2004 indicate that Infineon is now the world's fourth largest semiconductor company. Thanks to our growth we have improved by two positions. As the new number 1 in Europe we have actually broken through into the top spot. We are particularly glad to have become Europe's largest manufacturer for semiconductors. All of the preliminary estimates for the full year confirm this new ranking.

Infineon is gaining market share in most regions



\* Source: iSuppli, ranking for first 9 months 2004, based on USD

We have expanded our share of the market in almost all of the major regional markets. We are now number 3 in North America and have fought our way up to number 5 in the Asia/Pacific region. In Japan, which is one of the key markets for the electronics industry, our sales revenue has jumped by almost 50 percent.

These rankings mean that we have achieved a number of major objectives. The challenge now is to turn market strength into profit.

Investing in the future

Ladies and Gentlemen, as we have seen, Asia has become enormously important for our industry and looks set to remain so. The region's markets currently offer the greatest dynamism anywhere in the world in terms of growth and are leaders for technology-intensive high-quality products. Today, Asia is one of the most important lead markets, if not the most important, for the high-tech sector and in particular for microelectronics and consumer electronics. Any company aiming to succeed in the global high-tech industry must be prepared to compete head-to-head with the major players in these markets.

We have accordingly pressed ahead with our expansion in Asia as planned, and I would now like to tell you a little more about a few selected examples from among the many measures we have finalized or completed over the course of the fiscal year ended.

Investments for the future

- Opening 300-mm memory production site Inotera, Taiwan
- Opening of additional backend manufacturing capacities in Porto (Portugal) and Suzhou (China)
- Expanding Design Center Network, e.g. Xi'an
- Expansion of plant Richmond to 300-mm production
- Implementation of Corporate Software unit in Bangalore
- Power Logic Fab in Malaysia
- Expansion Memory Development Center Dresden

We opened the Inotera memory production facility in June 2004. Inotera is a joint venture with Nanya Technologies in Taiwan through which we will manufacture memory products together using our 300mm production technology. With its ramp-up, which will be completed by the end of this year, it will be the world's largest site for the production of memory products. Inotera's status as a joint venture allows us to benefit from low local factor costs and reduce our level of investment.

September brought the completion of our new assembly and testing facility for memory products at Suzhou near Shanghai. This facility processes our memory products, including products from our partner sites in Asia, and supplies our customers in China, Taiwan and other Asian countries directly. We have in addition opened a new site at Suzhou to provide IT support for our production processes.

Recruitment activities naturally follow investment and expansion, so it should come as no surprise to learn that most of our hiring activities are also focused on Asia and on sites such as the Design Center at Xi'an, China, and the backend facility at Suzhou, China, among others.

The USA and Europe remain important markets and sites for research, development and production alongside Asia. We built an additional module for assembling and testing memory products at Porto in June, for example, in order to increase our capacity.

We relocated the development of new memory technologies from the USA to Dresden. Accommodating development and production on the same site creates ideal conditions for rapid technological progress.

We are also working to upgrade our site at Richmond in Virginia to include a 300mm production facility for memory products. This is a comparatively cost-effective solution because we are only providing an existing building with new equipment. One welcome side-effect of these developments is that they also somewhat reduce our exposure to currency fluctuations.

Our spending on software, both in connection with our semiconductor products and in development and production, is increasing rapidly. We have therefore decided to pool our various activities in this area in a new unit called Corporate Software. Corporate Software is based in Bangalore, India, which is the world's leading software development center and already employs more than 400 people to develop not just software for our communications products, but also simulation programs for our product development activities.

I would like to use this opportunity to share some of our thinking with you concerning our decision to build a new production facility for power semiconductors in Malaysia. The power semiconductor segment has returned relatively stable growth across all stages of the cycle. Power semiconductors are used predominantly in automotive electronics, an area that seems set to grow in importance in light of the expanding market for automobiles in Asia. We do not have sufficient capacity at our existing facilities to meet the increase in demand in the medium term. Malaysia is an attractive site for us in terms of labor costs but also country and currency risks.

### Results for Q1, fiscal 2005

Yesterday we published our final results for the first quarter of the current fiscal year, which are anything but satisfactory. You will be aware that we issued a profits warning, which was partially criticized.

Ladies and Gentleman, we'd rather be criticized for having acted too cautiously in order to protect our shareholders than being exposed to the allegation of not having communicated in time. We would act exactly the same in a comparable situation.

#### Sales and results

First quarter 2004 v. fourth quarter 2004 v. first quarter 2005

(according to US GAAP in €m)	Q1 2004	Q4 2004	Q1 2005
Net sales	1,623	1,993	1,816
Sales growth (%)			(9)
EBIT	70	113	211
Net income	34	44	142
Net income per share (€)	0.05	0.06	0.19

As you can see from our publications, our sales revenue was down nine percent from the previous quarter at 1.8 billion euros. This does, however, still represent an increase of twelve percent over the same quarter last year. Earnings before interest and taxes amounted to 211 million euros. The sales revenue and earnings before interest and taxes figures both include the non-recurring license revenue of 118 million euros by ProMOS.

Three factors share the blame for this result. Firstly, the dollar remains weak. On the other hand, the market is softening significantly. Thirdly, we have implemented a range of measures to streamline our company ready for weaker markets, which have impaired our results in this quarter as for example the reduction of our inventories of logic products.

### Market and business outlook for fiscal 2005

Ladies and Gentlemen, I stated at the beginning of my address that with 23 percent growth, 2004 had been a good year for the semiconductor industry. We know only too well, however, that our industry is rather cyclical. A year ago the indicators still suggested 2005 would be another good year for our industry, but everything began to change in the summer of 2004 and since then the leading market research houses have been steadily revising their forecasts for 2005 downward. Current predictions for the market span the range from a contraction of one percent to growth of more than five percent.

On one point, though, all of the market researchers agree: 2005 will be a difficult year for the semiconductor industry. Growth in the market seems certain to slow substantially and may even grind to a halt.

Our order book for many of our applications is still suffering from uncertainties about inventories among our customers. Moreover, owing to the current order situation we have to expect a low utilization of our logic production. Especially with regards to secure mobile solutions products we anticipate a further severe decline of the EBIT margin.

Relatively small adjustments in the balance of supply and demand can lead to significant price changes in the area of memory products. Predicting these movements with any kind of accuracy is impossible. Given the nature and extent of these uncertainties, we cannot issue a forecast for fiscal 2004/2005 as a whole. I must ask for your understanding on this.

For our second quarter, we expect that seasonal effects, continuing price pressure and decreasing demands resulting from our customers' inventory adjustments will result in a further decline in sales and profit.

As soon as autumn 2004 we took measures to prepare for hard times. One such measure would, by way of example, be the "Smart Savings" that have already been reported. We have explored our company thoroughly once again in search of potential cost savings. The premise was to focus only on those activities that we would be able to retain even through

bad times. In this context, we have identified savings amounting to 200 million euros in the field of our fixed costs in the current fiscal year as compared with the original plan from September.

Another important measure concerns our facility at Richmond, Virginia, where we intend to begin production on 300mm wafers, as you know. We are, however, also relocating our backend operations from there to Suzhou in China, which will slice some 20 million euros off our annual costs.

### Reorganization

You have probably heard of the restructuring of our company in the media. So far, apart from Mr. Fischer's and my cross sectional competences, there had been a functional breakdown of responsibilities at Management Board level into sales under Mr. Bauer, production under Dr. von Zitzewitz and development, which was further subdivided into production units and under my responsibility.

While the growth that elevated our company to number four worldwide was most welcome, it unfortunately brought with it a less welcome traveling companion in the form of increased complexity. At the same time the market is becoming increasingly differentiated and necessitates ever quicker responses.

Therefore, we decided to neglect cross sectional competences and reallocate responsibilities on the Managing Board, with one Managing Board member presiding over each of the now three business groups.

#### Reorganization Infineon Technologies

Infineon Technologies AG Dr. Wolfgang Ziebart		
Peter Bauer	Peter Fischl	K. W. Loh
		Dr. Andreas v. Zitzewitz
<b>Automotive, Industrial &amp; Multimarket</b> Peter Bauer Dr. R. Ploss • G. Henschel	<b>Communications</b> K. W. Loh Prof. H. Eul • P. Gruber	<b>Memory</b> Dr. A. v. Zitzewitz T. Seifert • Dr. M. Majerus
Business Units Group Functions	Business Units Group Functions	Business Units Group Functions

Mr. Bauer will preside over the business group Automotive, Industrial and Multi-Market, Mr. Loh will be responsible for the business unit Communication and Dr. von Zitzewitz will head the business unit Memory Products.

We thus simplified our organizational structure by discarding one level. In some places further measures led to a reduction of up to four levels. However, what is even more important than having achieved a flattening of our hierarchical structure is the creation of smaller and more slender units which allow for unprecedented freedom of action.

A greater capacity to act, however, also means a greater responsibility for the accomplishment of our goals. And these goals are simple. The position of units with good profitability is clear: their objective is further profitable growth. Similarly, the first priority for unprofitable units must be to break back into the black.

But what are we going to do about units that fail to turn things around? How much patience will we have with units that cannot make a profit?

The simplest course of action would be to shut down groups that stall in the red without making a fuss about it. Such measure would agree with my image as a reorganizer. However, they would also harm our company's value and, as a result, you, our shareholders, and it would hurt our employees. For it is easy to destroy but hard to create. Therefore, we will conscientiously examine the possibilities for a reorganization of non-profitable units. Only if we realize that such a measure is impossible will we act appropriately.

#### Disclosure of Board Members' Compensation

At the end, I would like to address a topic, that has been discussed controversially in the public for months: the disclosure of the salaries of the Management Board. We have decided in the Management Board for the current fiscal year

to disclose the salaries of the Management Board in a way, that the salary of the Chairman of the Board will be disclosed separately and the salary of the other Board Members are published in total. For the past fiscal year we have decided against a disclosure, because otherwise we would have decided on persons and their salaries, who did not have a chance to play a part in the decision.

Let me tell you, that I perceive this disclosure as a considerable intervention in my personal affairs. But our personal affairs must stand back against the shareholders' interests respectively when it is in evidence that the company suffers from damage because it puts itself in an outsider position.

End

Ladies and gentlemen,

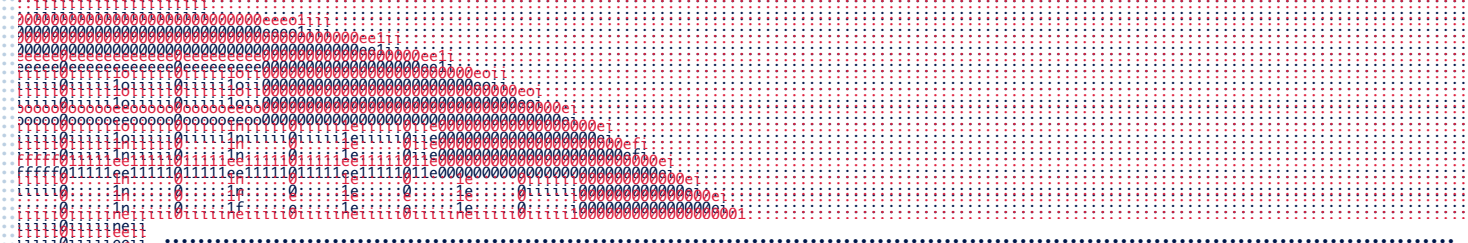
we have finished an eventful year for Infineon and for our employees.

And we face a year with a difficult market.

But I am sure: We are on a good way and we have a lot of potential.

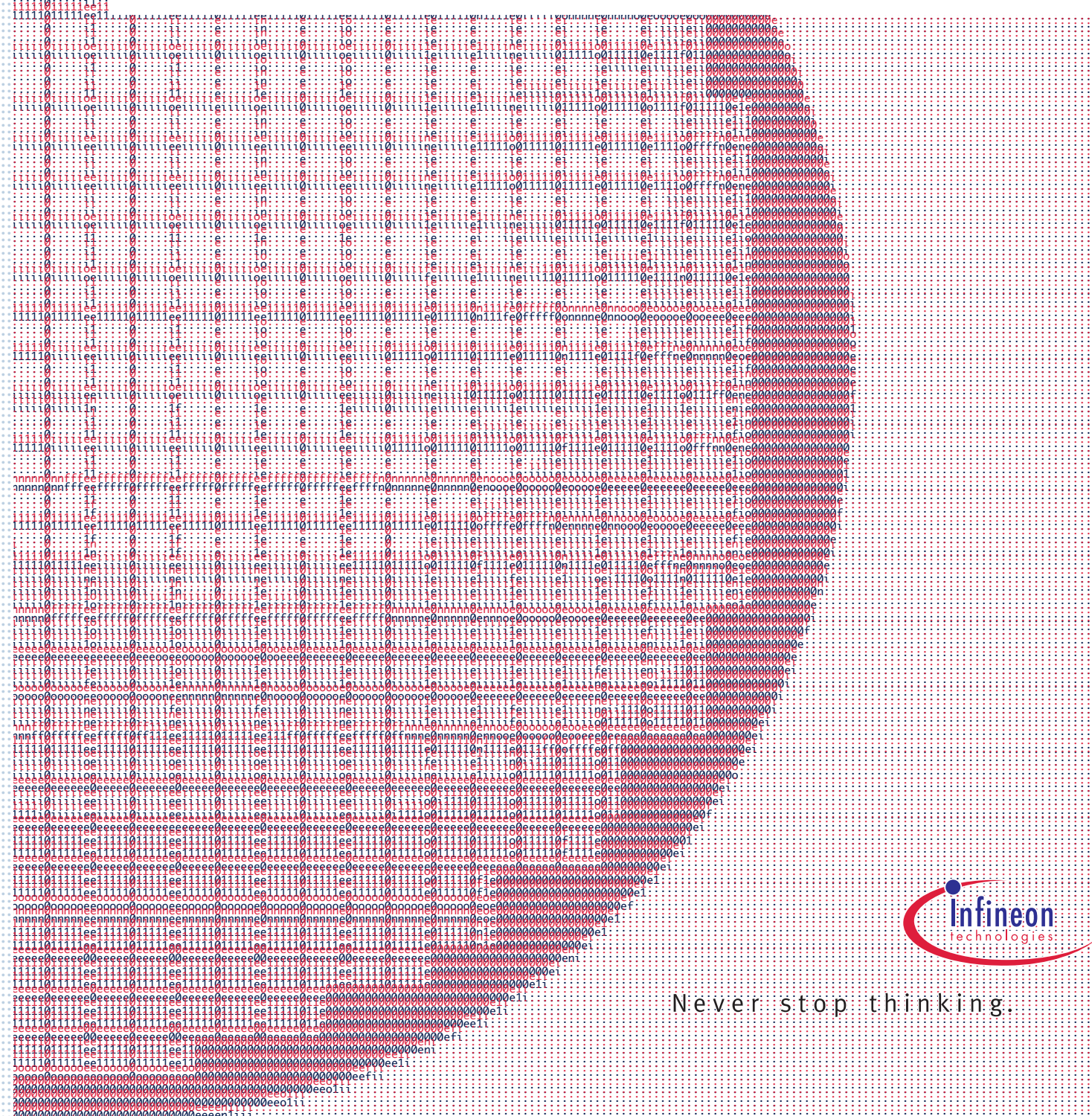
I would like to thank you, dear shareholders, very much for your trust and ask you to support us also in future.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....



# Annual General Meeting

January 25, 2005  
Dr. Wolfgang Ziebart  
President and CEO  
Infineon Technologies AG



Never stop thinking.