

## **New, amended proposal of the Management regarding Agenda item 7:**

In the notice of Annual General Meeting issued on December 9, 2004, we proposed various amendments to the Articles of Association under agenda item 7. These amendments related to the media to be used for company announcements, the formulation of the duty of fidelity, and the place of jurisdiction. Our proposal triggered a lively debate, resulting in both agreement with the proposal and objections against it. Some shareholders and shareholder associations expressed fears that the proposed Articles of Association clause would enable the company to file claims against its owners or provide grounds for compensation liability on the part of the owners beyond the scope of existing regulations.

Our proposal was not intended to achieve either of these results. To rectify the situation, we would like to amend the original proposal in order to clarify our intentions and allay the fears expressed. We will present this amended proposal to the Annual General Meeting first on January 25, 2005 so that it can be put to the vote under agenda item 7.

This proposal is based on suggestions made in discussions with our shareholder Mr. Christian Strenger, Frankfurt, and the Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf, who have also submitted this proposal to us as a shareholder proposal in accordance with Section 126 of the German Stock Corporation Act (AktG).

The Managing Board therefore proposes that the following resolutions be approved:

- a. Announcements will in future be regulated in Section 1 Paragraph 4 of the Articles of Association. The existing Section 3 ("Announcements") is annulled and replaced with the following text:

### "Section 3 Interest of shareholders, place of jurisdiction

(1) Every shareholder, by virtue of his or her involvement in the corporation, has a duty to show due regard for fellow shareholders' interests, also in the event of any legal dispute with the company.

(2) All disputes with the company or its bodies that arise in connection with the involvement with the corporation are subject exclusively to German jurisdiction, unless this provision is countermanded by mandatory statutory provisions, especially provisions governing jurisdictions, that apply in Germany; a shareholder agrees to this provision by purchasing or subscribing for shares. Clause 1 also applies in respect of disputes between the shareholder and the company resulting from acquisition, holding or surrender of the shareholder's investment."

- b. A new paragraph 4 is to be added to Section 1 of the Articles of Association. The title of Section 1 has also to be changed as a result. Section 1 remains unchanged in all other respects. The amended parts of Section 1 are as follows:

"Section 1  
Company, domicile, business year, announcements"

....

"(4) Company announcements are made in the electronic version of the German Federal Gazette (elektronischer Bundesanzeiger), unless mandatory statutory provisions require them to be made in the printed version of the German Federal Gazette or in other media."

Our position on the amended proposal is as follows:

Shareholders are partners and co-owners of the company. Their common objective is to raise the value of the company and thereby also raise the value of their individual holdings. This gives shareholders rights; however, they must also show due consideration for the interests of their fellow shareholders and refrain from seeking special benefits to the disadvantage of the company's assets. For example: it should not be possible for shareholders to misuse a legal dispute with the company above and beyond their legitimate concerns in order to personally enrich themselves or third parties.

Although this principle is already set down in the German corporate legal framework that governs Infineon Technologies AG and its shareholders, we would nevertheless like to incorporate this aspect of the shareholder partnership into our Articles of Association and thereby ensure that all shareholders are better informed about their rights and duties.

It is our belief, moreover, that it would be in the interests of all shareholders, as co-owners of the company, if any legal disputes between shareholders and the company that might arise in connection with the partnership or the investment in the company would be resolved in Germany to the extent permitted by law. German law sets down the management and supervisory framework for Infineon Technologies AG; it defines, for example, the standard of care that governs the actions of the members of the Managing Board and Supervisory Board. Managers and employees must adhere to these standards. It therefore makes sense to concentrate legal disputes in Germany to the extent permitted by law. This is the intention of the new Section 3 Paragraph 2 of the Articles of Association.

The regulation is also intended, where possible, to exclude the possibility of a claim being filed against the company with a court that is remote from the facts or legal circumstances involved and therefore cannot ensure efficient proceedings.

This clause will not prevent court proceedings from taking place outside Germany, e.g. in the USA. We are listed on the New York stock exchange with American Depositary Shares, and do not wish to distance ourselves from our US investors. Neither do we wish to discriminate against any of our shareholders. If, therefore, a US court were to make an award to all shareholders as a result of court proceedings, this clause does not exclude German shareholders from the consequences of the ruling.

We also propose that it be made clear in the Articles of Association that company announcements are made in the electronic version of the German Federal Gazette unless mandatory statutory provisions require them to be made in other media.

The Managing Board will explain the text now proposed in more detail at the Annual General Meeting.

Munich, January 2005  
Infineon Technologies AG  
Managing Board