

Last update: January 14, 2004

Below you find all shareholder proposals relating to items on the Agenda for the Annual General Meeting on January 20, 2004 as well as the respective Management Statement.

Mr Dietrich-E Kutz, Biberach, submits the following proposals:

Dietrich-E. Kutz

...
88400 Biberach
Dec. 27, 2003

Infineon Technologies AG
CPC IMV IR
(Investor Relations)
St.-Martin-Str. 53

D-81669 Munich

Proposals for Infineon AGM 2004 to be held on January 20, 2004 in Munich

- A** - Proposals to refuse to approve the acts of the Managing Board (agenda item 2)
- B** - and of the Supervisory Board (agenda item 3).
- C** - Proposal not to agree to the rescission of the old authorized capital provided for issuing shares to employees and creation of a new authorized share capital for this purpose (agenda item 6) on account of the failure of these share option plans and the failure to meet objectives.

Reasons:

+ Approval should be withheld in view of the shortfall in shareholder value. The fact that the operating result has been negative three years in succession means the Managing Board and Supervisory Board have failed to match up to the prospects and visions. The discrepancy between potential and performance has not been eliminated because the share price is still far below the issue price.

+ The stock option plans have no practical basis and are morally suspect on account of the proven lack of success and effectiveness (see current share price) and also because of their self-servicing nature. They have failed to achieve their objectives and should not become self-propagating. Too many shares have already been issued to management as part of the stock option plans and the dilution of shares mentioned in the report accompanying the invitation has already taken place and the safeguarding of shareholders' interests has been left out of account for far too long. Why was nothing done sooner, and why is this not a special item on the AGM agenda?

My urgent appeal to all shareholders is to recognize the long-term effects of self-centered opportunism and intentions of this kind and to put an end to this arrogant self-aggrandizement and complacency. **Please vote in favor of the proposals.**

Kind regards

(signed) Dietrich-E. Kutz

Enclosed: Reply form
Order for admission tickets

The Schutzgemeinschaft der Kleinaktionäre e.V. (SdK), Munich/Germany, submits the following proposal:

D Regarding Agenda Item 3, Approval of the Acts of the Supervisory Board

Ahead by fax to: 089/234-26155

Infineon Technologies AG
CPC IMV IR (Investor Relations)
St.-Martin-Str. 53

81669 Munich

January 5, 2004

**Proposal to item 3 on the agenda of the
Annual General Meeting to be held on January 20, 2004**

Ladies and gentlemen,

As a shareholder in your company, the Schutzgemeinschaft der Kleinaktionäre e.V. , Munich, submits by the due date the following proposal for the Annual General Meeting to be held in Munich on January 20, 2004, with reference to sections 125, 126 of the Companies Act:

Proposal to agenda item 3:

We propose voting against the approval of the acts of the Supervisory Board

Reasons:

The Supervisory Board granted the Managing Board a total of 750,000 Infineon AG share options in the fiscal year 2002/03. These options were allocated at a historically low purchase price. Moreover, these option rights can even be exercised if the quoted price rises by only 5% within 6 years. By allocating share options at this exceptionally low price, linked to an unacceptably low threshold for exercising the purchase rights, the Supervisory Board is allowing a dilution of shareholders' assets without the growth in assets on the part of the Managing Board being matched by an adequate growth in shareholders' assets.

The value of Infineon shares has fallen to less than a quarter since the stock option program was launched in 2001. Shareholders have lost a total of 2 billion euro in equity over this period, whereby the Managing Board is not, of course, solely responsible for this loss, but market events are largely to blame. However, the effects of negative market developments should be borne not only by the shareholders but also by the members of the Managing Board.

The last two years have shown that allocating share options to Managing Board members and to the company's management employees has only brought disadvantages to shareholders. Movements in the quoted share price, which is decisive for the exercising of option rights, depended, and will continue to depend largely on factors such as sector expectations, political developments, and anticipated interest rates, and they bore no relation to management's performance. Nor can this be expected to change in the future. Efforts to develop an independent Infineon economy – as in the case of Samsung Electronics, for instance – failed. This means that any exercise of share option rights will be arbitrary and in no way targeted at specific goals. An immediate halt should therefore be called to wasting stockholders' shares on this uneconomic measure.

Even in the USA, the country from which we copied this device, this form of remuneration has now come under criticism and has already been abandoned by some companies. Certain German companies are also considering giving up this form of variable remuneration.

The aim of entrepreneurial action is to make a profit. Given that corporate management has made pre-tax losses totaling € 2.5 billion in the last three years which have considerably reduced the capital injected by shareholders, rewarding management separately with share options and continuing to disadvantage shareholders with a further dilution of their share assets is totally unjustifiable.

The last options issued make the inappropriateness of the stock option program particularly clear. Because the options were issued at a quoted price reflecting the company's poor development, which is ultimately due in part to the Managing Board, it is now relatively easy for the Board to enjoy the benefits of its options because in the context of the originally envisaged figures the barrier to exercising its option rights is ridiculously low.

The Supervisory Board should instead have opted for a barrier that took adequate account of shareholders' interests. Right now it is already possible for the Managing Board to make a profit owing to general developments in the stock market. There is no sign of a performance-related component.

In light of its negative experience, the SdK requests that the Supervisory Board suspend the current stock option plan. It must henceforth be ensured that the Managing Board will only enjoy special benefits in the event of verifiable improvements in performance.

Page 3 of the proposal to Infineon Technologies AG dated January 20, 2004

The criterion for any additional remuneration should therefore be solely a positive return on total capital exceeding the company's capital costs. There should be no additional rewards for corporate management if it fails to increase the asset holders' capital.

The Schutzgemeinschaft der Kleinaktionäre will urge other shareholders to vote against the management's proposal. Relevant information can also be found on the internet at www.sdk.org.

We request that you proceed with the above proposal in accordance with sections 125, 126 of the Stock Corporation Act. The reasons given do not exceed 5,000 characters in length.

In consideration of the legal requirements, we hereby give express notice that we will reject the Managing Board's and Supervisory Board's proposal regarding the above agenda item and will urge other shareholders to vote in favor of our proposal.

Kind regards,

SdK – Schutzgemeinschaft
der Kleinaktionäre e.V.

(signed) Klaus Schneider
Chairman

The association of Belegschaftsaktionäre bei Infineon e.V., Munich/Germany, submits the following proposal:

E Regarding Agenda Item 2, Approval of the Acts of the Managing Board

**Belegschaftsaktionäre
bei Infineon e.V.**

Bernd Heise
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81825 Munich
Tel.: 069-234 22063

Belegschaftsaktionäre bei Infineon e.V.

c/o Bernd Heise, Bajuwarenstr. 137, 81825 Munich

Infineon Technologies AG
CPC IMV IR, Investor Relations
St.-Martin-Str. 53
81669 Munich

January 5, 2004

Our proposals for the Annual General Meeting 2004

Ladies and Gentlemen,

With regard to agenda item 2, namely approval of the acts of the members of the Managing Board, I submit the following proposal on behalf of the officially registered association of the Belegschaftsaktionäre bei Infineon e.V.:

“The acts of the members of the Managing Board will not be approved.”

Reasons:

The Managing Board has damaged Infineon’s image in the media and among the workforce by issuing in part provocative public statements. Infineon has consequently become less attractive to shareholders and qualified employees, for whom there will be an urgent need during the coming upturn.

Examples:

- *Discussions about relocating the corporate headquarters to reduce the tax burden are generally viewed as an abrogation of social responsibilities, contrasted with an eager willingness to accept investment subsidies.*
- *Statements with a social impact, such as those referring to laziness in Germany.*
- *The performance culture being propagated creates an “all against all” climate, destroying motivation, loyalty, and team spirit in the process. And that despite the fact that the workforce’s willingness to perform has now reached its limits.*

On behalf of the association of the Belegschaftsaktionäre bei Infineon we will be calling on shareholders to vote in favor of our proposal at the AGM.

Kind regards,

(signed) Bernd Heise

Mr. Hans-J. Schumann, Cologne/Germany, submits the following proposal:

F Regarding Agenda Item 2, Approval of the acts of the Managing Board

G Regarding Agenda Item 3, Approval of the acts of the Supervisory Board

Refusal to approve the acts of the members of the Managing Board and Supervisory Board because of plans - according to press reports - to relocate headquarters abroad (for tax reasons) despite receiving over 1 billion euros in public subsidies from the German Government.

(signed) Hans-J. Schumann

Management Statement on the Shareholder Proposals

We consider the shareholder proposals to be unwarranted and so submit that they be rejected. The Managing Board will be issuing statements on points of detail during the Annual General Meeting. However, we wish to draw attention in advance of it to the following:

1. Regarding the proposals submitted by Mr. Kutz, Biberach, to refuse to approve the acts of the Managing Board and of the Supervisory Board and not to agree to the rescission of the old and the creation of a new authorized share capital provided for issuing to employees:

We consider the proposals to be unwarranted. In specific detail:

Stock options for managers

We consider the criticism of the stock options for managers to be unjustified.

Our stock option plan was approved by an overwhelming majority of shareholders at the 2001 AGM. Infineon is in competition with companies in other countries. Almost without exception, those companies employ stock options for the purpose of attracting, retaining and motivating outstanding employees. The top management of these companies also receives stock options to a large extent – often far in excess of those issued by Infineon.

Stock options are part of the remuneration system for our managers. Their purpose is to help raise the total value of the company, which means for all shareholders. They are not backward-looking but have an eye to the future; this applies in good times (high stock price – high strike price) and in bad (low stock price – low strike price). The strike price of the options issued is therefore always only the starting point of a development which is also uncertain for the manager concerned. If the stock price goes up – from whatever level –, the total value of the company will also increase, and so too will the assets of all the shareholders. If, for example, the stock price increases by € 9 over the 7-year period which is decisive for Infineon's stock option plan, which is to say by around 100% compared to options which – as last happened in November 2002 – were issued at a strike price of € 8.98, shareholders will in their turn benefit in the form of an approximately € 6.49 billion appreciation in value, calculated on the basis of today's share capital. For the Managing Board, the advantage provided through stock options is only a fraction of this sum (in the example given, around 0.1%).

It should be noted that a manager will only benefit from the options granted if the share price indeed does rise above the strike price and, furthermore, if it does so beyond a 105% right-to-exercise barrier. This threshold is meaningless where value appreciation for shareholders is concerned.

Authorized share capital II/2004; employee shares

Continuing in exactly the same vein as before, with the new authorized share capital II/2004 we want to have the opportunity to issue employee shares. Employee shares are different from the stock options just described. They require a personal investment on the part of employees and are intended to make them co-owners of "their" company and hence fellow entrepreneurs. We want to be able to employ this tool in a more sophisticated manner in the future by, for instance, linking it more closely to individual performance. This is in the shareholders' interests. It remains to be stated that members of the Managing Board are precluded from receiving employee shares from this authorized share capital.

Shareholder value

Where the reason given for the proposals is that “approval should be withheld in view of the shortfall in shareholder value”, this claim is without foundation, because Infineon shares have bucked the continuing harsh economic climate not only by performing better than the market but also by outperforming our competitors’ shares overall. In view of this, it is unclear on what the author of the proposals is basing these and his other blanket claims made in this connection.

2. Regarding the proposal of the *Schutzgemeinschaft der Kleinaktionäre e.V.*, Munich, to vote against approving the acts of the Supervisory Board:

We consider the proposal to be unwarranted.

The proposal is justified by claiming that the stock options granted by the Supervisory Board to the Managing Board under Infineon’s stock option plan are inappropriate. In this regard we refer to our statements on the Kutz proposal (see above).

3. Regarding the proposal of the association of *Belegschaftsaktionäre bei Infineon e.V.*, Munich, not to approve the acts of the members of the Managing Board:

We consider the proposal to be unwarranted.

It can only be of advantage if companies also take part in discussions on matters of economic and social policy. The issues are best served if, as a matter of fact, unpopular aspects are also addressed. The ongoing public debate about reforming the “Site Germany” in particular encourages us to call attention to regulations which, from our viewpoint, are inappropriate or counter-competitive and submit them for discussion. Our understanding – and this is supported not least by the reactions that have come to our notice – is that we have in no way overstepped the limits of a serious, factual debate.

4. Regarding the proposals submitted by Mr. Schumann, Cologne, to refuse to approve the acts of the Managing Board and of the Supervisory Board:

We consider the proposals to be unwarranted.

“Globalization” is not a term invented by Infineon. However, for an international company like ours, globalization is a daily challenge. But globalization also means tracking down what from the company’s viewpoint are the world’s best opportunities. This not least includes checking out and possibly exploiting the advantages offered by a particular location, tax advantages included. Our understanding is that our responsibility to our shareholders and workforce alike makes it imperative for us to thoroughly sound out these possible options.

The earmarked development funds we obtain are for specific projects which are fundamentally unaffected by any possible decision about locations.