

# COUNTERPROPOSALS

Annual General Meeting  
of Infineon Technologies AG  
on 22 January 2002



Never stop thinking.

Two shareholders have submitted counterproposals to agenda items 2, 5, 6 and 7 for consideration at the upcoming Annual General Meeting of Infineon Technologies AG. To the extent such shareholder proposals and supporting statements are required to be reported pursuant to §§ 125 et seq. of the German Stock Corporation Act (*Aktiengesetz*), they are set forth below:

**Mr. Bernd Heise** and the **Registered Association of Shareholder Employees of Infineon**, Munich, submitted the following counterproposal for the reasons stated:

A. In relation to **Item No. 2 of the Agenda**, Approval of the management board's acts:

*Resolved that the acts of the members of the management board be not approved.*

Reasons:

More than half a year after important competitors had started to make crisis provisions, the management board still continued its expansive business strategy. In doing so, the management board took an improper risk to the detriment of employees and shareholders.

Subsequently, extensive investments had to be reversed, triggering considerable restructuring costs.

Until July 2001 the Company continued to recruit new employees. Shortly thereafter, many of those new employees were given notice of dismissal. A total of 5000 employees are to lose their jobs. Options to flexibly organize working hours for the purpose of reducing staff costs were partly not used.

These costs, wasted opportunities, the cheap selling off of human resources and a material blow to the Company's image both within and outside of Infineon weaken the Company's prospects in the future economic recovery.

Mr. **Matthias Gaebler**, Stuttgart, submitted the following counterproposals for the reasons stated:

B. In relation to **Item No. 2 of the Agenda**, Approval of the management board's acts:

*Resolved that the acts of the management board not be approved.*

Reasons:

The information policy of the management board is disastrous for a company which is a DAX member. At the last Shareholders' Meeting, the management board, even despite several inquiries, did not make a forecast for the current fiscal year and thereby snubbed the shareholders attending the meeting. However, making a definite forecast in relation to sales and results is a basic precondition for winning the trust of shareholders. The disastrous market development and the ensuing collapse of stock market price might perhaps have been mitigated by an offensive communication. The shareholders expect a competent management board to make honest and competent statements. Should the management board fail to make forecasts also in future, the shareholders may have to pass a vote of no-confidence in the board. However, the current "Waterloo" as regards information is not acceptable.

C. In relation to **Item No. 5 of the Agenda**, Creation of Authorized Capital I/2002:

*Resolved that the creation of an Authorized Capital I/2002 for capital increases against contribution in cash and for capital increases against contribution in kind and the relevant amendments of the articles of association be refused.*

Reasons:

The shareholders' funds are made available to the management board on a fiduciary basis. However, as the person providing the funds, the shareholder, in turn, may expect to be provided with the relevant information by the management board. As long as the shareholders are left in a "nirvana" as regards information by the management board, there is no reason why the management board should be granted further authorizations. Rather, the management board should realize that as a basic prerequisite, the information policy is to be considerably improved before thinking of ways of getting hold of further money from the shareholders. Why should one provide financial funds to the company, as long as one does not even receive definite forecasts in relation to sales and results for the current fiscal year?

D. In relation to **Item No. 6 of the Agenda**, Authorization to issue convertible bonds and bonds with warrants:

*Resolved that the authorization to issue convertible bonds and bonds with warrants and at the same time creation of a Conditional Capital II/2002 and the relevant amendment of the articles of association be refused.*

Reasons:

This proposal for resolution does not offer the shareholders any advantages. Rather, this measure would result in a capital dilution and additional interest burden which may have considerable disadvantages, as the example of the insolvency of Brokat AG shows. In addition, the holders of bonds hardly have any influence on the Company. They do not even have the rights of a shareholder. If the Company requires capital, such capital is to be acquired by means of ordinary capital increases.

E. In relation to **Item No. 7 of the Agenda**, Election to the supervisory board:

*Resolved that the proposal made by the supervisory board regarding the election to the supervisory board, namely to elect Dr. Stefan Jentzsch as member of the supervisory board, be refused and that Mr. Matthias Gaebler, Diplom-Ökonom, Stuttgart, be elected as member of the supervisory board instead.*

Reasons:

The former member of the management board of HypoVereinsbank, Rauch, did not even keep up his office until the date of the general meeting of shareholders and scarpered as at New Year's Eve without any explanation. Now, it is again a member of the management board of HypoVereinsbank, namely Mr. Jentzsch, who is proposed to take office in the supervisory board. However, this supervisory board is not a hereditary estate of HypoVereinsbank. Furthermore, HypoVereinsbank has enough internal problems of its own to solve. The chairman of the management board of Deutsche Bank, Breuer, already stated that the number of supervisory board seats held by banks should be reduced for reasons of conflicts of interests. Moreover, since the IPO the free float of stock has remained without representation in the supervisory board. By submitting its proposal, the supervisory board continues to try to prevent that a representative of the common shareholders enters its undisturbed realm.

## Comments on the Shareholder Counterproposals

We consider the counterproposals to be unfounded and propose to vote against them. The management board will also discuss these proposals in the Shareholders' Meeting. Please find below our initial comments:

1. In relation to "Approval of the acts of the members of the management board" (**Counterproposal A** submitted by Mr. Heise and **Counterproposal B** submitted by Mr. Gaebler):

*In relation to Mr. Heise's arguments:*

As the management board stated in the Shareholders' Meeting held on 6 April 2001, Infineon, as a result of the weak market, decided to take countermeasures already at this point in time. The capital expenditure for fixed assets was reduced by Euro 500 million for the reporting year 2001 and by Euro 1 billion for the fiscal year 2002. Costs were reduced by Euro 700 million compared with budgeted costs for the reporting year. Furthermore, from March 2001 the business unit Wireless Solutions, and from July 2001 the Infineon Group as a whole applied a recruitment stop to the greatest possible extent. When it became apparent – contrary to the forecasts published by many experts in relation to a recovery of the market in the second half of the year – from mid-2001 that the difficult market situation in the semiconductor industry would, after all, last longer, the management board, in consultation with the supervisory board, introduced a cost-reducing program by the name of "Impact": By way of an increased concentration of all forces, potential saving effects of at least Euro 1 billion were identified on a group-wide level, 70 percent of which are not staff-related.

Furthermore, in consultation with the works council, short-time working was resolved for the works in Regensburg and Munich for an initial period from October 2001 until March 2002. The positions to be newly staffed at the Dresden location due to the expansion of the modern 300-millimeter production are primarily being offered within the company. In addition, at several locations full-time employment contracts were converted into part-time contracts on a voluntary basis and options for early retirement were offered to a larger extent.

By taking these measures, Infineon has swiftly and effectively reacted to the difficult situation in the worldwide semiconductor market. Its efficient risk management system, for which Infineon received the "European Risk Management Award" in September 2001, enabled the company, among other things, to do this. By means of the cost-reducing program, which is already taking effect, and a solid basis of financial funds, Infineon has created favourable conditions to meet the future challenges and to hold its ground with continuing success in the very dynamic semiconductor market.

*In relation to Mr. Gaebler's arguments:*

In the Shareholders' Meeting held on 6 April 2001, the management board repeatedly pointed out that reliable forecasts of the development in the semiconductor market were difficult to make and that for this reason leading market analysts as well as customers and the semiconductor enterprises themselves were careful about making further forecasts in relation to the market development. As a consequence, neither Infineon nor similar competitors issue definite quantitative sales and results forecasts.

Furthermore, the company provided the general public without delay and in detail with information on the development of Infineon's results and its business development by way of ad hoc notices and quarterly reports. Moreover, the company regularly receives confirmation from financial analysts and journalists that Infineon communicates in an exemplary manner with regard to detail and segment reporting: e.g. Infineon was awarded a prize for its excellent investor relations activities by an international jury. The management board will continue to apply this open communication policy in the future.

2. In relation to "Creation of an Authorized Capital I/2002 for capital increases against contribution in cash and for capital increases against contribution in kind" and in relation to "Authorization to issue convertible bonds and bonds with warrants and at the same time creation of a Conditional Capital II/2002" and the relevant amendments of the articles of association (**Counterproposals C and D** submitted by Mr. Gaebler):

We have outlined the company's information policy under point 1. The experience made in the course of our capital increase in the reporting period 2001 has shown how important it is for the purpose of raising capital to be able to choose between the instrument of a capital increase against contribution in cash and the issue of convertible bonds and bonds with warrants. The proposal of the management board and the supervisory board is intended to provide the company with the necessary flexibility in this respect – also in comparison with the competitors. We also refer to the **Reports on Item No. 5 and Item No. 6 of the Agenda** contained in the Notice of the Shareholders' Meeting, which discuss the proposals submitted to the Shareholders' Meeting by the supervisory board and the management board in detail.

3. In relation to “Election to the supervisory board”  
(**Counterproposal E** submitted by Mr. Gaebler):

When deciding on persons to be proposed, the supervisory board solely relies on the professional and personal qualification of the candidates with regard to an office as member of the supervisory board of Infineon Technologies AG. We are very pleased that Dr. Jentsch as an acknowledged expert of the capital market is standing for election as member of the supervisory board.

Infineon Technologies AG

Management Board and Supervisory Board

INFINEON TECHNOLOGIES AG

VORSITZENDER DES AUFSICHTSRATS: Dr. Volker Jung

VORSTAND: Dr. Ulrich Schumacher, Vorsitzender

VORSTANDSMITGLIEDER: Peter Bauer, Peter J. Fischl,

Dr. Sönke Mehrgardt, Dr. Andreas von Zitzewitz

SITZ DER GESELLSCHAFT: München

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