

**Reports of the Management Board concerning Items 5, 7, 8 and 10 on the  
Agenda of the Annual General Meeting  
of Infineon Technologies AG on February 12, 2009**

**Report of the Management Board concerning Item 5 on the Agenda**

The authorization to purchase 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 or convertible bonds 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 and 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 consideration in company acquisitions

We wish to be able to offer own shares in company acquisitions, as it can be advantageous not to make the entire purchase price available from an authorized capital.

- Own shares to service bonds with warrants and convertible bonds

Moreover, we also wish to be able to use own shares to service bonds with warrants and convertible bonds that have been or will be issued or guaranteed by the Company. Although there are conditional capitals of sufficient volume available for such bonds issued by the Company, the terms of the bonds usually also permit the Company the alternative of meeting any conversion obligations from 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.

- Meeting obligations under the Stock Option Plan 2006

We also 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 5 on the Agenda for this year's Annual General Meeting is intended to facilitate servicing using own shares.

- Own shares to be offered and transferred to employees

We additionally wish to be able to offer own shares for sale or transfer to employees of the Company or of companies affiliated with the Company. Use of own shares for this purpose is actually provided for in Section 71 (1) No. 2 of the German Stock Corporation Act (Aktiengesetz), however it may also be expedient to use for this purpose own shares that the Company has already purchased under the terms of an authorization pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (Aktiengesetz).

The subscription right of 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 the decision at the next Annual General Meeting following the decision pursuant to 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 7 on the Agenda**

The existing Authorized Capital II/2004 of EUR 30,000,000.00 described in Section 4 (3) of the Articles of Association expires on January 19, 2009. We accordingly wish to replace it with a new Authorized Capital 2009/I from which shares can be issued to employees of the Company or its group companies. The subscription right of existing shareholders must be excluded in relation to these shares. Like the authorized capital it is to replace, the new authorized capital will amount to EUR 30,000,000.00.

Issuing employee shares helps to integrate employees into the Company and encourages them to take a more active role in ensuring its success. It 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 specially priced shares should be proportionate to the employee's remuneration or the expected benefit for the Company of the conditions being satisfied. We do not, in other words, envisage calculating the concession on the basis of a formal assessment of the discount on each share.

It will be necessary to exclude the subscription right of shareholders in order to achieve the aforementioned aims.

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 right of existing shareholders excluded. This power will only be used if the Management Board and 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 8 on the Agenda**

The Management Board and Supervisory Board are proposing to the Annual General Meeting the creation of a new Authorized Capital 2009/II totaling up to EUR 450,000,000.00. It is intended that this will be available for capital increases against contributions in cash and/or contributions in kind.

Shareholders will have a general subscription right if use is made of the Authorized Capital 2009/II. We do, however, want the Management Board to be authorized, with the approval of the Supervisory Board, to exclude fractional amounts from the subscription right of shareholders. This is entirely reasonable, 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 negligible.

It is intended that it also be possible, with the approval of the Supervisory Board, to exclude subscription rights in respect of capital increases against contributions in kind. We have already completed several acquisitions using own shares, and we would like to retain the ability to acquire companies, parts of companies, participations and other assets in order to improve our competitive strength and our financial position and to enhance our profitability. When own financial resources are tight and access to external funding is difficult, own shares issued under authorized capital are often the only reasonable consideration. The option to use own shares as an acquisition currency gives the Company the necessary leeway to make use of acquisition opportunities swiftly and flexibly. Such acquisitions usually have to be effected at short notice, so with Annual General Meetings taking place only once a year it is generally not possible to submit them to the Annual General Meeting in the form of resolutions, and in most cases there is also not enough time to convene an extraordinary general meeting. What is needed in such situations is an authorized capital that the Management Board can access, subject to the approval of the Supervisory Board, at very short notice.

## **Report of the Management Board concerning Item 10 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 two convertible bonds, the first in 2002 and the second in 2003, on the basis of existing authorizations. One of these bond issues matured in February 2007. The Annual General Meeting of February 14, 2008 authorized the Management Board to issue bonds in an aggregate nominal amount of up to EUR 2,000,000,000.00 in the period until February 13, 2013 and also approved a “Conditional Capital 2008” amounting to up to EUR 149,900,000.00 to service these issues. This authorization came in response to several court decisions that challenged the previously common practice of creating conditional capitals to service bonds and setting an associated minimum price, and called instead for a fixed option/conversion price be defined directly by the Annual General Meeting. The existing authorization, however, does not give the Company the flexibility it needs under the much more difficult conditions now prevailing in the market. We accordingly wish to obtain a further authorization that defines an option/conversion price more appropriate to current market conditions but is otherwise essentially the same as the authorization approved by the Annual General Meeting 2008, and to create a new Conditional Capital 2009/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 149,900,000.00 – corresponding to up to 74,950,000 shares – available to service these bonds.

The new authorization and the new Conditional Capital 2009/II are not intended to increase the extent to which the holdings of current shareholders can be diluted, and the Company will therefore issue no more than EUR 2,000,000,000.00 of bonds in total under the existing authorizations. The Management Board, moreover, will only exercise the option of excluding the subscription right of existing shareholders pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz) insofar as the shares to be issued to service the option and/or conversion rights established on this basis in aggregate do not exceed 10% of the share capital.

Our shareholders in principle have a subscription right 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 stake in the Company. We do, however, want the Management Board to be authorized to exclude this subscription right in certain circumstances as provided for under the law subject to the approval of the Supervisory Board:

- The Management Board is to be authorized to exclude the subscription right 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 existing 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 are issued at a price which is not substantially lower than their market value, as a result of which 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 sold between February 12, 2009 and the expiry of this authorization with the subscription right of existing 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 been or can still be issued to service option and/or conversion rights insofar as the bonds were issued during the term of this authorization with the subscription right of existing 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. The Management Board, moreover, will only exercise the option, created under the 2007 and 2008 authorizations and the new authorization to be approved, of excluding the subscription right for the bonds of existing shareholders pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz) insofar as the shares to be issued to service the option and/or conversion rights established on this basis in aggregate do not exceed 10% of the share capital.

- It will also be possible to exclude the shareholders' subscription right in order to permit exploitation of fractional amounts in issues for which shareholders have a subscription right in principle. It is reasonable and customary to exclude the subscription right of existing 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 shareholders. The fact that the exclusion is limited to fractional amounts means that the potential dilution effect is negligible.

Neubiberg, December 2008

- The Management Board -