

Corporate Governance

Our comprehensive concept

A comprehensive concept to implement the company goals and account for all company processes
 Infineon's own company Code
 Corporate Governance Manager reports directly to the Management and Supervisory Boards

Corporate Governance means accepted standards for good and responsible corporate leadership. Our Corporate Governance system extends to the entire company.

Infineon's Management Board and Supervisory Board view Corporate Governance as a comprehensive concept, which takes into account all corporate values, processes and goals that combine to serve our corporate mission. It includes internal controlling standards, our Business Conduct Guidelines, the regulations that concern the company's organizational and supervisory tasks, as well as a Corporate Governance Manager, who reports directly to the Management and Supervisory Boards. Infineon's Corporate Governance Code is a core element in this concept.

It is upon this basis that we seek to achieve our goals – and to be numbered among those companies with the best Corporate Governance.

Infineon maintains high standards

Infineon has adopted almost all of the regulations that have been recommended by the Government Commission "German Corporate Governance Code", and also complies fully with the standards set down in U.S. capital market law. With regard to the directors' and officers' insurance, we have, for example, agreed to a retention amounting to 25 percent of the fixed annual remuneration for Management Board Members and 100 percent for Supervisory Board Members.

In addition to the "German Corporate Governance Code", Infineon has set itself further goals concerning good corporate management and supervision.

- ::: We will continue to provide full, comprehensive company information to our shareholders and the public.
- ::: We intend to support shareholders as far as is possible in the exercise of their rights. Via the Internet, shareholders can, for example, register for our Annual General Meeting, participate in voting, or follow the general debate.

- ::: We shall further intensify the cooperation between the Management Board and the Supervisory Board as well as continue to promote a positive climate of mutual respect and open dialog in order to achieve our goals.
- ::: The creation of added value for our customers is dependent on competent and committed employees. The Management and Supervisory Boards therefore regard it as their joint duty to attract and retain the most talented workforce.

Ongoing examination of regulations

Our Management Board, Supervisory Board and senior managers are responsible for ensuring that our rules of Corporate Governance are actively implemented throughout the company. Furthermore, these rules are subject to regular review and refinement. In fall 2004, for example, we reconsidered whether we should dispense with an individualized statement of remunerations paid to the Members of the Management and Supervisory Boards, a measure that has been frequently called for in the public. Our review led to the following results:

The remuneration paid to the Members of the Supervisory Board will now be reported individually. By law, it is the shareholders who determine this remuneration. They have decided on the remuneration provisions in §11 of our Statutes at the Annual General Meeting. These Statutes are available on the Internet at www.infineon.com, Company Information.

Pursuant to the mandatory provisions of German stock corporation law, the Management Board as a whole is responsible for the operative management of the company. Likewise, under the rules of procedure laid down for the Infineon Management Board, all Members are required to manage the company jointly. All decisions of significance must be taken by the Board as a whole and require unanimity. Naturally, we keep our shareholders informed of the structure of the

Management Board remuneration and specify the total remuneration paid to the Management Board, broken down into fixed salaries, performance-related components and share options, so that every shareholder can clearly see how the performance of the Management Board impacts upon its income. We do not believe that the benefit of the information to be gained from an individualized statement would be sufficient to justify this invasion of the privacy of the Management Board Members. Up to now, the legislator also assumes that the publication of the individualized statements of the remunerations infringes on personal rights – moreover such information is subject to data protection laws. This is particularly true for Management Board Members who have resigned from the company and would therefore not be involved in the decision on disclosure. Mr. Kley, who headed the company following the resignation of Dr. Schumacher as CEO until Dr. Ziebart took over this task, has, given the extraordinary circumstances, however decided on the disclosure of his remuneration. ... Board of Directors, p. 134

The overall income of Management Board Members is composed of an annual target income (payable in cash), share options and income-equivalent ancillary benefits. The annual target income consists of:

- ::: a fixed annual salary payable in monthly installments, partly at the financial year’s end, net of statutory deductions and
- ::: a variable, performance-related component which takes the form of an annual bonus. In the 2004 financial year, the annual bonus depended on the return on assets, which we define as net operating profit after taxes, minus exceptional effects, in proportion to capital employed. This ensures that a bonus is only rewarded if business develops positively. The annual bonus is paid after the end of the financial year.

As a variable component of their remuneration, which combines both long-term incentive and risk, Members of the Management Board are granted options on Infineon Technologies AG shares deriving from the 2001 share option plan. They also receive ancillary benefits such as, for example, retirement pensions and provisions for surviving dependants, continued remuneration in the event of sickness and a company car including a driver, that may also be used for private purposes.

A component part of the remuneration paid to our senior managers is constituted by our 2001 share option plan. This, too, is available for inspection on the Internet at www.infineon.com, together with an illustration of its basic features. This plan allows for shares to be issued to senior managers and employees in key positions. This is a necessary instrument that will enable us now and in the future to attract and retain the talented staff we need. It is they who help safeguard our success in an intensely competitive, technology-driven environment. At the 2001 Annual General Meeting, as a condition for the exercise of these options, our shareholders determined that the share price must rise by a minimum of 5% during the option term. Given that our competitors often neglect to set any minimum performance requirement or even issue options at a price below that at which their stock is currently trading, we consider our share option plan to be demanding, as it is linked to comparative parameters that are relevant to us.

Information on the Infineon Corporate Governance System is offered on the Internet at www.infineon.com, Investor Information, and will be presented at the Annual General Meeting on January 25, 2005.

Declaration of compliance 2004 pursuant to § 161 German Stock Corporation Law

“Since making its last declaration pursuant to §161 of the German Stock Corporation Law, Infineon Technologies AG has complied and will continue to comply with all recommendations of the Government Commission ‘German Corporate Governance Code’ (in the version of May 21, 2003) with the following exceptions:

- ::: We do not publish an individualized statement of all Management Board Members’ remuneration (Figure 4.2.4).
- ::: The structure of the Management Board remuneration system (Figure 4.2.2) is deliberated and resolved upon by the General Committee of the Supervisory Board.”

Further information on Corporate Governance in the activities of the Supervisory Board and its Committees is contained in the Report of the Supervisory Board, which forms part of the Annual Report. Information on our risk management is described under “Risks and Opportunities”. A detailed description of our rules of consolidated accounting is contained in the Notes to the consolidated financial statements.

... Report of the Supervisory Board, p. 48; ... Risks and opportunities, p. 80;
 ... Notes to the consolidated financial statements, p. 92