



**Infineon Technologies AG  
Annual General Meeting on February 11, 2010**

**Reports of the Management Board**

**Report of the Management Board concerning Item 6 on the Agenda**

The authorization to purchase and use own shares is intended to enable the Company to use the shares purchased for any legally permitted purpose. The shares purchased may be sold through the stock exchange or by means of a public offer to all shareholders, in both cases in accordance with the statutory principle of equal treatment, or recalled, in which case there are no such restrictions, or they may be used in particular for the following purposes:

- as an acquisition currency in connection with company mergers or the acquisition of companies, parts of companies or participations in companies,
- to service bonds with warrants and convertible bonds that are issued or guaranteed by the Company,
- to meet obligations under the "Infineon Technologies AG Stock Option Plan 2006" ("Stock Option Plan 2006"), and
- to be offered or transferred to people who are employed by the Company or by a company affiliated with the Company.

In light of the potential uses indicated for the own shares purchased, we consider the following points to be of principal significance:

- Own shares as an acquisition currency

First of all we would like to be able to offer own shares in connection with company mergers and company acquisitions, as it can be advantageous in some cases not to make the entire purchase price available from an authorized capital. One of the advantages of using own shares can be to avoid the dilution effect typically associated with acquisitions completed using newly created shares.

- Own shares to service bonds with warrants and convertible bonds

We also wish to be able to use own shares to service bonds with warrants and convertible bonds ("bonds") that have already been or will in future be issued or guaranteed by the Company. Although there are conditional capitals of sufficient volume available for such bonds already issued by the Company, the terms of such bonds usually state that any conversion obligations may also be

met using own shares. This option also harbors benefits in terms of enhanced flexibility. One of the advantages of using existing own shares for this purpose is that there is then no need to create new shares, so the dilution effect typically associated with capital increases when making use of conditional capital is avoided.

- Own shares to meet obligations under the Stock Option Plan 2006

Furthermore we wish to be able to offer own shares to holders of subscription rights from the Stock Option Plan 2006. The Stock Option Plan 2006 approved by the Annual General Meeting of February 16, 2006 in relation to Item 6 on the Agenda can be serviced using the conditional capital available for this purpose, but also using own shares. The resolution proposed under Item 6 on the Agenda for this year's Annual General Meeting is intended to facilitate servicing using own shares. The reasons for this are essentially the same as those explained under the previous item.

- Own shares to be offered or transferred to employees

We additionally wish to be able to offer own shares for sale to or transfer own shares to employees of the Company or of companies affiliated with the Company. The use of own shares for this purpose is actually provided for in Section 71 (1) 2. of the German Stock Corporation Act (*Aktiengesetz*), but only with certain restrictions such as a maximum period for issue of one year. It may therefore be expedient also to use own shares that the Company has already purchased under the terms of an authorization pursuant to Section 71 (1) 8. of the German Stock Corporation Act (*Aktiengesetz*) as employee shares.

Subscription rights of the shareholders in respect of these shares must be excluded in all of the cases presented so that the shares can be used for the purposes described. The administration will examine in every case whether it is appropriate to use own shares of the Company for the measures indicated. When making their decision, the corporate bodies will be guided by the interests of the shareholders and of the Company and will carefully consider whether the exclusion is necessary in the interests of the Company. Only if these conditions are met will the measure be taken and the subscription rights of the shareholders excluded. The Management Board will report on aspects including the decision and the circumstances of the purchase in each case at the subsequent General Meeting as indicated in Section 71 (3) of the German Stock Corporation Act (*Aktiengesetz*).

Purchasing methods:

The resolution proposed provides two recognized methods of purchasing the shares: via the stock exchange and via a public purchase offer. Section 71 (1) No. 8 of the German Stock Corporation Act (*Aktiengesetz*) states that the method of purchasing via the stock exchange in itself satisfies the requirements of the principle of equal treatment. Any disadvantage to shareholders is similarly excluded in the case of a public purchase offer.

## Report of the Management Board concerning Item 10 on the Agenda

The Management Board and the Supervisory Board are proposing to the Annual General Meeting the creation of a new Authorized Capital 2010/I totaling up to EUR 648,000,000.00. It is intended that this will be available for capital increases against contributions in cash or in kind.

Shareholders have subscription rights in principle if use is made of the Authorized Capital 2010/I. We do, however, want the Management Board to be authorized, with the approval of the Supervisory Board, to exclude from the subscription rights of the shareholders fractional amounts that arise as a result of the subscription ratio. This measure, which is intended merely to simplify processing, is common practice and is also justified technically, as the costs of trading subscription rights relating to fractional amounts are not at all proportionate to the benefits for shareholders and the fact that the exclusion is limited to fractional amounts means that the potential dilution effect is scarcely noticeable.

It is intended that it will also be possible, with the approval of the Supervisory Board, to exclude the subscription rights in relation to capital increases against contributions in kind. We have completed acquisitions using shares repeatedly in the past and we would like to retain the ability to acquire companies, parts of companies, participations, etc. in order to make us more competitive, improve our financial position and enhance our profitability. When our own financial resources are thin on the ground and external capital is hard to come by, shares from authorized capital often represent the only realistic consideration available for this purpose. The possibility of using own shares from authorized capital as an acquisition currency gives the Company the necessary breadth of options to exploit acquisition opportunities swiftly and flexibly. Acquisitions of the type envisaged are usually completed very quickly, so with Annual General Meetings taking place only once a year it is not generally possible to submit them for shareholder approval in the form of a resolution. The mandatory notice periods imposed by the law, moreover, mean that typically there is not even time to call an extraordinary general meeting in such cases. The best solution in such situations is an authorized capital that the Management Board can access, subject in every case to the approval of the Supervisory Board, at very short notice.

We would additionally like to be able to exclude the subscription rights of the shareholders in the event of capital increases against contributions in cash if the shares are issued at a value that is not substantially lower than the stock exchange price. This authorization will enable the Company to meet a potential need for capital even at very short notice as may be necessary in order to respond swiftly and flexibly to market opportunities. Excluding the subscription rights allows the Company to move rapidly and place shares at close to the stock exchange price (that is to say without the discount usually applied in issues covered by subscription rights). Capital increases against contributions in cash for which the subscription rights are excluded pursuant to Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*) may not exceed 10% of the existing share capital either at the time of the authorization becoming effective or at the time of its exercise. This takes account of the shareholders' need for protection against dilution of their holding: the new shares are placed at a price close to the stock exchange price, so shareholders can maintain

their proportionate stake by purchasing shares in the market under terms almost identical to those of the issue. Shares that are to be issued or will be issued in future to service subscription rights from bonds with warrants or convertible bonds insofar as the bonds are issued on or after February 11, 2010 with the subscription rights of the shareholders excluded in analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) are to be counted against this 10% figure. Also to be included in this number are shares that are issued on or after February 11, 2010 on the basis of an authorization to use own shares pursuant to Section 71 (1) 8. sentence 5 and Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) with the subscription rights excluded. These limits too help to protect shareholders against dilution effects.

Finally, we would like the Management Board also to be able, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders insofar as such action is necessary in order to grant holders of option rights or creditors of convertible bonds that have already been or will in future be issued by the Company or its subordinated group companies subscription rights to new shares in the extent to which they would be entitled after exercise of the option or conversion rights or after fulfillment of any conversion obligations. This is intended to give the Company the ability to offer the holders of such bonds, which usually have a mechanism to protect against dilution in the case of capital measures, for example, proper compensation without having to adjust the option or conversion price. This authority to exclude the subscription rights of the shareholders thus ultimately serves to simplify the process of issuing bonds and is therefore very much in the interests of the Company and its shareholders.

### **Report of the Management Board concerning Item 11 on the Agenda**

The possibility of direct shareholding is becoming more and more prominent in the development of effective compensation systems for the employees of listed companies. We have had the option of issuing shares to employees of the Company and its group companies at times in the past and we wish to retain this option in future. It is for this purpose that we propose the new authorized capital of up to EUR 40,000,000.00. The subscription rights of the shareholders must be excluded in relation to the issue of the shares to the beneficiaries.

Issuing employee shares helps to integrate employees into the Company and encourages them to take a more active role in ensuring its success. Employees who hold shares in the Company are also more likely to remain with the Company over the long term. Issuing employee shares is therefore very much in the interests of the Company and its shareholders.

We also wish to be able to set an issue price for employee shares that is below the stock exchange price at the time. Our intention here is that the total value of the concession extended to an employee through the discounted shares should in each case be proportionate to the employee's remuneration and the expected benefit for the Company.

The Management Board will review each case carefully before deciding whether to make use of the authorization granted to it by the Annual General Meeting to proceed with a capital increase with the subscription rights of the shareholders excluded. This

power will only be used if the Management Board and the Supervisory Board believe such a course of action to be in the interests of the Company and its shareholders.

### **Report of the Management Board concerning Item 13 on the Agenda**

Bonds with warrants and convertible bonds (“bonds”) are an important source of finance for us. They enable the Company to obtain low-interest debt capital, which in some instances it may later retain in the form of equity. The conversion and option premiums realized, moreover, accrue to the Company. Our Company has already issued three convertible bonds, one in 2002, one in 2003 and one in 2009, on the basis of existing authorizations. One has already been paid off and one of the others, which matures in June 2010, has been partially redeemed. Case law and legislation have recently restored to companies the favorable option of issuing bonds on the basis of conditional capitals that specify only a minimum issue price (and not the definitive issue price required for a time). We accordingly wish to obtain an authorization to issue bonds with a flexible (minimum) option or conversion price that is essentially the same as the authorization approved by the 2009 Annual General Meeting and to create a new Conditional Capital 2010/II to service the option and conversion rights in the event this new authorization is utilized.

We would like this authorization similarly to permit bonds to be issued in the aggregate amount of up to EUR 2,000,000,000.00, and for there to be shares representing a notional portion of the share capital of up to EUR 260,000,000.00 – corresponding to up to 130,000,000 shares – available to service these bonds.

Our shareholders in principle have subscription rights to the bonds under the applicable statutory provisions. This enables them to invest their capital with the Company and at the same time maintain their proportionate stakes in the Company. We do, however, want the Management Board to be authorized to exclude the subscription rights in certain clearly defined circumstances as provided for under the law subject to the approval of the Supervisory Board:

- First of all the Management Board is to be authorized to exclude the subscription rights in analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) with the approval of the Supervisory Board if the issue price of the bonds is not substantially lower than their theoretical market value as determined in accordance with accepted methods of financial mathematics (Section 221 (4) sentence 2 in conjunction with Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)). Such exclusion of the subscription rights of the shareholders is necessary if a bond is to be placed at short notice in order to make use of a favorable market environment. The interests of the shareholders are preserved in that the bonds will never be issued at a price substantially lower than their market value, which means that the value of a subscription right is practically zero. This option is limited to bonds with rights to shares representing a notional portion of not more than 10% of the share capital. That notional portion of the share capital that relates to shares issued or used between February 11, 2010 and the expiry of this authorization with the subscription rights of the shareholders excluded in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) is to be included in this amount. Also to be included in this

number are the shares that have already been issued or can still be issued in future to service conversion or option rights insofar as the bonds were issued during the term of this authorization with the subscription rights of the shareholders excluded in analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

These two sums are included in the 10% figure in the interests of minimizing any dilution of the stake of the shareholders.

- We also wish to be able to exclude the subscription rights of the shareholders in order to permit exploitation of fractional amounts in issues for which shareholders have subscription rights in principle. It is reasonable and customary to exclude the subscription rights of the shareholders in relation to fractional amounts, as the costs of trading subscription rights relating to fractional amounts are not at all proportionate to the benefits for the shareholders. The fact that the exclusion is limited to fractional amounts means that the potential dilution effect is negligible.
- The Management Board may also exclude the subscription rights of the shareholders insofar as such action is necessary in order to grant holders of option or conversion rights from bonds with warrants and convertible bonds that have already been or will in future be issued by the Company or its subordinated group companies subscription rights to the bonds in the extent to which they would be entitled after exercise of their rights or after fulfillment of any conversion obligations. This is intended to give the Company the ability to offer the holders of such bonds, which usually have a mechanism to protect against dilution in the case of capital measures, for example, proper compensation without having to adjust the option or conversion price. Excluding the subscription rights of the shareholders in this instance thus ultimately serves to simplify the process of issuing and marketing bonds and is therefore very much in the interests of the Company and its shareholders.

Infineon Technologies AG  
The Management Board