



## **Infineon Technologies Holding B.V.**

(a private limited liability company incorporated under the laws of The Netherlands,  
having its corporate domicile in Rotterdam, The Netherlands)

**€700,000,000**

### **5% Guaranteed Subordinated Convertible Notes due 2010**

**unconditionally and irrevocably guaranteed by**

### **Infineon Technologies AG**

(incorporated with limited liability under the laws of the Federal Republic of Germany,  
having its registered seat in Munich, Federal Republic of Germany)

The 5% Guaranteed Subordinated Convertible Notes of Infineon Technologies Holding B.V. ("Infineon B.V." or the "Issuer") due 2010 (the "Notes") will be issued in denominations of €50,000 each. Each Note will, at the option of the holders of the Notes (the "Noteholders"), be convertible from and including the 40th day after the Issue Date (as defined in the Conditions of Issue, the "Conditions"), which is July 15, 2003, up to and including May 22, 2010, into ordinary registered shares with no par-value (*Stückaktien*) of Infineon Technologies AG (the "Shares") at an initial conversion price for each Share of €10.2346. In certain circumstances, a New Company (as defined in the Conditions) may be substituted for Infineon Technologies AG, the rights of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right to receive New Shares (as defined in the Conditions) upon conversion. See § 7(5) of the Conditions. The Issuer is entitled, upon exercise of the Conversion Right by a Noteholder, to pay a cash amount in lieu of delivery of all or part of the Shares. See §§ 7, 8 and 10 of the Conditions. The obligations of the Issuer will be unconditionally and irrevocably guaranteed by Infineon Technologies AG (the "Guarantor"). In certain circumstances, a new guarantor may be substituted for the Guarantor. See § 14 of the Conditions.

Unless previously redeemed, converted or purchased and cancelled, the Notes will be redeemed by the Issuer on June 5, 2010, at 100% of their principal amount together with interest accrued thereon. The Issuer may, at any time after June 5, 2006, redeem Notes outstanding in whole, but not in part, at their principal amount together with interest accrued thereon, if the price of the Shares exceeds a certain level. See § 4 of the Conditions. Interest will accrue from June 5, 2003, and will be payable annually in arrears on June 5 of each year, commencing on June 5, 2004.

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Shares of Infineon Technologies AG are listed on the Frankfurt Stock Exchange and, in the form of American Depositary Shares (ADSs) representing the Shares, on the New York Stock Exchange. Any Shares delivered upon conversion of the Notes will be listed on the Frankfurt Stock Exchange or, in the event of a substitution of Infineon Technologies AG as issuer of the Shares as set forth in § 7(5) of the Conditions, a stock exchange domiciled in a member state of the European Union or in Switzerland.

The Notes are initially represented by a temporary global note (the "Temporary Global Note") in bearer form without interest coupons, which is exchangeable for a permanent global note (the "Permanent Global Note") in bearer form without interest coupons (each, a "Global Note") upon certification as to non-US beneficial ownership. At the time the Notes are converted into Shares, Noteholders may be required to provide additional ownership certifications. Definitive certificates representing individual Notes and interest coupons will not be issued. The Global Notes will be kept in custody by a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream" and, together with Euroclear, the "Clearing System"), until all obligations of the Issuer under the Notes have been satisfied.

#### **Issue Price: 100%**

The Notes offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Notes have been accepted for clearance through Euroclear and Clearstream. It is expected that delivery of the interests in the Notes will be made through the facilities of Euroclear and Clearstream, against payment therefor in immediately available funds, on or about June 5, 2003.

*Lead Managers and Joint Bookrunners*

**Goldman Sachs International**

*Selling Group*

**Morgan Stanley**

**ABN AMRO Rothschild  
Banc of America Securities  
HypoVereinsbank  
Société Générale**

**Bayerische Landesbank  
Commerzbank Securities  
Credit Suisse First Boston  
JPMorgan**

The date of this Offering Circular is June 2, 2003.

**The 5% Guaranteed Subordinated Convertible Notes due 2010, the Guarantee and the Undertaking (each as defined herein) and the ordinary registered shares with no par-value (the “Shares”) in Infineon Technologies AG into which the Notes are convertible have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The Notes are subject to U.S. tax law requirements. Accordingly, subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of United States persons. The Notes are in bearer form.**

Each of Goldman Sachs International and Morgan Stanley & Co. International Limited (together “the Underwriters”) has agreed that it has only offered and sold and will only offer and sell the Notes in the Federal Republic of Germany in accordance with the provisions of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) and any other laws applicable in Germany governing the issue, sale and offering of securities.

The Notes (including rights representing an interest in a Note in global form) may only be offered or sold anywhere in the world, as part of their initial distribution or as part of any reoffering, and this Offering Circular may only be distributed and circulated, anywhere in the world, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational institutions and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner). Each of the Underwriters has undertaken to the Issuer and the Guarantor that it has been and will be made clear upon making any such offers and from any and all disclosure documents or advertisements in which the offering of the Notes is announced that the offer is exclusively made to the said individuals or legal entities anywhere in the world.

The Notes are not being offered or sold, and, prior to the expiry of a period of six months from the Closing Date of the Notes, will not be offered or sold, to any person in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted in, and will not result in, an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended). This Offering Circular may only be issued or passed on to a person in the United Kingdom to whom such document may lawfully be issued or passed on in compliance with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”).

For further description of certain restrictions on the offering and sale of the Notes and on the distribution of this document see “Subscription and Sale — Selling Restrictions”.

The purpose of this Offering Circular is to give information with regard to the Issuer, the Guarantor and the Notes. Subject to the qualifications set out below, the Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor, the information contained in this Offering Circular, for which they are responsible, is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorized to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Guarantor or the Underwriters. Neither the delivery of this Offering Circular nor any allotment or sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof, or that the information herein is correct as of any time subsequent to the date hereof.

The Underwriters make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Circular and nothing contained herein is, or shall be relied upon as, a promise or representation by any Underwriter as to the past or the future.

The document does not constitute an offer or an invitation by or on behalf of the Issuer or the Guarantor or by or on behalf of the Underwriters to subscribe for or purchase any of the Notes and should not be considered to be a recommendation by the Issuer, the Guarantor or the Underwriters, collectively or individually, that any recipient of this document should subscribe for or purchase any of the Notes. Each recipient of this document shall be taken to have made its own investigation and appraisal of the conditions (financial or otherwise) of the Issuer and the Guarantor.

The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The consolidated financial statements of the Guarantor are prepared on the basis of generally accepted accounting principles in the United States, the unconsolidated financial statements of the Guarantor are prepared on the basis of generally accepted accounting principles in Germany and the financial statements of the Issuer are prepared on the basis of generally accepted accounting principles in The Netherlands.

All references herein to “Euro” or “€” are to the euro, which was introduced on January 1, 1999, as the legal currency of certain member states of the European Union, including Germany and The Netherlands.

This Offering Circular contains statements relating to the future that are based on the beliefs of Infineon Technologies AG’s management or Infineon Technologies Holding B.V.’s management, as the case may be. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan” and “project” are used to identify such future-orientated statements. These statements reflect the Issuer’s or the Guarantor’s current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different. These factors include, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, the introduction of competing products, a lack of acceptance of new products or services, and changes in business strategy. Actual results may vary materially from those projected herein. Neither Infineon Technologies AG nor Infineon Technologies Holding B.V. intends or assumes any obligation to update these forward-looking statements.

**IN CONNECTION WITH THIS ISSUE MORGAN STANLEY & CO. INTERNATIONAL LIMITED MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OR THE SHARES AT A LEVEL HIGHER THAN WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON MORGAN STANLEY & CO. INTERNATIONAL LIMITED TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

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## INCORPORATION BY REFERENCE

The audited consolidated annual financial statements for the financial years ended September 30, 2001, and 2002, the audited unconsolidated annual financial statements for the financial years ended September 30, 2001, and 2002, and the unaudited condensed consolidated interim financial statements as of March 31, 2003, and for the six months ended March 31, 2002, and 2003, of the Guarantor and the audited annual financial statements for the financial years ended September 30, 2001, and 2002, of the Issuer prepared on an unconsolidated basis are incorporated by reference into this Offering Circular. Copies of the above-mentioned financial statements and, following their publication, copies of financial statements for subsequent years may be inspected and are available free of charge at Dexia Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg, as long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require. The Issuer does not publish interim financial statements. The consolidated annual and unaudited condensed consolidated quarterly financial statements of the Guarantor are also available on its website: [www.infineon.com](http://www.infineon.com).

The Guarantor transferred its opto-electronics business to Osram GmbH effective March 31, 2003. Accordingly, the results of operations of the opto-electronics business are presented as a discontinued operation for the six month period ended March 31, 2003. Pursuant to the provisions of Statement of Financial Accounting Standards 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, previously issued financial statements presented for comparative purposes, including the condensed consolidated financial statements for the six month period ended March 31, 2002, as well as the consolidated financial statements for the years ended September 30, 2001 and 2002, incorporated by reference as noted above have been reclassified to present the operations of the opto-electronics business as a discontinued operation for all periods presented.

## SUMMARY OF THE CONDITIONS OF ISSUE

The following summary is qualified in its entirety by the more detailed information appearing in the "Conditions of Issue" (the "Conditions") and certain terms used herein are defined in the Conditions.

<b>Denomination of the Notes:</b>	The issue in an aggregate nominal amount of €700,000,000 is divided into bearer Notes in the nominal amount of €50,000 each, which rank <i>pari passu</i> among themselves.
<b>Issue Price:</b>	100% of the nominal amount of the Notes.
<b>Maturity Date:</b>	The Issuer shall redeem the Notes at their Principal Amount together with interest accrued thereon on June 5, 2010, to the extent that they have not previously been redeemed, converted or repurchased and cancelled.
<b>Status, Subordination and Negative Pledge:</b>	The Notes will constitute unsecured and subordinated obligations of the Issuer ranking <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured and subordinated obligations of the Issuer. The subordination shall be subject to the condition subsequent ( <i>auflösende Bedingung</i> ) of the exercise of the Conversion Right and shall terminate with effect as of the Issue Date at midnight (24.00 hours) on the day immediately prior to the Conversion Date. The exercise of the Conversion Right in reliance on § 194(1) sentence 2 of the German Stock Corporation Act shall not be affected by such subordination. So long as any Note is outstanding, the Issuer and the Guarantor undertake not to secure any subordinated Capital Market Indebtedness upon any of their respective assets without at the same time providing that the Noteholders share equally and rateably in such security.
<b>Interest:</b>	The Notes shall bear interest at the rate of 5% per annum on their principal amount from June 5, 2003. Interest shall be payable annually in arrears on June 5 of each year, commencing on June 5, 2004.
<b>Substitution of Infineon Technologies AG:</b>	If a Restructuring in accordance with § 7(5) of the Conditions occurs then, subject to certain conditions and with effect from the date of delivery of the New Shares by the New Company to the shareholders of Infineon Technologies AG, the right of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right of any Noteholder to receive New Shares upon conversion and the Guarantee (§ 14(1)) shall, in the sole discretion of the New Company, either be assumed by way of a liberating debt assumption ( <i>befreiende Schuldübernahme</i> ) within the meaning of §§ 414 et seq. German Civil Code or the New Company shall join in such rights, liabilities and obligations ( <i>Schuldbeitritt</i> ) of Infineon Technologies AG under the Guarantee. Any Noteholder, by its acquisition of any Notes, consents to the liberating debt assumption ( <i>befreiende Schuldübernahme</i> ) or joining in ( <i>Schuldbeitritt</i> ) of the New Company for the Guarantee. Any Restructuring resulting in a Substitution or any Substitution shall not lead to a Dilution Adjustment (§ 12) and shall not be regarded as a Change of Control (§ 15) and shall not give rise to the right of any Noteholder to terminate the Notes pursuant to § 16. See § 7(5) to (12) of the Conditions.
<b>Subordinated Guarantee:</b>	The Guarantor has unconditionally and irrevocably guaranteed on a subordinated basis (the "Subordinated Guarantee") the due and punctual payment of any and all sums expressed to be payable



under the Conditions by the Issuer. See § 14 of the Conditions. Under certain circumstances the New Company may be substituted for Infineon Technologies AG as guarantor. See § 14(1) of the Conditions.

**Substitution of Infineon Technologies AG as Guarantor:**

The Subordinated Guarantee provides that if a Restructuring in accordance with § 7(5) of the Conditions occurs which leads to a Substitution either the New Company may join Infineon Technologies AG in the obligations arising from or in connection with the Subordinated Guarantee (*Schuldbeitritt*) or Infineon Technologies AG can be substituted in all respects under the Subordinated Guarantee by the New Company by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code. Any Noteholder, by its acquisition of any Notes, consents to such liberating debt assumption or joining in (*Schuldbeitritt*) and the Principal Paying Agent (§ 18(1)) is authorized to consent to such liberating debt assumption or joining in (*Schuldbeitritt*). See § 7(5) to (12) and § 14 of the Conditions.

**Conversion Right:**

Subject to adjustments as provided in §§ 12 and 15 of the Conditions, each Noteholder will have the right to convert (the “Conversion Right”) each Note for 4,885.3888 Shares (the “Conversion Ratio”) on any Business Day during the Conversion Period by delivering to a Conversion Agent a duly executed Conversion Notice. See §§ 7 and 8 of the Conditions. Under certain circumstances the New Company may be substituted for Infineon Technologies AG as issuer of the Shares and the right of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right to receive New Shares. See § 7(5) to (12) of the Conditions.

**Change of underlying shares and substitution of Infineon Technologies AG as issuer of the shares:**

If a Restructuring in accordance with § 7(5) of the Conditions occurs then, subject to certain conditions and with effect from the date of delivery of the New Shares by the New Company to the shareholders of Infineon Technologies AG, upon conversion, any Noteholder shall be entitled to such number of New Shares per Note as corresponds to the product of (i) the Conversion Ratio at the time of the substitution becoming effective and (ii) such number of New Shares to which a holder of Shares is entitled to with respect to one Share pursuant to the Restructuring. An additional conversion adjustment may be made or additional compensation may be provided if the Restructuring includes consideration other than New Shares. See § 7(5) to (12) of the Conditions.

**Undertaking:**

The Guarantor has undertaken (the “Undertaking”) to grant each Noteholder the right to convert the Notes into Shares in accordance with the Conditions. See § 7 of the Conditions.

**Termination of the Undertaking, New Undertaking:**

If a Restructuring in accordance with § 7(5) of the Conditions occurs then, subject to certain conditions and with effect from the date of delivery of the New Shares by the New Company to the shareholders of Infineon Technologies AG, the Undertaking will terminate and will be replaced by the New Undertaking under which the New Company will grant each Noteholder the right to convert the Notes into New Shares in accordance with § 7. See § 7(5) to (12) of the Conditions.

<b>Conversion Period:</b>	The Conversion Period shall be the period commencing on the 40th day after June 5, 2003, which is July 15, 2003, until May 22, 2010 (both dates inclusive), or, in the event of early redemption by the Issuer pursuant to § 4(3) or (4) of the Conditions, until and including the fifth Business Day prior to the day fixed for such early redemption.
<b>Conversion Price:</b>	The price at which Shares shall be delivered to Noteholders upon conversion (the "Conversion Price") shall be €10.2346 per Share, subject to adjustments as provided in §§ 12 and 15 of the Conditions. Fractions of Shares shall not be delivered upon conversion but shall be compensated in cash proportional to the respective fraction calculated in accordance with 9(2) of the Conditions.
<b>Adjustment of Conversion Price:</b>	See §§ 12 and 15 of the Conditions. Any Restructuring resulting in a Substitution or any Substitution pursuant to § 7(5) shall not lead to a Dilution Adjustment (§ 12) and shall not be regarded as a Change of Control (§ 15) and shall not give rise to the right of any Noteholder to terminate the Notes pursuant to § 16 of the Conditions.
<b>Cash Payment in lieu of Delivery of Shares:</b>	The Issuer shall be entitled upon the exercise of the Conversion Right by a Noteholder to pay to the Noteholder a cash amount (the "Cash Payment") in lieu of delivery of all or part of the Shares. Such Cash Payment shall be calculated in accordance with the provisions of § 10 of the Conditions with respect to the number of Shares, including fractional Shares, for which the Conversion Right has been exercised and for which the Issuer has decided to pay cash.
<b>Early Redemption at the Option of the Issuer for Reasons of Share Price:</b>	By giving not less than 20 and not more than 40 days' notice by publication in accordance with § 19 of the Conditions, the Issuer may redeem the Notes outstanding in whole, but not in part, at their Principal Amount, together with interest accrued thereon, if the XETRA-Quotation of the Shares on 15 trading days (each a "Stock Exchange Trading Day") on the Frankfurt Stock Exchange during a period of 30 consecutive Stock Exchange Trading Days commencing on or after June 5, 2006, exceeds 125% of the Conversion Price.
<b>Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Amount:</b>	By giving not less than 20 and not more than 40 days' notice by publication in accordance with § 19 of the Conditions, the Issuer may redeem the remaining Notes in whole, but not in part, at their Principal Amount, together with interest accrued thereon, if at any time the aggregate principal amount of Notes outstanding falls below €140,000,000.
<b>Early redemption at the Option of a Noteholder for reasons of a Change of Control:</b>	If the Issuer gives notice that a Change of Control (as defined under § 15 of the Conditions) has occurred, each Noteholder may, after giving not less than 20 days' notice to the Principal Paying Agent prior to the Control Record Date, require the Issuer to redeem on the Control Record Date any or all of its Notes at their Principal Amount, together with interest accrued thereon. See § 15 of the Conditions. Any Restructuring resulting in a Substitution or any Substitution pursuant to § 7(5) shall not be regarded as a Change of Control (§ 15).

**Taxes:**

All amounts payable by the Issuer in respect of the Notes and by the Guarantor in respect of the Subordinated Guarantee will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by way of deduction or withholding at source by or on behalf of The Netherlands or the Federal Republic of Germany or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law. The Conditions do not obligate the Issuer to pay any additional amounts resulting from the introduction of taxes or duties required by law to be deducted or withheld from amounts payable as aforesaid.

**Loan Agreement:**

The Issuer, pursuant to a loan agreement between the Issuer as lender and the Guarantor as borrower (the "Loan Agreement"), has disbursed the proceeds from the sale of the Notes in an amount of €700,000,000 by way of loan to the Guarantor (the "Loan"). The due dates for payments under the Loan correspond to the due dates for payments under the Notes; in the event of an early redemption of the Notes, the Loan is likewise subject to early repayment. See § 13(1) of the Conditions. The Issuer and Infineon Technologies AG have agreed that in the event of a Substitution the New Company may, and if legally required to ensure that upon a valid exercise of the Conversion Rights of the Noteholders fully paid New Shares can be delivered shall, assume by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code all rights, liabilities and obligations of Infineon Technologies AG.

**Security Assignment:**

The Issuer has assigned the claims against the Guarantor for payment of principal under the Loan Agreement in an amount equal to the aggregate Appertaining Claims (§ 13(2) of the Conditions) to JPMorgan Chase Bank, acting on account of the Noteholders, for purposes of securing the claims for payment of principal of the Notes. Upon such assignment, a partial amount of the Loan equal to the Appertaining Claim will be attributable to each Note. In respect of each Note, such transfer for security purposes will be subject to the condition subsequent (*auflösende Bedingung*) of the redemption of the Notes with Appertaining Claims without exercise of the Conversion Right or the cash payment in lieu of delivery of Shares. The Appertaining Claim related to each Note is non-detachable from the relevant Note. Any transfer of a Note results in the transfer of the Appertaining Claim without any explicit declaration of transfer being required. In the event of the exercise of the Conversion Right by delivering Notes, the Appertaining Claim shall pass to the Guarantor and expire therewith. See § 13(2) of the Conditions.

**Form of the Notes:**

The Notes will initially be represented by the Temporary Global Note exchangeable for the Permanent Global Note not earlier than 40 days after issue of the Temporary Global Note, each such Global Note to be deposited with a common depository for the Clearing System. Definitive certificates representing individual Notes and interest coupons shall not be issued. Each Global Note will be kept in custody by a common depository for the Clearing System until all obligations of the Issuer under the Notes have been satisfied.



<b>Payments:</b>	Payments of principal of, and interest on, the Notes shall be made in Euro to the Principal Paying Agent (as defined under § 18 of the Conditions) for on-payment to the Clearing System.
<b>Paying and Conversion Agents:</b>	The Issuer has appointed JPMorgan Chase Bank, London, as principal paying agent (in such capacity, the “Principal Paying Agent”) and as principal conversion agent (in such capacity, the “Principal Conversion Agent”), J.P. Morgan AG, Frankfurt am Main, as German paying agent (in such capacity, the “German Paying Agent”) and as German conversion agent (in such capacity, the “German Conversion Agent”) and J.P. Morgan Bank Luxembourg S.A., Luxembourg, as Luxembourg paying agent (in such capacity, the “Luxembourg Paying Agent” and, together with the Principal Paying Agent and the German Paying Agent, the “Paying Agents” and each a “Paying Agent”) and as Luxembourg conversion agent (in such capacity, the “Luxembourg Conversion Agent” and, together with the Principal Conversion Agent and the German Conversion Agent, the “Conversion Agents” and each a “Conversion Agent”). The Issuer and the Guarantor may at any time vary or terminate the appointment of any Paying Agent and/or Conversion Agent.
<b>Substitution of the Issuer:</b>	The Issuer or the Substitute Issuer shall, without the consent of the Noteholders, be entitled at any time to substitute for the Issuer the Guarantor or any direct or indirect subsidiary which is at least 75%-owned by the Guarantor as principal debtor in respect of all obligations arising from or in connection with the Notes. See § 17 of the Conditions.
<b>Notices:</b>	All notices regarding the Notes shall be published in the following journals: (a) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort), and (b) a leading daily newspaper printed in the English language and of general circulation in London (which is expected to be the Financial Times). Any notice will become effective for all purposes on the third day following the date of the first such publication.
<b>Language:</b>	The Conditions are written in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.
<b>Governing Law and Jurisdiction:</b>	The Notes shall be governed by and shall be construed in accordance with the laws of the Federal Republic of Germany. The competent courts of Munich ( <i>Amtsgericht</i> or <i>Landgericht</i> ) shall have exclusive jurisdiction for all proceedings arising out of or in connection with the Notes.
<b>Listing:</b>	Application has been made to list the Notes on the Luxembourg Stock Exchange.
<b>Security Codes:</b>	ISIN Code: XS0168128030 Common Code: 016812803

## RISK FACTORS

*Unless otherwise indicated: (i) references to “our Company” or “the Company” are to Infineon Technologies AG; (ii) references to “we”, “us”, “Infineon Technologies” or “Infineon AG” are to Infineon Technologies AG and, unless the context otherwise requires, to its subsidiaries and its predecessor, the former semiconductor group of Siemens, (iii) references to “Siemens” are to Siemens AG, a German company, and (iv) references to the “Siemens Group” are to Siemens and Siemens’ subsidiaries.*

*In deciding whether to purchase Notes in this Offering, investors should pay particular attention to the risks described below as well as to the other information and descriptions of risks contained in this Offering Circular. The occurrence or existence of the events and circumstances described below could have a material adverse effect on our business activity, financial position, results of operations and business prospects. These events or the occurrence or existence of other risks that are currently unknown or considered insignificant could also have negative consequences for the market price of the Notes or the Shares.*

### **Risks related to the semiconductor industry**

#### ***Our business could suffer from periodic downturns***

The semiconductor industry is highly cyclical and has suffered significant economic downturns at various times. These downturns have involved periods of production overcapacity, oversupply, lower prices and lower revenues.

According to trade association data, worldwide sales of all semiconductor products have fluctuated significantly over the past several years. Sales increased in 1995, 1997, 1999 and 2000, but decreased in 1996, 1998 and 2001. In 2001, the decrease was approximately 32%. In 2002, sales increased slightly by 1%. Throughout 2001, 2002 and in the first quarter 2003 there has been substantial downward price pressure, although in 2002 and in the first quarter 2003 we have seen increasing demand in some of our business segments, especially for memory products and for automotive and industrial products. Our revenues for the six month period ended March 31, 2003 were €2,925 million, an increase of 28% from the comparative 2002 period.

There can be no assurance that the market will stabilize or improve in the near term or that the growth rates experienced in the 1999 and 2000 financial years will be attainable again in the coming years. A prolonged downturn in the industry could result in further substantially reduced volumes of sales and prices for our products, severely adversely impacting our results of operations.

#### ***Industry overcapacity could require us to lower our prices, particularly for memory products***

Both semiconductor companies with their own manufacturing facilities and specialist semiconductor foundries, which are subcontractors that manufacture semiconductors designed by others, have added significant capacity in recent years and are expected to continue to do so. Additions to capacity have in the past sometimes exceeded capacity reductions due to obsolescence, thereby contributing to increases of supply over demand and to downturns in the industry. Average per-Mbit selling prices for our memory products declined by approximately 68% in the 1997 financial year, 65% in the 1998 financial year and 21% in the 1999 financial year before rising by 11% in the 2000 financial year and then decreasing by approximately 70% in the 2001 financial year. This decrease continued by a rate of 30% in the 2002 financial year. This trend of decreasing prices has continued during the first six months of the 2003 financial year. Downturns in the industry, including the current downturn, have severely hurt the profitability of the DRAM industry generally, including our DRAM business. The current downturn may be prolonged and the volatility of the semiconductor industry may lead to future downturns, which could have similar effects. Fluctuations in the rate at which industry capacity is growing relative to the growth rate in demand for semiconductor products may in the future put pressure on our average selling prices and hurt our results of operations.

## **Risks related to our operations**

### ***We may not be able to protect our proprietary intellectual property and may be accused of infringing the intellectual property rights of others***

Our success depends on our ability to obtain patents, licenses and other intellectual property rights covering our products and our design and manufacturing processes. The process of seeking patent protection can be long and expensive. Patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. In addition, effective copyright and trade secret protection may be unavailable or limited in some countries, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

Competitors may also develop technologies that are protected by patents and other intellectual property rights. These technologies may therefore either be unavailable to us or be made available to us only on unfavorable terms and conditions. Litigation, which could cost us financial and management resources, may be necessary to enforce our patents or other intellectual property rights or to defend against claims of infringement of intellectual property rights brought against us by others. For example, Rambus Inc. filed suits against us in the United States and Germany in August 2000, alleging infringement of its intellectual property rights. Although we have prevailed at the trial court in the U.S. proceedings, Rambus has appealed the decision. In January 2003 the U.S. Appeals Court has revised the District Court's decision on 4 claim terms and remanded the case back to the District Court for a jury trial on these 4 claim terms. The German case is still pending in the first instance. The final outcome of these suits may adversely affect our business. We may be forced either to stop producing substantially all of our memory products or to license the underlying technology upon economically unfavorable terms and conditions, and possibly to pay damages for prior use of the Rambus technology at issue. See "General Information — Legal Matters — Litigation" for a description of these proceedings.

### ***Our results may suffer if we are not able to match our production capacity to demand***

During periods of industry overcapacity and declining selling prices, such as we are experiencing currently, customers do not generally order products as far in advance of the scheduled shipment date as they do during periods when our industry is operating closer to capacity. We therefore experienced lower levels of backlog during the last downturn, and are again doing so during the current downturn. This development has made it more difficult to forecast production levels and revenues.

We are currently in a period of industry-wide overcapacity and low levels of demand in most of our markets. Despite deflated demand, we have decided to maintain our production capacity, resulting in the risk of under-utilization of some of our facilities. Further erosion in market conditions has resulted in write-offs of inventories and could expose us to further losses on these products.

During periods of increased demand we may not have sufficient capacity to meet customer orders. In particular, we suffered capacity constraints throughout the 2000 financial year. Such constraints affect our customers' ability to deliver products in accordance with their planned manufacturing schedules, making relationships with affected customers difficult. As a result, we lost sales as customers turned to other manufacturers that could satisfy their increased demand. We may face similar difficulties if and when capacity constraints recur.

In the past we have responded to fluctuations in industry capacity and demand by adapting production levels, closing existing production facilities or opening new production facilities. We have incurred high costs as a result. We have also made increasing use of semiconductor foundries to meet higher levels of demand and have incurred higher cost of goods sold as a result. In order to expand or reduce our production capacity in the future, we may have to spend substantial amounts, which could hurt our results of operations.

### ***Our business could suffer from problems with manufacturing***

The semiconductor industry is characterized by the introduction of new or enhanced products with short life cycles in a rapidly changing technological environment. We manufacture our products using processes that are highly complex, require advanced and costly equipment and must continuously be

modified to improve yields and performance. Difficulties in the manufacturing process can reduce yields or interrupt production, and we may not be able to deliver products on time or in a cost-effective, competitive manner.

If production at a fabrication facility is interrupted, we may not be able to shift production to other facilities on a timely basis or customers may purchase products from other suppliers. In either case, the loss of revenues and damage to the relationship with our customers could be significant.

While for example the flooding in Dresden, Germany, did not directly affect production at our facilities there, manufacturing processes were hampered by indirect effects of the flooding on our suppliers and our workforce. Because we had advance notice that flooding was likely to occur, we were able to implement contingency plans in order to minimize the effects of the flooding. We may not always be able to foresee such situations and prepare for every contingency.

Increasing our production capacity to reduce our exposure to potential production interruptions would increase our fixed costs. If we do not increase our net sales to meet these higher costs, our operating results could be harmed.

We may at times outsource production of some of our products to third-party suppliers. Using third-party suppliers exposes us to manufacturing problems experienced by those suppliers and may be less cost-effective than manufacturing at our own facilities.

***We could lose the value of our investment in our ProMOS joint venture if we cannot reach agreement with the other principal shareholder***

We have made substantial investments in our Taiwanese joint venture, ProMOS Technologies, which produces and sells DRAM chips. At March 31, 2003, we owned 26.1 percent of ProMOS' shares, with a book value of €213 million.

In January 2003, the Company announced its intention to liquidate its investment in ProMOS, depending on market conditions, and in accordance with Taiwanese security regulations. The share price of ProMOS' stock could be adversely affected as a result of these events and the corresponding value of our investment in ProMOS could be substantially impaired. The Company does not believe that the liquidation of its ProMOS investment will result in a material adverse effect on the Company's results of operations or financial position.

***We have a limited number of suppliers and could suffer shortages if they were to interrupt supply or increase prices***

Our manufacturing operations depend upon obtaining deliveries of equipment and adequate supplies of materials on a timely basis. We purchase equipment and materials from a number of suppliers on a just-in-time basis. From time to time, suppliers may extend lead times, limit supply to us or increase prices due to capacity constraints or other factors. Because the equipment that we purchase is complex, it is difficult for us to substitute one supplier for another or one piece of equipment for another. Some materials are only available from a limited number of suppliers. Although we believe that supplies of the materials we use are currently adequate, shortages could occur in critical materials, such as silicon wafers or specialized chemicals used in production, due to interruption of supply or increased industry demand. Our results of operations would be hurt if we could not obtain adequate supplies of quality equipment or materials in a timely manner or if there were significant increases in the costs of equipment or materials.

***Our business could suffer if we do not have adequate access to capital***

Semiconductor companies that operate their own manufacturing facilities require significant amounts of capital to build, expand, modernize and maintain them. Semiconductor companies also require significant amounts of capital to fund research and development. Net cash used in our investing activities was €2,327 million in the 2000 financial year, €1,813 million in the 2001 financial year, €1,244 million in the 2002 financial year and €663 million for the first six months of the 2003 financial year. Our research and development expenses were €1,025 million in the 2000 financial year, €1,189 million in the 2001 financial year, €1,060 million in the 2002 financial year and €519 million for

the first six months of the 2003 financial year. We reduced capital expenditures substantially during financial year 2001 and financial year 2002. However, we intend to continue to invest heavily in research and development and manufacturing facilities, while continuing the policy of cooperation with other semiconductor companies to share these costs with us.

Under our agreements with the two other investors in the joint venture for our 300-millimeter manufacturing facility in Dresden, each of them has the right to sell its interest in the joint venture to us on September 30, 2005 and every third anniversary thereafter. We are entitled to purchase such interests once every three years, commencing March 31, 2004. Each of the other investors also has the right to sell its interest to us upon the occurrence of specified events, such as capital increases it does not agree to, the admission of new investors, substantial budget overruns, or our ceasing to exercise control over the joint venture. If both of the other investors were to elect to sell their interests to us, the total purchase price we would have to pay would be an amount equal to the capital contributed by these investors, plus interest. As of September 30, 2002, this amount would have been approximately €218 million.

In the future, we may not be able to raise the amount of capital required for our business on acceptable terms due to a number of factors, such as general market and economic conditions, inadequate cash flow from operations or unsuccessful asset management. Our business may be hurt if we are not able to make expected capital expenditures and meet expected research and development expenses.

For a description of certain financial arrangements entered into since the end of March 31, 2003, see "Infineon Technologies AG — Operating and Financial Review".

***The Siemens Group is our largest customer and our results could suffer if it were to buy fewer semiconductors from us***

In the 2000, 2001 and 2002 financial years, 10%, 14% and 12%, respectively, of our consolidated net sales resulted from direct sales to the Siemens Group. An additional 5%, 2% and 2%, respectively, of our net sales in each of the three years resulted from sales through the Siemens Group's sales organization for resale to third parties. For the six months of financial year 2003 sales to the Siemens Group were 14% of net sales. We expect the Siemens Group to continue to be one of our largest customers, but we cannot assure you that it will continue to purchase as many semiconductors from us as it has in the past. Our results could be harmed if the Siemens Group purchases fewer semiconductors from us in the future and other customers do not increase their orders to make up the shortfall.

***We rely on our strategic partners, and provisions in our agreements with them could allow them to terminate those agreements if our ownership changes***

As part of our strategy, we have entered into a number of long-term strategic alliances with leading industry participants, both to manufacture semiconductors and to develop new manufacturing process technologies and products. If our strategic partners encounter financial difficulty, they may no longer be able to participate in our alliances. Our business could be hurt if we were unable to continue many of our alliances.

Some of the agreements governing our strategic alliances allow our partner to terminate the agreement if our equity ownership changes so that a third party other than the Siemens Group gains control of our company or of a significant portion of our company's shares. Our business could be harmed if any of our strategic partners were to discontinue its participation in a strategic alliance.

***Our business could suffer as a result of volatility in different parts of the world***

We operate globally, with production facilities in 12 countries. In the 2002 financial year, 74% of our revenues were generated outside Germany and 55% of our revenues were generated outside Europe. For the first six months of our 2003 financial year, 75% of our revenues were generated outside of Germany and 56% of our revenues were generated outside Europe. Our business is therefore subject to risks involved in international business, including:

- negative economic developments in foreign economies and instability of foreign governments, including the threat of war or civil unrest;



- changes in laws and policies affecting trade and investment; and
- varying practices of the regulatory, tax, judicial and administrative bodies in the jurisdictions where we operate.

Substantial changes in any of these conditions could have an adverse effect on our business and results of operations. For example, the economic slowdown in Asia in 1997 and 1998, and the worldwide economic downturn during 2001 and 2002, reduced demand for semiconductors, and we suffered losses due to the resulting fall in sales volumes and semiconductor prices. Our results of operations could also be hurt if demand for the products made by our customers decreases due to adverse economic conditions in any of the regions where they sell their own products.

***The recent outbreak of Severe Acute Respiratory Syndrome (“SARS”) may have an adverse effect on the economies and financial markets of certain Asian countries***

In March 2003, the Guangdong Province of China, Hong Kong, Singapore and certain other Asian countries encountered an outbreak of SARS, a highly contagious form of atypical pneumonia. While the long-term impact of the SARS outbreak is unclear at this time, the prolonged existence of the SARS outbreak, or the perception that the SARS outbreak has not been contained, may have an adverse effect on the trade and tourism industries as well as on the economies and financial markets of certain countries in Asia. Any economic downturn resulting from the SARS outbreak may have an adverse effect on our business in the Asian region and as a result may adversely affect our results of operations.

***Our business can be hurt by changes in exchange rates***

Our results of operations can be hurt by changes in exchange rates, particularly between the Euro and the U.S. dollar and the Japanese yen. Many of our receivables are denominated in U.S. dollars, while our payables are denominated largely in Euro. In addition, the balance sheet impact of currency translation adjustments has been, and may continue to be, material.

Foreign currency derivative and transaction gains totaled €184 million in the 2000 financial year and €34 million in the 2001 financial year. We had foreign currency derivative and transaction losses of €16 million in the 2002 financial year. For the first six months of the 2003 financial year, we had currency derivative and transaction losses of €21 million.

Since its introduction on January 1, 1999, the Euro has declined substantially against the U.S. dollar, ranging from a high of €1.00 = \$1.1812 on January 1, 1999 to a low of €1.00 = \$0.8270 on October 25, 2000. The relative weakness of the euro against the dollar positively affected our revenues and results of operations in the 2000, 2001 and 2002 financial years. In the second half of the 2002 financial year, the dollar has fallen against the Euro and most other major currencies and this trend continued since the end of the 2002 financial year. At May 27, 2003, the exchange rate was €1.00 = \$1.1901. Further weakening of the dollar against the Euro could negatively affect our results of operations.

***Environmental laws and regulations may expose us to liability and increase our costs***

Our operations are subject to many environmental laws and regulations wherever we operate governing, among other things, air emissions, wastewater discharges, the use and handling of hazardous substances, waste disposal and the investigation and remediation of soil and ground-water contamination. A proposal of the European Commission, which has been, in principle, approved by the European Parliament, and legislation proposed in various countries, including Germany, would result in “take-back” obligations of manufacturers and/or the responsibility of manufacturers for the financing of the collection, recovery and disposal of electrical and electronic equipment. A further proposal of the European Commission forming part of the package submitted provides for a ban on the use of lead and some flame retardants in manufacturing electronic components. Those proposals, if adopted, could adversely effect our manufacturing costs or product sales by forcing us to change production processes or use more costly materials. Our customers may require us to conform to the proposed new standards in advance of their adoption by the European Commission.

As with other companies engaged in similar activities, we face inherent risks of environmental liability in our current and historical manufacturing activities. Costs associated with future additional environmental compliance or remediation obligations could adversely effect our business.

***Reductions in the amount of government subsidies we receive or demands for repayment could increase our reported expense or harm our ability to fund our capital expenditures***

As is the case with many other semiconductor companies, our reported expenses have been reduced in recent years by various subsidies received from governmental entities. In particular, we have received, and expect to continue to receive, subsidies for investment projects, in particular for the construction and equipment of our facilities in Dresden, as well as for research and development projects. We recognized governmental subsidies in an aggregate amount of €115 million in the 2000 financial year, €81 million in the 2001 financial year and €93 million in the 2002 financial year.

As the general availability of government funding is outside our control, we cannot assure you that we will continue to benefit from such support, that sufficient alternative funding would be available if necessary or that any such alternative funding would be provided on terms as favorable to us as those we currently receive.

The application for and implementation of such subsidies often involves compliance with extensive regulatory requirements, including, in the case of subsidies to be granted within the European Union, notification to the European Commission of the contemplated grant prior to disbursement. In particular, establishment of compliance with project-related ceilings on aggregate subsidies defined under European Union law often involves highly complex economic evaluations. If we fail to meet applicable formal or other requirements, we may not be able to receive the relevant subsidies or may be obliged to repay them, which could have a material adverse effect on our business.

The terms of certain of the subsidies we have received impose conditions which may limit our flexibility to utilize the subsidized facility as we deem appropriate, to divert equipment to other facilities, to reduce employment at the site, or to use related intellectual property outside the European Union. This could impair our ability to operate our business in the manner we believe is most cost effective.

***We might be faced with product liability or warranty claims***

Despite extensive quality assurance measures, there remains a risk that defects may occur in our products. The occurrence of such defects could give rise to warranty claims or to liability for damages caused by such defects and for consequential damages and could, moreover, impair the market's acceptance of our products. Both could have a material adverse effect on our business and financial condition. Also, customers have from time to time notified us of potential contractual warranty claims in respect of products supplied by us, and may do so in the future. See "General Information — Legal Matters — Other Matters" for a description of these and other proceedings.

***We are being investigated for potential antitrust violations in the DRAM industry***

Our North American subsidiary received a grand jury subpoena from the U.S. District Court for the Northern District of California on June 19, 2002, seeking information regarding a Department of Justice probe into possible U.S. antitrust violations in the DRAM industry. Since then, a number of class action lawsuits have been filed against us and other DRAM manufacturers alleging violations of the Sherman Act relating to the sale and pricing of memory products. All of these cases have been stayed pending a decision from the Joint Panel on Multidistrict Litigation on consolidation. In addition, a number of cases have been filed in California alleging violation of the Cartwright Act; those are also subject to a stay. In April 2003, we received a request for information from the European Commission (the "Commission") to enable the Commission to assess the compatibility with the Commission rules on competition of certain practices of which the Commission has become aware in the European market of DRAM memory products. The Company is in the process of responding. We are unable to predict the outcome of these matters.

***We may be unable to successfully integrate businesses we acquire***

We are increasingly engaged in acquiring other businesses, such as our acquisition of Ericsson Microelectronics in September 2002. We intend to continue acquisitions of, and investments in, other

companies in the future. We face risks resulting from the expansion of our operations through acquisitions. These include the risk that we might be unable to integrate new businesses with our culture and strategies. We also cannot be certain that we will be able to achieve the benefits we expect from a particular acquisition or investment. For example, in April 2001 we acquired Ardent Technologies, a California-based company engaged in internet-based LAN switching. During the second half of 2001, we changed our view of the importance of this market to our business and as a component of our 2001 restructuring plan, terminated a significant number of the Ardent employees, abandoned certain acquired technology and significantly reduced future R&D expenditures for the Ardent business. Acquisitions may also strain our managerial and operational resources, as the challenge of managing new operations may divert our managers and employees from monitoring and improving operations in our existing businesses. Our business, financial condition and results of operations may suffer if we fail to coordinate our resources effectively to manage both our existing businesses and any businesses we acquire.

***Siemens may use all of the intellectual property rights it transferred to us at the formation of our company***

In connection with our formation as a legal entity, Siemens transferred approximately 20,000 patent rights to us. Under the terms of this transfer and related agreements, however, Siemens retained the right to use these patent rights within the scope of its business for an unlimited period of time, subject to various restrictions in the case of patents relating to information handling systems.

Siemens has entered into a non-competition agreement with us. Under this agreement, Siemens has agreed that no member of the Siemens Group will engage in or carry out any research or development, production or distribution of semiconductor devices or license or sublicense any of our patents to any party for use in research or development, production or distribution of semiconductor devices. The agreement is subject to certain exceptions relating to such matters as application-specific semiconductor devices designed specifically for use in or in connection with Siemens Group products, spare parts for those products, and the application in equipment and systems of circuitry from patents in which both we and Siemens have rights, as well as to various de minimis exceptions.

We have also agreed with Siemens not to carry out research or development, production or distribution of certain types of optoelectronic semiconductor devices. The OSRAM Opto joint venture, in which we sold our interest to OSRAM GmbH in September 2001, produces optoelectronic semiconductor devices. The agreement provides for certain standard exceptions, including the procurement of such devices for incorporation into chipsets or systems for sale as integrated parts of such chipsets or systems.

These non-competition restrictions will remain in force until March 2004 or two years following the point at which Siemens' direct or indirect equity ownership of our company drops to 50% or less, whichever occurs earlier. After that time, should it ever decide to re-enter the semiconductor business, Siemens could use these patent rights to compete against us.

***Siemens exercises partial control over some of our intellectual property rights***

Siemens has retained the right to assert infringement claims against third parties with respect to approximately 15% of the 20,000 patent rights that it transferred to us, insofar as these patents relate to the technical field of the Siemens Group's business activities. Siemens has agreed that it will not exercise this right against any of our customers in respect of any part of such customer's products that contains one of our products, unless this right is asserted for defensive purposes. Nevertheless, we can provide no assurance that these safeguards will be sufficient to protect all of our customers against claims by Siemens with respect to those of their products that incorporate technology covered by these patents. It may therefore be difficult for us to sell our products or grant licenses of these patents to third parties, and they may not be able to use our products without infringing these patents or incurring license fees to Siemens.

***The Siemens Group companies may have conflicts of interest that affect our ongoing business arrangements with them***

We have extensive contractual and other business relationships with the Siemens Group, including reliance on the Siemens Group for some of our administrative functions, particularly the

Siemens Group's information technology systems. Since becoming an independent company, we have built up certain of our own administrative functions. We also lease office and production space from the Siemens Group. We may also engage in significant transactions from time to time with the Siemens Group. Although we expect that any such transactions and agreements will be on terms no less favorable to us than we could obtain in comparable arrangements with unaffiliated third parties, conflicts of interest may arise between us and the Siemens Group.

***Sales of substantial number of shares in the public market could adversely affect the market price of the shares and ADSs***

Siemens AG has the right, directly or indirectly, to direct the disposition of up to 286,292,363 shares of our Company, representing approximately 39.7% of the currently issued shares of our Company. These shares are held by Siemens Nederland N.V., a wholly-owned subsidiary of Siemens AG, and by Wachovia Trust Company, a trust which holds the shares for the benefit of Siemens AG. Siemens has announced publicly its intention to divest its ownership interest in our company through direct or indirect sales, as and when business and market conditions permit. Any such disposal could occur at any time or from time to time. Sales of substantial numbers of the shares of our company controlled by Siemens, either in the public market or in private transactions, or the perception that such sales may occur, could adversely affect the market price of the shares and ADSs and could adversely affect our ability to raise capital through subsequent offerings of equity.

**The German version of the Conditions of Issue is the only legally binding version.  
The English translation is for convenience only.**

**ANLEIHEBEDINGUNGEN**

**§ 1**

**(Allgemeines)**

- (1) *Nennbetrag und Stückelung.* Diese 5% Garantierte Nachrangige Wandelanleihe, fällig 2010, der Infineon Technologies Holding B.V., Rotterdam (die "**Anleiheschuldnerin**"), einer Gesellschaft mit beschränkter Haftung nach dem Recht der Niederlande, im Gesamtnennbetrag von

€700.000.000

(in Worten: Euro siebenhundert Millionen)

ist in untereinander gleichberechtigte, auf den Inhaber lautende Teilschuldverschreibungen (die "**Schuldverschreibungen**") im Nennbetrag von je €50.000 (der "**Nennbetrag**") eingeteilt.

- (2) *Verbriefung.*

(a) Die Schuldverschreibungen werden zunächst durch eine vorläufige, auf den Inhaber lautende Globalurkunde (die "**Vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde ist in eine auf den Inhaber lautende Dauer-Globalurkunde ohne Zinsscheine (die "**Dauer-Globalurkunde**", die Vorläufige Globalurkunde und die Dauer-Globalurkunde im Folgenden jeweils eine "**Globalurkunde**") umtauschbar. Die jeweilige Globalurkunde wird bei einer gemeinsamen Verwahrstelle für Euroclear Bank S.A./N.V. als Betreiberin des Euroclear System ("**Euroclear**") und Clearstream Banking, société anonyme ("**Clearstream**", und zusammen mit Euroclear das "**Clearing System**") hinterlegt. Jede Globalurkunde trägt die eigenhändigen Unterschriften zweier für die Anleiheschuldnerin vertretungsberechtigter Personen und ist von der Hauptzahlstelle (§ 18(1)) oder in deren Namen mit einer Kontrollunterschrift versehen. Effektive Schuldverschreibungen und Zinsscheine werden nicht ausgegeben.

(b) Die Vorläufige Globalurkunde kann frühestens 40 Tage nach ihrer Ausgabe in die Dauer-Globalurkunde umgetauscht werden. Ein Umtausch erfolgt erst nach Zugang von Bescheinigungen darüber, daß keiner der wirtschaftlichen Eigentümer der durch die Vorläufige Globalurkunde verbrieften Schuldverschreibungen eine US-Person (wie im US Internal Revenue Code definiert) ist (außer solcher wirtschaftlicher Eigentümer, die Finanzinstitutionen gemäß der Definition der US Treasury Regulations Section 1.165-12(c)(1)(v) oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitutionen halten, sind). Zahlungen auf die durch die Vorläufige Globalurkunde verbrieften Schuldverschreibungen erfolgen erst nach Zugang solcher Bescheinigungen.

**CONDITIONS OF ISSUE**

**§ 1**

**(General Provisions)**

- (1) *Nominal Amount and Denomination.* This issue by Infineon Technologies Holding B.V., Rotterdam, (the "**Issuer**"), a private limited liability company incorporated under the laws of The Netherlands, of 5% Guaranteed Subordinated Convertible Notes due 2010 in the aggregate nominal amount of

€700,000,000

(in words: Euro seven hundred million)

is divided into notes in bearer form with a nominal amount of €50,000 (the "**Principal Amount**") each, which rank *pari passu* among themselves (the "**Notes**").

- (2) *Form.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") in bearer form without interest coupons. The Temporary Global Note will be exchangeable for a permanent global note (the "**Permanent Global Note**", and each of the Temporary Global Note and the Permanent Global Note being referred to herein as a "**Global Note**") in bearer form without interest coupons. Each Global Note will be deposited with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**", and together with Euroclear the "**Clearing System**"). Each Global Note shall be manually signed by two authorised representatives of the Issuer and manually authenticated by or on behalf of the Principal Paying Agent (§ 18(1)). Definitive certificates representing individual Notes and interest coupons shall not be issued.

(b) The Temporary Global Note shall be available for exchange for the Permanent Global Note not earlier than 40 days after the issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that none of the beneficial owners of the Notes represented by the Temporary Global Note is a US person as defined in the US Internal Revenue Code (except that such beneficial owners may be financial institutions as defined in US Treasury Regulations Section 1.165-12(c)(1)(v) or certain persons holding Notes through such financial institutions). Payments in respect of the Notes represented by the Temporary Global Note will be made only after delivery of such certifications.



- (3) *Verwahrung und Übertragung.* Die jeweilige Globalurkunde wird von einer gemeinsamen Hinterlegungsstelle des Clearing Systems verwahrt, bis sämtliche Verpflichtungen der Anleiheschuldnerin aus den Schuldverschreibungen erfüllt sind. Die Schuldverschreibungen sind durch entsprechende Depotbuchungen nach Maßgabe der anwendbaren Bestimmungen des Clearing Systems übertragbar.

## § 2

### **(Nachrangigkeit der Zahlungsansprüche; Status der Schuldverschreibungen; Auflösende Bedingung der Nachrangigkeit; Negativverpflichtung der Anleiheschuldnerin)**

- (1) *Nachrangigkeit der Zahlungsansprüche; Status der Schuldverschreibungen.* Die Forderungen der Inhaber der Schuldverschreibungen ("**Anleihegläubiger**") auf Zahlung von Kapital und Zinsen sowie sämtlicher sonstiger Beträge aus den Schuldverschreibungen sind nachrangig gegenüber ranghöheren, nicht nachrangigen Forderungen aller anderen Gläubiger der Anleiheschuldnerin. Diese Nachrangigkeit hat zur Folge, daß im Fall der Auflösung, der Insolvenz oder anderer Verfahren zur Abwendung der Insolvenz, jede Zahlung, die unter den Schuldverschreibungen fällig wird, erst erfolgt, nachdem alle Forderungen gegen die Anleiheschuldnerin erfüllt worden sind, die ranghöher und nicht nachrangig sind. Jedes Recht zur Aufrechnung mit Ansprüchen aus den Schuldverschreibungen gegen Ansprüche der Anleiheschuldnerin ist ausgeschlossen. Die Schuldverschreibungen begründen nicht besicherte Verbindlichkeiten der Anleiheschuldnerin, die untereinander im gleichen Rang und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nachrangigen Verbindlichkeiten der Anleiheschuldnerin zumindest im gleichen Rang stehen, soweit sich nicht aufgrund anwendbarer Gesetze etwas anderes ergibt.
- (2) *Auflösende Bedingung der Nachrangigkeit.* Die in § 2(1) geregelte Nachrangigkeit ist auflösend bedingt durch die Ausübung des Wandlungsrechts (§ 7) und endet mit Wirkung zum Ausgabetag (§ 3(1)) am Tag unmittelbar vor dem Ausübungstag (§ 8(4)) um 24:00 Uhr. Die Nachrangigkeit darf die Ausübung des Wandlungsrechts (§ 7(1)) auf der Grundlage des § 194 Abs. 1 S. 2 AktG nicht beeinträchtigen.
- (3) *Negativverpflichtung.* Solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, zu dem sämtliche nach diesen Anleihebedingungen an die Anleihegläubiger zahlbaren Beträge der Hauptzahlstelle (§ 18(1)) zur Verfügung gestellt und alle sich aus § 7 ergebenden Pflichten erfüllt wurden, verpflichtet sich die Anleiheschuldnerin, für nachrangige Kapitalmarktverbindlichkeiten, einschließlich dafür übernommener Garantien und anderer Gewährleistungen, keine Sicherheiten an ihrem Vermögen zu bestellen, ohne daß die Anleihegläubiger zur gleichen Zeit und im gleichen Rang anteilig an dieser Sicherheit teilnehmen. Die

- (3) *Custody and Clearing.* The respective Global Note will be kept in custody by the Clearing System until all obligations of the Issuer under the Notes have been satisfied. The Notes shall be transferable by appropriate entries in securities accounts in accordance with the applicable rules of the Clearing System.

## § 2

### **(Subordination of Payment Claims, Status of the Notes; Condition Subsequent of Subordination; Negative Pledge of Issuer)**

- (1) *Subordination of Payment Claims, Status of the Notes.* The claims of the holders of the Notes ("**Noteholders**") for payment of principal and interest and any other amounts arising under the Notes shall be subordinated to the claims of all other creditors of the Issuer which are senior and not subordinated. Such subordination shall mean that in any event of liquidation, bankruptcy or other proceedings to avoid bankruptcy any payment which might become due under the Notes shall be made only after all claims against the Issuer which are senior and not subordinated have been satisfied. Any right to set-off claims arising from the Notes against claims of the Issuer shall be excluded. The Notes are unsecured obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for such obligations as may be preferred by applicable law.
- (2) *Condition Subsequent of Subordination.* The subordination specified in § 2(1) shall be subject to the condition subsequent (*auflösende Bedingung*) of the exercise of the Conversion Right (§ 7) and terminate with effect as of the Issue Date (§ 3(1)) on the day immediately prior to the Conversion Date (§ 8(4)) at 24 hours. The exercise of the Conversion Right (§ 7(1)) in reliance on § 194(1) sentence 2 of the German Stock Corporation Act (*Aktiengesetz*) shall not be affected by the subordination.
- (3) *Negative Pledge.* So long as any Notes shall remain outstanding, but only up to the time at which all amounts payable to the Noteholders under the Notes in accordance with these Conditions of Issue have been placed at the disposal of the Principal Paying Agent (§ 18(1)) and all obligations pursuant to § 7 have been fulfilled, the Issuer undertakes not to secure any subordinated Capital Market Indebtedness, including any guarantees or other indemnities assumed in respect thereof, upon any of its assets without at the same time providing that the Noteholders share equally and rateably in such security. The undertaking

Verpflichtung nach Satz 1 findet keine Anwendung auf eine Sicherheit, die (i) nach dem anzuwendenden Recht zwingend notwendig sind, oder (ii) als Voraussetzung einer staatlichen Genehmigung erforderlich ist, oder (iii) von der Anleiheschuldnerin an Forderungen bestellt werden, die der Anleiheschuldnerin aufgrund der Weiterleitung des Erlöses aus der Begebung von Schuldverschreibungen gegen eine ihrer konsolidierten Tochtergesellschaften oder einen Dritten gegenwärtig oder zukünftig zustehen, sofern diese Sicherheiten der Besicherung der Ansprüche aus den jeweiligen Schuldverschreibungen dienen. Eine nach Satz 1 zu leistende Sicherheit kann auch zugunsten eines Treuhänders der Anleihegläubiger bestellt werden.

- (4) *Kapitalmarktverbindlichkeiten.* **“Kapitalmarktverbindlichkeiten”** im Sinne dieser Anleihebedingungen bedeutet jede Verbindlichkeit, Geldbeträge zurückzuzahlen, die im Wege der Ausgabe von Schuldverschreibungen oder anderer Wertpapiere, die an einer Börse oder an einem anderen organisierten Markt zum Handel zugelassen oder gehandelt werden können, aufgenommen wurden; ausgenommen hiervon sind, soweit vorstehend nicht ausdrücklich etwas anderes geregelt ist, außerbilanzielle Vermögensgegenstände und Verbindlichkeiten.

### § 3

#### (Verzinsung)

- (1) *Zinssatz.* Die Schuldverschreibungen werden ab einschließlich dem 5. Juni 2003 (**“der Ausgabetag”**) mit jährlich 5% auf ihren Nennbetrag verzinst. Die Zinsen sind jährlich nachträglich am 5. Juni eines jeden Jahres (jeweils ein **“Zinszahlungstag”**), erstmals am 5. Juni 2004, in Höhe von €2.500 je Schuldverschreibung zahlbar. Letzter Zinszahlungstag ist der Endfälligkeitstermin (§ 4(1)) (sofern nicht die Schuldverschreibungen zuvor zurückgezahlt, gewandelt oder zurückgekauft und entwertet wurden). Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem die Schuldverschreibungen zur Rückzahlung fällig werden. Im Falle der Ausübung des Wandlungsrechtes (§ 7(1)) hinsichtlich einer Schuldverschreibung endet die Verzinsung dieser Schuldverschreibung mit Ablauf des Tages, der dem letzten Zinszahlungstag vor dem Ausübungstag (§ 8(4)) unmittelbar vorausgeht, bzw., sofern es bis dahin keinen Zinszahlungstag gegeben hat, am Ausgabetag.
- (2) *Verzug.* Sofern die Anleiheschuldnerin die Schuldverschreibungen nicht bei Fälligkeit zurückzahlt, fallen vom Zahlungstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich) Zinsen in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen auf den Nennbetrag an.
- (3) *Zinstagequotient.* Sind Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen, erfolgt die Berechnung auf der Grundlage der

pursuant to sentence 1 shall not apply to a security which is (i) mandatory according to applicable laws or (ii) required as a prerequisite for governmental approvals or (iii) provided by the Issuer over any claims of the Issuer against any of its consolidated subsidiaries or any third party, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the sale by the Issuer of any notes, *provided that* any such security serves to secure obligations under such notes of the Issuer. Any security which is to be provided pursuant to sentence 1 may also be provided to a person acting as trustee for the Noteholders.

- (4) *Capital Market Indebtedness.* For the purpose of these Conditions of Issue **“Capital Market Indebtedness”** means any obligation to repay money that is borrowed through the issuance of bonds, notes or other debt securities which are capable of being listed or traded on a stock exchange or other recognised securities market; except as expressly provided above, it does not include any off-balance sheet assets and obligations.

### § 3

#### (Interest)

- (1) *Interest Rate.* The Notes shall bear interest on their Principal Amount at the rate of 5% per annum from and including June 5, 2003 (the **“Issue Date”**). Interest shall be payable annually in arrears in the amount of €2,500 per Note on June 5 of each year (each a **“Coupon Date”**), commencing on June 5, 2004. The last Coupon Date shall be the Maturity Date (§ 4(1)) (unless the Notes have previously been redeemed, converted, repurchased or cancelled). Interest shall cease to accrue as of the beginning of the date on which the Notes become due for redemption. In the event of an exercise of the Conversion Right (§ 7(1)) in respect of any Note, interest shall cease to accrue on that Note as of the end of the day immediately preceding the last Coupon Date prior to the Conversion Date (§ 8(4)) or, if there was no Coupon Date, the Issue Date.
- (2) *Late Payments of Principal.* Should the Issuer fail to redeem the Notes when due, interest shall continue to accrue at the default rate of interest established by law on their Principal Amount from the payment date (inclusive) until (but not including) the date of actual redemption of the Notes.
- (3) *Day Count Fraction.* If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual

tatsächlich verstrichenen Tage, geteilt durch 365 (bzw., falls ein Teil dieses Zeitraums in ein Schaltjahr fällt, auf der Grundlage der Summe von (i) der tatsächlichen Anzahl von Tagen des Zeitraums, die in dieses Schaltjahr fallen, dividiert durch 366, und (ii) der tatsächlichen Anzahl von Tagen des Zeitraums, die nicht in das Schaltjahr fallen, dividiert durch 365).

#### § 4

##### (Tilgung am Endfälligkeitstermin durch Zahlung eines Geldbetrages; Rückkauf; Vorzeitige Rückzahlung)

- (1) *Tilgung durch Zahlung eines Geldbetrages.* Die Anleiheschuldnerin wird am 5. Juni 2010 (dem "**Endfälligkeitstermin**") die Schuldverschreibungen durch Zahlung eines Geldbetrages in Höhe des Nennbetrages zuzüglich der bis zum Endfälligkeitstermin (ausschließlich) angefallenen Zinsen tilgen, sofern nicht die jeweilige Schuldverschreibung vorher zurückgezahlt, gewandelt oder zurückerworben und entwertet worden ist.
- (2) *Rückkauf.* Die Anleiheschuldnerin und/oder Infineon Technologies AG, München ("**Infineon Technologies AG**" oder "**Garantin**") und/oder ein mit diesen im Sinne des § 15 AktG verbundenes Unternehmen sind berechtigt, jederzeit Schuldverschreibungen im Markt oder auf andere Weise zu kaufen. Zurückgekauft Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.
- (3) *Vorzeitige Rückzahlung nach Wahl der Anleiheschuldnerin infolge der Kursentwicklung der Aktien.* Die Anleiheschuldnerin ist berechtigt, die ausstehenden Schuldverschreibungen insgesamt, nicht jedoch teilweise, nach Bekanntmachung gemäß § 19, die mindestens 20 und höchstens 40 Tage vor dieser Rückzahlung zu erfolgen hat, vorzeitig zum Nennbetrag zuzüglich hierauf bis zum Rückzahlungstag (ausschließlich) aufgelaufener Zinsen zurückzuzahlen, wenn die XETRA-Notierung (wie nachstehend definiert) der Aktien (§ 7(1)) an 15 Handelstagen (jeweils ein "**Börsenhandelstag**") innerhalb eines Zeitraums von 30 aufeinanderfolgenden Börsenhandeltagen an der Frankfurter Wertpapierbörse (die "**FWB**") beginnend am oder nach dem 5. Juni 2006 125% des Wandlungspreises gemäß § 7(1) übersteigt. Die Bekanntmachung zur vorzeitigen Rückzahlung ist unwiderruflich und muß innerhalb von fünf Geschäftstagen (§ 5(3)) nach dem jeweils letzten Tag des in Satz 1 genannten Zeitraums von 30 aufeinanderfolgenden Börsenhandeltagen erklärt werden; nach Ablauf dieser Frist von fünf Geschäftstagen erlischt bezüglich dieses Zeitraums von 30 aufeinanderfolgenden Börsenhandeltagen das Kündigungsrecht. Fällt das Ende der Kündigungsfrist in einen Nichtausübungszeitraum (§ 7(4)), so wird die Kündigung erst fünf Geschäftstage nach dem Ende des betreffenden Nichtausübungszeitraumes (§ 7(4)) wirksam. Die Bekanntmachung gemäß Satz 1 muß den Rückzahlungstag und den Gesamtnennbetrag der zurückzuzahlenden Schuldverschreibungen bestimmen und die Tatsachen angeben, die das

number of days elapsed, divided by 365 (or, if any portion of that period falls in a leap year, the sum of (i) the actual number of days in that period falling in a leap year divided by 366 and (ii) the actual number of days in that period falling in a non-leap year divided by 365).

#### § 4

##### (Redemption at Maturity for Cash; Repurchase; Early Redemption)

- (1) *Redemption at Maturity for Cash.* The Issuer shall redeem the Notes for cash at their Principal Amount together with interest accrued thereon until (but not including) the date of such redemption on June 5, 2010 (the "**Maturity Date**") unless they have previously been redeemed, converted or repurchased and cancelled.
- (2) *Repurchase.* The Issuer and/or Infineon Technologies AG, Munich ("**Infineon Technologies AG**" or the "**Guarantor**"), and/or any of their affiliates within the meaning of § 15 German Stock Corporation Act (*Aktiengesetz*) shall be entitled at any time to purchase Notes in the market or otherwise. Such purchased Notes may be cancelled, held or resold.
- (3) *Early Redemption at the Option of the Issuer for Reasons of Share Price.* The Issuer may at its option, on giving not less than 20 nor more than 40 days' notice by publication in accordance with § 19, redeem the Notes outstanding in whole, but not in part, at their Principal Amount together with interest accrued thereon until (but not including) the date of redemption, if the XETRA-Quotation (as defined below) of the Shares (§ 7(1)) on 15 trading days (each a "**Stock Exchange Trading Day**") on the Frankfurt Stock Exchange (the "**FSE**") during a period of 30 consecutive Stock Exchange Trading Days commencing on or after June 5, 2006 exceeds 125% of the Conversion Price pursuant to § 7(1). Such notice of early redemption shall be irrevocable and shall be given within five Business Days (§ 5(3)) after the respective last day of the period of 30 consecutive Stock Exchange Trading Days referred to in sentence 1; upon the expiration of such period of five Business Days such right shall in respect of such period of 30 consecutive Stock Exchange Trading Days expire. If the end of the notice period falls within an Excluded Period (§ 7(4)), then the notice shall become effective only five Business Days after the end of that Excluded Period (§ 7(4)). The notice pursuant to sentence 1 shall determine the date of redemption, the aggregate principal amount of Notes to be redeemed and state the facts which establish the right of the Issuer to redeem the Notes.

Kündigungsrecht der Anleiheschuldnerin begründen.

**“XETRA-Notierung”** an einem Tag ist der Schlußkurs in XETRA derjenigen Aktien (§ 7(1)), die zum Zeitpunkt der Kursfeststellung uneingeschränkt dividendenberechtigt sind, oder, falls kein Schlußkurs festgestellt wird, der Einheitskurs an der FWB, oder, falls kein Einheitskurs festgestellt wird, der letzte veröffentlichte Börsenkurs für die Aktien (§ 7(1)) an der FWB an diesem Tag, oder, falls kein Börsenkurs veröffentlicht wird, das Mittel der letzten Brief- und Geldkurse. Falls Brief- und Geldkurse nicht verfügbar sind, bestimmt die Hauptumtaststelle (§ 18(1)) die XETRA-Notierung auf der Grundlage derjenigen Informationen, die sie für maßgeblich hält. Falls bei einer Ersetzung (§ 7(5)) die Neuen Aktien (§ 7(5)) nicht in XETRA oder an der FWB gehandelt werden oder falls das Handelsvolumen in XETRA oder an der FWB nicht das höchste Handelsvolumen dieser Neuen Aktien (§ 7(5)) in einem elektronischen Handelssystem oder an einer Wertpapierbörse während einer der Zeiträume in diesen Anleihebedingungen darstellt, für den XETRA-Notierungen oder Kurse der Aktien (§ 7(1)) an der FWB von Bedeutung sind, wird das elektronische Handelssystem oder die Wertpapierbörse mit dem höchsten Handelsvolumen der Neuen Aktien (§ 7(5)) anstelle von XETRA und FWB herangezogen und die Begriffe XETRA-Notierung, FWB und Börsenhandelstag werden durch die entsprechenden Begriffe ersetzt, die in einem solchen anderen elektronischen Handelssystem oder an einer solchen anderen Wertpapierbörse benutzt werden, und jede Bezugnahme auf XETRA-Notierung, FWB oder Börsenhandelstag gilt danach als Bezugnahme auf diese entsprechenden Begriffe.

- (4) *Recht der Anleiheschuldnerin zur vorzeitigen Rückzahlung wegen eines geringfügigen ausstehenden Nennbetrages.* Wenn zu irgendeinem Zeitpunkt der auf die Schuldverschreibungen ausstehende Gesamtnennbetrag (einschließlich solcher ausstehender Schuldverschreibungen, die gemäß § 20 begeben wurden) unter €140.000.000 Gesamtnennbetrag (einschließlich solcher Schuldverschreibungen, die gemäß § 20 begeben wurden) fällt, ist die Anleiheschuldnerin berechtigt, durch Bekanntmachung gemäß § 19 mit einer Frist von mindestens 20 und höchstens 40 Tagen, die verbliebenen Schuldverschreibungen insgesamt, jedoch nicht teilweise, zu ihrem Nennbetrag zuzüglich der bis zum Tag der Tilgung (ausschließlich) aufgelaufenen Zinsen zurückzahlen. Die Bekanntmachung ist unwiderruflich und hat den Tag der vorzeitigen Rückzahlung zu bestimmen.

## § 5

### (Währung; Zahlungen)

- (1) *Währung.* Sämtliche Zahlungen auf die Schuldverschreibungen, einschließlich gegebenenfalls zu zahlender Beträge gemäß § 4, § 9(2) und § 10(1), werden in Euro geleistet.

**“XETRA-Quotation”** on any day means the closing quotation in XETRA of the Shares (§ 7(1)) entitled at the time of fixing of the quotation to full dividend rights or, in the case that no such quotation is reported, the official quotation (*Einheitskurs*) on the FSE or, in the case that no official quotation is reported, the last reported per share sale price on such day of the Shares (§ 7(1)) on the FSE or, if no sale price is reported, the average of the last bid and ask prices. If no bid and ask prices are available, the Principal Conversion Agent (§ 18(1)) shall determine the XETRA-Quotation on the basis of such information as it considers appropriate. If in the event of a Substitution (§ 7(5)) the New Shares (§ 7(5)) are not traded in XETRA or on the FSE or if the trading volume in XETRA or on the FSE does not represent the highest trading volume of the New Shares (§ 7(5)) on an electronic trading system or a stock exchange during any of the periods in these Conditions of Issue for which the XETRA-Quotations or Share (§ 7(1)) prices on the FSE are relevant then the electronic trading system or stock exchange with the highest trading volume of the New Shares (§ 7(5)) shall be substituted for XETRA or the FSE and the terms XETRA-Quotation, FSE and Stock Exchange Trading Day shall be replaced by the corresponding terms used on such other electronic trading system or stock exchange and any reference to XETRA-Quotation, FSE or Stock Exchange Trading Day shall thereafter be deemed to refer to those corresponding terms.

- (4) *Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount.* If at any time the aggregate principal amount of Notes outstanding (including any Notes outstanding pursuant to § 20) falls below €140,000,000 in aggregate principal amount (including any Notes issued pursuant to § 20), the Issuer is entitled, by giving not less than 20 nor more than 40 days' notice by publication in accordance with § 19, to redeem the remaining Notes in whole, but not in part, at their Principal Amount together with interest accrued thereon until (but not including) the date of redemption. Such notice will be irrevocable and shall state the date of early redemption.

## § 5

### (Currency; Payments)

- (1) *Currency.* All payments on the Notes including amounts payable pursuant to § 4, § 9(2) and § 10(1) shall be made in Euro.



- (2) *Zahlungen von Kapital und Zinsen.* Zahlungen von Kapital und Zinsen auf die Schuldverschreibungen erfolgen am jeweiligen Zahlungstag an die Hauptzahlstelle (§ 18(1)) zur Weiterleitung an das Clearing System oder dessen Order in Euro zwecks Gutschrift auf den Konten der jeweiligen Kontoinhaber bei dem Clearing System. Zahlungen der Anleiheschuldnerin oder der Garantin an das Clearing System oder an dessen Order befreien die Anleiheschuldnerin und die Garantin in Höhe der geleisteten Zahlungen von ihren Verbindlichkeiten aus den Schuldverschreibungen und der Garantie (§ 14(1)).
- (3) *Geschäftstage.* Ist ein Fälligkeitstag für Zahlungen auf eine Schuldverschreibung kein Geschäftstag, so wird die betreffende Zahlung erst am nächstfolgenden Geschäftstag geleistet, ohne daß wegen dieser Zahlungsverzögerung Zinsen gezahlt werden. Ein **“Geschäftstag”** ist jeder Tag (mit Ausnahme von Samstagen und Sonntagen), an dem das Clearing System sowie Geschäftsbanken in München und in Frankfurt am Main für den Geschäftsverkehr geöffnet sind und Zahlungen in Euro abwickeln.
- (4) *Zahlungstag/Fälligkeitstag.* Im Sinne dieser Anleihebedingungen ist ein **“Zahlungstag”** der Tag, an dem, gegebenenfalls aufgrund einer Verschiebung gemäß § 5(3), eine Zahlung tatsächlich zu leisten ist, und ein **“Fälligkeitstag”** ist der in diesen Anleihebedingungen vorgesehene Zahlungstermin ohne Berücksichtigung einer solchen Verschiebung.
- (5) *Hinterlegung bei Gericht.* Die Anleiheschuldnerin kann Beträge an Zinsen und Kapital, sowie gegebenenfalls nach § 4, § 9(2) und § 10(2) zu zahlende Beträge, auf die von einem Anleihegläubiger innerhalb von zwölf Monaten nach dem jeweiligen Fälligkeitstag nicht Anspruch erhoben worden ist, und die Garantin kann gegebenenfalls unter der Garantie (§ 14(1)) zu zahlende Beträge bei dem Amtsgericht in München hinterlegen. Soweit die Anleiheschuldnerin bzw. die Garantin auf das Recht zur Rücknahme der hinterlegten Beträge verzichtet, erlöschen die betreffenden Ansprüche der Anleihegläubiger.
- (2) *Payments of Principal and Interest.* Payments of principal of, and interest on, the Notes shall be made on the relevant payment date to the Principal Paying Agent (§ 18(1)) for on-payment to the Clearing System or to its order in Euro for credit to the respective accountholders of the Clearing System. All payments made by the Issuer or the Guarantor to the Clearing System or to its order shall discharge the liability of the Issuer and the Guarantor under the Notes and the Guarantee (§ 14(1)) to the extent of the sums so paid.
- (3) *Business Days.* If any due date for payments in respect of any Notes is not a Business Day, such payment will not be made until the next following Business Day, and no interest shall be paid in respect of the delay in such payment. A **“Business Day”** shall be any day (with the exception of Saturdays and Sundays) on which the Clearing System and commercial banks in Munich and Frankfurt am Main are open for business and settle payments in Euro.
- (4) *Payment Date/Due Date.* For the purposes of these Conditions of Issue, **“payment date”** means the day on which the payment is actually to be made, where applicable as adjusted in accordance with § 5(3), and **“due date”** means the payment date provided for herein, without taking account of any such adjustment.
- (5) *Depositing in Court.* The Issuer may deposit amounts due pursuant to § 4, § 9(2) and § 10(1), if any, and principal and interest not claimed by a Noteholder within twelve months after the respective due dates, and the Guarantor may deposit amounts due under the Guarantee (§ 14(1)), if any, with the Local Court (*Amtsgericht*) in Munich. To the extent the Issuer or the Guarantor waives its right to withdraw such deposit, the relevant claims of the Noteholders shall cease.

**§ 6**  
**(Steuern)**

Alle Zahlungen der Anleiheschuldnerin in bezug auf die Schuldverschreibungen und der Garantin in bezug auf die Garantie (§ 14(1)) werden ohne Abzug oder Einbehalt gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde durch Abzug oder Einbehalt an der Quelle auferlegt, erhoben oder eingezogen werden, geleistet, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben.

**§ 6**  
**(Taxes)**

All amounts payable by the Issuer in respect of the Notes and by the Guarantor in respect of the Guarantee (§ 14(1)) will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by way of deduction or withholding at source by or in or on behalf of The Netherlands or the Federal Republic of Germany or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law.



## § 7

### (Wandlungsrecht; Beendigung der Verpflichtungserklärung; Neue Verpflichtungserklärung)

- (1) *Wandlungsrecht.* Infineon Technologies AG hat sich am 2. Juni 2003 gegenüber der JPMorgan Chase Bank zugunsten der Anleihegläubiger verpflichtet (die "**Verpflichtungserklärung**"), jedem Anleihegläubiger das Recht zu gewähren (das "**Wandlungsrecht**"), jede Schuldverschreibung gemäß den Bestimmungen dieses § 7 jederzeit während des Ausübungszeitraums (§ 7(2)) ganz, nicht jedoch teilweise, zum Wandlungspreis von €10,2346 pro Aktie (der "**Wandlungspreis**") in 4.885,3888 auf den Namen lautende nennwertlose Stückaktien (das "**Wandlungsverhältnis**") der Infineon Technologies AG, jeweils mit einem auf die einzelne Stückaktie entfallenden anteiligen Betrag des Grundkapitals von €2 (die "**Aktien**"), zu wandeln, wobei der Wandlungspreis und das Wandlungsverhältnis Anpassungen nach § 12 und § 15(3) unterliegen können. Die Lieferung der Aktien hat in Übereinstimmung mit § 9(1) zu erfolgen. Werden durch denselben Anleihegläubiger gleichzeitig mehrere Schuldverschreibungen gewandelt, errechnet sich die Anzahl der infolge der Wandlung zu liefernden Aktien auf der Grundlage des Gesamtnennbetrages der von diesem Anleihegläubiger gleichzeitig gewandelten Schuldverschreibungen. Verbleibende Bruchteile von Aktien werden nach § 9(2) in Geld ausgeglichen. Kopien der Verpflichtungserklärung werden bei der Hauptzahlstelle (§ 18(1)) zur kostenlosen Ausgabe bereitgehalten. Die Verpflichtungserklärung ist ein Vertrag zugunsten der Anleihegläubiger als begünstigte Dritte im Sinne des § 328(1) BGB, der jedem Anleihegläubiger das Recht gewährt, Erfüllung unmittelbar von der Infineon Technologies AG zu verlangen und die Verpflichtungserklärung unmittelbar gegen die Infineon Technologies AG durchzusetzen. Die Verpflichtungserklärung steht unter der auflösenden Bedingung (§ 158(2) BGB) einer Ersetzung (§ 7(5)). Im Falle einer Ersetzung (§ 7(5)) endet die Verpflichtungserklärung und wird durch die Neue Verpflichtungserklärung (§ 7(5)) ersetzt; dementsprechend endet das Recht eines Anleihegläubigers zum Erhalt von Aktien bei Wandlung und wird durch das Recht zum Erhalt von Neuen Aktien (§ 7(5)) bei Wandlung ersetzt.
- (2) *Ausübungszeitraum.* Soweit nicht abweichend in Absatz (3) und (4) dieses § 7 geregelt, kann das Wandlungsrecht durch einen Anleihegläubiger während eines Zeitraums ausgeübt werden, der am 40. Tag nach dem Ausgabetag, d.h. am 15. Juli 2003, beginnt und am 22. Mai 2010 endet (beide Tage einschließlich) (der "**Ausübungszeitraum**"). Wenn das Ende des Ausübungszeitraums auf einen Tag fällt, der kein Geschäftstag ist, endet der Ausübungszeitraum an dem Geschäftstag, der diesem Tag unmittelbar vorangeht. Wenn der letzte Tag des Ausübungszeitraumes in einen Nichtausübungszeitraum (§ 7(4)) fällt, endet der Ausübungszeitraum am letzten Geschäftstag vor dem Beginn eines solchen Nichtausübungszeitraumes.

## § 7

### (Conversion Right; Termination of the Undertaking; New Undertaking)

- (1) *Conversion Right.* Infineon Technologies AG on June 2, 2003 has undertaken towards JPMorgan Chase Bank for the benefit of the Noteholders (the "**Undertaking**") to grant each Noteholder the right (the "**Conversion Right**") to convert in accordance with this § 7 at any time during the Conversion Period (§ 7(2)) each Note in whole, but not in part, at a conversion price for each share of €10.2346 (the "**Conversion Price**") into 4,885.3888 ordinary registered shares with no par value (**Stückaktien**) (the "**Conversion Ratio**") of Infineon Technologies AG with a portion of the share capital allotted to each share corresponding to €2 (the "**Shares**"), subject to adjustments pursuant to § 12 and § 15(3). Delivery of Shares shall be made in accordance with § 9(1). If more than one Note is converted at any one time by the same Noteholder, the number of Shares to be delivered upon such conversion will be calculated on the basis of the aggregate principal amount of such Notes to be converted. Remaining fractions of Shares shall be compensated in cash pursuant to § 9(2). Copies of the Undertaking are available free of charge at the Principal Paying Agent (§ 18(1)). The Undertaking constitutes a contract for the benefit of the Noteholders as third party beneficiaries pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) giving rise to the right of each Noteholder to require performance of the obligations undertaken therein directly from Infineon Technologies AG and to enforce such obligations directly against Infineon Technologies AG. The Undertaking is subject to the condition subsequent (*auflösende Bedingung*) within the meaning of § 158(2) of the German Civil Code of a Substitution (§ 7(5)). In the case of a Substitution (§ 7(5)) the Undertaking will terminate and will be replaced by the New Undertaking (§ 7(5)); accordingly the right of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right to receive New Shares (§ 7(5)) upon conversion.
- (2) *Conversion Period.* To the extent not otherwise provided for in subparagraph (3) and (4) of this § 7, the Conversion Right may be exercised by a Noteholder from the 40th day after the Issue Date, which is July 15, 2003, until May 22, 2010 (both dates inclusive) (the "**Conversion Period**"). If the end of the Conversion Period falls on a day which is not a Business Day, the Conversion Period shall terminate on the Business Day immediately preceding such day. If the last day of the Conversion Period falls in an Excluded Period (§ 7(4)), the Conversion Period shall terminate on the last Business Day prior to the commencement of such Excluded Period.

- (3) *Vorzeitiges Ende des Ausübungszeitraumes bei fällig gestellten Schuldverschreibungen.* Für den Fall, daß die Schuldverschreibungen durch die Anleiheschuldnerin gemäß § 4(3) oder (4) zur Rückzahlung fällig gestellt werden, endet der Ausübungszeitraum im Hinblick auf diese Schuldverschreibungen mit Ablauf des fünften Geschäftstages, der dem Tag vorangeht, der zur Rückzahlung bestimmt ist, es sei denn, die Anleiheschuldnerin erfüllt ihre Rückzahlungsverpflichtungen an dem für die Rückzahlung bestimmten Tag nicht.
- (4) *Nichtausübungszeitraum.* Die Ausübung des Wandlungsrechts ist während der nachfolgenden Zeiträume (jeweils ein "**Nichtausübungszeitraum**") ausgeschlossen:
- (a) anlässlich von Hauptversammlungen der Infineon Technologies AG während eines Zeitraums, der am dritten Geschäftstag vor dem letzten für die Anmeldung bestimmten Tag beginnt, und der am Geschäftstag nach der Hauptversammlung (jeweils ausschließlich) endet;
- (b) während eines Zeitraums von 14 Tagen vor dem Ende des Geschäftsjahres der Infineon Technologies AG; und
- (c) während des Zeitraums ab dem Tag, an dem die Infineon Technologies AG ein Angebot an ihre Aktionäre zum Bezug von Aktien, Optionsrechten auf eigene Aktien, Schuldverschreibungen mit Wandlungs- oder Optionsrechten oder -pflichten, Gewinnschuldverschreibungen oder von Genußscheinen in einem überregionalen Pflichtblatt einer der deutschen Wertpapierbörsen, an denen die Aktien zum Handel zugelassen sind, oder im gedruckten oder elektronischen Bundesanzeiger veröffentlicht (wobei die erste Veröffentlichung maßgebend ist), bis zum letzten Tag der für die Ausübung des Bezugsrechts bestimmten Frist (jeweils einschließlich).
- (5) *Ersetzung.* Wenn eine gesellschaftsrechtliche Restrukturierung der Gruppe von Gesellschaften, deren Muttergesellschaft zur Zeit die Infineon Technologies AG ist ("**Infineon Gruppe**"), erfolgt und diese Restrukturierung den Zweck verfolgt, den Sitz der Muttergesellschaft der Infineon Gruppe in einem Land, Territorium oder Hoheitsgebiet außerhalb der Bundesrepublik Deutschland zu begründen und (i) eine neue Gesellschaft (die "**Neue Gesellschaft**"), die nicht Gesamtrechtsnachfolger der Infineon Technologies AG ist, die Muttergesellschaft der Infineon Gruppe wird, und (ii) Inhaber von mindestens 85% der Aktien ihre Aktien gegen Aktien der Neuen Gesellschaft (die "**Neuen Aktien**") tauschen und dabei einen Anteil von zusammen mindestens 85% am Kapital der Neuen Gesellschaft erhalten (die "**Restrukturierung**"), endet, vorausgesetzt, die nachfolgenden Bedingungen sind erfüllt, das Recht eines Anleihegläubigers zum Erhalt von Aktien bei Wandlung und wird durch das Recht zum Erhalt von Neuen Aktien bei Wandlung ersetzt (die "**Ersetzung**"):
- (3) *Early Termination of the Conversion Period for Notes called for Redemption.* In the event the Notes are declared due for redemption by the Issuer pursuant to § 4(3) or (4), the Conversion Period with respect to such Notes shall terminate at the end of the fifth Business Day prior to the day fixed for redemption unless the Issuer fails to satisfy its redemption payment obligations on the date fixed for redemption.
- (4) *Excluded Period.* The exercise of the Conversion Right shall be excluded during any of the following periods (each an "**Excluded Period**"):
- (a) in connection with any shareholders' meetings of Infineon Technologies AG, a period commencing three Business Days prior to the last day for notification of participation (*Anmeldung*) and ending on the Business Day following such shareholders' meeting (both dates exclusive);
- (b) a period of 14 days before the end of the financial year of Infineon Technologies AG; and
- (c) a period commencing on the date on which an offer by Infineon Technologies AG to its shareholders to subscribe Shares, warrants on own Shares, notes with conversion or option rights or obligations, profit-linked bonds or profit participation rights is published in a mandatory newspaper of one of the German stock exchanges where the Shares are admitted for trading, or in the printed or electronic German Federal Gazette (*Bundesanzeiger*), whichever is earlier, and ending on the last day of the subscription period (both dates inclusive).
- (5) *Substitution.* If a corporate restructuring of the group of companies of which Infineon Technologies AG is presently the parent company (the "**Infineon Group**") occurs, the objective of which is to establish the legal domicile of the parent company of the Infineon Group in a country, territory or jurisdiction other than the Federal Republic of Germany, and (i) a new company becomes the parent company of the Infineon Group which is not the legal successor (*Gesamtrechtsnachfolger*) of Infineon Technologies AG (the "**New Company**"), and (ii) holders of at least 85% of the Shares tender their Shares for shares in the New Company (the "**New Shares**") thereby receiving an aggregate holding of at least 85% of the equity in the New Company (the "**Restructuring**"), the right of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right to receive New Shares upon conversion (the "**Substitution**"), *provided that:*

- (a) die Neue Gesellschaft hat sich gegenüber der Hauptzahlstelle (§ 18(1)) zugunsten der Anleihegläubiger verpflichtet (die "**Neue Verpflichtungserklärung**"), jedem Anleihegläubiger das Recht zu gewähren, jede Schuldverschreibung gemäß den Bestimmungen dieses § 7 jederzeit während des Ausübungszeitraumes ganz, nicht jedoch teilweise, in Neue Aktien zu wandeln und die Neue Gesellschaft ist in der Lage, ihre Verpflichtungen unter der Neuen Verpflichtungserklärung in der Art und Weise zu erfüllen, als ob diese Verpflichtungen von Infineon Technologies AG unter der Verpflichtungserklärung erfüllt würden. Die Verpflichtungen der Neuen Gesellschaft unter der Neuen Verpflichtungserklärung müssen den Verpflichtungen der Infineon Technologies AG unter der Verpflichtungserklärung entsprechen mit der Ausnahme, daß bei Wandlung Neue Aktien zu liefern sind.
- (b) Infineon Technologies AG und die Neue Gesellschaft, falls rechtlich erforderlich zusammen mit der Hauptzahlstelle (§ 18(1)), haben rechtswirksam vereinbart, daß die Neue Gesellschaft im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB oder durch Schuldbeitritt die Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG unter der Garantie (§ 14(1)) übernimmt;
- (c) die Neue Gesellschaft ist eine Gesellschaft, die, entweder unmittelbar oder mit Hilfe eines Dritten, eine Bonität aufweist, die nicht schlechter ist als die von Infineon Technologies AG unmittelbar vor der Lieferung der Neuen Aktien;
- (d) zum Zeitpunkt des Wirksamwerdens der Ersetzung werden die Neuen Aktien in Euro gehandelt und sind an einer Börse in einem Mitgliedsstaat der Europäischen Union oder in der Schweiz zum Handel zugelassen;
- (e) die Neue Gesellschaft hat einen Zustellungsbevollmächtigten mit Sitz in der Bundesrepublik Deutschland für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt; und
- (f) die Hauptzahlstelle (§ 18(1)) hat (i) von anerkannten Rechtsberatern in dem betreffenden Land, Territorium oder Hoheitsgebiet des Sitzes der Neuen Gesellschaft und der Bundesrepublik Deutschland ein oder mehrere Rechtsgutachten erhalten, die bestätigen, daß die Bedingungen gemäß § 7(5)(a), (b), (d) und (e) erfüllt sind und (ii) eine Bestätigung eines unabhängigen Experten erhalten, daß die Bedingung gemäß § 7(5)(c) erfüllt ist.

Die Ersetzung wird zum Zeitpunkt der Lieferung der Neuen Aktien an die Inhaber von mindestens 85% der Aktien wirksam.

- (a) the New Company has undertaken towards the Principal Paying Agent (§ 18(1)) for the benefit of the Noteholders (the "**New Undertaking**") to grant each Noteholder the right to convert in accordance with this § 7 at any time during the Conversion Period each Note in whole, but not in part, into New Shares and the New Company is in the position to fulfil its obligations under the New Undertaking in the same manner as if these obligations were fulfilled by Infineon Technologies AG under the Undertaking. The obligations of the New Company under the New Undertaking shall be equal to the obligations of Infineon Technologies AG under the Undertaking save for the obligation to deliver New Shares upon conversion;
- (b) Infineon Technologies AG and the New Company, together with the Principal Paying Agent (§ 18(1)) if legally required, have, in a manner legally effective, agreed that the New Company assumes by way of liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code or joins in (*Schuldbeitritt*) the rights, liabilities and obligations of Infineon Technologies AG under the Guarantee (§ 14(1));
- (c) the New Company has, either directly or with the benefit of credit support from a third party, a creditworthiness not less favourable than that of Infineon Technologies AG immediately prior to the delivery of the New Shares;
- (d) the New Shares are traded in Euro and are listed on a stock exchange domiciled in a member state of the European Union or in Switzerland at the time the Substitution becomes effective;
- (e) the New Company has appointed an authorised agent domiciled in the Federal Republic of Germany for accepting services of process for any legal disputes or other proceedings before German courts; and
- (f) the Principal Paying Agent (§ 18(1)) has received (i) legal opinion(s) from legal advisers of good standing in the relevant jurisdiction of the domicile of the New Company and the Federal Republic of Germany confirming that the conditions under § 7(5)(a), (b), (d) and (e) have been met and (ii) an opinion from an independent expert confirming that the condition under § 7(5)(c) has been met.

The Substitution shall become effective from the date of delivery of the New Shares to holders of at least 85% of the Shares.

- (6) *Zustimmung der Anleihegläubiger.* Jeder Anleihegläubiger stimmt bereits durch den Erwerb von Schuldverschreibungen der Übernahme der Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG unter der Garantie (§ 14(1)) im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB oder durch Schuldbeitritt gemäß den Bedingungen in diesem § 7(5)) zu. Die Übernahme erfolgt durch Vereinbarung(en) zwischen Infineon Technologies AG, der Neuen Gesellschaft und, falls rechtlich erforderlich, der Hauptzahlstelle (§ 18(1)). Jede Zustimmung ist unwiderruflich und für jeden Anleihegläubiger verbindlich.
- (7) *Verpflichtung der Hauptzahlstelle.* Die Hauptzahlstelle (§ 18(1)) ist unter der Voraussetzung der Erfüllung der Bedingungen in § 7(5) verpflichtet, die Neue Verpflichtungserklärung anzunehmen und alle anderen Vereinbarungen zu schließen, die, falls anwendbar, zur Übernahme der Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG unter der Garantie (§ 14(1)) im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB erforderlich sind.
- (8) *Bekanntmachung.* Infineon Technologies AG wird die Anleihegläubiger durch Bekanntmachung gemäß § 19 über jedes Übernahmeangebot im Zusammenhang mit einer Restrukturierung oder, falls zeitlich früher, eine beabsichtigte Restrukturierung zur gleichen Zeit informieren, zu der die Inhaber von Aktien von einem solchen Übernahmeangebot oder einer solchen beabsichtigten Restrukturierung informiert werden. Die Bekanntmachung hat eine ausdrückliche Bezugnahme auf die mögliche Ersetzung zu enthalten. Jede Ersetzung ist von Infineon Technologies AG oder der Neuen Gesellschaft gemäß § 19 sofort nach Wirksamwerden bekannt zu machen.
- (9) *Bezugnahmen.* Bei Wandlung ist jeder Anleihegläubiger zum Bezug einer solchen Anzahl von Neuen Aktien per Schuldverschreibung berechtigt, die dem Produkt entspricht aus (i) dem Wandlungsverhältnis zum Zeitpunkt des Wirksamwerdens der Ersetzung und (ii) der Anzahl Neuer Aktien, zu der ein Inhaber von Aktien in Bezug auf eine Aktie gemäß der Restrukturierung berechtigt ist. Nach einer solchen Ersetzung beziehen sich diese Anleihebedingungen auf die Neuen Aktien, als handele es sich um Aktien, und alle Bezugnahmen in diesen Anleihebedingungen auf Infineon Technologies AG sind als Bezugnahmen auf die Neue Gesellschaft zu verstehen, allerdings mit der Maßgabe, daß im Fall einer Entscheidung der Neuen Gesellschaft, den Rechten, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG unter der Garantie (§ 14(1)) beizutreten, alle Bezugnahmen auf den Garanten als Bezugnahmen auf die Neue Gesellschaft und/oder Infineon Technologies AG zu verstehen sind, wie jeweils im besten Interesse der Anleihegläubiger angemessen. Falls die Neue Gesellschaft ihren Sitz nicht in den Niederlanden hat, tritt in § 6 neben die Bezugnahme auf die Niederlande und die Bundesrepublik
- (6) *Consent by Noteholders.* Any Noteholder, by acquisition of any Notes, consents to the New Company assuming all rights, liabilities and obligations of Infineon Technologies AG under the Guarantee (§ 14(1)) by way of a liberating debt assumption (*befreiende Schuldübernahme*) pursuant to §§ 414 et seq. German Civil Code or by way of joining in (*Schuldbeitritt*) subject to the conditions set out in § 7(5). This shall be effected by agreement(s) between Infineon Technologies AG, the New Company and, if legally required, the Principal Paying Agent (§ 18(1)). Any such consent shall be irrevocable and shall be binding on each Noteholder.
- (7) *Obligation of Principal Paying Agent.* The Principal Paying Agent (§ 18(1)) shall, *provided that* the conditions set out in § 7(5) are met, be obliged to accept the New Undertaking and conclude such other agreements necessary for the New Company to assume by way of liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code the rights, liabilities and obligations of Infineon Technologies AG under the Guarantee (§ 14(1)), if applicable.
- (8) *Publication.* Infineon Technologies AG shall inform, by publication pursuant to § 19, the Noteholders about any tender offer in the course of a Restructuring or, if earlier, an envisaged Restructuring at the same time the holders of Shares are informed about such tender offer or such envisaged Restructuring. Such publication shall include an express reference to the potential Substitution. Infineon Technologies AG or the New Company shall publish in accordance with § 19 any Substitution immediately after it has become effective.
- (9) *References.* Upon conversion, any Noteholder shall be entitled to such number of New Shares per Note as corresponds to the product of (i) the Conversion Ratio at the time the Substitution becomes effective and (ii) such number of New Shares to which a holder of Shares is entitled to with respect to one Share pursuant to the Restructuring. After such Substitution, the provisions of these Conditions of Issue shall apply to the New Shares as if they were Shares and all relevant references in these Conditions of Issue to Infineon Technologies AG shall be read to mean the New Company, however, *provided that* if the New Company elects to join in the rights, liabilities and obligations of Infineon Technologies AG under the Guarantee (§ 14(1)), all references to the Guarantor shall, after any Substitution, be read as referring to the New Company and/or Infineon Technologies AG, as appropriate in the best interest of the Noteholders. If the New Company is not domiciled in The Netherlands, an alternative reference to the country of domicile of the New Company shall be made in § 6 in addition to the reference to the Federal Republic of Germany and The Netherlands.



Deutschland eine alternative Bezugnahme auf das Land, in dem die Neue Gesellschaft ihren Sitz hat.

- (10) *Weitere Anpassungen.* Soweit Inhaber von Aktien in der Restrukturierung für ihre Aktien eine andere Gegenleistung als Neue Aktien erhalten, wird die Hauptumtauschstelle (§ 18(1)) solche Anpassungen des Wandlungsverhältnisses oder des Wandlungspreises vornehmen oder eine andere Entschädigung vorsehen, welche die Hauptumtauschstelle (§ 18(1)) nach freiem Ermessen gemäß § 317 BGB mit Zustimmung der Anleiheschuldnerin in Bezug auf eine solche Gegenleistung für angemessen hält.
- (11) *Erstattungsverpflichtung.* Falls als Folge einer Ersetzung einem Anleihegläubiger zusätzliche Steuern, Gebühren oder Abgaben im Zusammenhang mit einer Zahlung auf die Schuldverschreibungen oder unter der Garantie (§ 14(1)), bei Wandlung, Lieferung von Aktien oder in sonstiger Weise auferlegt werden, werden dem Anleihegläubiger solche zusätzlichen Steuern, Gebühren oder Abgaben ersetzt.
- (12) *Kein Verwässerungsschutz; keine Änderung der Kontrolle; kein Kündigungsrecht.* Eine Restrukturierung, die zu einer Ersetzung führt, oder eine Ersetzung selbst führt nicht zur Anwendung der Verwässerungsschutzbestimmungen (§ 12), wird nicht als Änderung der Kontrolle (§ 15) angesehen und gibt einem Anleihegläubiger kein Recht zur Kündigung gemäß § 16.
- (10) *Further Adjustments.* To the extent the holders of Shares receive as consideration in the Restructuring any consideration for their Shares other than New Shares, the Principal Conversion Agent (§ 18(1)) shall make such adjustments to the Conversion Ratio or the Conversion Price or provide for any other compensation in accordance with § 317 of the German Civil Code as the Principal Conversion Agent (§ 18(1)) shall with the consent of the Issuer consider appropriate to take account of such consideration.
- (11) *Reimbursement.* If as a consequence of any Substitution, any additional taxes, fees or duties are imposed upon any Noteholder in connection with any payments on the Notes or under the Guarantee (§ 14(1)), upon conversion or delivery of New Shares or otherwise, any such Noteholder shall be reimbursed for such additional taxes, fees or duties.
- (12) *No Dilution Adjustment, no Change of Control, no Right to Terminate.* Any Restructuring resulting in a Substitution or any Substitution shall not lead to a Dilution Adjustment (§ 12) and shall not be regarded as a Change of Control (§ 15) and shall not give rise to the right of any Noteholder to terminate the Notes pursuant to § 16.

## § 8

### (Ausübung des Wandlungsrechts)

- (1) *Ausübungserklärung.* Zur Ausübung des Wandlungsrechts muß der Anleihegläubiger auf eigene Kosten während der gewöhnlichen Geschäftszeiten bei einer Umtauschstelle (§ 18(1)) eine ordnungsgemäß ausgefüllte und unterzeichnete Erklärung (die "**Ausübungserklärung**") unter Verwendung eines zu diesem Zeitpunkt gültigen Vordrucks, der bei den Umtauschstellen erhältlich ist, einreichen. Die Ausübungserklärung ist unwiderruflich. Die Ausübungserklärung hat unter anderem die folgenden Angaben zu enthalten:
- Namen und Anschrift der ausübenden Person;
  - die Anzahl der Schuldverschreibungen, für die das Wandlungsrecht ausgeübt werden soll;
  - die Erklärung, daß der Zugehörige Darlehensanspruch (§ 13(2)(a)) an die Infineon Technologies AG übertragen wird;
  - das Wertpapierkonto des Anleihegläubigers oder seiner Depotbank bei einem Euroclear oder Clearstream Teilnehmer oder bei einem Clearstream Banking AG-Kontoinhaber, auf das die Aktien geliefert werden sollen;

## § 8

### (Exercise of Conversion Right)

- (1) *Conversion Notice.* To exercise the Conversion Right, the Noteholder must deliver at its own expense during normal business hours to a Conversion Agent (§ 18(1)) a duly completed and signed exercise notice (the "**Conversion Notice**") using a form (from time-to-time current) obtainable from the Conversion Agent. The Conversion Notice shall be irrevocable. The Conversion Notice shall, among other things:
- state the name and address of the exercising person;
  - specify the number of Notes with respect to which the Conversion Right shall be exercised;
  - contain a declaration that the Appertaining Claim (§ 13(2)(a)) shall be transferred to Infineon Technologies AG;
  - designate the securities account of the Noteholder or its depositary bank at a Euroclear or Clearstream participant or at a Clearstream Banking AG accountholder to which the Shares are to be delivered;



- gegebenenfalls ein auf Euro lautendes Konto des Anleihegläubigers oder seiner Depotbank, auf welches etwaige Zahlungen gemäß § 9(2) und § 10(2) geleistet werden sollen; und
  - etwaige in dem Vordruck der Ausübungserklärung geforderte Bestätigungen und Verpflichtungserklärungen im Hinblick auf bestimmte Beschränkungen der Inhaberschaft der Schuldverschreibungen und/oder Aktien.
- (2) *Weitere Voraussetzungen für die Ausübung des Wandlungsrechts.* Die Ausübung des Wandlungsrechts setzt außerdem voraus, daß die Schuldverschreibungen, für die das Wandlungsrecht ausgeübt werden soll, an die Umtauschstelle (§ 18(1)), bei welcher der Anleihegläubiger die Ausübungserklärung eingereicht hat, geliefert werden, und zwar entweder (i) durch Lieferung der Schuldverschreibungen auf das Konto dieser Umtauschstelle beim Clearing System oder (ii) durch eine unwiderrufliche Anweisung an diese Umtauschstelle, die Schuldverschreibungen aus einem von dem Anleihegläubiger bei dieser Umtauschstelle unterhaltenen Depot zu entnehmen. In beiden Fällen ist die Hauptumtauschstelle ermächtigt, die Bezugs-erklärung gemäß § 198(1) AktG oder die entsprechende Erklärung, die nach dem Recht des Sitzes der Neuen Gesellschaft im Falle einer Ersetzung erforderlich ist, für den Anleihegläubiger abzugeben, und die Schuldverschreibungen werden an die Hauptumtauschstelle zur Verwahrung für Rechnung des Anleihegläubigers bis zur Erfüllung sämtlicher Ansprüche des Anleihegläubigers aus den Schuldverschreibungen und danach zur weiteren Veranlassung übertragen.
- (3) *Prüfung der Ausübungserklärung.* Nach Erfüllung sämtlicher in § 8(1) und (2) genannten Voraussetzungen für die Ausübung des Wandlungsrechts prüft die betreffende Umtauschstelle (§ 18(1)), ob die Gesamtzahl der an diese Umtauschstelle gelieferten Schuldverschreibungen die in der Ausübungserklärung angegebene Gesamtzahl an Schuldverschreibungen über- oder unterschreitet. Soweit die in der Ausübungserklärung angegebene Zahl an Schuldverschreibungen die Zahl der tatsächlich gelieferten Schuldverschreibungen über- oder unterschreitet, wird diese Umtauschstelle, je nachdem, welche Zahl niedriger ist, entweder (i) die Gesamtzahl von Aktien, die der in der jeweiligen Ausübungserklärung angegebenen Zahl von Schuldverschreibungen entspricht, oder (ii) die Gesamtzahl von Aktien, die der Anzahl der tatsächlich gelieferten Schuldverschreibungen entspricht, von der Infineon Technologies AG beziehen und an den Anleihegläubiger liefern. Verbleibende Schuldverschreibungen sind an den Anleihegläubiger zurückzuliefern.
- if applicable, designate a Euro account of the Noteholder or its depositary bank to which payments pursuant to § 9(2) and § 10(2), if any, are to be made; and
  - contain the certifications and undertakings set out in the form of the Conversion Notice relating to certain restrictions of the ownership of the Notes and/or the Shares.
- (2) *Further Requirements for Exercise of Conversion Right.* The exercise of the Conversion Right shall further require that the Notes to be converted be delivered to such Conversion Agent (§ 18(1)) to which the Noteholder delivered the Conversion Notice either (i) by transferring the Notes to the Clearing System account of such Conversion Agent or (ii) by an irrevocable instruction to such Conversion Agent to withdraw the Notes from a securities account of the Noteholder with such Conversion Agent. In either case the Principal Conversion Agent shall be authorised to deliver the subscription certificate pursuant to § 198(1) of the German Stock Corporation Act or the respective certificate required by the law of domicile of the New Company in the event of a Substitution for the Noteholder while the Notes shall be transferred to the Principal Conversion Agent to be held for the account of the Noteholder until all claims of such Noteholder under the Notes have been satisfied and, thereafter, for further appropriate action.
- (3) *Review of Conversion Notice.* Upon fulfillment of all requirements specified in § 8(1) and (2) for the exercise of the Conversion Right, the respective Conversion Agent (§ 18(1)) will verify whether the number of Notes delivered to such Conversion Agent exceeds or falls short of the number of Notes specified in the Conversion Notice. In the event of any such excess or shortfall, such Conversion Agent shall subscribe from Infineon Technologies AG and deliver to the Noteholder the lower of (i) such total number of Shares which corresponds to the number of Notes set forth in the Conversion Notice or (ii) such total number of Shares which corresponds to the number of Notes in fact delivered. Any remaining Notes shall be redelivered to the Noteholder.

- (4) *Ausübungstag.* Das Wandlungsrecht ist an dem Geschäftstag wirksam ausgeübt, an dem sämtliche in den § 8(1), (2) und (3) genannten Voraussetzungen für die Ausübung des Wandlungsrechts durch einen Anleihegläubiger erfüllt sind (der "**Ausübungstag**"). Für den Fall jedoch, daß die in den § 8(1) und (2) genannten Voraussetzungen an einem Tag erfüllt sind, der in einen Nichtausübungszeitraum fällt, ist der Ausübungstag der erste Geschäftstag nach dem Ende dieses Nichtausübungszeitraumes, soweit auch dieser Tag noch in den Ausübungszeitraum fällt; anderenfalls ist das Wandlungsrecht nicht wirksam ausgeübt.

## § 9

### (Lieferung der Aktien; Ausgleich von Bruchteilen von Aktien)

- (1) *Lieferung der Aktien.* Nach Ausübung des Wandlungsrechts werden ausschließlich ganze Aktien in Übereinstimmung mit der zur Zeit der Lieferung geltenden Satzung der Infineon Technologies AG geliefert. Ein Anspruch auf Lieferung von Bruchteilen von Aktien besteht nicht. Soweit sich bei der Durchführung der Wandlung für eine oder mehrere Schuldverschreibungen Bruchteile von Aktien ergeben, werden die sich bei der Wandlung einer Schuldverschreibung ergebenden Bruchteile der Aktien addiert und die sich infolge der Addition der Bruchteile ergebenden ganzen Aktien geliefert, soweit die betreffende Umtauschstelle (§ 18(1)) (ohne dazu verpflichtet zu sein) festgestellt hat, daß mehrere Schuldverschreibungen für denselben Anleihegläubiger zur gleichen Zeit gewandelt wurden. Die zu liefernden Aktien werden nach Durchführung der Wandlung alsbald nach dem Ausübungstag auf das in der Ausübungserklärung angegebene Wertpapierkonto des Anleihegläubigers übertragen. Bis zur Übertragung bestehen keine Ansprüche aus den Aktien.
- (2) *Bruchteile von Aktien.* Verbleibende Bruchteile von Aktien werden nicht geliefert; sie werden in Geld ausgeglichen, wobei ein entsprechender Bruchteil des volumengewichteten Durchschnitts der XETRA-Notierungen an den zehn Börsenhandelstagen unmittelbar vor dem Tag der Abgabe der Ausübungserklärung bei der betreffenden Umtauschstelle (§ 18(1)), gerundet auf den nächsten Cent, wobei 0,005 aufgerundet wird, in Geld ausgeglichen wird.
- (3) *Zahlung.* Ein etwaiger Ausgleich in Geld für Bruchteile von Aktien gemäß § 9(2) erfolgt alsbald nach dem Ausübungstag, wobei auf diesen Betrag keine Zinsen geschuldet werden.
- (4) *Steuern.* Lieferung der Aktien und Zahlungen gemäß § 9(3) setzen voraus, daß der Anleihegläubiger etwaige Steuern oder sonstige Abgaben zahlt, die im Zusammenhang mit der Ausübung des Wandlungsrechts oder der Lieferung der Aktien oder der Zahlung von Beträgen gemäß § 9(3) anfallen. Steuern und sonstige Abgaben im Sinne dieses Absatzes können von einer etwaigen Ausgleichszahlung gemäß § 9(3) abgezogen werden, sofern der

- (4) *Conversion Date.* The Conversion Right shall be validly exercised on the Business Day on which all of the prerequisites specified in § 8(1), (2) and (3) for the exercise of the Conversion Right of a Noteholder have been fulfilled (the "**Conversion Date**"). In the event that the prerequisites specified in § 8(1) and (2) are fulfilled on a day which falls within an Excluded Period, then the Conversion Date shall be the first Business Day after the end of such Excluded Period *provided that* such day still falls within the Conversion Period; otherwise, the Conversion Right shall not have been validly exercised.

## § 9

### (Delivery of Shares; Compensation for Fractions of Shares)

- (1) *Delivery of Shares.* Upon any exercise of the Conversion Right only full Shares shall be delivered in accordance with the Articles of Association of Infineon Technologies AG in effect at the time of such delivery. Fractions of Shares shall not be issued. To the extent that any conversion of one or several Note(s) results in fractions of Shares, the fractions of Shares resulting from the conversion of a Note shall be aggregated and full Shares resulting from such aggregation of fractions of Shares shall be delivered to the extent the respective Conversion Agent (§ 18(1)) (without any obligation to do so) has ascertained that several Notes have been converted at the same time for the same Noteholder. The Shares to be delivered shall be transferred as soon as practicable after the Conversion Date to a securities account of the Noteholder designated in the Conversion Notice. Until transfer of the Shares has been made no claims arising from the Shares shall exist.
- (2) *Fractions of Shares.* Remaining fractions of Shares shall not be delivered and shall be compensated in cash proportional to the respective fraction of the volume weighted average of the XETRA-Quotations on each of the ten Stock Exchange Trading Days immediately prior to delivery of the Conversion Notice to the respective Conversion Agent (§ 18(1)), rounded to the nearest full cent with 0.005 being rounded upwards.
- (3) *Payment.* Any compensation in cash for fractions of Shares pursuant to § 9(2) shall be effected as soon as practicable after the Conversion Date. No interest shall be due on such amount.
- (4) *Taxes.* Delivery of Shares and any payment pursuant to § 9(3) are subject to payment by a Noteholder of any taxes or other duties which may be imposed in connection with the exercise of the Conversion Right or the delivery of the Shares or payment of any amount by the Issuer pursuant to § 9(3). Taxes and duties may be set-off against a payment obligation pursuant to § 9(3), unless the Noteholder has already paid such taxes or duties.

Anleihegläubiger solche Steuern oder Abgaben nicht bereits gezahlt hat.

- (5) *Ausübungspreis unter dem anteiligen Betrag des Grundkapitals.* Soweit nach Auffassung der Infineon Technologies AG eine Zahlung gemäß § 9(2) oder eine Anpassung gemäß § 12(1) bis (6) oder (9) oder § 15(3) als Ermäßigung des Wandlungspreises oder als Erhöhung des Wandlungsverhältnisses anzusehen ist, erfolgt keine Zahlung, soweit der Wandlungspreis für eine Aktie dadurch unter den auf die einzelne Aktie entfallenden anteiligen Betrag des Grundkapitals der Infineon Technologies AG herabgesetzt würde.

- (5) *Conversion Price below Notional Par Value.* To the extent that any payment pursuant to § 9(2) or any adjustment pursuant to § 12(1) through (6) or (9) or § 15(3) is, in the opinion of Infineon Technologies AG, considered to be a reduction of the Conversion Price or an increase of the Conversion Ratio, no payment shall be made to the extent that the Conversion Price for one Share would thereby be reduced below the portion of the share capital of Infineon Technologies AG allotted to each Share.

## § 10

### (Barzahlung anstelle der Lieferung von Aktien)

- (1) *Barzahlung im Falle der Ausübung des Wandlungsrechts.* Die Anleiheschuldnerin ist bei Ausübung des Wandlungsrechts durch einen Anleihegläubiger nach ihrem alleinigen Ermessen berechtigt, anstelle der Lieferung von allen oder von Teilen der dem ausgeübten Wandlungsrecht entsprechenden Aktien einen Geldbetrag für die Aktien an den Anleihegläubiger zu zahlen, welche die Anleiheschuldnerin gemäß ihrer Entscheidung nicht liefert (der jeweilige Geldbetrag der **“Barausgleichbetrag”**). Dieser Barausgleichbetrag ist hinsichtlich der Gesamtzahl von Aktien (einschließlich Bruchteilen von Aktien), für die das Wandlungsrecht ausgeübt wurde und die nicht geliefert werden, nach § 10(2) zu berechnen, wobei die Gesamtzahl von Aktien gemäß den Bestimmungen des § 7(1) errechnet wird. Zinsen sind auf einen Barausgleichbetrag nicht zu zahlen.
- (2) *Benachrichtigung, Berechnung und Zahlung.* Die Anleiheschuldnerin wird nicht später als am dritten Geschäftstag nach dem Ausübungstag (schriftlich, per Telefax, oder auf andere Art und Weise unter Benutzung der in der Ausübungserklärung angegebenen Anschrift) den Anleihegläubiger, der eine Ausübungserklärung abgegeben hat, benachrichtigen, falls die Anleiheschuldnerin die Zahlung des Barausgleichbetrages gewählt hat (der Tag, an dem die Anleiheschuldnerin eine solche Nachricht abschickt, wird nachfolgend als **“Benachrichtigungstag”** bezeichnet). Erfolgt keine solche Benachrichtigung, gilt dies als Wahl der Anleiheschuldnerin, keinen Barausgleichbetrag zu zahlen. Wenn die Anleiheschuldnerin die Zahlung des Barausgleichbetrages wählt, entspricht der Barausgleichbetrag für eine Aktie dem volumengewichteten Durchschnitt der XETRA-Notierungen an den zehn aufeinanderfolgenden Börsenhandelstagen beginnend am zweiten Börsenhandelstag, der auf den Benachrichtigungstag folgt (der **“Berechnungszeitraum”**); die Zahlung des Barausgleichbetrages wird nicht später als fünf Geschäftstage nach dem Ende des Berechnungszeitraums erfolgen.

## § 10

### (Cash Payment in Lieu of Delivery of Shares)

- (1) *Cash Payment in the Event of Exercise of Conversion Right.* The Issuer shall, at its sole discretion, be entitled upon the exercise of the Conversion Right by a Noteholder in lieu of the delivery of all or part of the Shares corresponding to the exercised Conversion Rights to pay to the Noteholder a cash amount with regard to the Shares the Issuer decides not to deliver (the relevant cash payment, the **“Cash Payment”**). Such Cash Payment shall be calculated in accordance with § 10(2) with respect to the total number of Shares (including fractional Shares) for which the Conversion Right has been exercised and for which no Shares will be delivered such number of Shares to be calculated in accordance with the provisions of § 7(1). No interest shall be payable with respect to a Cash Payment.
- (2) *Notification, Calculation and Payment.* The Issuer shall notify not later than on the third Business Day after the Conversion Date (in writing, by telefax, or otherwise using the address stated in the Conversion Notice) the Noteholder who has delivered a Conversion Notice whether the Issuer has chosen to effect a Cash Payment (the day on which such notification is dispatched by the Issuer is hereinafter referred to as the **“Notification Day”**). Failure to give such notification will be deemed to be an election by the Issuer not to make a Cash Payment. Where the Issuer has chosen to effect a Cash Payment, the Cash Payment relating to one Share shall be calculated as an amount equal to the volume weighted average of the XETRA-Quotations on each of the ten consecutive Stock Exchange Trading Days beginning on the second Stock Exchange Trading Day following the Notification Day (the **“Calculation Period”**), and payment of the Cash Payment shall be effected not later than five Business Days following the end of the Calculation Period.

## § 11

### (Bereitstellung von Aktien; Dividenden)

- (1) *Bedingtes Kapital.* Die Aktien werden nach Durchführung der Wandlung aus einem bedingten Kapital der Infineon Technologies AG stammen.
- (2) *Dividenden.* Aktien, die aufgrund der Durchführung der Wandlung erworben werden, sind vom Beginn des Geschäftsjahres der Infineon Technologies AG an, in dem die Aktien ausgegeben werden, dividendenberechtigt, sofern überhaupt Dividenden ausbezahlt werden.

## § 12

### (Verwässerungsschutz)

- (1) *Kapitalerhöhung durch Umwandlung der Kapitalrücklage oder von Gewinnrücklagen, Aktiensplit oder Zusammenlegung von Aktien und Kapitalherabsetzung.*

- (a) *Kapitalerhöhung durch Umwandlung der Kapitalrücklage oder von Gewinnrücklagen.* Wenn Infineon Technologies AG ihr Kapital durch Umwandlung der Kapitalrücklage oder von Gewinnrücklagen vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag erhöht, wird das Wandlungsverhältnis gemäß der nachstehenden Formel angepaßt:

$$E' = E \times \frac{N_n}{N_o}$$

wobei:

- $E'$  = das angepaßte Wandlungsverhältnis,  
 $E$  = das Wandlungsverhältnis am Stichtag,  
 $N_n$  = die Anzahl von ausstehenden Aktien nach der Kapitalerhöhung, und  
 $N_o$  = die Anzahl von ausstehenden Aktien vor der Kapitalerhöhung.

- (b) *Aktiensplit oder Zusammenlegung von Aktien.* In den Fällen, in denen die Infineon Technologies AG vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag

- (i) entweder die Zahl der ausstehenden Aktien durch Herabsetzung des auf die einzelne Aktie entfallenden anteiligen Betrages des Grundkapitals erhöht (Aktiensplit) oder die Zahl der ausstehenden Aktien ohne Änderung des Grundkapitals durch Erhöhung des auf die einzelne Aktie entfallenden anteiligen Betrages des Grundkapitals verringert, oder

- (ii) ihr Grundkapital durch Zusammenlegung von Aktien reduziert,

wird das Wandlungsverhältnis unter Anwendung von Absatz (a) angepaßt, soweit sich aus den nachstehenden Regelungen nichts Anderes ergibt.

## § 11

### (Procurement of Shares; Dividends)

- (1) *Conditional Capital.* Upon execution of the conversion, the Shares will derive from a conditional capital of Infineon Technologies AG.
- (2) *Dividends.* Shares acquired pursuant to the execution of the conversion are entitled to dividends (if any) from the beginning of the business year of Infineon Technologies AG in which such Shares are issued.

## § 12

### (Dilution Adjustment)

- (1) *Capital Increase from Capital Reserves or Retained Earnings, Share Split or Combining of Shares and Capital Decrease.*

- (a) *Capital Increase from Capital Reserves or Retained Earnings.* In cases where Infineon Technologies AG increases its share capital from retained earnings or capital reserves prior to the last day of the Conversion Period or an earlier date of redemption the Conversion Ratio shall be adjusted in accordance with the following formula:

$$E' = E \times \frac{N_n}{N_o}$$

where:

- $E'$  = the adjusted Conversion Ratio,  
 $E$  = the Conversion Ratio on the Record Date,  
 $N_n$  = number of Shares outstanding after the capital increase, and  
 $N_o$  = number of Shares outstanding before the capital increase.

- (b) *Share Split or Combining of Shares.* In cases where Infineon Technologies AG prior to the last day of the Conversion Period or an earlier date of redemption

- (i) either increases the number of outstanding Shares by reducing the interest in the share capital represented by each Share (share split) or decreases the number of outstanding Shares by increasing the interest in the share capital represented by each Share with no change in the share capital, or

- (ii) reduces its capital by combining its Shares,

the Conversion Ratio shall be adjusted in accordance with subsection (a) to the extent not otherwise provided for in the following provisions.



(c) *Kapitalherabsetzung.* Im Falle einer Herabsetzung des Grundkapitals der Infineon Technologies AG vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag allein durch Herabsetzung des auf die einzelne Aktie entfallenden anteiligen Betrages des Grundkapitals bleibt das Wandlungsverhältnis bei Ausübung des Wandlungsrechts unverändert, jedoch mit der Maßgabe, daß die betreffenden Aktien mit ihrem jeweiligen neuen, auf die einzelne Aktie entfallenden anteiligen Betrag des Grundkapitals geliefert werden.

(2) *Kapitalerhöhung gegen Einlagen mit Bezugsrecht.* Wenn die Infineon Technologies AG vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag unter Einräumung eines unmittelbaren oder mittelbaren Bezugsrechts an ihre Aktionäre ihr Grundkapital durch Ausgabe neuer Aktien gegen Einlagen erhöht (§§ 182, 186 AktG), wird nach Wahl der Infineon Technologies AG (i) die Infineon Technologies AG jedem Anleihegläubiger ein Bezugsrecht auf die Anzahl von Aktien einräumen, die der Anleihegläubiger hätte beziehen können, wenn er das Wandlungsrecht unmittelbar vor dem Stichtag (§ 12(12)) ausgeübt hätte, oder (ii) das Wandlungsverhältnis gemäß der nachstehenden Formel angepaßt:

$$E' = E \times \frac{1}{\frac{N_o}{N_n} \times \left(1 - \frac{I+D}{K}\right) + \frac{I+D}{K}}$$

wobei:

- E' = das angepaßte Wandlungsverhältnis,
- E = das Wandlungsverhältnis am Stichtag,
- No = die Anzahl von ausstehenden Aktien vor der Kapitalerhöhung.
- Nn = die Anzahl von ausstehenden Aktien nach der Kapitalerhöhung, und
- I = der Bezugspreis der neuen Aktien,
- D = der Dividendennachteil (nicht diskontiert) der neuen Aktien gegenüber Altaktien, wie er von der Eurex Deutschland ("**Eurex**") bestimmt wird oder, falls (weil Optionen auf die Aktie an der Eurex nicht gehandelt werden oder aus sonstigen Gründen) durch Eurex nicht bis zum Stichtag erhältlich, von der Hauptumtaststelle (§ 18(1)) nach billigem Ermessen (§ 317 BGB) geschätzt wird, und
- K = der volumengewichtete Durchschnitt der XETRA-Notierungen an den letzten drei Börsenhandelstagen, an denen die Aktien "cum" gehandelt werden, wie von der Hauptumtaststelle (§ 18(1)) berechnet.

(c) *Capital Decrease.* In the event of a decrease in the share capital of Infineon Technologies AG prior to the last day of the Conversion Period or an earlier date of redemption, which is solely the result of a reduction of the interest in the share capital represented by each Share, the Conversion Ratio shall remain unchanged upon exercise of the Conversion Right save that the relevant Shares shall be delivered with their respective new portion of the share capital allotted to them.

(2) *Capital Increase against Contributions with Subscription Rights.* If Infineon Technologies AG prior to the last day of the Conversion Period or an earlier date of redemption increases its capital through the issue of new Shares against contribution while granting its shareholders a direct or indirect subscription right (§§ 182, 186 German Stock Corporation Act), at the election of Infineon Technologies AG, (i) Infineon Technologies AG shall grant each Noteholder the right to subscribe to the number of new Shares to which such Noteholder would have been entitled to subscribe had the Noteholder exercised the Conversion Right immediately prior to the Record Date (§ 12(12)), or (ii) the Conversion Ratio shall be adjusted in accordance with the following formula:

$$E' = E \times \frac{1}{\frac{N_o}{N_n} \times \left(1 - \frac{I+D}{K}\right) + \frac{I+D}{K}}$$

where:

- E' = the adjusted Conversion Ratio,
- E = the Conversion Ratio on the Record Date,
- No = the number of Shares outstanding before the capital increase,
- Nn = the number of Shares outstanding after the capital increase,
- I = the issue price of the new Shares,
- D = the disadvantage (not discounted) for dividends to which the new Shares are not entitled in relation to old Shares as determined by Eurex Deutschland ("**Eurex**") or, if not available there until the Record Date (because options on the Shares are not traded on Eurex or for any other reason), as estimated by the Principal Conversion Agent (§ 18(1)), using equitable discretion (§ 317 German Civil Code), and
- K = the volume weighted average of the XETRA-Quotations on the last three Stock Exchange Trading Days on which the Shares are traded "cum", as calculated by the Principal Conversion Agent (§ 18(1)).



Eine Anpassung des Wandlungsverhältnisses findet nicht statt, wenn bei Anwendung der obigen Formel E' kleiner als E wäre.

- (3) *Bezugsrechtsemissionen.* In den Fällen, in denen die Infineon Technologies AG vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag ihren Aktionären (i) Bezugsrechte auf eigene Aktien gewährt oder (ii) Wertpapiere mit Bezugs-, Options- oder Wandelrechten auf Aktien der Infineon Technologies AG anbietet (mit Ausnahme der Einräumung von Bezugsrechten im Rahmen von Kapitalerhöhungen nach Absatz (2)) oder (iii) Bezugsrechte auf andere Schuldverschreibungen, Genußscheine oder sonstige Wertpapiere der Infineon Technologies AG ("**Sonstige Wertpapiere**") gewährt (wobei in den Fällen (i) bis (iii) die Gewährung oder das Angebot im Rahmen von Management- oder Mitarbeiterbeteiligungsmodellen der Infineon Technologies AG im Rahmen des gewöhnlichen Geschäftsganges ausgenommen ist), wird, nach Wahl der Infineon Technologies AG, (x) die Infineon Technologies AG jedem Anleihegläubiger die Anzahl von Bezugsrechten oder Wertpapieren gewähren, die der Anleihegläubiger hätte beziehen können, wenn er das Wandlungsrecht unmittelbar vor dem Stichtag (§ 12(12)) ausgeübt hätte, oder (y) das Wandlungsverhältnis gemäß der nachstehenden Formel angepaßt:

$$E' = E \times \frac{M}{M - B}$$

wobei:

E' = das angepaßte Wandlungsverhältnis,

E = das Wandlungsverhältnis am Stichtag,

M = der Durchschnittliche Marktpreis, und

B = der Bezugsrechtswert, wobei  $B \geq 0$  ist.

- (4) *Anpassung für Ausschüttungen.* Falls die Infineon Technologies AG vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag ihren Aktionären (i) Vermögen (auch in der Form eines Aktienrückkaufes, bei dem die Gesellschaft ihren Aktionären Verkaufsoptionen gewährt, aber mit Ausnahme etwaiger Außerordentlicher Dividenden) oder Schuldverschreibungen, Options- oder Wandelrechte (mit Ausnahme der oben in Absatz (3) genannten Rechte) oder (ii) eine Außerordentliche Dividende ausschüttet, gewährt oder verteilt (die Fälle (i) und (ii) jeweils eine "**Ausschüttung**"), wird das Wandlungsverhältnis gemäß der nachstehenden Formel angepaßt:

$$E' = E \times \frac{M}{M - F}$$

wobei:

E' = das angepaßte Wandlungsverhältnis,

E = das Wandlungsverhältnis am Stichtag,

There shall be no adjustment of the Conversion Ratio if E' would be by applying the above formula be less than E.

- (3) *Issue of Securities with Preemptive Rights.* In cases where Infineon Technologies AG prior to the last day of the Conversion Period or an earlier date of redemption grants to its shareholders (i) subscription rights in respect of own Shares, (ii) securities with subscription, option or conversion rights in relation to Shares of Infineon Technologies AG (but excluding the granting of subscription rights in the course of capital increases pursuant to subsection (2)), or (iii) subscription rights in respect of other debt securities, participation rights or other securities of Infineon Technologies AG ("**Other Securities**") (with the exemption in cases (i) through (iii): in the scope of stock option or stock ownership programs for management or employees of Infineon Technologies AG in the ordinary course of business), at the election of Infineon Technologies AG, (x) Infineon Technologies AG shall grant each Noteholder the subscription rights or securities that such Noteholder would have been entitled to receive had the Noteholder exercised the Conversion Right immediately prior to the Record Date (§ 12(12)), or (y) the Conversion Ratio shall be adjusted in accordance with the following formula:

$$E' = E \times \frac{M}{M - B}$$

where:

E' = the adjusted Conversion Ratio,

E = the Conversion Ratio on the Record Date,

M = the Average Market Price, and

B = the Subscription Value, where  $B \geq 0$ .

- (4) *Adjustment for Distributions.* If Infineon Technologies AG prior to the last day of the Conversion Period or an earlier date of redemption distributes, allots or grants to its shareholders (i) assets (also in the form of a share repurchase where Infineon Technologies AG grants to its shareholders put options, but excluding any Extraordinary Dividend) or debt securities or warrants or conversion rights (with the exclusion of the rights mentioned above in subsection (3)), or (ii) an Extraordinary Dividend (each of the cases (i) and (ii) a "**Distribution**"), then the Conversion Ratio shall be adjusted in accordance with the following formula:

$$E' = E \times \frac{M}{M - F}$$

where:

E' = the adjusted Conversion Ratio,

E = the Conversion Ratio on the Record Date,

M = der Durchschnittliche Marktpreis, und

F = im Falle (i): der angemessene Marktwert der Ausschüttung am Stichtag, wie er von der Hauptumtauschstelle (§ 18(1)) auf der Basis der Bewertung eines unabhängigen Sachverständigen nach billigem Ermessen (§ 317 BGB) festgelegt wird (der **„Angemessene Marktwert“**), berechnet pro Aktie, wobei im Falle eines Aktienrückkaufs, bei dem die Infineon Technologies AG ihren Aktionären Verkaufsoptionen gewährt, „F“ dem Verkaufsoptionswert entspricht und keine Anpassung des Wandlungsverhältnisses nach diesem Absatz (4) erfolgt, falls der angemessene Marktwert pro Aktie 5% oder weniger des arithmetischen Durchschnitts der volumengewichteten XETRA-Notierungen an den Börsenhandelstagen während eines dem Stichtag unmittelbar vorhergehenden Zeitraums von 365 aufeinanderfolgenden Tagen beträgt,

oder im Falle von (ii): die Außerordentliche Dividende, berechnet pro Aktie, wobei in den Fällen (i) und (ii)  $F \geq 0$  ist.

- (5) *Verschmelzung.* Im Fall einer Verschmelzung (§ 2 UmwG) mit der Infineon Technologies AG als übertragendem Rechtsträger im Sinn des Umwandlungsgesetzes vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag hat ein Anleihegläubiger bei Ausübung seines Wandlungsrechts Anspruch auf die Anzahl von Aktien (die **„Erwerberaktien“**), die sich gemäß der nachstehenden Formel ergibt, und danach beziehen sich diese Anleihebedingungen auf die Erwerberaktien, als handle es sich um Aktien:

$$E' = E \times TS$$

wobei:

E' = das Wandlungsverhältnis in Bezug auf die Erwerberaktien,

E = das Wandlungsverhältnis am Stichtag, und

TS = die Anzahl Erwerberaktien, zu der ein Inhaber von Aktien in Bezug auf eine Aktie berechtigt ist.

- (6) *Andere Reorganisation.* Im Fall einer Aufspaltung der Infineon Technologies AG (§ 123(1) UmwG) oder einer Abspaltung (§ 123(2) UmwG) vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag hat ein Anleihegläubiger bei Ausübung seines Wandlungsrechts (im Fall einer Abspaltung von Vermögen der Infineon Technologies AG zusätzlich zu seinem Recht, Aktien aufgrund der Ausübung seines Wandlungsrechts zu erhalten) Anspruch auf die Anzahl von Aktien an dem oder den

M = the Average Market Price, and

F = in case of (i): the fair market value of the Distribution on the Record Date as determined by the Principal Conversion Agent (§ 18(1)) using equitable discretion (§ 317 German Civil Code) on the basis of the evaluation of an independent expert (the **„Fair Market Value“**), calculated on a per share basis, *provided that* if in the case of a share repurchase where Infineon Technologies AG grants to its shareholders put options, „F“ shall be the Put Option Value and *provided further that* where the Fair Market Value on a per share basis falls below or is equal to 5% of the arithmetic average of the volume weighted XETRA-Quotations for each Stock Exchange Trading Day during the 365 consecutive day period immediately preceding the Record Date, no adjustment shall be made to the Conversion Ratio under this subsection (4),

or in case of (ii): the Extraordinary Dividend, calculated on a per share basis, *provided that* in cases (i) and (ii):  $F \geq 0$ .

- (5) *Merger.* In the event of a merger (§ 2 German Transformation Act; **„Verschmelzung“**) of Infineon Technologies AG as transferor entity within the meaning of the German Transformation Act (**„Umwandlungsgesetz“**) prior to the last day of the Conversion Period or an earlier date of redemption, a Noteholder, upon exercise of his Conversion Right, is entitled to such number of shares (the **„Transferee Shares“**) as is calculated pursuant to the following formula and thereafter the provisions of these Conditions of Issue shall apply to the Transferee Shares as if they were Shares:

$$E' = E \times TS$$

where:

E' = the Conversion Ratio with respect to the Transferee Shares,

E = the Conversion Ratio on the Record Date, and

TS = the number of Transferee Shares to which a shareholder of Shares is entitled to with respect to one Share.

- (6) *Other Reorganisation.* In the event of a split-up of Infineon Technologies AG (§ 123 (1) German Transformation Act; **„Aufspaltung“**) or a spin-off (§ 123 (2) German Transformation Act; **„Abspaltung“**) prior to the last day of the Conversion Period or an earlier date of redemption, a Noteholder, upon exercise of his Conversion Right, is (in the case of a spin-off with respect to assets at Infineon Technologies AG, in addition to his right to receive Shares upon exercise of his Conversion Right) entitled to such number of shares in the acquiring entity or

übernehmenden Rechtsträger(n) (die “**Aktien der übernehmenden Rechtsträger**”), die sich gemäß der nachstehenden Formel ergibt, und danach beziehen sich diese Anleihebedingungen auf die Aktien des übernehmenden Rechtsträgers als handele es sich um Aktien:

$$E' = E \times AS$$

wobei:

$E'$  = das Wandlungsverhältnis in Bezug auf die Aktien des übernehmenden Rechtsträgers,

$E$  = das Wandlungsverhältnis am Stichtag, und

$AS$  = die Anzahl der Aktien des übernehmenden Rechtsträgers, zu der ein Aktionär der Gesellschaft in Bezug auf eine Aktie berechtigt ist.

entities, as the case may be (the “**Acquiring Entity Shares**”), as is calculated pursuant to the following formula and thereafter the provisions of these Conditions of Issue shall apply to the Acquiring Entity Shares as if they were Shares:

$$E' = E \times AS$$

where:

$E'$  = the Conversion Ratio with respect to the Acquiring Entity Shares,

$E$  = the Conversion Ratio on the Record Date, and

$AS$  = the number of Acquiring Entity Shares to which a shareholder of Shares is entitled to with respect to one Share.

- (7) *Andere Ereignisse.* Bei einer Verschmelzung, bei der die Infineon Technologies AG der übernehmende Rechtsträger ist, bei einer Ausgliederung eines oder mehrerer Vermögenswerte durch Infineon Technologies AG (§ 123(3) UmwG) oder bei einem ähnlichen Ereignis vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag bleibt das Wandlungsverhältnis unverändert.
- (8) *Mehrfache Anpassung.* Sofern eine Anpassung des Wandlungsverhältnisses nach mehr als einer der Vorschriften der Absätze (1)(a), (1)(b), (2), (3), (4), (5) und/oder (6) durchzuführen ist und der Stichtag für diese Anpassungen auf denselben Tag fällt, wird – es sei denn die Reihenfolge der Ereignisse, die eine Anpassung auslösen, wurde von der Infineon Technologies AG anders festgelegt – zuerst eine Anpassung nach den Vorschriften von Absatz (1)(b), zweitens nach den Vorschriften von Absatz (4), drittens nach den Vorschriften von Absatz (1)(a), viertens nach den Vorschriften von Absatz (2), fünftens nach den Vorschriften von Absatz (3), sechstens nach den Vorschriften von Absatz (5) und schließlich nach den Vorschriften von Absatz (6) durchgeführt.
- (9) *Andere Anpassungen.* Bei dem Eintritt eines anderen Ereignisses vor dem letzten Tag des Ausübungszeitraums oder einem früheren Rückzahlungstag, das nach der Auffassung der Hauptumtauschstelle (§ 18(1)) das Wandlungsverhältnis oder den Wandlungspreis berührt, wird die Hauptumtauschstelle (§ 18(1)) solche Anpassungen gemäß § 317 BGB vornehmen, die die Hauptumtauschstelle (§ 18(1)) (mit Zustimmung der Anleiheschuldnerin) in bezug auf ein solches Ereignis für angemessen hält.
- (10) *Wirksamkeit der Anpassungen.* Die Anpassungen in Übereinstimmung mit den vorstehenden Bestimmungen werden am Ex-Tag wirksam, sofern der Ex-Tag nicht nach dem letzten Tag des Ausübungszeitraums (einschließlich) liegt.
- (7) *Other Events.* In the event of a merger whereby Infineon Technologies AG is the acquiring entity, of a drop-down of one or more parts of its assets by Infineon Technologies AG (§ 123(3) German Transformation Act; “*Ausgliederung*”), or of an analogous event, prior to the last day of the Conversion Period or an earlier date of redemption the Conversion Ratio shall remain unchanged.
- (8) *Multiple Adjustment.* If adjustments of the Conversion Ratio are required under more than one of the subsections (1)(a), (1)(b), (2), (3), (4), (5) and/or (6), and the Record Date for such adjustments shall occur on the same date, then, unless the order of the events requiring such adjustments is otherwise specified by Infineon Technologies AG, such adjustments shall be made by applying, first, the provisions of subsection (1)(b), second, the provisions of subsection (4), third, the provisions of subsection (1)(a), fourth, the provisions of subsection (2), fifth, the provisions of subsection (3), sixth, the provisions of subsection (5) and finally the provisions of subsection (6).
- (9) *Other Adjustments.* If any other event occurs prior to the last day of the Conversion Period or an earlier date of redemption which in the opinion of the Principal Conversion Agent (§ 18(1)) affects the Conversion Ratio or the Conversion Price, the Principal Conversion Agent (§ 18(1)) shall make such adjustments in accordance with § 317 of the German Civil Code as the Principal Conversion Agent (§ 18(1)) shall with the consent of the Issuer consider appropriate to take account of such event.
- (10) *Effectiveness of Adjustments.* Adjustments in accordance with the foregoing shall become effective as of the Ex Date, provided the Ex Date is not later than the last day of the Conversion Period (inclusive).

(11) *Berechnung der Anpassungen.* Anpassungen nach den vorstehenden Absätzen werden durch die Hauptumtauschstelle (§ 18(1)) berechnet und sind (sofern nicht ein offensichtlicher Fehler vorliegt) für alle Beteiligten bindend. Das Wandlungsverhältnis, berechnet in Übereinstimmung mit den vorstehenden Bestimmungen, wird nach deutschen kaufmännischen Grundsätzen auf vier Dezimalstellen gerundet. Die Hauptumtauschstelle (§ 18(1)) haftet dafür, daß sie im Zusammenhang mit den Schuldverschreibungen Anpassungen vornimmt oder nicht vornimmt oder sonstige Maßnahmen trifft oder unterläßt, nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt. Die Hauptumtauschstelle (§ 18(1)) kann zusammen mit der Anleiheschuldnerin den Rat eines oder mehrerer Rechtsanwälte, Wirtschaftsprüfer oder anderer Sachverständiger einholen, deren Beratung oder Dienste sie für notwendig hält und sich nach Konsultation mit der Anleiheschuldnerin auf eine solche Beratung verlassen. Die Umtauschstelle (§ 18(1)) übernimmt keinerlei Haftung gegenüber der Anleiheschuldnerin, der Garantin oder den Anleihegläubigern im Zusammenhang mit Maßnahmen, die in Übereinstimmung mit einer solchen Beratung und unter Anwendung der Sorgfalt eines ordentlichen Kaufmanns vorgenommen bzw. unterlassen oder geduldet worden sind.

(12) *Definitionen.* In diesen Anleihebedingungen bedeutet:

**“Außerordentliche Dividende”:** Wenn am Stichtag der sich für eine Aktie ergebende Gesamtbetrag (x) einer Bardividende zuzüglich (y) den Beträgen aller übrigen Bardividenden auf Aktien, bei denen der Ex-Tag innerhalb der letzten aufeinanderfolgenden 365 Tage vor dem Stichtag lag (wobei für den Fall, daß innerhalb dieses Zeitraums von 365 Tagen Bardividenden für zwei unterschiedliche Geschäftsjahre gezahlt worden sind, die erste Zahlung für das frühere Geschäftsjahr nicht berücksichtigt wird), berechnet je Aktie den niedrigeren Wert der zweifachen Referenzdividende und 5% des volumengewichteten Durchschnitts der XETRA-Notierungen an jedem Börsenhandelstag während der Relevanten Periode erreicht oder übersteigt, ist **“Außerordentliche Dividende”** im Sinne von Absatz (4) der Betrag, soweit er die Dividende des vorhergehenden Geschäftsjahres übersteigt, bestehend aus (i) dem Betrag der Bardividende gemäß (x) zuzüglich (ii) dem Gesamtbetrag aller übrigen Bardividenden gemäß (y) abzüglich (iii) dem Gesamtbetrag aller Bardividenden, für die eine Anpassung des Wandlungsverhältnisses nach Absatz (4) bereits zuvor durchgeführt worden ist und bei denen der Ex-Tag in der Relevanten Periode lag.

**“Bardividende”** ist der Betrag einer etwaigen Bardividende vor Abzug von Quellensteuer.

**“Bezugsrechtswert”** ist (berechnet je Aktie):

(i) der Schlußkurs des Rechts zum Bezug der eigenen Aktien oder der Wertpapiere mit Bezugs-, Options- oder Wandelrechten auf

(11) *Calculations of Adjustments.* Adjustments in accordance with the foregoing clauses shall be calculated by the Principal Conversion Agent (§ 18(1)) and shall be (in the absence of manifest error) binding on all parties concerned. The Conversion Ratio determined in accordance with the preceding provisions shall be rounded to four decimal points in accordance with German business practice. The Principal Conversion Agent (§ 18(1)) shall only be liable for making, or not making, adjustments or taking, or not taking, any other measures in connection with these Notes, if and to the extent that it fails to show the due care of a proper merchant. The Principal Conversion Agent (§ 18(1)) may, jointly with the Issuer, engage the advice or services of any lawyers, accountants or other experts whose advice or services the Principal Conversion Agent (§ 18(1)) may deem necessary and rely, after consultation with the Issuer, upon any advice so obtained (and the Principal Conversion Agent (§ 18(1)) shall incur no liability against the Issuer or the Guarantor or the Noteholders in respect of any action taken, or not taken, or suffered to be taken, or not taken, in accordance with such advice and in exercising due care of a proper merchant).

(12) *Definitions.* In these Conditions of Issue:

**“Extraordinary Dividend”:** If on the Record Date the aggregate amount of (x) any Cash Dividend together with (y) the amounts of all other Cash Dividends on the Shares, for which the Ex Date occurred in the 365 consecutive day period prior to the Record Date (whereby, in a situation where cash dividends for two different Financial Years have been paid during this 365-day-period, the first payment for the previous Financial Year will not be taken account of), equals or exceeds on a per share basis the lesser of twice the Reference Dividend and 5% of the volume weighted average of the XETRA-Quotations for each Stock Exchange Trading Day during the Relevant Period, the **“Extraordinary Dividend”** in the meaning of subsection (4) shall, to the extent exceeding the Previous Financial Year's Dividend, be (i) the amount of the Cash Dividend mentioned under (x), plus (ii) the aggregate amount of all other Cash Dividends mentioned under (y), minus (iii) the aggregate amount of all Cash Dividends for which a prior adjustment of the Conversion Ratio was previously made under subsection (4) and for which the Ex Date occurred in the Relevant Period.

**“Cash Dividend”** shall refer to the amount of any cash dividend prior to deduction of any withholding tax.

**“Subscription Value”** shall mean (calculated on a per share basis):

(i) the closing price of the right to subscribe own Shares or securities with subscription, option or conversion rights in relation to Shares or



Aktien oder zum Bezug der Sonstigen Wertpapiere am Ex-Tag, oder

- (ii) falls ein solcher Kurs nicht feststellbar ist, der Wert dieses Rechts, der von der Hauptumtauschstelle (§ 18(1)) bestimmt wird.

**“Dividende des vorhergehenden Geschäftsjahres”** ist der Betrag sämtlicher Bardividenden der Infineon Technologies AG, die im unmittelbar vorhergehenden Geschäftsjahr beschlossen und ausgezahlt wurden, jedoch ausschließlich von Beträgen, die als außerordentliche Dividende gelten.

**“Durchschnittlicher Marktpreis”** ist der volumengewichtete Durchschnitt der XETRA-Notierungen für die kürzeste der nachfolgenden Zeitspannen (mit der Maßgabe, daß eine Zeitspanne mindestens einen Börsenhandelstag umfaßt):

- (i) die zehn aufeinanderfolgenden Börsenhandelstage, die dem relevanten Stichtag vorangehen, oder
- (ii) die Zeitspanne, die am ersten Börsenhandelstag nach dem Tag beginnt, an dem die maßgebliche Ausgabe oder Ausschüttung öffentlich bekanntgemacht wurde, und an dem Börsenhandelstag endet, der dem relevanten Stichtag vorangeht, oder
- (iii) die Zeitspanne, die am Ex-Tag der letzten Ausgabe oder Ausschüttung beginnt, für die eine Anpassung erforderlich ist, und die am letzten Börsenhandelstag vor dem relevanten Stichtag endet.

**“Ex-Tag”** ist jeweils der erste Börsenhandelstag, an dem die Aktie “ohne Dividende” bzw. “ohne Bezugsrecht” oder ohne sonstige Rechte, auf die vom Kurs für die jeweils in bezug genommene Ausschüttung und/oder außerordentliche Dividende von Zeit zu Zeit ein Abschlag in XETRA gemacht wird, gehandelt wird.

**“Geschäftsjahr”** ist das satzungsmäßige Geschäftsjahr der Infineon Technologies AG.

**“Referenzdividende”** ist die Bardividende, die den Aktionären der Infineon Technologies AG für das Geschäftsjahr, welches am 30. September 2001 endete, gezahlt wurde.

Die **“Relevante Periode”** beginnt am ersten Börsenhandelstag nach dem Ex-Tag für die zeitlich erste der zusammengerechneten Bardividenden und endet an dem Börsenhandelstag, der dem Ex-Tag für die Bardividende vorangeht, aufgrund derer die Außerordentliche Dividende berechnet wird, mit der Maßgabe, daß für den Fall, daß es während der letzten 365 Tage keinen Ex-Tag in XETRA gab, die Relevante Periode den gesamten Zeitraum der 365 vorangehenden Tage ausmacht.

**“Stichtag”** ist, je nachdem was zeitlich früher gelegen ist, entweder (i) der relevante Zeitpunkt für die Bestimmung der Aktionäre, die Rechte,

to subscribe Other Securities, on the Ex Date, or

- (ii) in case such price shall not be available, the value of such subscription right which shall be determined by the Principal Conversion Agent (§ 18(1)).

**“Previous Financial Year’s Dividend”** means the amount of all Cash Dividends of Infineon Technologies AG which were resolved and paid during the immediately previous Financial Year, but excluding amounts deemed to have been an Extraordinary Dividend.

**“Average Market Price”** means the volume weighted average of the XETRA-Quotations for the shorter of (with the proviso that any period shall at least last one Stock Exchange Trading Day):

- (i) ten consecutive Stock Exchange Trading Days prior to the relevant Record Date, or
- (ii) the period commencing on the Stock Exchange Trading Day next succeeding the first public announcement of the relevant issuance or distribution and proceeding through the Stock Exchange Trading Day prior to the relevant Record Date, or
- (iii) the period, commencing on the Ex Date with respect to the next preceding issuance or distribution for which an adjustment is required, and ending on the last Stock Exchange Trading Day prior to the relevant Record Date.

**“Ex Date”** shall mean the first Stock Exchange Trading Day on which the Shares are traded “ex dividend” or “ex subscription right” or ex any other right which, in view of the respective distribution and/or extraordinary dividend, are deducted from time to time from the quoted price in XETRA.

**“Financial Year”** means the financial year as set out in the articles of association of Infineon Technologies AG.

**“Reference Dividend”** shall mean the cash dividend paid to the shareholders of Infineon Technologies AG for the Financial Year ended on September 30, 2001.

The **“Relevant Period”** commences on the first Stock Exchange Trading day after the Ex Date of the first of the aggregated Cash Dividends and ends on the Stock Exchange Trading Day prior to the Ex Date with respect to the Cash Dividend which caused the calculation of the Extraordinary Dividend, with the proviso that in case there was no Ex Date during the last 365 consecutive day period in XETRA, the Relevant Period shall be the entire period of the 365 preceding days.

**“Record Date”** shall mean the time and date being the earlier of (i) the relevant time of the determination of shareholders entitled to receive



Bezugsrechte, Options- oder Wandelrechte oder Ausschüttungen, Erwerberaktien oder Aktien des übernehmenden Rechtsträgers erhalten, oder (ii) der Börsenhandelstag, der dem Ex-Tag unmittelbar vorangeht.

“**Verkaufsoptionswert**” ist (berechnet je Aktie):

- (i) der Schlußkurs des Rechts zum Verkauf eigener Aktien am Ex-Tag, oder
  - (ii) falls ein solcher Kurs nicht feststellbar ist, der Wert dieser Verkaufsoption, der von der Hauptumtauschstelle (§ 18(1)) bestimmt wird.
- (13) *Bekanntmachung von Anpassungen.* Die Anleiheschuldnerin wird eine Anpassung des Wandlungsverhältnisses und des Wandlungspreises und/oder jede andere Anpassung der Bedingungen des Wandlungsrechts in Übereinstimmung mit § 19 bekannt machen.

### § 13

#### (Darlehensvertrag; Sicherungsabtretung)

- (1) *Darlehensvertrag.* Die Anleiheschuldnerin hat aufgrund eines zwischen der Anleiheschuldnerin als Darlehensgeberin und der Infineon Technologies AG als Darlehensnehmerin abgeschlossenen Darlehensvertrages mit Datum vom 2. Juni 2003 (der “**Darlehensvertrag**”) den Erlös aus dem Verkauf der Schuldverschreibungen in Höhe von €700.000.000 an die Infineon Technologies AG als Darlehen (das “**Darlehen**”) ausgezahlt. Die Forderungen der Anleiheschuldnerin auf Zahlung von Kapital und Zinsen sowie sämtliche sonstiger Beträge aus dem Darlehen sind nachrangig gegenüber ranghöheren, nicht nachrangigen Forderungen aller anderen Gläubiger der Infineon Technologies AG. Diese Nachrangigkeit hat zur Folge, daß im Fall der Auflösung, der Insolvenz oder anderer Verfahren zur Abwendung der Insolvenz, jede Zahlung, die aus dem Darlehen fällig wird, erst erfolgt, nachdem alle Forderungen gegen Infineon Technologies AG erfüllt worden sind, die ranghöher und nicht nachrangig sind. Jedes Recht der Aufrechnung mit Ansprüchen aus dem Darlehen gegen Ansprüche der Infineon Technologies AG ist ausgeschlossen. Die im vorangegangenen Satz geregelte Nachrangigkeit im Hinblick auf einen Zugehörigen Darlehensanspruch (§ 13(2)(a)), der einer Schuldverschreibung zuzurechnen ist, für die das Wandlungsrecht wirksam ausgeübt worden ist, ist auflösend bedingt durch die Ausübung des Wandlungsrechts und endet mit Wirkung zum Ausgabetag am Tag unmittelbar vor dem Ausübungstag um 24:00 Uhr. Die Nachrangigkeit darf die Ausübung des Wandlungsrechts (§ 7(1)) auf der Grundlage des § 194 Abs. 1 S. 2 AktG nicht beeinträchtigen. Die Fälligkeiten von Zahlungen auf das Darlehen entsprechen den Fälligkeiten von Zahlungen auf die Schuldverschreibungen; bei vorzeitiger Rückzahlung der Schuldverschreibungen ist das Darlehen entsprechend vorzeitig in Höhe des Zugehörigen Darlehensanspruchs (Absatz (2)) zurückzuzahlen; ferner ermäßigt sich der

rights, subscription rights, option or conversion rights, Distributions, Transferee Shares or Acquiring Entity Shares, or (ii) the Stock Exchange Trading Day, which immediately precedes the Ex Date.

“**Put Option Value**” shall mean (calculated on a per share basis):

- (i) the closing price of the right to sell own Shares on the Ex Date, or
  - (ii) in case such price shall not be available, the value of such put option which shall be determined by the Principal Conversion Agent (§ 18(1)).
- (13) *Notices of Adjustment.* The Issuer shall give notice in accordance with § 19 of an adjustment of the Conversion Ratio and the Conversion Price and/or any other adjustment of the terms of the Conversion Right.

### § 13

#### (Loan Agreement; Security Assignment)

- (1) *Loan Agreement.* The Issuer, pursuant to a loan agreement dated June 2, 2003 (the “**Loan Agreement**”) between the Issuer as lender and Infineon Technologies AG as borrower, has disbursed the proceeds from the sale of the Notes in an amount of €700,000,000 by way of loan (the “**Loan**”) to Infineon Technologies AG. The claims of the Issuer for payment of principal and interest and any other amounts arising under the Loan shall be subordinated to the claims of all other creditors of Infineon Technologies AG which are senior and not subordinated. Such subordination shall mean that in any event of liquidation, bankruptcy or other proceedings to avoid bankruptcy any payment which might become due under the Loan shall be made only after all claims against Infineon Technologies AG which are senior and not subordinated have been satisfied. Any right to set-off claims arising from the Loan against claims of Infineon Technologies AG shall be excluded. The subordination specified in the foregoing sentence with respect to the Appertaining Claim (§ 13(2)(a)) attributable to a Note for which the Conversion Right has been validly exercised shall be subject to the condition subsequent (*auflösende Bedingung*) of the exercise of the Conversion Right and terminate with effect as of the Issue Date on the day immediately prior to the Conversion Date at 24 hours. The exercise of the Conversion Right (§ 7(1)) in reliance on § 194(1) sentence 2 of the German Stock Corporation Act shall not be affected by the subordination. The due dates for payments under the Loan correspond to the due dates for payments under the Notes; in the event of an early redemption of Notes the Loan is likewise subject to early repayment in an amount equal to the respective Appertaining Claims (§ 13(2)); finally, the nominal amount of the Loan will be reduced in an amount equal to the Appertaining Claim (§ 13(2)) if the Conversion Right is validly exercised by delivering Notes pursuant to § 8(2). The Issuer and Infineon Technologies AG have

Nennbetrag des Darlehens in Höhe des Zugehörigen Darlehensanspruchs (Absatz (2)) bei wirksamer Ausübung des Wandlungsrechts durch Lieferung der Schuldverschreibungen gemäß § 8(2). Die Anleiheschuldnerin und die Infineon Technologies AG haben sich in dem Darlehensvertrag verpflichtet (vorbehaltlich der nachfolgenden Sätze), die Bestimmungen des Darlehensvertrages nicht zu ändern oder aufzuheben und alles zu unterlassen, was die Rechte der Anleihegläubiger aus der Sicherungsabtretung (Absatz (2)) beeinträchtigen könnte. Eine Änderung oder Aufhebung des Darlehensvertrages wird nur erfolgen, wenn die Rechte der Anleihegläubiger dadurch nicht beeinträchtigt werden. Die Anleiheschuldnerin und Infineon Technologies AG haben vereinbart, daß im Falle einer Ersetzung die Neue Gesellschaft im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB alle Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG aus dem Darlehensvertrag übernehmen darf und im Falle, daß dies rechtlich erforderlich ist, um bei wirksamer Ausübung des Wandlungsrechts durch Anleihegläubiger die Lieferung vollingezahlter Neuer Aktien zu ermöglichen, auch übernehmen wird. Kopien des Darlehensvertrages werden bei der Hauptzahlstelle (§ 18(1)) zur kostenlosen Ausgabe bereitgehalten.

(2) *Sicherungsabtretung.*

- (a) In Übereinstimmung mit den Bestimmungen des Darlehensvertrages hat die Anleiheschuldnerin die Ansprüche gegen die Infineon Technologies AG auf Zahlung des Kapitals des Darlehens in Höhe eines Betrages, der sämtlichen Zugehörigen Darlehensansprüchen entspricht, an die für Rechnung der Anleihegläubiger handelnde JPMorgan Chase Bank zur Sicherheit für die Ansprüche auf Zahlung von Kapital aus den Schuldverschreibungen abgetreten. Bei der Abtretung entfällt auf jede Schuldverschreibung ein Teilbetrag aus dem Darlehen (jeweils der "**Zugehörige Darlehensanspruch**"), der sich nach folgender Formel bestimmt:

$$\text{Zugehöriger Darlehensanspruch} = \frac{\text{Gesamtnennbetrag des Darlehens}}{\text{Zahl der Schuldverschreibungen}}$$

Hinsichtlich jeder Schuldverschreibung erfolgt die Sicherungsabtretung auflösend bedingt durch die Rückzahlung der Schuldverschreibungen ohne Ausübung des Wandlungsrechts oder die Barzahlung anstelle der Lieferung von Aktien gemäß § 10. Die JPMorgan Chase Bank ist ermächtigt, die Abtretung für Rechnung der Anleihegläubiger anzunehmen.

- (b) Der Zugehörige Darlehensanspruch, der sich auf eine Schuldverschreibung bezieht, ist mit der jeweiligen Schuldverschreibung untrennbar verbunden. Mit jeder Übertragung einer Schuldverschreibung geht auch der Zugehörige Darlehensanspruch über.

agreed in the Loan Agreement (subject to the following sentences) not to amend or terminate any provisions of the Loan Agreement and to refrain from anything which could impair the rights of the Noteholders under the security assignment pursuant to subparagraph (2). Any amendment or termination shall only be made if the rights of the Noteholders are not impaired thereby. The Issuer and Infineon Technologies AG have agreed that in the case of a Substitution, the New Company may, and if legally required to ensure that upon a valid exercise of the Conversion Rights of the Noteholders fully paid New Shares can be delivered shall, assume by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code all rights, liabilities and obligations of Infineon Technologies AG under the Loan Agreement. Copies of the Loan Agreement are available free of charge at the Principal Paying Agent (§ 18(1)).

(2) *Security Assignment.*

- (a) In accordance with the provisions of the Loan Agreement, the Issuer has assigned the claims against Infineon Technologies AG for payment of principal under the Loan in an amount equal to the aggregate Appertaining Claims to JPMorgan Chase Bank acting on account of the Noteholders for the purpose of securing the claims for payment of principal of the Notes. Upon such assignment, a partial amount of the Loan (each an "**Appertaining Claim**") will be attributable to each Note, such partial amount being determined in accordance with the following formula:

$$\text{Appertaining Claim} = \frac{\text{Principal Amount of the Loan}}{\text{Number of Notes}}$$

In respect of each Note, such transfer for security purposes will be subject to the conditions subsequent (*auflösende Bedingung*) of the redemption of the Notes with Appertaining Claims without exercise of the Conversion Right or the cash payment in lieu of delivery of Shares pursuant to § 10. JPMorgan Chase Bank shall be authorised to accept the transfer on account of the Noteholders.

- (b) The Appertaining Claim related to each Note is undetachable from the relevant Note. Any transfer of a Note results in the transfer of the Appertaining Claim without any explicit declaration of transfer being required. Any

hörige Darlehensanspruch über, ohne daß es dafür einer ausdrücklichen rechtsgeschäftlichen Erklärung bedarf. Jede gesonderte Verfügung über den Zugehörigen Darlehensanspruch, insbesondere jede gesonderte Abtretung, Verpfändung oder sonstige Belastung, ist nichtig. Bei Ausübung des Wandlungsrechts durch Lieferung der Schuldverschreibungen geht der Zugehörige Darlehensanspruch auf die Infineon Technologies AG über und erlischt damit.

- (c) Die Übernahme der Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG aus dem Darlehensvertrag im Wege der befreienden Schuldübernahme gemäß §§ 414 ff. BGB durch die Neue Gesellschaft gemäß dem Darlehensvertrag und § 13(1) läßt die Sicherungsabtretung unberührt, ausgenommen daß die Ansprüche gegen Infineon Technologies AG nach der Übertragung des Darlehens von Infineon Technologies AG an die Neue Gesellschaft nicht mehr gegen Infineon Technologies AG, sondern gegen die Neue Gesellschaft bestehen.

#### § 14

##### **(Nachrangige Garantie und Negativverpflichtung der Infineon Technologies AG, Ersetzung der Infineon Technologies AG als Garantin)**

- (1) *Garantie und Negativverpflichtung.* In Übereinstimmung mit diesen Anleihebedingungen hat die Garantin am 1. Februar 2002 gegenüber der JPMorgan Chase Bank zugunsten der Anleihegläubiger, vorbehaltlich § 7(5) bis § 7(12), die unbedingte, unwiderrufliche und nachrangige Garantie (die **“Garantie”**) für die ordnungsgemäße und pünktliche Zahlung von sämtlichen Beträgen, die von der Anleiheschuldnerin unter diesen Anleihebedingungen auf die Schuldverschreibungen zahlbar sind, übernommen. Die Garantin hat sich in der Garantie verpflichtet, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem sämtliche nach diesen Anleihebedingungen an die Anleihegläubiger zahlbaren Beträge der Hauptzahlstelle (§ 18(1)) zur Verfügung gestellt und alle sich aus § 7 ergebenden Pflichten erfüllt wurden, keine Sicherheiten an ihren Vermögensgegenständen zur Besicherung von nachrangigen Kapitalmarktverbindlichkeiten einschließlich hierfür abgegebener Garantien und anderer Gewährleistungen zu bestellen, ohne daß die Anleihegläubiger gleichzeitig im gleichen Rang anteilig an dieser Sicherheit teilnehmen. Die Verpflichtungserklärung nach Satz 2 findet keine Anwendung auf eine Sicherheit, die (i) nach dem anzuwendenden Recht zwingend notwendig oder (ii) als Voraussetzung einer staatlichen Genehmigung erforderlich ist. Jede nach Satz 2 zu leistende Sicherheit kann auch zugunsten einer Person bestellt werden, die als Treuhänder der Anleihegläubiger handelt. Die vorstehende Garantie wird von vornherein vorbehaltlich der Möglichkeit einer Ersetzung der Infineon Technologies AG als Garantin durch die Neue Gesellschaft gemäß § 7(5) bis 7(12)

separate disposal, in particular any separate assignment, pledge or other encumbrance of the Appertaining Claim shall be void. In the event of the exercise of the Conversion Right by delivery of Notes the Appertaining Claim shall pass to Infineon Technologies AG and expire therewith.

- (c) The assumption of all rights, liabilities and obligations of Infineon Technologies AG under the Loan Agreement by the New Company by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code pursuant to the Loan Agreement and § 13(1) above will have no impact on the security assignment except for the fact that the claims upon transfer of the Loan from Infineon Technologies AG to the New Company will no longer be against Infineon Technologies AG but against the New Company.

#### § 14

##### **(Subordinated Guarantee and Negative Pledge of Infineon Technologies AG, Substitution of Infineon Technologies AG as Guarantor)**

- (1) *Guarantee and Negative Pledge, Substitution of Infineon Technologies AG as Guarantor.* The Guarantor on June 2, 2003 has, subject to § 7(5) through § 7(12), unconditionally, and irrevocably, on a subordinated basis, guaranteed (the **“Guarantee”**) towards JPMorgan Chase Bank for the benefit of the Noteholders, the due and punctual payment in accordance with these Conditions of Issue of any and all sums expressed to be payable hereunder by the Issuer. The Guarantor has undertaken in the Guarantee, so long as any Notes shall remain outstanding, but only up to the time at which all amounts payable to the Noteholders under the Notes in accordance with these Conditions of Issue have been placed at the disposal of the Principal Paying Agent (§ 18(1)) and all obligations pursuant to § 7 have been fulfilled, not to secure any subordinated Capital Market Indebtedness, including any guarantees or other indemnities assumed in respect thereof, upon any of its assets without at the same time providing that the Noteholders share equally and rateably in such security. The undertaking pursuant to sentence 2 shall not apply to a security which is (i) mandatory according to applicable laws or (ii) required as a prerequisite for governmental approvals. Any security which is to be provided pursuant to sentence 2 may also be provided to a person acting as trustee for the Noteholders. The aforementioned Guarantee shall from the outset be subject to a possible substitution of Infineon Technologies AG as Guarantor by the New Company pursuant to § 7(5) through § 7(12) and therefore the Guarantee provides that in the case of a Substitution, either the New Company may join

abgegeben. Daher sieht die Garantie vor, daß im Falle einer Ersetzung die Neue Gesellschaft entweder den Verpflichtungen von Infineon Technologies AG aus oder im Zusammenhang mit der Garantie beiträgt oder Infineon Technologies AG durch die Neue Gesellschaft im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB in jeder Hinsicht unter der Garantie ersetzt wird, wobei die Hauptzahlstelle (§ 18(1)) bereits jetzt ermächtigt wird, einer solchen befreienden Schuldübernahme zuzustimmen. Jeder Anleihegläubiger stimmt bereits durch einen Erwerb von Schuldverschreibungen einer solchen befreienden Schuldübernahme oder gegebenenfalls einem solchen Schuldbeitritt zu.

- (2) *Vertrag zugunsten Dritter.* Die Garantie stellt einen Vertrag zugunsten der Anleihegläubiger als begünstigte Dritte im Sinne des § 328(1) BGB dar, der jedem Anleihegläubiger, vorbehaltlich § 7(5) bis § 7(12), das Recht gibt, Erfüllung der in der Garantie übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und diese Verpflichtungen, vorbehaltlich § 7(5) bis § 7(12), unmittelbar gegen die Garantin durchzusetzen.

#### § 15

##### (Änderung der Kontrolle)

- (1) *Benachrichtigung über Änderung der Kontrolle.* Falls eine Änderung der Kontrolle (wie unten definiert) eintritt, wird die Anleiheschuldnerin:
- (i) die Änderung der Kontrolle unverzüglich, nachdem sie Kenntnis hiervon erhalten hat, gemäß § 19 bekanntmachen; und
  - (ii) für Zwecke des § 15(2) und (3) einen Geschäftstag bestimmen (der "**Kontrollstichtag**") und den Kontrollstichtag gemäß § 19 bekanntmachen.

Der Kontrollstichtag darf nicht weniger als 40 und nicht mehr als 60 Tage nach der Bekanntmachung der Änderung der Kontrolle gemäß § 19 liegen.

- (2) *Vorzeitige Rückzahlung nach Wahl des Anleihegläubigers.* Falls die Anleiheschuldnerin gemäß § 15(1) die Änderung der Kontrolle bekanntgegeben hat, ist jeder Anleihegläubiger nach seiner Wahl berechtigt, durch Erklärung gegenüber der Hauptzahlstelle (§ 18(1)) mit einer Frist von mindestens 20 Tagen vor dem Kontrollstichtag von der Anleiheschuldnerin am Kontrollstichtag Rückzahlung aller oder eines Teils seiner Schuldverschreibungen, die noch nicht gewandelt oder fälliggestellt wurden, zum Nennbetrag zusammen mit bis zum Tag der Rückzahlung (ausschließlich) aufgelaufenen Zinsen zu verlangen. Jede Erklärung des Anleihegläubigers nach diesem § 15(2) ist unwiderruflich und verpflichtet die Anleiheschuldnerin, die entsprechenden Schuldverschreibungen gemäß dem vorstehenden Satz zurückzuzahlen.

Infineon Technologies AG in the obligations arising from or in connection with the Guarantee (*Schuldbeitritt*) or Infineon Technologies AG can be substituted in all respects under the Guarantee by the New Company by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code. The Principal Paying Agent (§ 18(1)) is authorized hereby to consent to such liberating debt assumption. Any Noteholder shall consent by its acquisition of any Notes to such liberating debt assumption (*befreiende Schuldübernahme*) or, as the case may be, such joining in (*Schuldbeitritt*).

- (2) *Contract for the Benefit of Third Parties.* The Guarantee constitutes a contract for the benefit of the Noteholders as third party beneficiaries within the meaning of § 328(1) of the German Civil Code giving rise to the right of each Noteholder, subject to § 7(5) through § 7(12), to require performance of the obligations therein directly from the Guarantor and, subject to § 7(5) through § 7(12), to enforce such obligations directly against the Guarantor.

#### § 15

##### (Change of Control)

- (1) *Notice of Change of Control.* If a Change of Control (as defined below) occurs, the Issuer will:
- (i) give notice by publication in accordance with § 19 promptly after becoming aware of the Change of Control; and
  - (ii) fix a Business Day (the "**Control Record Date**") for the purposes of § 15(2) and (3) and give notice of the Control Record Date by publication in accordance with § 19.

The Control Record Date shall be not less than 40 nor more than 60 days after the notice of the Change of Control is published in accordance with § 19.

- (2) *Early Redemption at the Option of the Noteholders.* If the Issuer publishes a notice of Change of Control in accordance with § 15(1), each Noteholder may at its option, on giving not less than 20 days' notice to the Principal Paying Agent (§ 18(1)) prior to the Control Record Date, require the Issuer to redeem on the Control Record Date any or all of its Notes not previously converted or declared due for redemption at their Principal Amount together with interest accrued thereon until (but not including) the date of redemption. Any notice by a Noteholder under this § 15(2) shall be irrevocable and shall oblige the Issuer to redeem the relevant Notes in accordance with the preceding sentence.



(3) *Anpassung des Wandlungspreises aufgrund einer Änderung der Kontrolle.* Falls die Anleiheschuldnerin die Änderung der Kontrolle gemäß § 15(1) nach dem ersten Tag des Ausübungszeitraums bekannt macht, wird bei jeder Ausübung von Wandlungsrechten an oder vor dem Kontrollstichtag der Wandlungspreis um die folgenden Prozentsätze vermindert (vorbehaltlich einer Anpassung gemäß § 12):

- (i) vom ersten Tag des Ausübungszeitraums bis einschließlich zu dem Tag, der dem ersten auf den ersten Tag des Ausübungszeitraumes folgenden Zinszahlungstag unmittelbar vorausgeht (dieser Zinszahlungstag der "**Erste Zinszahlungstag**"): 26,26%;
- (ii) vom Ersten Zinszahlungstag (einschließlich) bis einschließlich zu dem Tag, der dem auf den Ersten Zinszahlungstag unmittelbar folgenden Zinszahlungstag unmittelbar vorausgeht (dieser Zinszahlungstag der "**Zweite Zinszahlungstag**"): 21,00%;
- (iii) vom Zweiten Zinszahlungstag (einschließlich) bis einschließlich zu dem Tag, der dem auf den Zweiten Zinszahlungstag unmittelbar folgenden Zinszahlungstag unmittelbar vorausgeht (dieser Zinszahlungstag der "**Dritte Zinszahlungstag**"): 15,75%;
- (iv) vom Dritten Zinszahlungstag (einschließlich) bis einschließlich zu dem Tag, der dem auf den Dritten Zinszahlungstag unmittelbar folgenden Zinszahlungstag unmittelbar vorausgeht (dieser Zinszahlungstag der "**Vierte Zinszahlungstag**"): 10,50%;
- (v) vom Vierten Zinszahlungstag (einschließlich) bis einschließlich zu dem Tag, der dem auf den Vierten Zinszahlungstag unmittelbar folgenden Zinszahlungstag unmittelbar vorausgeht (dieser Zinszahlungstag der "**Fünfte Zinszahlungstag**"): 5,25%; und
- (vi) vom Fünften Zinszahlungstag (einschließlich): 0%.

(4) *Definitionen.*

Eine "**Änderung der Kontrolle**" liegt vor, wenn eine Person (wie unten definiert) oder Personen, die gemeinsam handeln, Kontrolle (wie unten definiert) über die Infineon Technologies AG erwirbt bzw. erwerben. Eine Änderung der Kontrolle liegt jedoch nicht vor, wenn ein Aktionär der Infineon Technologies AG Kontrolle zurückerwirbt entweder (i) im Wege des Erwerbs von Aktien, es sei denn, dieser Aktionär oder eine mit ihm gemeinsam handelnde Person erwirbt die Aktien aufgrund eigenen Handelns oder (ii) im Wege der Zurechnung von Stimmrechten gemäß § 22 WpHG, es sei denn, dieser Zurechnung liegt ein eigenes Handeln dieses Aktionärs oder einer Person, deren Stimmrechte aus Aktien der Infineon Technologies AG diesem Aktionär gemäß § 22 WpHG zugerechnet werden, zugrunde.

"**Kontrolle**" bezeichnet entweder (i) direktes oder indirektes (im Sinne des § 22 WpHG) rechtliches oder wirtschaftliches Eigentum von zusammen

(3) *Adjustment of Conversion Price for Change of Control.* If the Issuer gives notice in accordance with § 15(1) after the first day of the Conversion Period, upon any exercise of the Conversion Right on or before the Control Record Date, the Conversion Price shall be decreased by the following percentages, but in each case adjusted, as applicable, pursuant to § 12:

- (i) from the first day of the Conversion Period until and including the day immediately prior to the first Coupon Date immediately following the first day of the Conversion Period (such Coupon Date the "**First Coupon Date**"), 26.26%;
- (ii) from (and including) the First Coupon Date until and including the day immediately prior to the Coupon Date immediately following the First Coupon Date (such Coupon Date the "**Second Coupon Date**"), 21.00%;
- (iii) from (and including) the Second Coupon Date until and including the day immediately prior to the Coupon Date immediately following the Second Coupon Date (such Coupon Date the "**Third Coupon Date**"), 15.75%;
- (iv) from (and including) the Third Coupon Date until and including the day immediately prior to the Coupon Date immediately following the Third Coupon Date (such Coupon Date the "**Fourth Coupon Date**"), 10.50%;
- (v) from (and including) the Fourth Coupon Date until and including the day immediately prior to the Coupon Date immediately following the Fourth Coupon Date (such Coupon Date the "**Fifth Coupon Date**"), 5.25%; and
- (vi) from (and including) the Fifth Coupon Date, 0%.

(4) *Definitions.*

A "**Change of Control**" occurs when any Person (as defined below) or Persons acting in concert acquire Control (as defined below) of Infineon Technologies AG. However, a Change of Control will not occur if a shareholder of Infineon Technologies AG reacquires Control either (i) by acquiring Shares, unless such shareholder, acting either alone or in concert with another Person, deliberately acquires such Shares; or (ii) through the attribution of voting rights in accordance with § 22 of the German Securities Trading Act (*Gesetz über den Wertpapierhandel*), unless such attribution is due to deliberate action by such shareholder or any other Person whose voting rights in Infineon Technologies AG are attributed to such shareholder in accordance with § 22 of the German Securities Trading Act.

"**Control**" means either (i) direct or indirect (within the meaning of § 22 of the German Securities Trading Act) legal or beneficial



50% oder mehr der Aktien oder (ii) im Falle eines Übernahmeangebotes für Aktien Umstände, in denen (A) die Aktien, die sich bereits in der Kontrolle des Anbietenden befinden, und die Aktien, für die bereits das Angebot angenommen wurde, zusammen 50% oder mehr der Stimmrechte der Infineon Technologies AG gewähren und (B) zur gleichen Zeit das Angebot unbedingt geworden ist.

Eine **“Person”** bezeichnet jede natürliche Person, Gesellschaft, Vereinigung, Firma, Partnerschaft, Joint Venture, Unternehmung, Zusammenschluß, Organisation, Fonds, Staat oder staatliche Einheit, unabhängig davon, ob es sich um eine selbständige juristische Person handelt oder nicht, aber unter Ausschluß der Tochtergesellschaften der Infineon Technologies AG, die direkt oder indirekt zu 100% von der Infineon Technologies AG gehalten werden.

## § 16

### (Kündigung durch Anleihegläubiger)

- (1) **Kündigungsrecht.** Jeder Anleihegläubiger ist berechtigt, durch Kündigung gegenüber einer Zahlstelle (§ 18(1)) seine sämtlichen Forderungen aus den Schuldverschreibungen fällig zu stellen und Rückzahlung zu deren Nennbetrag zuzüglich hierauf aufgelaufener Zinsen zu verlangen (sofern nicht der Kündigungsgrund nachweisbar geheilt wurde, bevor die Kündigung gegenüber einer Zahlstelle (§ 18(1)) erklärt wurde), wenn:
  - (a) die Anleiheschuldnerin oder die Garantin, gleichgültig aus welchen Gründen, entweder (i) Kapital oder Zinsen auf die Schuldverschreibungen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt, oder (ii) die Erfüllung einer wesentlichen Verpflichtung aus den Schuldverschreibungen, insbesondere gemäß § 2(3) und § 14(1), unterläßt, und diese Unterlassung mehr als 60 Tage andauert, nachdem die Anleiheschuldnerin eine schriftliche Benachrichtigung von einer Zahlstelle (§ 18(1)) erhalten hat;
  - (b) die Anleiheschuldnerin oder die Garantin die Erfüllung einer fälligen Zahlungsverpflichtung aus einer anderen von der Anleiheschuldnerin oder der Garantin begebenen oder garantierten Kapitalmarktverbindlichkeit unterläßt, der Gesamtbetrag der nicht erfüllten Verpflichtungen €50.000.000 oder den Gegenwert in einer anderen Währung übersteigt und diese Nichterfüllung 30 Tage andauert nachdem die Anleiheschuldnerin oder die Garantin in Übereinstimmung mit den vertraglichen oder gesetzlichen, diese Zahlungsverpflichtung regelnden Bestimmungen entsprechend informiert wurde, oder eine solche Zahlungsverpflichtung der Anleiheschuldnerin oder der Garantin infolge des Vorliegens der Voraussetzungen eines Kündigungsgrundes (wie auch immer definiert) in der Person der Anleiheschuldnerin oder der Garantin vorzeitig fällig gestellt werden kann und der entsprechende Kündigungsgrund nicht innerhalb von

ownership of, in the aggregate, 50% or more of the Shares or (ii) in the event of a tender offer for Shares, circumstances where (A) the Shares already in the control of the offeror and the Shares which have already been tendered, carry in aggregate 50% or more of the voting rights in Infineon Technologies AG and (B) at the same time the offer has become unconditional.

A **“Person”** means an individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state, in each case whether or not being a separate legal entity, but excluding directly or indirectly wholly-owned subsidiaries of Infineon Technologies AG.

## § 16

### (Termination by Noteholders)

- (1) **Events of Default.** Each Noteholder is entitled, by giving notice to a Paying Agent (§ 18(1)), to declare due and payable its entire claims arising from the Notes and demand payment of their Principal Amount together with interest accrued thereon (unless the circumstances leading to such declaration have provably been cured before the notice of termination is given to a Paying Agent (§ 18(1))), if:
  - (a) the Issuer or the Guarantor, for any reason whatsoever, either (i) fails to pay principal or interest under the Notes within 30 days of the relevant due date or (ii) fails to perform duly any material obligation under these Notes, in particular pursuant to § 2(2) and § 14(1), and such failure continues for more than 60 days after receipt by the Issuer of a written notice from a Paying Agent (§ 18(1));
  - (b) the Issuer or the Guarantor fails to fulfil any payment obligation, when due, arising from any other Capital Market Indebtedness issued or guaranteed by the Issuer or the Guarantor and the total amount unpaid exceeds €50,000,000 or the equivalent in another currency and such failure continues for 30 days after the Issuer or the Guarantor, as the case may be, has received a notice of such failure in accordance with the agreement governing such payment obligation or applicable law, as the case may be, or any such payment obligation of the Issuer or the Guarantor can become due prematurely by reason of the occurrence of an event of default (howsoever defined) on part of the Issuer or the Guarantor and such event of default has not been cured, waived, rescinded or annulled for 30 days after the Issuer or the Guarantor, as the case may be, has received a notice on the occurrence of such event of default, or a security provided

- 30 Tagen nachdem die Anleiheschuldnerin oder die Garantin über das Vorliegen eines solchen Kündigungsgrundes informiert wurde, geheilt, aufgehoben oder annulliert wurde, oder eine für eine solche Zahlungsverpflichtung bestellte Sicherheit durchgesetzt wird, und diese Durchsetzung nicht innerhalb von 30 Tagen nachdem die Anleiheschuldnerin oder die Garantin von dieser Durchsetzung informiert wurde, beendet wurde;
- (c) ein Gericht ein Konkurs- oder sonstiges Insolvenzverfahren gegen die Anleihschuldnerin oder die Garantin eröffnet, das nicht innerhalb von 60 Tagen nach der Eröffnung aufgehoben oder ausgesetzt wird, oder die Anleihschuldnerin oder die Garantin ein solches Verfahren einleitet oder ihre Zahlungen allgemein einstellt, oder eine allgemeine Schuldenregelung zugunsten aller ihrer Gläubiger anbietet oder trifft;
- (d) die Anleihschuldnerin oder die Garantin in Liquidation tritt, es sei denn, eine solche Liquidation steht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen hinsichtlich der Schuldverschreibungen, die sich aus diesen Anleihebedingungen ergeben; oder
- (e) die Garantie nicht vollständig wirksam ist und dieser Zustand 45 Tage fortdauert, nachdem eine Zahlstelle (§ 18(1)) hierüber eine Benachrichtigung von einem Anleihegläubiger erhalten hat.
- (2) *Kündigungserklärung.* Eine Kündigungserklärung gemäß § 16(1) hat in der Weise zu erfolgen, daß der Anleihegläubiger einer Zahlstelle (§ 18(1)) eine schriftliche Erklärung übergibt oder durch eingeschriebenen Brief übersendet und dabei durch eine Bescheinigung seiner Depotbank nachweist, daß er im Zeitpunkt der Erklärung Gläubiger der betreffenden Schuldverschreibung(en) ist. Vorbehaltlich zwingender gesetzlicher Bestimmungen berechtigt kein Ereignis oder Grund außer den in Absatz (1) beschriebenen einen Anleihegläubiger dazu, seine Schuldverschreibungen vorzeitig fällig zu stellen und Zahlung zu verlangen, es sei denn, diese Anleihebedingungen sehen dies ausdrücklich vor.
- (3) *Wirksamkeit.* Im Fall des Absatzes (1)(a)(ii) wird eine die Schuldverschreibungen fälligstellende Kündigung erst wirksam, nachdem die Zahlstellen (§ 18(1)) Kündigungserklärungen von Anleihegläubigern erhalten haben, die zusammen Schuldverschreibungen mit einem Nennbetrag von insgesamt mindestens 10% des Nennbetrags der sich zu diesem Zeitpunkt im Umlauf befindenden Schuldverschreibungen (einschließlich solcher Schuldverschreibungen, die gemäß § 20 begeben wurden) halten. Eine solche Kündigungserklärung wird abweichend vom vorangehenden Satz sofort wirksam, wenn zum Zeitpunkt ihres Zugangs einer der Kündigungsgründe gemäß Absatz (1)(a)(i) oder (b) bis (e) vorliegt und fortdauert.
- for such payment obligation is being enforced and such enforcement has not been terminated 30 days after notice of such enforcement has been given to the Issuer or the Guarantor, as the case may be;
- (c) bankruptcy or insolvency proceedings are commenced by court action against the Issuer or the Guarantor, and are not dismissed or stayed within 60 days after the commencement thereof, or the Issuer or the Guarantor institutes such proceedings or suspends payments generally, or offers or makes a general arrangement for the benefit of all its creditors;
- (d) the Issuer or the Guarantor enters into liquidation, unless such liquidation is in connection with a merger or any other form of combination with another company and such company assumes all obligations under the Notes arising from these Conditions of Issue; or
- (e) the Guarantee is not in full force and effect and such fact continues for 45 days after a Paying Agent (§ 18(1)) has received notice thereof from a Noteholder.
- (2) *Notice.* Any notice of termination in accordance with § 16(1) shall be made by means of a written notice to be delivered by hand or registered mail to a Paying Agent (§ 18(1)) together with evidence by means of a certificate of the Noteholder's depository bank that such Noteholder at the time of such written notice is a holder of the relevant Note(s). Subject to the provisions of any applicable mandatory law, no event or circumstance other than an event specified in subsection (1) shall entitle any Noteholder to declare any of its Notes due and payable prior to its stated maturity, save as expressly provided in these Conditions.
- (3) *Effectiveness.* In the case specified in subsection (1)(a)(ii), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subsection (1)(a)(i) or (b) through (e) entitling Noteholders to declare their Notes due has occurred and is continuing, become effective only when the Paying Agents (§ 18(1)) have received such notices from Noteholders in an aggregate principal amount of at least one-tenth of the aggregate principal amount of all Notes then outstanding (including Notes issued pursuant to § 20).

## § 17

### (Ersetzung der Anleiheschuldnerin; Sitzverlegung)

- (1) *Ersetzung.* Die Anleiheschuldnerin oder die Neue Anleiheschuldnerin (wie unten definiert) ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger die Anleiheschuldnerin durch Infineon Technologies AG oder eine andere Gesellschaft, deren stimmberechtigte Anteile oder sonstiges gezeichnetes Kapital direkt oder indirekt zu 75% von der Infineon Technologies AG gehalten werden, als Hauptschuldnerin für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen (nachstehend die "**Neue Anleiheschuldnerin**") zu ersetzen, sofern:
- (a) die Neue Anleiheschuldnerin rechtswirksam alle Verpflichtungen der Anleiheschuldnerin aus oder im Zusammenhang mit diesen Schuldverschreibungen übernimmt und nach einer solchen Übernahme in der Lage ist, sämtliche sich aus oder im Zusammenhang mit diesen Schuldverschreibungen ergebenden Zahlungsverpflichtungen ohne die Notwendigkeit eines Einbehalts von irgendwelchen Steuern oder Abgaben an der Quelle in Euro zu erfüllen sowie die hierzu erforderlichen Beträge ohne Beschränkungen an die Hauptzahlstelle (§ 18(1)) zu übertragen, und sie insbesondere jede hierfür notwendige Genehmigung einer zuständigen Behörde erhalten hat und die Neue Anleiheschuldnerin Infineon Technologies AG, St. Martin-Straße 53, 81669 München, Bundesrepublik Deutschland, zum Zustellungsbevollmächtigten für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt hat;
- (b) die Garantin die ordnungsgemäße Erfüllung der so von der Neuen Anleiheschuldnerin zu übernehmenden Verpflichtungen unwiderruflich und unbedingte auf der Grundlage von § 14 zugunsten der Anleihegläubiger garantiert (soweit nicht Infineon Technologies AG die Neue Anleiheschuldnerin ist) und ihre Verpflichtungserklärung bestätigt hat, wobei jeweils vorher mit der Hauptzahlstelle (§ 18(1)) Rücksprache zu halten ist; und
- (c) die Neue Anleiheschuldnerin sich verpflichtet, jedem Anleihegläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm im Zusammenhang mit jeder Zahlung auf die Schuldverschreibungen, bei Wandlung oder in sonstiger Weise infolge der Ersetzung durch die Neue Anleiheschuldnerin auferlegt werden.
- (2) *Befreiung von Verpflichtungen.* Mit Wirksamwerden der Ersetzung der Anleiheschuldnerin gemäß § 17(1) ist die Anleiheschuldnerin von allen Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen befreit.
- (3) *Bekanntmachung.* Jede solche Ersetzung ist gemäß § 19 bekanntzumachen und wird mit der Bekanntmachung wirksam.

## § 17

### (Substitution of Issuer; Transfer of Domicile)

- (1) *Substitution.* The Issuer or the Substitute Issuer (as defined below) shall without the consent of the Noteholders be entitled at any time to substitute for the Issuer Infineon Technologies AG or any direct or indirect subsidiary which is at least 75% owned by Infineon Technologies AG as principal debtor in respect of all obligations arising from or in connection with the Notes (the "**Substitute Issuer**"), provided that:
- (a) the Substitute Issuer, in a manner legally effective, assumes all obligations of the Issuer arising from or in connection with these Notes and, after such assumption, it is in a position to fulfill all payment obligations arising from or in connection with these Notes in Euro without the necessity of any taxes or duties being deducted or withheld at source and to transfer all amounts which are required therefor to the Principal Paying Agent (§ 18(1)) without any restrictions, and that in particular all necessary authorisations to this effect by any competent authority have been obtained and the Substitute Issuer has appointed Infineon Technologies AG, St. Martin-Straße 53, 81669 München, Federal Republic of Germany, as authorised agent for accepting services of process for any legal disputes or other proceedings before German courts;
- (b) the Guarantor irrevocably and unconditionally guarantees (unless Infineon Technologies AG is the Substitute Issuer), on the basis set forth in § 14, the obligations to be assumed by the Substitute Issuer and confirms its Undertaking, in each case after consultation with the Principal Paying Agent (§ 18(1)); and
- (c) the Substitute Issuer undertakes to reimburse any Noteholder for such taxes, fees or duties which may be imposed upon him in connection with any payments on the Notes, upon conversion or otherwise, as a consequence of assumption of the Issuer's obligations by the Substitute Issuer.
- (2) *Release from Obligations.* Upon effective substitution of the Issuer as set forth in § 17(1), the Issuer shall be released from any obligation arising from or in connection with the Notes.
- (3) *Publication.* Any such substitution shall be published in accordance with § 19 and shall become effective upon such publication.

- (4) *Bezugnahmen.* Im Falle einer solchen Ersetzung gilt jede Bezugnahme auf die Anleiheschuldnerin in diesen Anleihebedingungen als Bezugnahme auf die Neue Anleiheschuldnerin. Sofern die Neue Anleiheschuldnerin ihren Sitz nicht in den Niederlanden hat, tritt in § 6 neben die Bezugnahme auf die Niederlande eine alternative Bezugnahme auf den Staat, in dem die Neue Anleiheschuldnerin ihren Sitz hat.
- (5) *Sitzverlegung.* Eine Sitzverlegung der Anleiheschuldnerin in ein anderes Land, Territorium oder Hoheitsgebiet ist nur zulässig, wenn die in § 17(1), (3) und (4) genannten Voraussetzungen entsprechend erfüllt sind.

## § 18

### (Zahlstelle; Umtauschstelle)

- (1) *Bestellung.* Die Anleiheschuldnerin hat JPMorgan Chase Bank, Trinity Tower, 9 Thomas Moore Street, London E1W 1YT, zur Hauptzahlstelle (in dieser Funktion die "**Hauptzahlstelle**") und zur Hauptumtauschstelle (in dieser Funktion die "**Hauptumtauschstelle**"), die J.P. Morgan AG, Grüneburgweg 2, D-60322 Frankfurt am Main, zur deutschen Zahlstelle (in dieser Funktion die "**Deutsche Zahlstelle**") und zur deutschen Umtauschstelle (in dieser Funktion die "**Deutsche Umtauschstelle**") und die J.P. Morgan Bank Luxembourg S.A., 5 rue Plaetis, Luxembourg L-2338, zur luxemburgischen Zahlstelle (in dieser Funktion die "**Luxemburgische Zahlstelle**", die Hauptzahlstelle, die Deutsche Zahlstelle und die Luxemburgische Zahlstelle zusammen die "**Zahlstellen**" und jeweils einzeln eine "**Zahlstelle**") und zur luxemburgischen Umtauschstelle (in dieser Funktion die "**Luxemburgische Umtauschstelle**", die Hauptumtauschstelle, die Deutsche Umtauschstelle und die luxemburgische Umtauschstelle zusammen die "**Umtauschstellen**" und jeweils einzeln eine "**Umtauschstelle**") bestellt. Die Zahlstellen und die Umtauschstellen sind von den Beschränkungen des § 181 BGB befreit. Adressänderungen werden gemäß § 19 bekanntgemacht.
- (2) *Ersetzung.* Die Anleiheschuldnerin und die Garantin können jederzeit durch Bekanntmachung gemäß § 19 mit einer Frist von mindestens 30 Tagen eine andere Bank, die ihre Hauptniederlassung oder eine Zweigniederlassung in London, Luxemburg oder Frankfurt am Main unterhält, zur Zahlstelle und/oder Umtauschstelle bestellen. Die Zahlstellen und die Umtauschstellen können jederzeit von ihrem jeweiligen Amt zurücktreten. Der Rücktritt wird jedoch nur wirksam mit der Bestellung einer anderen Bank, die ihre Hauptniederlassung oder eine Zweigniederlassung in London, Luxemburg oder Frankfurt am Main unterhält, zur neuen Zahlstelle bzw. Umtauschstelle durch die Anleiheschuldnerin durch Bekanntmachung dieser Bestellung gemäß § 19 mit einer Frist von mindestens 30 Tagen. Solange die Schuldverschreibungen an der Luxemburger Wertpapierbörse notiert sind (und die Regeln dieser Börse dies verlangen) werden die Anleiheschuldnerin und die Garantin eine

- (4) *References.* In the event of such substitution any reference in these Conditions of Issue to the Issuer shall from then on be deemed to refer to the Substitute Issuer. If the Substitute Issuer is not domiciled in The Netherlands, an alternative reference to the country of domicile of the Substitute Issuer shall be made in § 6 in addition to the reference to The Netherlands.
- (5) *Transfer of Domicile.* A transfer of domicile of the Issuer to another country, territory or jurisdiction shall only be permissible if § 17(1), (3) and (4) are complied with *mutatis mutandis*.

## § 18

### (Paying Agent; Conversion Agent)

- (1) *Appointment.* The Issuer has appointed JPMorgan Chase Bank, Trinity Tower, 9 Thomas Moore Street, London E1W 1YT, to act as principal paying agent (in such capacity, the "**Principal Paying Agent**") and as principal conversion agent (in such capacity, the "**Principal Conversion Agent**"), J.P. Morgan AG, Grüneburgweg 2, D-60322 Frankfurt am Main, to act as German paying agent (in such capacity, the "**German Paying Agent**") and as German conversion agent (in such capacity, the "**German Conversion Agent**") and J.P. Morgan Bank Luxembourg S.A., 5 rue Plaetis, Luxembourg L-2338, as Luxembourg paying agent (in such capacity, the "**Luxembourg Paying Agent**", the Principal Paying Agent, the German Paying Agent and the Luxembourg Paying Agent together the "**Paying Agents**" or one a "**Paying Agent**") and as Luxembourg conversion agent (in such capacity, the "**Luxembourg Conversion Agent**", the Principal Conversion Agent, the German Conversion Agent and the Luxembourg Conversion Agent together the "**Conversion Agents**" or one a "**Conversion Agent**"). The Paying Agents and the Conversion Agents are exempt from the restrictions laid down in § 181 of the German Civil Code. Changes of address shall be published in accordance with § 19.
- (2) *Substitution of Agent.* The Issuer and the Guarantor may at any time, by giving not less than 30 days' notice by publication in accordance with § 19, appoint another bank maintaining its head office or a branch in London, Luxembourg or Frankfurt am Main, as Paying Agent and/or Conversion Agent. The Paying Agents and/or the Conversion Agents may at any time resign from their respective offices. However, such resignation shall become effective only upon the appointment by the Issuer of a bank maintaining its head office or a branch in London, Luxembourg or Frankfurt am Main, as the case may be, as the new Paying Agent and/or Conversion Agent and the giving of not less than 30 days' notice of any such appointment by publication in accordance with § 19. So long as the Notes are listed on the Luxembourg Stock Exchange (and the rules of such Stock Exchange so require) the Issuer and the Guarantor shall maintain a Paying Agent and a Conversion Agent in Luxembourg.



Zahlstelle und eine Umtauschstelle in Luxemburg beibehalten.

- (3) *Erfüllungsgehilfen.* Die Zahlstellen und die Umtauschstellen handeln mit Ausnahme der in § 7(2) geregelten Durchführung der Wandlung der Schuldverschreibungen in ihrer jeweiligen Eigenschaft ausschließlich als Erfüllungsgehilfen der Anleiheschuldnerin bzw. der Garantin und stehen in dieser Eigenschaft nicht in einem Auftrags- oder Treuhandverhältnis zu den Anleihegläubigern.

#### § 19

##### (Bekanntmachungen)

Alle Bekanntmachungen, die die Schuldverschreibungen betreffen, werden in folgenden Zeitungen veröffentlicht: (a) (solange die Schuldverschreibungen an der Luxemburger Wertpapierbörse notiert sind und die Regeln dieser Börse dies verlangen) in einer führenden Zeitung mit allgemeiner Verbreitung in Luxemburg und (b) in einer in englischer Sprache erscheinenden führenden Tageszeitung mit allgemeiner Verbreitung in London. Die Bekanntmachungen werden unter normalen Umständen voraussichtlich jeweils im *Luxemburger Wort* und der *Financial Times* erscheinen. Für das Datum und die Rechtswirksamkeit sämtlicher Bekanntmachungen ist der dritte Tag nach dem Tag der ersten Veröffentlichung maßgeblich.

#### § 20

##### (Begebung weiterer Schuldverschreibungen)

Die Anleiheschuldnerin behält sich vor, von Zeit zu Zeit ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (außer dem Ausgabebetrag, dem Tag des Verzinsungsbeginns und/oder dem Ausgabepreis) in der Weise zu begeben, daß sie mit diesen Schuldverschreibungen zusammengefaßt werden, eine einheitliche Anleihe mit ihnen bilden und ihren Gesamtnennbetrag erhöhen. Der Begriff "Schuldverschreibungen" umfaßt im Falle einer solchen Erhöhung auch solche zusätzlich begebenen Schuldverschreibungen.

#### § 21

##### (Verjährung)

- (1) *Kapital.* Die in § 801(1) Satz 1 BGB bestimmte Vorlegungsfrist für die Schuldverschreibungen in bezug auf Kapital beträgt zehn Jahre.
- (2) *Zinsen.* Die Vorlegungsfrist für die Schuldverschreibungen in bezug auf Zinsen beträgt fünf Jahre und beginnt mit dem Datum, an dem die jeweilige Zinszahlung erstmals fällig und zahlbar wird.

- (3) *Agents of the Issuer.* The Paying Agents and the Conversion Agents (except as provided for in § 7(2) with respect to the conversion of the Notes) are acting exclusively as agents of the Issuer and the Guarantor and in such capacities do not have any relationship of agency or trust with the Noteholders.

#### § 19

##### (Notices)

All notices regarding the Notes shall be published in the following journals: (a) (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) in a leading newspaper having general circulation in Luxembourg and (b) a leading daily newspaper printed in the English language and of general circulation in London. It is expected that such notices will normally be published in the *Luxemburger Wort* and in the *Financial Times*. Any notice will become effective for all purposes on the third day following the date of the first such publication.

#### § 20

##### (Issue of Additional Notes)

The Issuer reserves the right from time to time without the consent of the Noteholders to issue additional Notes with identical terms (save for the issue date, interest commencement date and/or issue price), so that the same shall be consolidated, form a single issue with and increase the aggregate principal amount of these Notes. The term "Notes" shall, in the event of such increase, also comprise such additionally issued Notes.

#### § 21

##### (Prescription)

- (1) *Principal.* The term for presentation of the Notes with respect to principal as laid down in § 801(1) sentence 1 of the German Civil Code shall be ten years.
- (2) *Interest.* The term for presentation of the Notes with respect to interest shall be five years after the date on which payment thereof first becomes due and payable.



## § 22

### (Verschiedenes)

- (1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie sämtliche sich aus diesen Anleihebedingungen ergebenden Rechte und Pflichten der Anleihegläubiger und der Anleiheschuldnerin bestimmen sich in jeder Hinsicht nach deutschem Recht.
- (2) *Erfüllungsort.* Erfüllungsort ist München, Bundesrepublik Deutschland.
- (3) *Gerichtsstand.* Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, München, Bundesrepublik Deutschland.
- (4) *Verzicht auf Einwendungen.* Die Anleiheschuldnerin verzichtet unwiderruflich auf jede ihr gegenwärtig oder später zustehende Einwendung dagegen, daß die zuständigen Gerichte in München (Amtsgericht oder Landgericht) als zuständige Gerichte zur Entscheidung jeglicher Rechtsstreitigkeiten und zur Erledigung sämtlicher Streitfälle bestimmt werden und erklärt sich damit einverstanden, nicht zu behaupten, daß eines dieser Gerichte ein nicht geeigneter oder angemessener Gerichtsstand wäre (*forum non conveniens*).
- (5) *Zustellungsbevollmächtigte.* Für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt die Anleiheschuldnerin Infineon Technologies AG, St. Martin-Straße 53, 81669 München, Bundesrepublik Deutschland, zum Zustellungsbevollmächtigten.
- (6) *Geltendmachung von Ansprüchen.* Jeder Anleihegläubiger kann in Rechtsstreitigkeiten gegen die Anleiheschuldnerin oder Infineon Technologies AG oder Rechtsstreitigkeiten, an denen der Anleihegläubiger und die Anleiheschuldnerin und/oder Infineon Technologies AG beteiligt sind, im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (ii) den Gesamtnennbetrag der Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Anleihegläubigers gutgeschrieben sind, und (iii) bestätigt, daß die Depotbank dem Clearing System und der Hauptzahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearing Systems sowie des jeweiligen Clearing System-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearing Systems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde. Im Sinne der vorstehenden Bestimmungen ist "**Depotbank**" ein Bank- oder sonstiges Finanzinstitut (einschließlich Clearstream Banking AG) von allgemein anerkanntem Ansehen, das zum Betreiben des

## § 22

### (Miscellaneous)

- (1) *Governing Law.* The Notes, with regard to both form and content, as well as all rights and obligations arising from these Conditions of Issue for the Noteholders and the Issuer shall in all respects be governed by German law.
- (2) *Place of Performance.* Place of performance shall be Munich, Federal Republic of Germany.
- (3) *Place of Jurisdiction.* To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Conditions of Issue shall be Munich, Federal Republic of Germany.
- (4) *Waiver of Objections.* The Issuer irrevocably waives any objection which it may now or hereafter have to the competent courts of Munich (*Amtsgericht* or *Landgericht*) being nominated as the forum to hear and determine any proceedings and to settle any disputes and agrees not to claim that any such court is not a convenient or appropriate forum.
- (5) *Agent for Service of Process.* For any legal disputes or other proceedings before German courts, the Issuer appoints Infineon Technologies AG, St. Martin-Straße 53, 81669 München, Federal Republic of Germany, as authorised agent for accepting services of process.
- (6) *Enforcement.* Any Noteholder may in any proceedings against the Issuer or Infineon Technologies AG or to which the Noteholder and the Issuer and/or Infineon Technologies AG are parties protect and enforce in its own name its rights arising under its Notes by submitting the following documents: (a) a certificate issued by its Depository Bank (i) stating the full name and address of the Noteholder, (ii) specifying an aggregate principal amount of Notes credited on the date of such certificate to such Noteholder's securities account maintained with such Depository Bank and (iii) confirming that the Depository Bank has given a written notice to the Clearing System as well as to the Principal Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System accountholder as well as (b) a copy of the Global Note certified by a duly authorised officer of the Clearing System or the Principal Paying Agent as being a true copy. For the purposes of the foregoing, "**Depository Bank**" means any bank or other financial institution of recognised standing authorised to engage in securities deposit business with which the Noteholder maintains a securities account in respect of any Notes, and includes Clearstream Banking AG.

Wertpapier-Depotgeschäfts berechtigt ist und bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren läßt.

**§ 23**  
**(Sprache)**

Diese Anleihebedingungen sind in deutscher Sprache abgefaßt und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.

**§ 23**  
**(Language)**

These Conditions of Issue are written in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

**The German version of the Undertaking for Granting Conversion Rights is the only legally binding version. The English translation is for convenience only.**

**VERPFLICHTUNGSERKLÄRUNG  
ZUR EINRÄUMUNG VON WANDLUNGSRECHTEN**

der  
**Infineon Technologies AG**  
München, Bundesrepublik Deutschland

An die JPMorgan Chase Bank zugunsten der  
Anleihegläubiger der  
Infineon Technologies Holding B.V., Rotterdam,  
Niederlande  
€700.000.000  
5% Garantierten Nachrangigen  
Wandelschuldverschreibungen von 2003/2010  
mit Recht auf Wandlung in auf den Namen  
lautende nennwertlose Stückaktien  
der Infineon Technologies AG  
(die "**Schuldverschreibungen**").

- (1) Die Anleiheschuldnerin hat aufgrund eines zwischen ihr als Darlehensgeberin und der Infineon Technologies AG als Darlehensnehmerin abgeschlossenen Darlehensvertrages (der "**Darlehensvertrag**") den Erlös aus dem Verkauf der Schuldverschreibungen in Höhe von €700.000.000 an die Infineon Technologies AG als Darlehen weitergeleitet (das "**Darlehen**"). Die Fälligkeiten von Zahlungen aus dem Darlehen entsprechen den Fälligkeiten von Zahlungen auf die Schuldverschreibungen; bei vorzeitiger Rückzahlung von Schuldverschreibungen ist das Darlehen entsprechend in Höhe der jeweiligen Zugehörigen Darlehensansprüche (Absatz 2) zur vorzeitigen Rückzahlung fällig; schließlich ermäßigt sich der Betrag des Darlehens in Höhe des Zugehörigen Darlehensanspruchs (Absatz 2) bei wirksamer Ausübung der Wandlungsrechte durch Lieferung von Schuldverschreibungen gemäß § 8(2) der Anleihebedingungen der Schuldverschreibungen (die "**Anleihebedingungen**").
- (2) Gemäß den Bestimmungen des Darlehensvertrages hat die Anleiheschuldnerin die Ansprüche aus dem Darlehensvertrag gegen die Infineon Technologies AG auf Zahlung von Kapital in Höhe sämtlicher Zugehöriger Darlehensansprüche (§ 13(2)(a) der Anleihebedingungen) an die JPMorgan Chase Bank für Rechnung der Anleihegläubiger als Sicherheit für die Ansprüche auf Zahlung von Kapital aus den Schuldverschreibungen abgetreten. Bei der Abtretung entfällt auf jede Schuldverschreibung ein Teilbetrag aus dem Darlehen, der dem Zugehörigen Darlehensanspruch entspricht. Hinsichtlich jeder Schuldverschreibung erfolgt die Sicherungsabtretung auflösend bedingt durch die Rückzahlung der Schuldverschreibung mit Zugehörigem Darlehensanspruch ohne Ausübung des Wandlungsrechts oder die Barzahlung anstelle der Lieferung von Aktien gemäß § 10 der Anleihebedingungen insoweit die Anleiheschuldnerin beschließt, nicht in Form von Aktien zu liefern.

**UNDERTAKING FOR GRANTING  
CONVERSION RIGHTS**

of  
**Infineon Technologies AG**  
Munich, Federal Republic of Germany

To JPMorgan Chase Bank for the benefit of the  
Noteholders of Infineon Technologies Holding  
B.V., Rotterdam, The Netherlands  
€700,000,000  
5% Guaranteed Subordinated Convertible Notes  
of 2003/2010,  
convertible into  
ordinary registered shares with no par value  
(**Stückaktien**)  
of Infineon Technologies AG  
(the "**Notes**").

- (1) The Issuer, pursuant to a Loan Agreement (the "**Loan Agreement**") between the Issuer as lender and Infineon Technologies AG as borrower, has disbursed to Infineon Technologies AG the proceeds from the sale of the Notes in an amount of €700,000,000 by way of loan (the "**Loan**"). The due dates for payments under the Loan correspond to the due dates for payments under the Notes; in the event of an early redemption of Notes the Loan is likewise subject to early repayment in an amount equal to the respective Appertaining Claims (subparagraph (2)); finally, the amount of the Loan will be reduced in an amount equal to the Appertaining Claim (subparagraph (2)) if the Conversion Right is validly exercised by delivering Notes pursuant to § 8(2) of the Conditions of Issue of the Notes (the "**Conditions**").
- (2) In accordance with the provisions of the Loan Agreement, the Issuer has assigned the claims against Infineon Technologies AG for payment of principal under the Loan Agreement in an amount equal to the aggregate Appertaining Claims (§ 13(2)(a) of the Conditions) to JPMorgan Chase Bank acting on account of the Noteholders for purposes of securing the claims for payment of principal of the Notes. Upon such transfer, a partial amount of the Loan equal to the Appertaining Claim will be attributable to each Note. In respect of each Note, such transfer for security purposes will be subject to the condition subsequent (*auflösende Bedingung*) of the redemption of the Note with Appertaining Claim without exercise of the Conversion Right or the cash payment in lieu of delivery of Shares pursuant to § 10 of the Conditions to the extent the Issuer decides not to deliver in the form of Shares.

- (3) Der Zugehörige Darlehensanspruch, der sich auf eine Schuldverschreibung bezieht, ist mit der jeweiligen Schuldverschreibung untrennbar verbunden. Mit der Übertragung einer Schuldverschreibung geht auch der Zugehörige Darlehensanspruch über, ohne daß es dafür einer ausdrücklichen rechtsgeschäftlichen Erklärung bedarf. Jede gesonderte Verfügung über den Zugehörigen Darlehensanspruch, insbesondere jede gesonderte Abtretung, Verpfändung oder sonstige Belastung ist nichtig. Bei Ausübung des Wandlungsrechts durch Übertragung der Schuldverschreibungen geht der Zugehörige Darlehensanspruch auf die Infineon Technologies AG über und erlischt damit.
- (4) Die Infineon Technologies AG gewährt hiermit, vorbehaltlich des Eintritts der nachstehend genannten auflösenden Bedingung unwiderruflich jedem Anleihegläubiger das Recht, im Einklang mit den Anleihebedingungen (insbesondere den Bestimmungen der §§ 7, 8 und 9 der Anleihebedingungen) jederzeit während des Ausübungszeitraums eine Schuldverschreibung mit Zugehörigem Darlehensanspruch ganz, nicht jedoch teilweise, in Aktien umzutauschen und gegebenenfalls zusätzliche Ausgleichsbeträge gemäß § 9(2) und Barausgleichbeträge gemäß § 10 der Anleihebedingungen zu erhalten. § 22 der Anleihebedingungen findet Anwendung. Die Verpflichtungserklärung steht unter der auflösenden Bedingung (§ 158(2) BGB) einer Ersetzung (§ 7(5) der Anleihebedingungen). Im Falle einer Ersetzung (§ 7(5) der Anleihebedingungen) endet die Verpflichtungserklärung und wird durch die Neue Verpflichtungserklärung (§ 7(5) der Anleihebedingungen) ersetzt; dementsprechend endet das Recht eines Anleihegläubigers zum Erhalt von Aktien bei Wandlung und wird durch das Recht zum Erhalt von Neuen Aktien (§ 7(5) der Anleihebedingungen) bei Wandlung ersetzt.
- (5) Diese Verpflichtungserklärung begründet unmittelbare, nicht dinglich besicherte und nicht nachrangige Verbindlichkeiten der Infineon Technologies AG und steht im gleichen Rang mit allen anderen gegenwärtigen und zukünftigen nicht dinglich besicherten Verbindlichkeiten der Infineon Technologies AG, soweit nicht zwingende gesetzliche Bestimmungen etwas anderes vorschreiben.
- (6) Diese Verpflichtungserklärung stellt einen Vertrag zugunsten der Anleihegläubiger als begünstigte Dritte im Sinne des § 328(1) BGB dar, der jedem Anleihegläubiger das Recht gibt, Erfüllung unmittelbar von der Infineon Technologies AG zu verlangen und die Verpflichtungserklärung, unmittelbar gegen die Infineon Technologies AG durchzusetzen.
- (3) The Appertaining Claim related to each Note is undetachable from the relevant Note. Any transfer of a Note results in the transfer of the Appertaining Claim without any explicit declaration of transfer being required. Any separate disposal, in particular any separate assignment, pledge or other encumbrance of the Appertaining Claim shall be void. In the event of the exercise of the Conversion Right by delivering Notes the Appertaining Claim shall pass to Infineon Technologies AG and expire therewith.
- (4) Infineon Technologies AG hereby irrevocably, but subject to the condition subsequent (*auflösende Bedingung*) mentioned below grants to each Noteholder the right to convert, in accordance with the Conditions (in particular §§ 7, 8 and 9 of the Conditions), at any time during the Conversion Period each Note together with the Appertaining Claim in whole, but not in part, into Shares and to receive additional compensation amounts payable pursuant to § 9(2) and cash payments pursuant to § 10 of the Conditions, if any. § 22 of the Conditions shall apply. The Undertaking is subject to the condition subsequent (*auflösende Bedingung*) within the meaning of § 158(2) of the German Civil Code of a Substitution (§ 7(5) of the Conditions). In the case of a Substitution (§ 7(5) of the Conditions) the Undertaking will terminate and will be replaced by the New Undertaking (§ 7(5) of the Conditions); accordingly the right of any Noteholder to receive Shares upon conversion will terminate and will be replaced by the right to receive New Shares (§ 7(5) of the Conditions) upon conversion.
- (5) This Undertaking constitutes direct, unsecured and unsubordinated obligations of Infineon Technologies AG and ranks *pari passu* with all other present and future unsecured obligations of Infineon Technologies AG, except as otherwise provided by mandatory rules of law.
- (6) This Undertaking constitutes a contract for the benefit of the Noteholders as third party beneficiaries pursuant to § 328(1) of the German Civil Code giving rise to the right of each Noteholder to require performance of the obligations undertaken herein directly from Infineon Technologies AG and to enforce such obligations directly against Infineon Technologies AG.

- (7) Begriffe, die in dieser Verpflichtungserklärung verwendet werden und in den Anleihebedingungen oder dem Darlehensvertrag definiert sind, haben in dieser Verpflichtungserklärung die gleiche Bedeutung wie in den Anleihebedingungen bzw. dem Darlehensvertrag, soweit sie in dieser Verpflichtungserklärung nicht anderweitig definiert sind.
- (8) Die Infineon Technologies AG und die JPMorgan Chase Bank vereinbaren, daß die JPMorgan Chase Bank nicht als Treuhänderin oder in ähnlicher Funktion für die Anleihegläubiger handelt. Die JPMorgan Chase Bank verpflichtet sich, das Original dieser Verpflichtungserklärung bis zur Erfüllung der Verpflichtungen aus den Schuldverschreibungen und dieser Verpflichtungserklärung zu verwahren.
- (9) Die Rechte und Pflichten aus dieser Verpflichtungserklärung bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland. Erfüllungsort und Gerichtsstand ist, soweit gesetzlich zulässig, München, Bundesrepublik Deutschland.
- (10) Die deutsche Fassung dieser Verpflichtungserklärung ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.

München,  
2. Juni 2003  
Infineon Technologies AG

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Wir nehmen die obenstehende Erklärung zugunsten der Anleihegläubiger an.

London  
2. Juni 2003  
JPMorgan Chase Bank

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- (7) Unless otherwise defined herein, terms used herein and defined in the Conditions or the Loan Agreement, as the case may be, shall in this Undertaking have the meaning attributed to them in the Loan Agreement or the Conditions, as the case may be.
- (8) Infineon Technologies AG and JPMorgan Chase Bank agree that JPMorgan Chase Bank shall not act as trustee or in a similar function for the Noteholders. JPMorgan Chase Bank undertakes to hold this Undertaking in custody until the obligations under the Notes and this Undertaking are discharged.
- (9) The rights and obligations under this Undertaking shall be governed exclusively by the laws of the Federal Republic of Germany. Place of performance and place of jurisdiction shall, to the extent legally permitted, be Munich, Federal Republic of Germany.
- (10) The German version of this Undertaking shall be the only legally binding version. The English translation is for convenience only.

Munich,  
June 2, 2003  
Infineon Technologies AG

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We hereby accept all of the above declarations for the benefit of the Noteholders.

London,  
June 2, 2003  
JPMorgan Chase Bank

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**The German version of the Subordinated Guarantee is the only legally binding version.  
The English translation is for convenience only.**

**NACHRANGIGE GARANTIE**

der

**Infineon Technologies AG  
München, Bundesrepublik Deutschland  
(die "Garantin")  
zugunsten der Anleihegläubiger der  
5% Garantierten Nachrangigen  
Wandelschuldverschreibungen von 2003/2010  
mit einem Gesamtnennbetrag von  
€700.000.000 (die "Schuldverschreibungen")**

der

**Infineon Technologies Holding B.V.  
Rotterdam, Niederlande  
(die "Anleiheschuldnerin")**

**SUBORDINATED GUARANTEE**

by

**Infineon Technologies AG  
Munich, Federal Republic of Germany  
(the "Guarantor")  
in favour of the holders of the  
5% Guaranteed Subordinated Convertible Notes  
of 2003/2010  
in the aggregate  
principal amount of €700,000,000 (the "Notes")**

of

**Infineon Technologies Holding B.V.  
Rotterdam, The Netherlands  
(the "Issuer")**

Die Garantin garantiert hiermit, vorbehaltlich § 7(5) bis § 7(12) der Anleihebedingungen der Schuldverschreibungen (die "**Anleihebedingungen**") und der untenstehenden Bestimmungen, unbedingt und unwiderruflich gegenüber den Anleihegläubigern (dieser Begriff schließt für die Zwecke dieser Nachrangigen Garantie sämtliche Anleihegläubiger hinsichtlich zusätzlicher gegebenenfalls von der Anleiheschuldnerin gemäß § 20 der Anleihebedingungen begebener Schuldverschreibungen ein) die in Übereinstimmung mit den Anleihebedingungen ordnungsgemäße und pünktliche Zahlung sämtlicher Beträge, die von der Anleiheschuldnerin auf die Schuldverschreibungen zahlbar sind.

Die Verpflichtungen der Garantin aus dieser Nachrangigen Garantie sind nachrangig gegenüber ranghöheren, nicht nachrangigen Forderungen sämtlicher sonstigen Gläubiger der Garantin, zumindest gleichrangig mit allen anderen nachrangigen Forderungen gegen die Garantin und im Fall der Auflösung, der Insolvenz oder anderer Verfahren zur Abwendung der Insolvenz erfolgt jede Zahlung, die aus dieser Nachrangigen Garantie fällig wird, erst, nachdem alle Forderungen gegen die Garantin erfüllt worden sind, die ranghöher und nicht nachrangig sind. Jedes Recht zur Aufrechnung mit Ansprüchen aus den Schuldverschreibungen oder dieser Nachrangigen Garantie gegen Ansprüche der Garantin ist ausgeschlossen. Die im vorangehenden Satz geregelte Nachrangigkeit im Hinblick auf Schuldverschreibungen, für die das Wandlungsrecht (§ 7(1) der Anleihebedingungen) wirksam ausgeübt worden ist, ist auflösend bedingt durch die Ausübung des Wandlungsrechts (§ 7(1) der Anleihebedingungen) und endet mit Wirkung zum Ausgabebetrag (§ 3(1) der Anleihebedingungen) am Tag unmittelbar vor dem Ausübungstag (§ 8(4) der Anleihebedingungen) um 24:00 Uhr.

Vorbehaltlich des vorstehenden Absatzes ist es Sinn und Zweck dieser Nachrangigen Garantie sicherzustellen, daß die Anleihegläubiger unter allen Umständen, ob rechtlicher oder tatsächlicher Natur, und unabhängig von der Wirksamkeit oder Durchsetzbarkeit der Verpflichtungen der Anleihe-

The Guarantor hereby, subject to § 7(5) through § 7(12) of the Conditions of the Issue of the Notes (the "**Conditions**") and the provisions below, unconditionally and irrevocably guarantees to the Noteholders (which expression shall, for the purposes of this Subordinated Guarantee, include any Noteholders under any additional Notes issued by the Issuer under § 20 of the Conditions the due and punctual payment in accordance with the Conditions of any and all sums expressed to be payable by the Issuer under the Notes.

The obligations of the Guarantor under this Subordinated Guarantee shall be subordinated to the claims of all other creditors of the Guarantor which are senior and not subordinated, rank at least *pari passu* with all other subordinated obligations of the Guarantor and, in the event of liquidation, bankruptcy or other proceedings to avoid bankruptcy of the Guarantor, any payment which might become due under the Subordinated Guarantee shall be made only after all claims against the Guarantor which are senior and not subordinated have been satisfied. Any right to set-off claims arising from the Notes or under the Subordinated Guarantee against claims of the Guarantor shall be excluded. The subordination specified in the foregoing sentence with respect to Notes for which the Conversion Right (§ 7(1) of the Conditions) has been validly exercised shall be subject to the condition subsequent (*auflösende Bedingung*) of the exercise of the Conversion Right (§ 7(1) of the Conditions) and terminate with effect as of the Issue Date (§ 3(1) of the Conditions) on the day immediately prior to the Conversion Date (§ 8(4) of the Conditions) at 24 hours.

Subject to the foregoing paragraph the intent and purpose of this Subordinated Guarantee is to ensure that the Noteholders under all circumstances, whether factual or legal, and regardless of the validity and enforceability of the obligations of the Issuer or the company (other than the Guarantor) which may

schuldnerin oder der Gesellschaft (außer der Garantin), die gegebenenfalls die Anleiheschuldnerin gemäß § 17 der Anleihebedingungen ersetzt hat (die "**Neue Anleiheschuldnerin**"), und unabhängig von sonstigen Gründen, aufgrund derer eine Zahlung durch die Anleiheschuldnerin oder die Neue Anleiheschuldnerin unterbleiben mag, die zahlbaren Kapitalbeträge, Zinsen und sonstigen aufgrund der Anleihebedingungen an die Anleihegläubiger zahlbaren Beträge zu den Fälligkeitsterminen erhalten, die in den Anleihebedingungen festgesetzt sind.

Die Garantin verpflichtet sich ferner, solange die Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle nach den Anleihebedingungen an die Anleihegläubiger zahlbaren Beträge der Hauptzahlstelle (wie in § 18(1) der Anleihebedingungen definiert) zur Verfügung gestellt wurden und alle sich aus § 7 der Anleihebedingungen ergebenden Pflichten erfüllt wurden, keine Sicherheiten an ihren Vermögensgegenständen zur Besicherung von nachrangigen Kapitalmarktverbindlichkeiten (wie in § 2(4) der Anleihebedingungen definiert) einschließlich hierfür abgegebener Garantien und Gewährleistungen zu bestellen, ohne daß die Anleihegläubiger gleichzeitig und im gleichen Rang anteilig an dieser Sicherheit teilnehmen. Diese Verpflichtung findet keine Anwendung auf eine Sicherheit, die (i) nach anzuwendendem Recht zwingend notwendig oder (ii) als Voraussetzung für eine staatliche Genehmigung erforderlich ist. Jede hiernach zu leistende Sicherheit kann auch zugunsten einer Person bestellt werden, die insoweit als Treuhänder der Anleihegläubiger handelt.

Diese Nachrangige Garantie ist ein Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328(1) BGB, der jedem Anleihegläubiger, vorbehaltlich § 7(5) bis § 7(12) der Anleihebedingungen und der untenstehenden Bestimmungen, das Recht gibt, Erfüllung der hierin übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und diese Verpflichtungen, vorbehaltlich § 7(5) bis § 7(12) der Anleihebedingungen und der untenstehenden Bestimmungen, unmittelbar gegen die Garantin durchzusetzen.

Begriffe, die in den Anleihebedingungen definiert sind, haben in dieser Nachrangigen Garantie die gleiche Bedeutung wie in den Anleihebedingungen, soweit sie in dieser Nachrangigen Garantie nicht anderweitig definiert sind.

Die diese Nachrangige Garantie annehmende JPMorgan Chase Bank handelt nicht als Treuhänderin oder in ähnlicher Funktion für die Anleihegläubiger. Die JPMorgan Chase Bank verpflichtet sich, das Original dieser Nachrangigen Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser Nachrangigen Garantie zu verwahren.

Diese Nachrangige Garantie wird von vornherein vorbehaltlich der Möglichkeit einer Ersetzung der Infineon Technologies AG als Garantin durch die Neue Gesellschaft (§ 7(5) der Anleihebedingungen) gemäß § 7(5) bis § 7(12) der Anleihebedingungen abgegeben. Daher kann im Falle einer Ersetzung

have been substituted for the same pursuant to § 17 of the Conditions (the "**Substitute Issuer**"), or of any other grounds on the basis of which the Issuer or the Substitute Issuer may fail to effect payment, shall receive the amounts payable as principal, interest and other amounts payable to the Noteholders pursuant to the Conditions on the due dates therefor provided for in the Conditions.

The Guarantor further undertakes, so long as any Notes shall remain outstanding, but only up to the time at which all amounts payable to the Noteholders under the Notes in accordance with the Conditions have been placed at the disposal of the Principal Paying Agent (as defined in § 18(1) of the Conditions) and all obligations pursuant to § 7 of the Conditions have been fulfilled, not to secure any subordinated Capital Market Indebtedness (as defined in § 2(4) of the Conditions), including any guarantees or other indemnities assumed in respect thereof, upon any of its assets without at the same time providing that the Noteholders share equally and rateably in such security. This undertaking shall not apply to a security which is (i) mandatory according to applicable laws or (ii) required as a prerequisite for governmental approvals. Any security which is to be provided hereunder may also be provided to a person acting as trustee for the Noteholders.

The Subordinated Guarantee constitutes a contract in favour of the Noteholders from time to time as third party beneficiaries pursuant to § 328(1) of the German Civil Code giving rise to the right of each Noteholder, subject to § 7(5) through § 7(12) of the Conditions and the provisions below, to require performance of the obligations undertaken herein directly from the Guarantor and, subject to § 7(5) through § 7(12) of the Conditions and the provisions below, to enforce such obligations directly against the Guarantor.

Unless otherwise defined herein, terms used herein and defined in the Conditions shall in this Subordinated Guarantee have the meaning attributed to them in the Conditions.

JPMorgan Chase Bank which accepts this Subordinated Guarantee does not act in a fiduciary or similar capacity for the Noteholders. JPMorgan Chase Bank agrees to hold the original copy of this Subordinated Guarantee in custody until all obligations under the Notes and the Subordinated Guarantee have been fulfilled.

This Subordinated Guarantee shall from the outset be subject to a possible substitution of Infineon Technologies AG as Guarantor by the New Company (§ 7(5) of the Conditions) pursuant to § 7(5) through § 7(12) of the Conditions and therefore in the case of a Substitution (§ 7(5) of the Conditions), either the

(§ 7(5) der Anleihebedingungen) die Neue Gesellschaft (§ 7(5) der Anleihebedingungen) entweder den Rechten, Verbindlichkeiten und Verpflichtungen von Infineon Technologies AG aus oder im Zusammenhang mit dieser Nachrangigen Garantie beitreten oder Infineon Technologies wird durch die Neue Gesellschaft (§ 7(5) der Anleihebedingungen) im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB in jeder Hinsicht unter dieser Nachrangigen Garantie ersetzt, wobei die Hauptzahlstelle bereits jetzt ermächtigt wird, einer solchen befreienden Schuldübernahme oder einem solchen Schuldbeitritt zuzustimmen. Jeder Anleihegläubiger stimmt bereits durch einen Erwerb von Schuldverschreibungen einer solchen befreienden Schuldübernahme oder gegebenenfalls einem solchen Schuldbeitritt zu.

Die Rechte und Pflichten aus dieser Nachrangigen Garantie bestimmen sich ausschließlich nach deutschem Recht. Gerichtsstand ist München, Bundesrepublik Deutschland.

Die deutsche Fassung dieser Nachrangigen Garantie ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.

München,  
2. Juni 2003  
Infineon Technologies AG

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Wir nehmen die obenstehenden Erklärungen an.

London,  
2. Juni 2003  
JPMorgan Chase Bank

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New Company (§ 7(5) of the Conditions) may join Infineon Technologies AG in the rights, liabilities and obligations arising from or in connection with this Subordinated Guarantee (*Schuldbeitritt*) or Infineon Technologies AG can be substituted in all respects under this Subordinated Guarantee by the New Company (§ 7(5) of the Conditions) by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code and the Principal Paying Agent is authorized hereby to consent to such liberating debt assumption or joining in. Any Noteholder shall consent by its acquisition of any Notes to such liberating debt assumption (*befreiende Schuldübernahme*) or such joining in (*Schuldbeitritt*).

The rights and obligations arising from this Subordinated Guarantee shall in all respects be determined in accordance with German law. The place of jurisdiction shall be Munich, Federal Republic of Germany.

The German version of this Subordinated Guarantee shall be the only legally binding version. The English translation is for convenience only.

Munich,  
June 2, 2003  
Infineon Technologies AG

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We accept all of the above.

London,  
June 2, 2003  
JPMorgan Chase Bank

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**The German version of the Loan Agreement is the only legally binding version. The English translation is for convenience only.**

**DARLEHENSVERTRAG  
(dieser "Vertrag")**

zwischen

**Infineon Technologies Holding B.V., Rotterdam  
(die "Anleiheschuldnerin")**

und

**Infineon Technologies AG, München  
(*"Infineon Technologies AG"*)**

**LOAN AGREEMENT  
(this "Agreement")**

between

**Infineon Technologies Holding B.V., Rotterdam  
(the "Issuer")**

and

**Infineon Technologies AG, Munich  
(*"Infineon Technologies AG"*)**

PRÄAMBEL:

(A) Die Anleiheschuldnerin, Infineon Technologies AG und ein Konsortium von Banken und Finanzinstituten (die "**Underwriter**") unter der Führung von Goldman Sachs International und Morgan Stanley & Co. International Limited haben einen Übernahmevertrag (wie von Zeit zu Zeit geändert, ergänzt oder neugefaßt, der "**Übernahmevertrag**"), mit Datum dieses Vertrages abgeschlossen, wonach sich die Anleiheschuldnerin verpflichtet hat, nachrangige Wandelschuldverschreibungen (die "**Schuldverschreibungen**") im Gesamtnennbetrag von €700.000.000 zu begeben und an die Underwriter zu verkaufen. Der Übernahmevertrag sieht vor, daß die Begebung und die Übernahme der Schuldverschreibungen am 5. Juni 2003 oder einem anderen zwischen der Anleiheschuldnerin, der Infineon Technologies AG und Goldman Sachs International und Morgan Stanley & Co. International Limited im Namen der Underwriter vereinbarten Termin (der "**Zahltag**") erfolgen.

(B) Die Anleiheschuldnerin hat sich im Übernahmevertrag verpflichtet, den Emissionserlös aus den gemäß (A) begebenen Schuldverschreibungen (der "**Emissionserlös**") ohne Abzüge als Darlehen (das "**Darlehen**") an die Infineon Technologies AG weiterzuleiten.

(C) Die Anleihebedingungen der Schuldverschreibungen (die "**Anleihebedingungen**") sehen vor, daß die Ansprüche der Anleihegläubiger auf Zahlung des Kapitals aus sämtlichen Schuldverschreibungen durch die Ansprüche der Anleiheschuldnerin gegen die Infineon Technologies AG aus dem Darlehen auf Zahlung des Kapitals dieses Darlehens in Höhe sämtlicher Zugehöriger Darlehensansprüche (§ 13(2)(a) der Anleihebedingungen) besichert werden.

(D) Die Anleihebedingungen sind als Anlage 1 beigefügt.

WHEREAS:

(A) The Issuer, Infineon Technologies AG and a syndicate of banks and financial institutions (the "**Underwriters**") under the lead management of Goldman Sachs International and Morgan Stanley & Co. International Limited have entered into an underwriting agreement (as amended, supplemented or restated from time to time, the "**Underwriting Agreement**") of even date herewith pursuant to which the Issuer has undertaken to issue and sell to the Underwriters subordinated convertible notes (the "**Notes**") in the aggregate principal amount of €700,000,000. The Underwriting Agreement provides that the issue and subscription of the Notes shall be effected on June 5, 2003, or such other date as the Issuer, Infineon Technologies AG and Goldman Sachs International and Morgan Stanley & Co. International Limited acting on behalf of the Underwriters may agree (the "**Closing Date**").

(B) The Issuer has undertaken in the Underwriting Agreement to pass on to Infineon Technologies AG the full proceeds from the issue of the Notes pursuant to (A) (the "**Proceeds**") without any deduction by way of loan (the "**Loan**").

(C) The Conditions of Issue of the Notes (the "**Conditions**") provide that the claims of the Noteholders for payment of principal of all Notes are to be secured by the claims of the Issuer against Infineon Technologies AG under the Loan for payment of principal of such Loan in an amount equal to the aggregate Appertaining Claims (§ 13(2)(a) of the Conditions).

(D) The Conditions are set forth in Exhibit 1.

Dies vorausgeschickt, kommen die Parteien wie folgt überein:

**§ 1  
(Definitionen)**

In diesem Vertrag haben Begriffe, die in den Anleihebedingungen definiert sind, die gleiche Bedeutung wie in den Anleihebedingungen, soweit nicht der Zusammenhang etwas anderes erfordert.

**§ 2  
(Das Darlehen)**

- (1) Die Anleiheschuldnerin gewährt der Infineon Technologies AG vorbehaltlich der Auszahlung des Emissionserlöses an die Anleiheschuldnerin am Zahltag ein Darlehen im Nennbetrag von

€700.000.000 (Euro siebenhundert Millionen)  
(der **“Darlehensbetrag”**).

- (2) Der Darlehensbetrag ist am Zahltag an die Infineon Technologies AG auszuführen.
- (3) Die Auszahlung des Darlehensbetrages erfolgt, indem die Underwriter den jeweiligen Emissionserlös ohne Abzüge auf ein von der Anleiheschuldnerin bestimmtes Konto der Anleiheschuldnerin zahlen und die Anleiheschuldnerin unverzüglich diesen Emissionserlös auf ein von der Infineon Technologies AG bestimmtes Konto der Infineon Technologies AG auszahlt.
- (4) Die Ansprüche der Anleiheschuldnerin auf Zahlung von Kapital und Zinsen und jeglicher anderer unter dem Darlehen anfallenden Beträge sind nachrangig gegenüber ranghöheren, nicht nachrangigen Forderungen sämtlicher sonstigen Gläubiger der Infineon Technologies AG. Diese Nachrangigkeit hat zur Folge, daß im Fall der Auflösung, der Insolvenz oder anderer Verfahren zur Abwendung der Insolvenz jede Zahlung, die unter dem Darlehen fällig wird, erst erfolgt, nachdem alle Forderungen gegen die Infineon Technologies AG erfüllt worden sind, die ranghöher und nicht nachrangig sind. Jedes Recht der Aufrechnung mit Ansprüchen aus dem Darlehen gegen Ansprüche der Infineon Technologies AG ist ausgeschlossen. Die im vorangehenden Satz geregelte Nachrangigkeit im Hinblick auf einen Zugehörigen Darlehensanspruch (§ 13(2)(a) der Anleihebedingungen), der einer Schuldverschreibung zuzurechnen ist, für die das Wandlungsrecht (§ 7(1) der Anleihebedingungen) wirksam ausgeübt worden ist, ist auflösend bedingt durch die Ausübung des Wandlungsrechts (§ 7 der Anleihebedingungen) und endet mit Wirkung zum Ausgabebetrag (§ 3(1) der Anleihebedingungen) am Tag unmittelbar vor dem Ausübungstag (§ 8(4) der Anleihebedingungen) um 24:00 Uhr. Die Nachrangigkeit darf die Ausübung des Wandlungsrechts (§ 7(1) der Anleihebedingungen) auf der Grundlage des § 194 Abs. 1 S. 2 AktG nicht beeinträchtigen.

Now, therefore, it is agreed as follows:

**§ 1  
(Definitions)**

In this Agreement terms defined in the Conditions shall have the same meaning herein, unless otherwise required by the context.

**§ 2  
(The Loan)**

- (1) Subject to disbursement to the Issuer of the Proceeds on the Closing Date, the Issuer grants to Infineon Technologies AG a loan in the principal amount of

€700,000,000 (Euro seven hundred million)  
(the **“Loan Amount”**).

- (2) The Loan Amount shall be disbursed to Infineon Technologies AG on the Closing Date.
- (3) Disbursements of the Loan Amount shall be effected by the Underwriters' paying the relevant Proceeds without deduction to an account of the Issuer specified by the Issuer and by the Issuer's immediate on-payment of such Proceeds to an account of Infineon Technologies AG specified by Infineon Technologies AG.
- (4) The claims of the Issuer for payment of principal and interest and any other amounts arising under the Loan shall be subordinated to the claims of all other creditors of Infineon Technologies AG which are senior and not subordinated. Such subordination shall mean that in any event of liquidation, bankruptcy or other proceedings to avoid bankruptcy any payment which might become due under the Loan shall be made only after all claims against Infineon Technologies AG which are senior and not subordinated have been satisfied. Any right to set-off claims arising from the Loan against claims of Infineon Technologies AG shall be excluded. The subordination specified in the foregoing sentence with respect to the Appertaining Claim (§ 13(2)(a) of the Conditions) attributable to a Note for which the Conversion Right (§ 7(1) of the Conditions) has been validly exercised shall be subject to the condition subsequent (*auflösende Bedingung*) of the exercise of the Conversion Right (§ 7(1) of the Conditions) and terminate with effect as of the Issue Date (§ 3(1) of the Conditions) on the day immediately prior to the Conversion Date (§ 8(4) of the Conditions) at 24 hours. The exercise of the Conversion Right (§ 7(1) of the Conditions) in reliance on § 194(1) sentence 2 of the German Stock Corporation Act (*Aktiengesetz*) shall not be affected by the subordination.



**§ 3**  
**(Sicherungsabtretung)**

- (1) Am Zahltag wird die Anleiheschuldnerin die Ansprüche gemäß § 4(2) dieses Vertrages auf Zahlung des Kapitals des Darlehens in Höhe sämtlicher Zugehörigen Darlehensansprüche (§13(2)(a) der Anleihebedingungen) an die für Rechnung der Anleihegläubiger handelnde JPMorgan Chase Bank in Übereinstimmung mit dem als Anlage 2 beigefügten Abtretungsvertrag als Sicherheit für die Ansprüche auf Zahlung von Kapital aus den Schuldverschreibungen abtreten. Bei der Abtretung entfällt auf jede Schuldverschreibung ein Teilbetrag aus dem Darlehen, der dem Zugehörigen Darlehensanspruch entspricht.
- (2) Der Zugehörige Darlehensanspruch, der sich auf eine Schuldverschreibung bezieht, ist mit der jeweiligen Schuldverschreibung untrennbar verbunden. Mit jeder Übertragung einer Schuldverschreibung geht auch der Zugehörige Darlehensanspruch über, ohne daß es dafür einer besonderen rechtsgeschäftlichen Erklärung bedarf. Jede gesonderte Verfügung über den Zugehörigen Darlehensanspruch, insbesondere jede gesonderte Abtretung, Verpfändung oder sonstige Belastung des Zugehörigen Darlehensanspruchs, ist nichtig. Bei Ausübung des Wandlungsrechts geht der Zugehörige Darlehensanspruch mit der Lieferung der Schuldverschreibungen auf die Infineon Technologies AG über und erlischt damit.
- (3) Sämtliche weiteren Zahlungsansprüche aus diesem Vertrag, insbesondere die Ansprüche auf Zahlung von Zinsen, verbleiben bei der Anleiheschuldnerin und werden nicht abgetreten.

**§ 4**  
**(Zinsen; Rückzahlungen; Konfusion)**

- (1) Der Darlehensbetrag (§ 2(1)) wird mit einem gesondert festzulegenden jährlichen Zinssatz verzinst. An jedem Tag, an dem die Zahlung von Zinsen auf die Schuldverschreibungen fällig wird, wird ein Betrag, der mindestens diesen Zinsen entspricht, als Zinsen auf das Darlehen fällig. Falls die Fälligkeit von Zahlungen auf die Schuldverschreibungen gemäß § 5(3) der Anleihebedingungen hinausgeschoben wird, wird die Fälligkeit von Zahlungen auf das Darlehen in gleicher Weise hinausgeschoben. Sind Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen, so werden sie berechnet auf der Grundlage der tatsächlich verstrichenen Tage, geteilt durch 365 (bzw., falls ein Teil dieses Zeitraums in ein Schaltjahr fällt, auf der Grundlage der Summe von (A) der tatsächlichen Anzahl von Tagen des Zeitraums, die in dieses Schaltjahr fallen, dividiert durch 366, und (B) der tatsächlichen Anzahl von Tagen des Zeitraums, die nicht in das Schaltjahr fallen, dividiert durch 365).
- (2) An dem Tag, an dem Kapital auf die Schuldverschreibungen (ob zum Endfälligkeitstermin (§ 4(1) der Anleihebedingungen) oder davor gemäß § 4(3), § 4(4) oder § 16 der Anleihebedingungen) fällig und zahlbar ist, ist das Darlehen in Höhe der Zugehörigen Darlehensansprüche zur Rückzahlung fällig.

**§ 3**  
**(Security Assignment)**

- (1) As of the Closing Date, the Issuer shall assign the claims under § 4(2) of this Agreement for payment of principal of the Loan in an amount equal to the aggregate Appertaining Claims (§ 13(2)(a) of the Conditions) to JPMorgan Chase Bank acting on account of the Noteholders as security for the claims for payment of principal of the Notes in accordance with the assignment agreement attached hereto as Exhibit 2. A partial amount of the Loan equal to the Appertaining Claim shall be attributable to each Note.
- (2) The Appertaining Claim related to each Note is undetachable from the relevant Note. Any transfer of a Note results in the transfer of the Appertaining Claim without any explicit declaration of transfer being required. Any separate disposal, in particular any separate assignment, pledge or other encumbrance of the Appertaining Claim shall be void. In the event of the exercise of the Conversion Right by delivering Notes the Appertaining Claim shall pass to Infineon Technologies AG and expire therewith.
- (3) All further claims for payment under this Agreement, in particular the claims for payment of interest, shall remain with the Issuer and are not assigned.

**§ 4**  
**(Interest; Repayments; Discharge)**

- (1) The Loan Amount (§ 2(1)) shall bear interest at a rate per annum to be separately agreed. On each date on which payment of any interest in respect of the Notes becomes due an amount equal to at least such interest shall be payable as interest on the Loan. In case the due date for payments on the Notes has been extended pursuant to § 5(3) of the Conditions, the due date of the payments on the Loan shall be extended accordingly. If it is necessary to calculate interest for a period of less than one year, interest shall be calculated on the basis of the actual number of days elapsed, divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that period falling in a leap year divided by 366 and (B) the actual number of days in that period falling in a non-leap year divided by 365).
- (2) On each date on which principal in respect of the Notes is due and payable (whether on the Maturity Date (§ 4(1) of the Conditions) or prior thereto pursuant to § 4(3), § 4(4) or § 16 of the Conditions), the Loan shall be due for repayment in an amount equal to the respective Appertaining Claims.

- (3) Falls und sobald die nach diesem Darlehensvertrag zahlbaren Ansprüche durch die Anleihegläubiger im Wege der Abtretung im Zusammenhang mit der Ausübung des Wandlungsrechts auf die Infineon Technologies AG übertragen werden, erlöschen im Umfang dieser Übertragung sämtliche Rechte und Ansprüche aus diesem Darlehensvertrag. Diese Rechtslage tritt unabhängig davon ein, ob der Darlehensanspruch mit der Lieferung der Schuldverschreibungen an die Infineon Technologies AG tatsächlich übergegangen ist.
- (4) Zahlungen unter dem Darlehen erfolgen in der Währung, in der die entsprechenden Zahlungen unter den Schuldverschreibungen geleistet werden.

#### **§ 5 (Steuern)**

Sämtliche Zahlungen auf das Darlehen sind ohne Einbehalt oder Abzug von oder wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art, die von oder in der Bundesrepublik Deutschland oder den Niederlanden oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben, oder eingezogen werden, zu leisten, es sei denn, die Infineon Technologies AG ist gesetzlich verpflichtet, solche Steuern oder Abgaben einzubehalten oder abzuziehen. Die Parteien sind darüber einig, daß etwaige Einbehalte oder Abzüge auf Kapital des Darlehens gemäß Satz (1) nicht den Darlehensbetrag reduzieren.

#### **§ 6 (Änderung oder Aufhebung dieses Vertrages)**

Die Anleiheschuldnerin und die Infineon Technologies AG verpflichten sich (vorbehaltlich der nachfolgenden Sätze), die Bestimmungen dieses Vertrages nicht zu ändern oder aufzuheben und alles zu unterlassen, was die Rechte der Anleihegläubiger aus der Sicherungsabtretung (§ 3) oder sonstige Rechte der Anleihegläubiger beeinträchtigen könnte. Eine Änderung oder Aufhebung dieses Vertrages wird nur erfolgen, wenn die Rechte der Anleihegläubiger dadurch nicht beeinträchtigt werden. Die Anleiheschuldnerin und Infineon Technologies AG sind sich einig, daß im Falle einer Ersetzung die Neue Gesellschaft im Wege einer befreienden Schuldübernahme gemäß §§ 414 ff. BGB alle Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG aus diesem Vertrag übernehmen darf und im Falle, daß dies rechtlich erforderlich ist, um bei wirksamer Ausübung des Wandlungsrechts durch Anleihegläubiger die Lieferung vollgezahlter Neuer Aktien zu ermöglichen, auch übernehmen wird. Falls die Neue Gesellschaft ihren Sitz nicht in den Niederlanden hat, tritt in § 6 neben die Bezugnahme auf die Niederlande und die Bundesrepublik Deutschland eine alternative Bezugnahme auf das Land, in dem die Neue Gesellschaft ihren Sitz hat.

#### **§ 7 (Verzicht auf Aufrechnungsrechte)**

Die Infineon Technologies AG verzichtet hinsichtlich sämtlicher Ansprüche der Anleiheschuld-

- (3) If and when the claims payable under this Loan Agreement are transferred by Noteholders by way of assignment to Infineon Technologies AG in connection with the exercise of the Conversion Right, all rights and claims under this Loan Agreement shall expire to the extent of such transfer. This shall apply irrespectively whether the Appertaining Claim has in fact been transferred to Infineon Technologies AG in connection with the delivery of the Notes.
- (4) Payments under the Loan shall be made in the currency in which the corresponding payments under the Notes are effected.

#### **§ 5 (Taxes)**

All payments on the Loan shall be made without withholding or deduction of any present or future taxes, duties or governmental charges of whatever nature imposed, levied or withheld by or in the Federal Republic of Germany or The Netherlands or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless Infineon Technologies AG is required by law to withhold or deduct such taxes or duties. The parties agree that any withholdings or deductions on principal of the Loan pursuant to sentence (1) shall not reduce the Loan Amount.

#### **§ 6 (Amendment or Termination of this Agreement)**

The Issuer and Infineon Technologies AG undertake (subject to the following sentences) not to amend or terminate any provisions of this Agreement and to refrain from anything that could impair the rights of the Noteholders under the security assignment (§ 3) or otherwise. An amendment or termination of this Agreement shall only be effected if the rights of the Noteholders are not impaired thereby. The Issuer and Infineon Technologies AG hereby agree that in the case of a Substitution, the New Company may, and if legally required to ensure that upon a valid exercise of the Conversion Rights of the Noteholders fully paid New Shares can be delivered shall, assume by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code all rights, liabilities and obligations of Infineon Technologies AG under this Agreement. If the New Company is not domiciled in The Netherlands, an alternative reference to the country of domicile of the New Company shall be made in § 5 in addition to the reference to the Federal Republic of Germany and The Netherlands.

#### **§ 7 (Waiver of Rights of Set-Off)**

With respect to all claims of the Issuer under this Agreement, Infineon Technologies AG agrees not to

nerin aus diesem Vertrag auf die Geltendmachung der Aufrechnung, von Zurückbehaltungsrechten, Pfandrechten oder Gegenansprüchen.

**§ 8  
(Sonstiges)**

- (1) Dieser Vertrag und sämtliche Rechte und Pflichten aus diesem Vertrag bestimmen sich nach dem Recht der Bundesrepublik Deutschland.
- (2) Zuständig für alle Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") aus oder im Zusammenhang mit diesem Vertrag ist das Landgericht München, Bundesrepublik Deutschland.
- (3) Sollte eine Bestimmung dieses Vertrages ganz oder teilweise unwirksam sein oder werden, so bleiben die übrigen Bestimmungen wirksam. Die unwirksame Bestimmung gilt als durch eine wirksame Bestimmung ersetzt, die dem wirtschaftlichen Zweck der unwirksamen Bestimmung soweit wie rechtlich möglich Rechnung trägt.
- (4) Die deutsche Fassung dieses Darlehensvertrages ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.

Rotterdam,  
2. Juni 2003  
Infineon Technologies Holding B.V.

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München,  
2. Juni 2003  
Infineon Technologies AG

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assert any rights of set-off, retention rights, liens or counter-claims.

**§ 8  
(Miscellaneous)**

- (1) This Agreement and all rights and obligations deriving therefrom shall be governed by the laws of the Federal Republic of Germany.
- (2) Any action or other legal proceedings (the "**Proceedings**") arising under or in connection with this Agreement shall be brought in the District Court (*Landgericht*) in Munich, Federal Republic of Germany.
- (3) Should any provision of this Agreement be or become void in whole or in part, the other provisions shall remain in force. The void provision shall be deemed substituted by a valid provision which accomplishes as far as legally possible the economic purpose of the void provision.
- (4) The German version of this Loan Agreement shall be the only legally binding version. The English translation is for convenience only.

Rotterdam,  
June 2, 2003  
Infineon Technologies Holding B.V.

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Munich,  
June 2, 2003  
Infineon Technologies AG

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**The German version of the Assignment Agreement is the only legally binding version.  
The English translation is for convenience only.**

**ABTRETUNGSVERTRAG**

- (1) Infineon Technologies Holding B.V., Rotterdam (die "**Anleiheschuldnerin**"), hat aufgrund eines zwischen ihr als Darlehensgeberin und der Infineon Technologies AG, München ("**Infineon Technologies AG**"), als Darlehensnehmerin abgeschlossenen Darlehensvertrages mit Datum vom 2. Juni 2003 (der "**Darlehensvertrag**") den Erlös aus dem Verkauf der Schuldverschreibungen in Höhe von €700.000.000 an die Infineon Technologies AG als Darlehen ausgezahlt (das "**Darlehen**"). Die Fälligkeiten von Zahlungen aus dem Darlehen entsprechen den Fälligkeiten von Zahlungen auf die Schuldverschreibungen; bei vorzeitiger Rückzahlung von Schuldverschreibungen ist das Darlehen entsprechend in Höhe des Zugehörigen Darlehensanspruchs (Absatz (2)) zur vorzeitigen Rückzahlung fällig; schließlich ermäßigt sich der Betrag des Darlehens in Höhe des Zugehörigen Darlehensanspruchs (Absatz (2)) bei wirksamer Ausübung der Wandlungsrechte durch Übertragung von Schuldverschreibungen gemäß § 8(2) der Bedingungen der Schuldverschreibungen (die "**Anleihebedingungen**").
- (2) Die Anleiheschuldnerin tritt hiermit ihre Ansprüche gegen Infineon Technologies AG aus dem Darlehensvertrag auf Zahlung von Kapital in Höhe sämtlicher Zugehöriger Darlehensansprüche an die für Rechnung der Anleihegläubiger (dieser Begriff schließt für die Zwecke dieses Vertrages sämtliche Anleihegläubiger hinsichtlich zusätzlicher von der Anleiheschuldnerin gemäß § 20 der Anleihebedingungen begebener Schuldverschreibungen ein) handelnde JPMorgan Chase Bank als Sicherheit für die Ansprüche auf Zahlung von Kapital aus den Schuldverschreibungen ab. Bei der Abtretung entfällt auf jede Schuldverschreibung ein Teilbetrag aus dem Darlehen (je ein "**Zugehöriger Darlehensanspruch**"), der sich nach folgender Formel bestimmt:

$$\text{Zugehöriger Darlehensanspruch} = \frac{\text{Gesamtnennbetrag des Darlehens}}{\text{Zahl der Schuldverschreibungen}}$$

Hinsichtlich jeder Schuldverschreibung erfolgt die Sicherungsabtretung auflösend bedingt durch die Rückzahlung der Schuldverschreibung mit Zugehörigem Darlehensanspruch ohne Ausübung des Wandlungsrechts oder die Barzahlung anstelle der Lieferung von Aktien gemäß § 10 der Anleihebedingungen insoweit die Anleiheschuldnerin beschließt, nicht in Form von Aktien zu liefern. JPMorgan Chase Bank ist ermächtigt, die Abtretung für die Anleihegläubiger anzunehmen. Die Erklärung der Abtretung und die Annahme bedürfen nicht der Bekanntmachung.

**ASSIGNMENT AGREEMENT**

- (1) Infineon Technologies Holding B.V., Rotterdam (the "**Issuer**"), pursuant to a loan agreement dated June 2, 2003 (the "**Loan Agreement**") between the Issuer as lender and Infineon Technologies AG, Munich ("**Infineon Technologies AG**"), as borrower, has disbursed to Infineon Technologies AG the proceeds from the sale of the Notes in an amount of €700,000,000 by way of loan (the "**Loan**"). The due dates for payments under the Loan correspond to the due dates for payments under the Notes; in the event of an early redemption of Notes the Loan is likewise subject to early repayment in an amount equal to the respective Appertaining Claims (subparagraph (2)); finally, the amount of the Loan will be reduced in an amount equal to the Appertaining Claim (subparagraph (2)) if the Conversion Right is validly exercised by delivering Notes pursuant to § 8(2) of the Conditions of Issue of the Notes (the "**Conditions**").
- (2) The Issuer hereby assigns the claims against Infineon Technologies AG for payment of principal under the Loan Agreement in an amount equal to the aggregate Appertaining Claims to JPMorgan Chase Bank acting on account of the Noteholders (which expression shall, for the purposes of this Agreement, include any Noteholders under any additional Notes issued by the Issuer under § 20 of the Conditions) for purposes of securing the claims for payment of principal of the Notes. Upon such transfer, a partial amount of the Loan (each, an "**Appertaining Claim**") will be attributable to each Note, such partial amount being determined in accordance with the following formula:

$$\text{Appertaining Claim} = \frac{\text{Principal Amount of the Loan}}{\text{Number of Notes}}$$

In respect of each Note, such transfer for security purposes will be subject to the condition subsequent (*auflösende Bedingung*) of the redemption of the Note with Appertaining Claim without exercise of the Conversion Right or the cash payment in lieu of delivery of Shares pursuant to § 10 of the Conditions to the extent the Issuer decides not to deliver in the form of Shares. JPMorgan Chase Bank shall be authorized to accept the transfer on account of the Noteholders. The declarations of the transfer and its acceptance need not be published.

- (3) JPMorgan Chase Bank nimmt hiermit die Abtretung gemäß Absatz (2) an.
- (4) Der Zugehörige Darlehensanspruch, der sich auf eine Schuldverschreibung bezieht, ist mit der jeweiligen Schuldverschreibung untrennbar verbunden. Mit jeder Übertragung einer Schuldverschreibung geht auch der Zugehörige Darlehensanspruch über, ohne daß es dafür einer ausdrücklichen rechtsgeschäftlichen Erklärung bedarf. Jede gesonderte Verfügung über den Zugehörigen Darlehensanspruch, insbesondere jede gesonderte Abtretung, Verpfändung oder sonstige Belastung, ist nichtig. Bei Ausübung des Wandlungsrechts durch Lieferung der Schuldverschreibungen geht der Zugehörige Darlehensanspruch auf die Infineon Technologies AG über und erlischt damit.
- (5) Die Übernahme der Rechte, Verbindlichkeiten und Verpflichtungen der Infineon Technologies AG aus dem Darlehensvertrag im Wege der befreienden Schuldübernahme gemäß §§ 414 ff. BGB durch die Neue Gesellschaft gemäß dem Darlehensvertrag und § 13(1) der Anleihebedingungen läßt die Sicherungsabtretung unberührt, ausgenommen daß die Ansprüche gegen Infineon Technologies AG nach der Übertragung des Darlehens von Infineon Technologies AG an die Neue Gesellschaft nicht mehr gegen Infineon Technologies AG, sondern gegen die Neue Gesellschaft bestehen.
- (6) Begriffe, die in diesem Abtretungsvertrag verwendet werden und in dem Darlehensvertrag oder den Anleihebedingungen definiert sind, haben in diesem Abtretungsvertrag die gleiche Bedeutung wie in dem Darlehensvertrag bzw. den Anleihebedingungen, soweit sie in diesem Abtretungsvertrag nicht anderweitig definiert sind.
- (7) JPMorgan Chase Bank verpflichtet sich, das Original dieses Vertrages bis zur Erfüllung der Verpflichtungen aus den Schuldverschreibungen und diesem Abtretungsvertrag zu verwahren.
- (8) Auf diesen Abtretungsvertrag findet das Recht der Bundesrepublik Deutschland Anwendung. Erfüllungsort und Gerichtsstand ist München, Bundesrepublik Deutschland.
- (9) Die deutsche Fassung dieses Abtretungsvertrags ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.
- (3) JPMorgan Chase Bank hereby accepts the assignment pursuant to subsection (2).
- (4) The Appertaining Claim related to each Note is undetachable from the relevant Note. Any transfer of a Note results in the transfer of the Appertaining Claim without any explicit declaration of transfer being required. Any separate disposal, in particular any separate assignment, pledge or other encumbrance of the Appertaining Claim shall be void. In the event of the exercise of the Conversion Right by delivering Notes the Appertaining Claim shall pass to Infineon Technologies AG and expire therewith.
- (5) The assumption of all rights, liabilities and obligations of Infineon Technologies AG under the Loan Agreement by the New Company by way of a liberating debt assumption (*befreiende Schuldübernahme*) within the meaning of §§ 414 et seq. German Civil Code pursuant to the Loan Agreement and § 13(1) of the Conditions will have no impact on the security assignment except for the fact that the claims upon transfer of the Loan from Infineon Technologies AG to the New Company will no longer be against Infineon Technologies AG but against the New Company.
- (6) Unless otherwise defined herein, terms used herein and defined in the Loan Agreement or the Conditions shall in this Assignment Agreement have the meaning attributed to them in the Loan Agreement or the Conditions, as the case may
- (7) JPMorgan Chase Bank undertakes to hold the original of this Agreement in custody until the obligations under the Notes and this Assignment Agreement are discharged.
- (8) The rights and obligations under this Assignment Agreement shall be governed exclusively by the laws of the Federal Republic of Germany. Place of performance and place of jurisdiction shall be Munich, Federal Republic of Germany.
- (9) The German version of this Assignment Agreement shall be the only legally binding version. The English translation is for convenience only.

Rotterdam  
2. Juni 2003  
Infineon Technologies Holding B.V.

München  
2. Juni 2003  
Infineon Technologies AG

London  
2. Juni 2003  
JPMorgan Chase Bank

Rotterdam,  
June 2, 2003  
Infineon Technologies Holding B.V.

Munich,  
June 2, 2003  
Infineon Technologies AG

London,  
June 2, 2003  
JPMorgan Chase Bank



## **INFINEON TECHNOLOGIES HOLDING B.V.**

### **Incorporation, Corporate Seat, Duration and Objectives**

Infineon Technologies Holding B.V. (“Infineon B.V.” or the “Issuer”) is a private limited liability company (*besloten vennootschap*) incorporated under the laws of The Netherlands on March 23, 1999. The Issuer’s corporate name is “Infineon Technologies Holding B.V.”, and it is registered in the Commercial Register of the Chamber of Commerce and Industries for Rotterdam under no. 27178800.

The Issuer’s statutory seat is Rotterdam, and its registered address is at Westblaak 32, 3012 KM Rotterdam, The Netherlands.

The duration of the Issuer is indefinite.

Infineon B.V.’s objectives, as contained in its Articles of Association, are: (a) to directly and indirectly perform business activities regarding research, development, production, sale and distribution of, including, without limitation, to act as commercial agent, in respect of (i) electrical and electro-mechanical parts, products, equipment and systems, and (ii) computer software, including the direct and indirect performance of related and other commercial business activities; (b) to supervise and/or manage, to finance and to render services to companies, businesses and enterprises; (c) to borrow and lend funds, to render guarantees, and to grant securities for the obligations of third parties; (d) to obtain, invest in, own, alienate, encumber, to rent or lease and to sell registered property, participations and interests in other companies, businesses and enterprises, as well as to engage in commercial, financial and industrial activities; (e) to acquire and exploit royalties arising from the sale or waiver of the right to use installations or rights on intellectual and/or industrial processes.

The above-mentioned objectives shall be performed in the widest sense of the word.

### **Share Capital**

The authorised share capital of the Issuer is €5,000,000, divided into 5,000 ordinary registered shares with a nominal value €1,000 each. The issued and fully paid share capital of the Issuer amounts to €1,003,000 consisting of 1,003 shares. Shares may be transferred only after approval to do so has been obtained from the general meeting of shareholders. Each shareholder has non-transferable preemptive rights to newly issued shares in proportion to his total amount of shares. Each share carries one vote.

Infineon Technologies AG holds 100% of the issued shares of the Issuer.

### **Principal Activities**

The principal activities of Infineon B.V. are to act as a holding company for most of the non-German subsidiaries of the Infineon Technologies group, which comprises Infineon Technologies AG together with its subsidiaries, and to perform all activities associated therewith.

## Principal Subsidiaries

The following table shows information relating to those subsidiaries of the Issuer that either had a book value representing at least 10% of the capital and reserves of the Issuer on a non-consolidated basis at September 30, 2002, or accounted for at least 10% of the net profit of the Issuer on a non-consolidated basis for the year ended September 30, 2002:

<b>Corporate name, registered office</b>	<b>Field of activity</b>	<b>Proportion of capital held</b> <i>(in %)</i>	<b>Issued capital<sup>(1)</sup></b> <i>(€ in thousands)</i>
Infineon Technologies Asia Pacific Pte. Ltd., Singapore .....	Production, Sales	100	55,848
Infineon Technologies Austria AG, Villach, Austria .....	Production	100	17,228
Infineon Technologies (Malaysia) Sdn. Bhd., Malacca, Malaysia .....	Production	100	1,612
Infineon Technologies (Integrated Circuit) Sdn. Bhd., Malacca, Malaysia .....	Production	100	8,059
Infineon Technologies Sweden AB, Stockholm, Sweden .....	Production, Research & Development	100	10,979
Infineon Technologies Holding North America Inc., Wilmington Delaware, USA .....	Holding	100	2

(1) According to generally accepted accounting principles in the country of incorporation.

## Capitalization

The following table shows the capitalization of the Issuer as of September 30, 2002 and as adjusted to reflect the issuance of the Notes:

	<b>Actual September 30, 2002</b>	<b>As adjusted September 30, 2002</b>
	<i>(€ in thousands)</i>	
<b>Short-term debt, including current portion of long-term debt ...</b>	<u>368,951</u>	<u>368,951</u>
<b>Long-term debt, excluding current portion .....</b>	<u>984,471</u>	<u>1,670,371</u>
<b>Shareholder's equity</b>		
Share capital issued and fully paid up .....	1,003	1,003
Share premium reserve ("agio") .....	3,890,216	3,890,216
Other reserves .....	<u>168,350</u>	<u>168,350</u>
Total shareholders' equity .....	<u>4,059,569</u>	<u>4,059,569</u>
Total capitalization .....	<u>5,412,991</u>	<u>6,098,891</u>

There has been no material change in the capitalization of the Issuer since September 30, 2002, except that on November 28, 2002 a dividend of €168,350,000 and on April 22, 2003, a dividend of €80,000,000 were declared and paid to Infineon Technologies AG.

## Management

The current members of the management board of the Issuer are:

<u>Name</u>	<u>Function</u>
Robert Hawliczek .....	Managing Director
Marlies Schneider .....	Managing Director

The business address of the members of the management board is Westblaak 32, 3012 KM Rotterdam, The Netherlands.

## Financial Year

The financial year of the Issuer runs from October 1 to September 30 of the next year.

## Auditors

The auditors for the Issuer are KPMG Accountants N.V., K.P. van der Mandelelaan 41, 3062 MB Rotterdam, The Netherlands. KPMG Accountants N.V. have issued an unqualified opinion on the financial statements from which this data has been derived.

**INFINEON TECHNOLOGIES HOLDING B.V.**

**BALANCE SHEETS**

	<b>September 30,</b>	
	<b>2002</b>	<b>2001</b>
	<i>(€ in thousands)</i>	
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible fixed assets .....	208	376
Financial fixed assets .....	4,235,409	2,438,096
	<u>4,235,617</u>	<u>2,438,472</u>
<b>Current assets</b>		
Group companies .....	1,225,125	1,547,908
Marketable securities .....	–	57,106
Liquid resources .....	13,250	680,614
Interest receivable .....	32,013	7,561
Deposit .....	50,000	–
Other receivables .....	6,447	10,379
<b>Total assets</b> .....	<u>5,562,452</u>	<u>4,742,040</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital issued and fully paid up .....	1,003	1,002
Share premium reserve ("agio") .....	3,890,216	3,619,282
Other reserves .....	168,350	231,283
	<u>4,059,569</u>	<u>3,851,567</u>
<b>Long-term debt</b> .....	984,471	–
<b>Provisions</b> .....	6,353	6,992
<b>Current liabilities</b>		
Group companies .....	460,320	855,722
Interest payable .....	27,346	820
Other payables .....	24,393	26,939
	<u>518,412</u>	<u>890,473</u>
<b>Total liabilities and equity</b> .....	<u>5,562,452</u>	<u>4,742,040</u>

**INFINEON TECHNOLOGIES HOLDING B.V.**

**STATEMENTS OF INCOME**

	<b>Years ended</b>	
	<b>September 30,</b>	
	<b>2002</b>	<b>2001</b>
	<i>(€ in thousands)</i>	
<b>Financial income and expenses</b>		
Result from financial fixed assets .....	100,429	95,686
Result from marketable securities .....	1,302	837
Interest revenues .....	107,241	107,302
Interest expenses and related costs .....	(43,897)	(31,748)
Result from currency differences .....	82	(2,932)
Depreciation debt issuance costs .....	(2,300)	-
	<u>162,857</u>	<u>169,145</u>
Other operating expenses .....	<u>(2,912)</u>	<u>(1,607)</u>
<b>Net operating result before corporation tax</b> .....	<b>159,945</b>	<b>167,538</b>
Corporation tax .....	<u>(22,878)</u>	<u>(24,433)</u>
<b>Net result after corporation tax</b> .....	<b><u>137,067</u></b>	<b><u>143,105</u></b>



## INFINEON TECHNOLOGIES AG

### **Incorporation, Corporate Seat, Duration and Objectives**

Infineon Technologies AG is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany. It was founded on March 30, 1999, and entered into the Commercial Register of Munich, Germany, on July 14, 1999, under the number HRB 126492. Its corporate name is "Infineon Technologies AG".

The registered seat and head office of Infineon Technologies AG is located at St.-Martin-Strasse 53, D-81669 Munich, Germany. Recently, the Company has indicated that, as part of the ongoing strategic evaluation of the Company and its business, it is reviewing the advisability of relocating outside Germany the corporate headquarters and corporate seat of the Infineon group parent company, currently the Company. No decision has been taken in respect of any such relocation. However, if such relocation were to be carried out, then, in certain circumstances, a new guarantor of the Notes (See § 14 of the Conditions) and a new issuer of the Shares could be substituted for Infineon Technologies AG (See § 7(5) to (11) of the Conditions of Issue).

The duration of Infineon Technologies AG is indefinite.

The objectives of Infineon Technologies AG, described in § 2 of the Articles of Association, are direct or indirect activity in the field of research, development, manufacture and marketing of electronic components, electronic systems and software, as well as the performance of related services. Infineon Technologies AG is authorized to undertake all activities and measures that directly or indirectly seem conducive to the achievement of this corporate purpose.

Infineon Technologies AG is the parent company of the Infineon group and carries out the management and corporate functions of the group.

### **Financial Year**

Infineon Technologies AG's financial year runs from October 1 to September 30 of the next year.

### **Business**

Infineon Technologies designs, develops, manufactures and markets a broad range of semiconductors and complete system solutions targeted at selected industries. Our products serve applications in the wireless and wireline communications, automotive, industrial, computer, security and chipcard markets. Our product portfolio consists of both memory and logic products and includes digital, mixed-signal and analog integrated circuits, or ICs, as well as discrete semiconductor products and system solutions. We are the successor to the Siemens Semiconductor Group and have actively participated in the semiconductor industry since 1952.

We are organized into four main segments, three of which are application-focused — Wireline Communications, Secure Mobile Solutions and Automotive & Industrial; and one of which is product-focused — Memory Products.

The Company decided to merge the activities of the Wireless Solutions and Security & Chipcard ICs segments into one operating segment called Secure Mobile Solutions and to report it as such with effect from October 1, 2002. Segment financial data through March 31, 2003 has been reclassified to reflect this change and also excludes the results of the Company's opto-electronics business, which is accounted for as a discontinued operation.

Our Wireline Communications segment designs, develops, manufactures and markets semiconductors and fiber optic components for the communications Access, Wide Area Network ("WAN") and Metropolitan Area Network ("MAN") sectors of the wireline communications market.

Our Secure Mobile Solutions segment designs, develops, manufactures and markets semiconductors and secure mobile solutions, combining wireless communication technology, such as wide area wireless networks, local area wireless networks, personal area wireless networks, with security technologies like platform security, encryption and biometrics.

Our Automotive & Industrial segment develops, manufactures and markets semiconductors and complete systems solutions for use in automotive and industrial applications. Automotive applications have typically accounted for approximately 60% of the segment's net sales, with the balance represented by industrial applications.

Our Memory Products segment develops, manufactures and markets semiconductor memory products with various packaging and configuration options and performance characteristics for use in standard and embedded memory applications.

Intellectual property rights in various Infineon Technologies products include patents, copyrights, trade secrets, trademarks, utility models, design patents and maskwork rights. Our patents primarily relate to IC design and process technologies. We believe that our intellectual property is a valuable asset and intend to protect our investment in technology.

Upon ceasing to be a majority-controlled subsidiary of Siemens, the Company lost rights under a number of patent cross-license agreements originally entered into by Siemens and third parties. In anticipation of this possibility, the Company has entered into patent cross-license agreements with many of these third parties that extend or transfer to the Company the relevant third party's cross-license arrangements with Siemens. In addition, the Company has negotiated new contracts and is engaged in continuing negotiations with several major industry participants.

The Siemens Group is our largest customer. Our sales to the Siemens Group comprise both direct sales and sales for resale to third parties. Our total net sales to the Siemens Group as a customer amounted to 14% of our consolidated net sales in the 2002 financial year and 14% of our consolidated net sales in the six months ended 31 March 2003.

#### **Selected Consolidated Financial Data**

*The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and the Operating and Financial Review both of which appear elsewhere in this Offering Circular.*

We have derived the selected consolidated statement of operations data for the 2001 and 2002 financial years and the selected consolidated balance sheet data at September 30, 2001, and 2002, from our consolidated financial statements, which have been prepared in accordance with U.S. GAAP and audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, independent accountants. We have derived the amounts shown as of and for the six months ended March 31, 2002, and 2003, from our unaudited condensed consolidated financial statements.

	As of and for financial year ended September 30, <sup>(1)</sup>		As of and for the six months ended March 31, <sup>(1)</sup>	
	2001	2002	2002	2003
	(unaudited)			
	(€ in millions, except per share data)			
<b>Selected Consolidated Statement of Operations Data</b>				
Net sales	5,347	4,890	2,284	2,925
Cost of goods sold	4,580	4,289	2,078	2,322
Gross profit	767	601	206	603
Research and development expenses	1,189	1,060	531	519
Selling, general and administrative expenses	782	643	329	336
Restructuring charges <sup>(2)</sup>	117	16	8	11
Other operating (income) loss, net	(200)	(46)	(42)	7
Operating loss	(1,121)	(1,072)	(620)	(270)
Interest expense, net	(1)	(25)	(8)	(10)
Equity in earnings (losses) of associated companies	21	(47)	(45)	25
Gain (loss) on associated company share issuance <sup>(3)</sup>	11	18	–	(2)
Other income (expense), net	65	(41)	(70)	(7)
Minority interests	6	7	4	4
Loss from continuing operations before income taxes	(1,019)	(1,160)	(739)	(260)
Income tax benefit (expense)	427	143	304	(108)
Net loss from continuing operations	(592)	(1,017)	(435)	(368)
Net gain (loss) from discontinued operation	1	(4)	(4)	–
Net loss	(591)	(1,021)	(439)	(368)
Basic and diluted loss per share — continuing operations <sup>(4)</sup>	(0.92)	(1.46)	(0.63)	(0.51)
Basic and diluted loss per share — discontinued operation	–	(0.01)	–	–
Dividends declared per share	–	–	–	–
<b>Selected Consolidated Balance Sheet Data</b>				
Cash and cash equivalents	757	1,199	1,441	633
Working (deficit) capital, excluding cash and cash equivalents	(84)	609	128	1,110
Total assets	9,743	10,918	10,670	10,227
Short-term debt, including current portion of long-term debt	119	120	118	109
Long-term debt, excluding current portion	249	1,710	1,725	1,698
Shareholders' equity	6,900	6,158	6,488	5,701
<b>Selected Consolidated Cash Flow Data</b>				
Net cash used in investing activities	(1,813)	(1,244)	(583)	(663)
Net cash provided by (used in) operating activities from				
continuing operations	221	226	(234)	109
Depreciation and amortization expenses	1,121	1,370	684	712

(1) Columns may not add due to rounding.

(2) These charges relate to the implementation of our Impact cost reduction program.

(3) In 2001, ProMOS shareholders approved the distribution of employee bonuses in the form of shares. In 2002, ProMOS issued Global Depository Receipts in a public offering. As a result of the share issuances, our interest was diluted, while our proportional share of ProMOS shareholders' equity increased by €11 million and €18 million, respectively, which increases are reflected as non-operating income. In 2003, ProMOS repurchased shares in the open market, which increased our interest, while decreasing our proportional share of their equity by €2 million, which decrease is reflected as a non-operating loss.

(4) For the 2001 financial year, the weighted average number of our company's shares outstanding was 640,566,801 on both a basic and fully diluted basis. For the 2002 financial year, the weighted average number of our company's shares outstanding was 694,729,462 on both a basic and fully diluted basis. For the six months ended March 31, 2002 and March 31, 2003, the weighted average number of our company's shares outstanding were 692,390,091 and 720,867,894, respectively, on both a basic and fully diluted basis.

## Operating And Financial Review

*This discussion of our consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and the other financial information included elsewhere in this Offering Circular.*

*This Operating and Financial Review contains forward-looking statements. Statements that are not statements of historical facts, including expressions of our beliefs and expectations, are forward-looking in nature and are based on current plans, estimates and projections. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.*

The Company transferred its opto-electronics business to Osram GmbH effective March 31, 2003. Accordingly, the results of operations of the opto-electronics business are presented as a discontinued operation for the six month period ended March 31, 2003. Pursuant to the provisions of Statement of Financial Accounting Standards 144, Accounting for the Impairment or Disposal of Long-Lived Assets, previously issued financial statements presented for comparative purposes, including the condensed consolidated financial statements for the six month period ended March 31, 2002, as well as the consolidated financial statements for the years ended September 30, 2001 and 2002, incorporated by reference as noted above, have been reclassified to present the operations of the opto-electronics business as a discontinued operation for all periods presented. Additionally, the Company merged the activities of the Wireless Solutions and Security and Chipcard ICs segments into one operating segment called Secure Mobile Solutions effective October 1, 2002. The segment data and results of operations included in the Operating and Financial Review, including the discussion of the results of the first half 2003 financial year compared to the first half 2002 financial year and the 2002 financial year as compared to the 2001 financial year, have been revised to incorporate these changes.

### First Half 2003 Financial Year compared to First Half 2002 Financial Year

#### ***Significant developments***

- First half 2003 revenues were €2,925 million, an increase of 28% compared to 2002 revenues of €2,284 million. This increase was mainly driven by increased sales for Memory Products, a strong performance in the Automotive & Industrial segment, and strong improvement in Secure Mobile Solutions.
- Continued gain of market share in key segments despite ongoing difficult market environment.
- First half 2003 net loss of €368 million; EBIT loss of €254 million was primarily attributable to disappointing results in the Memory Products segment, resulting from significant reduction in DRAM selling prices.
- Continued solid cash position and significantly improved cash flow from operations.

We ended the first six months of financial year 2003 on March 31, 2003, with revenues from continuing operations of €2,925 million, an increase of 28% compared to the first six months of financial year 2002 revenues of €2,284 million. The net loss for the first half of the 2003 fiscal year amounted to €368 million compared to a net loss of €439 million for the comparable period in the 2002 fiscal year. Basic and diluted loss per share from continuing operations for the first half of fiscal year 2003 was €0.51, compared to a loss per share from continuing operations of €0.63 in the previous year. All segments reflected improved operating results in 2003, especially Memory Products, despite extremely difficult market conditions, which resulted in an increase in gross margin from €206 million for the first six months of 2002 to €603 million for the comparable 2003 period. First half 2002 results include gains associated with the sale of our infrared component business. The first half 2003 tax provision includes the impact of providing for a valuation allowance in tax jurisdictions which have incurred cumulative losses over the preceding three year period.

We generated revenue growth and produced further market share gains (based upon industry data published by Semiconductor Industry Association) in a continued difficult market environment, which were mainly driven by increased sales for all segments, especially Memory Products, Secure Mobile Solutions and Automotive & Industrial.

Revenues outside Europe constituted 56% of total revenues for the first half of 2003, up from 52% in 2002, reflecting our increased sales in Asia, including Japan. As of March 31, 2003, we had approximately 31,200 employees worldwide, including about 5,500 engaged in research and development.

Pursuant to an agreement reached with Osram GmbH, the Company transferred all its opto-electronic activities to Osram as of March 31, 2003. Accordingly, the results of the opto-electronics business (previously in other operating segments) are reflected as a discontinued operation, and the operating results (e.g. sales, cost of sales and operating expenses) through March 31, 2003 have been reclassified to ensure comparability with the results of our continuing operations.

Segment revenue developments during the first half of the 2003 financial year as compared to the corresponding period of the 2002 financial year were as follows:

- The Automotive & Industrial segment's 2003 revenues were €688 million, an increase of 20% from the 2002 comparative period's level of €573 million. The increase resulted mainly from higher sales volumes in automotive power as well as power management & supply products.
- Wireline Communications revenues improved to €217 million in the first half of the 2003 financial year, an increase of 21% from €179 million generated in the 2002 comparable period. The revenue increase was principally due to higher sales in the Asian markets of Ethernet over VDSL access technology and next generation ADSL technology for central office applications. This reflects the successful alignment of our portfolio of leading edge broadband access products to current market needs.
- Secure Mobile Solutions' first half 2003 financial year revenues were €788 million, an increase of 36% from the 2002 level of €580 million, which is mainly due to the recovery of the cellular market in combination with a strong Christmas business in 2002 and an increased market share of our key customers, as well as the acquisition of the Ericsson Microelectronics business.
- The Memory Products segment's first half 2003 financial year revenues were €1,151 million, an increase of 32% from the comparative 2002 level of €875 million, based on significantly increased volumes attributable to our Dresden, Germany facility. Also included in Memory Products revenues in 2003 was €60 million of previously deferred licensing revenue related to the ProMOS joint venture, which was recognized as a result of the extinguishment of ProMOS indebtedness subject to our guarantee. From the beginning of January 2003, the spot market price for our major volume product, 256-Mbit DDR DRAM, declined by approximately 50% from \$6 to slightly below \$3 by the end of February. The price increased in March 2003 to a level of slightly above \$3 by the end of the month, according to DRAM Exchange.
- Revenues in the other operating segment for the first half of the 2003 financial year were €64 million, an increase of 14% for the comparable 2002 period.

Expenditures for research and development in the first half of the 2003 financial year totaled €519 million, or 18% of sales, a moderate reduction from €531 million. Selling, general and administrative expenses totaled €336 million or 11% of total revenues, declining from €329 million or 14% of total revenues in the first half of 2002. The decrease in these expenditures was mainly due to our ongoing cost reduction measures.

Other operating income (loss) for the six month period ending March 31, 2002 declined from €42 million to negative €7 million for the comparable 2003 period. This decline is attributable to the gains recognized in 2002 relating to the sale of the infrared component business. Equity in (losses) earnings of associated companies improved from a loss of €45 million to earnings of €25 million for the six month periods ended March 31, 2002 and 2003 respectively. This variance is primarily related to improved operating results at the ProMOS joint venture. Other expense, net for the March 31 six month period declined from €70 million in 2002 to €7 million in 2003, due principally to reduced foreign currency losses.

EBIT (earnings from continuing operations before interest, minority interest and taxes) for the first half of the 2003 fiscal year amounted to a loss of €254 million, compared to a loss of €735 million in the first half of 2002, due to improved performance in all segments, especially the Memory Products and Automotive & Industrial segments.



## ***Liquidity***

Our gross cash position, representing cash and cash equivalents, marketable securities and restricted cash amounted to €1.5 billion at March 31, 2003, compared to €2.0 billion at September 30, 2002. The decrease in gross cash was mainly due to investing activities, principally capital expenditures, exceeding cash flow from operations during the six month period. Free cash flow, representing cash flows from continuing operations, investing activities and discontinued operations, excluding purchases or sales of marketable securities, significantly improved to negative €452 million, compared to negative €634 million, which is an improvement of €182 million during the six month period ended March 31, 2003. This improvement mainly stems from higher operating cash flow, despite higher capital expenditures, compared to the previous six month period.

## ***Outlook for the second half of financial year 2003***

The current difficult global economic environment and the international uncertainties do not allow for any significant market visibility. In the second quarter, of the 2003 financial year we have seen a further positive development of demand in most of our segments, although price pressure remains intense in all segments. Looking forward, we expect a further positive development of demand in most of our segments. To compensate for the ongoing pricing pressure, we will continue to focus on improving productivity, further reducing costs and implementing our restructuring programs, as well as our Agenda 5-to-1. As announced in April 2003, we anticipate further reducing our workforce by up to 900 employees.

For our Secure Mobile Solutions segment, we expect a further moderate increase of demand for GSM/GPRS mobile handsets, which is likely to have a positive effect on the demand for Bluetooth products as well. We also expect an ongoing difficult market environment with continued strong pricing pressure for silicon discretes. Industry analysts are predicting a reduction of capital expenditures in the global wireline telecom infrastructure market in 2003, but with regional differences, including moderate growth in Europe. We expect continuing pricing pressure in our fiber optics business, but improved demand for broadband access technology (ADSL, VDSL), particularly in Asia and Japan.

In the automotive electronics and automotive semiconductor markets, we expect the pricing pressure to continue. However, the Company anticipates that further productivity increases combined with its strong portfolio for automotive power and power management and supply products could lead to additional market share gains. On May 20, 2003, we announced that we are planning to acquire SensoNor ASA, Horten, Norway, a leading developer and producer of tire pressure and acceleration sensors. With this acquisition we aim to strengthen our position in semiconductor sensors for the automotive business. We expect to pay an aggregate consideration of approximately €48 million which will include a capital increase of SensoNor ASA of approximately €13 million. The Company has made a tender offer to the shareholders of SensoNor ASA subject to certain conditions. The management board of SensoNor ASA has recommended that the tender offer be accepted.

At the beginning of the third quarter of the 2003 financial year, we have seen strong demand from OEMs for memory products and a slightly improved pricing environment. However, near-term visibility for the DRAM market remains poor. A positive development of demand and a sustained improvement in prices are still dependent upon an acceleration of the corporate IT equipment replacement cycle, increased infrastructure investments, and higher Megabit per box sales.

## **2002 Financial Year compared with 2001 Financial Year**

### ***Net Sales***

Net sales decreased by 9 percent to €4,890 million from €5,347 million in the 2001 financial year. The decrease in net sales was primarily due to significantly lower net sales in our Wireline Communications and Secure Mobile Solutions segments, brought upon by the dramatically reduced capital spending of global telecommunication carriers, weak demand and strong overall pricing pressure. This decrease could only be partially offset by increased sales in our Memory Products and Automotive & Industrial segments. Memory Products continued to be the largest business segment, representing 38 percent of total net sales for the 2002 financial year, compared to 30 percent in the prior year. During the first three quarters of the 2002 financial year, net sales improved on a sequential quarterly basis, before decreasing in the fourth quarter, primarily as a result of the decline in prices for memory products.

The following section describes the net sales of our main business segments during the 2002 financial year, compared to the 2001 financial year:

- Wireline Communications — Total net sales of our Wireline Communications segment decreased by nearly 50 percent to €386 million in the 2002 financial year from €766 million in the 2001 financial year. Net sales declined in the second half of the 2001 financial year, and reached the lowest level in the first quarter of the 2002 financial year. Since then, consecutive quarterly sequential growth has been achieved.

The year-on-year reduction in sales was primarily caused by dramatic declines in the fiber optics market and traditional telecommunications market sectors such as ISDN, analog technology, high-speed data transmission and enterprise telephony. The telecommunications boom of 2000 eventually resulted in a broad-based market collapse, especially in the USA and Europe. The fiber optics market suffered a more severe collapse than the traditional telecom markets. This resulted in an approximate 30 percent decline in our fiber optics revenues. The successful market penetration of our VDSL/10BaseS and xDSL technologies — especially in the Asia/Pacific region — partially offset the dramatic decline in the traditional telecom segments.

- Secure Mobile Solutions — Net sales of our Secure Mobile Solutions segment decreased by 16 percent to €1,278 million in the 2002 financial year from €1,522 million in the 2001 financial year. This was mainly due to the decreased demand in mobile communications and lower prices of Security and Chip Card ICs in the 2002 financial year.
- Automotive & Industrial — Net sales of our Automotive & Industrial segment increased by 4 percent to €1,201 million in the 2002 financial year from €1,153 million in the 2001 financial year. Sales increased on a quarterly sequential basis throughout the year. The increase was mainly due to higher volumes, especially for power management and supply products, but this was partially offset by lower prices, mainly for automotive applications. The increase took place despite the worldwide decline in automobile production through expanding business for power management solutions in Asia and for power ICs.

In particular, we achieved a significant gain in market share in automotive applications (2nd worldwide for chips used in automotive applications, market leader in Europe) and power ICs (23 percent market share for IGBT modules according to WSTS). In the field of power management solutions, we continued our success with our CoolMOS™ and OptiMOS™ products.

- Memory Products — Net sales of the Memory Products segment increased by 15 percent to €1,861 million in the 2002 financial year from €1,614 million in the 2001 financial year. The increase in net sales was principally due to higher bit-volume sold, despite lower average DRAM prices during the 2002 financial year compared to the previous year.

Overall Megabit volume substantially increased during the 2002 financial year, as a result of the commercial production of 256-Mbit DRAM chips exceeding the production of 128-Mbit DRAM, and the introduction of 512-Mbit DRAM chips to the market.

The price of memory ICs more than doubled during the first half of the year, before declining again towards the end of the year. Price levels at the end of the financial year were still slightly higher than at the beginning. For some of our products, the sales prices at the end of the 2002 financial year were lower than our full production costs. Price differentials between SDRAM and DDR DRAM, 128-Mbit and 256-Mbit as well as contract and spot market prices fluctuated throughout the year. This resulted in a low price differential between 128-Mbit and 256-Mbit and a high price premium for DDR chips at the end of the financial 2002 year. We are continuing our efforts to optimize our product mix between DDR DRAM and SDRAM to take advantage of these market price differentials, and aim to increase our focus on high-end products such as 512-Mbit and specialty DRAM products. Our average per Megabit selling prices declined by approximately 30 percent in the 2002 financial year.

Net sales of hard disk drive controllers further declined compared to the 2001 financial year. This was due to delays in the development and introduction of new products.

We recognized license revenues of €147 million in the 2002 financial year, compared to €88 million in the 2001 financial year.

- Other Operating Segments — Net sales of our Other Operating segments decreased by 50 percent to €117 million in the 2002 financial year from €236 million in the 2001 financial year, which is principally due to the sale of our infrared component business in the first quarter of the 2002 financial year.

### ***Net Sales by Region and Customer***

On a regional basis, sales in Europe represented 45 percent of total sales in the 2002 financial year, compared to 53 percent in the prior year. At the same time, we generated 55 percent of our sales outside of Europe, compared to 47 percent in the previous year. Higher volume sales of memory products in the United States and the Asia/Pacific regions accounted for the higher share in our non-European business.

Only one customer, Siemens Group, accounted for more than 5 percent of our net sales in each of the 2001 and 2002 financial years. Sales to Siemens Group comprise both direct sales to the Siemens Group, which accounted for 14 percent and 12 percent of net sales in the two years respectively, as well as sales designated for resale to third parties, which accounted for 2 percent of net sales in each of the two years, respectively. Sales to Siemens Group are made primarily by our Secure Mobile Solutions and Automotive & Industrial segments.

### ***Cost of Goods Sold***

Cost of goods sold decreased by 6 percent to €4,289 million from €4,580 million in the 2001 financial year.

Cost of goods sold as a percentage of net sales improved in the first half of the 2002 financial year from the negative margin levels experienced in the second half of the 2001 financial year, but declined in the second half of the 2002 financial year, principally due to pricing pressure for memory products. In the 2001 financial year we recorded inventory write-downs of €358 million as a result of significant price declines and order cancellations. The cost of underutilized non-memory products capacity reduced the margin improvement experienced in the first half of the 2002 financial year. This trend was reversed in the second half of the 2002 financial year, mainly due to increased volume in our communications segments.

In the 2002 financial year, the cost of goods sold represented 88 percent of sales compared to 86 percent in the 2001 financial year. Accordingly, for the 2002 financial year, gross margin was 12 percent of sales compared to 14 percent for the 2001 financial year. Due to our efforts in our Impact cost reduction program, the effect of the decline in sales was partially offset by cost savings and production efficiencies.

The following represents a description of developments in the cost of goods sold for each of our core business segments as a percentage of net sales:

- Wireline Communications — a relative increase in the cost of goods sold to 71 percent of sales compared to 55 percent in the 2001 financial year. The increase was mainly due to the substantial decline in sales volume attributable to overall lower industry demand, resulting from reduced capital spending by global telecommunication carriers. This decline in sales volume led to lower coverage of fixed costs, especially in the facilities producing fiber optics.

Furthermore, cost of goods sold was negatively impacted by changes in the mix of products sold compared to the prior year. This was characterized by a dramatic decrease in traditionally high-margin products in the telecommunication and datacom segments, the phasing out of mature products with relatively low production costs, as well as the introduction of new products with higher ramp-up costs.

- Secure Mobile Solutions — a relative decrease in the cost of goods sold to 70 percent compared to 74 percent of sales in the 2001 financial year. This resulted from a combined effect of a reduced cost of goods sold percentage for wireless products and an increased cost of goods sold percentage for Security & Chip Card ICs products. The reduction of cost of goods sold percentage for wireless products was mainly due to a change in the product mix, whereby higher margin baseband products were introduced and improvements in operational manufacturing performance were made. The increase of cost of goods sold percentage of Security & Chip Card ICs resulted from adversely impacted margins caused by idle capacity costs, resulting from lower demand, and strong pricing pressure, especially for SIM card ICs.
- Automotive & Industrial — a relative increase in the cost of goods sold to 67 percent compared to 64 percent in the 2001 financial year. Although sales were at record levels, strong competitive pricing pressure resulted in overall lower gross margins in the 2002 financial year.

- Memory Products — a relative decrease in the cost in goods sold to 106 percent compared to 125 percent in the 2001 financial year. This improvement was mainly attributable to increased productivity and cost reductions, as well as the benefit from higher volume sales. The decrease was partially offset by the effect of sales price declines, specifically at the end of the fourth quarter of the 2002 financial year. Gross margins in the 2001 financial year were negatively impacted by inventory write-downs.

Cost of sales in corporate and reconciliation increased from €84 million to €272 million in the 2002 financial year, mainly reflecting an increase in the unallocated cost of underutilized capacity over the prior year.

We report as cost of goods sold the cost of inventory purchased from our joint ventures ProMOS and ALTIS Semiconductor, and in the 2001 financial year also from our OSRAM Opto joint venture. Our purchases from these joint ventures and other associated and related companies amounted to €686 million in the 2002 financial year and €1,040 million in the 2001 financial year.

### ***Research and Development (R&D) Expenses***

R&D decreased 11 percent to €1,060 million from €1,189 million in the 2001 financial year. This reflects the overall decrease in R&D spending within the framework of the Impact cost reduction program. The majority of R&D expenses were project-related expenses for our key markets, and comprised costs for human resources, licensing fees, laboratory facilities and software. Additional amounts were spent on the development of CPUs for products and developmental libraries for basic circuits. In-process research and development charges amounted to €37 million in the 2002 financial year, compared to €69 million in the 2001 financial year. R&D expenses were 22% of net sales in the 2001 and 2002 financial years. R&D expenditure trends in our segments included the following:

- Wireline Communications — a relative increase in R&D expenses to 60 percent of sales in the 2002 financial year compared to 40 percent in the 2001 financial year. This is primarily due to the substantial decrease in revenues compared to the previous year. However, in absolute terms, R&D expenses decreased significantly, mainly because acquired in-process R&D of €69 million charged in the 2001 financial year related to the Ardent and Catamaran acquisitions did not recur in the 2002 financial year. Excluding in-process R&D, R&D expenses were comparable in the two financial years.
- Secure Mobile Solutions — a relative increase in R&D expenses to 28 percent of sales in the 2002 financial year compared to 25 percent in the 2001 financial year. This increase is a combined effect of wireless products as well as Security & Chipcard IC products. For wireless products, the increase reflects the decrease in sales and acquired in-process R&D of €37 million related to the Ericsson Microelectronics (MIC) acquisition in the 2002 financial year. In absolute terms, R&D expenditures, excluding acquired in-process R&D, decreased compared to the 2001 financial year. For Security & Chipcard IC products the increase was due to the fact that the decrease in sales more than offset the decrease in R&D in absolute terms. Such decrease was facilitated by portfolio optimization and restructuring measures.
- Automotive & Industrial — a relative increase in R&D expenses to 13 percent of sales in the 2002 financial year compared to 12 percent in the 2001 financial year.
- Memory Products — a relative decrease of R&D expenses to 16 percent of sales in the 2002 financial year compared to 20 percent in the 2001 financial year. This was the result of cost reduction efforts and an overall increase in sales volume, as well as a decrease in R&D costs for hard disc drive controllers in absolute terms.

Government subsidies for our R&D activities were €59 million in the 2002 financial year and €71 million in the previous year.

### ***Selling, General and Administrative (SG&A) Expenses***

SG&A expenses comprise both selling expenses and general administrative expenses. The balance of SG&A expenses in each year comprises overhead, personnel, advisors' fees and other administrative expenses. SG&A expenses decreased by 18 percent to €643 million in the 2002 financial year compared to €782 million in the 2001 financial year. SG&A expenses declined to 13 percent of sales in the 2002 financial year compared to 15 percent in the previous year, mainly due to the Impact cost reduction program and the decline in sales.

Selling expenses decreased 24 percent to €341 million, or 7 percent of sales, from €449 million, or 8 percent of sales, in the 2001 financial year. This reflects the impact of cost reduction measures taken since the previous year, including headcount reductions and optimization of selling and marketing functions and processes.

General and Administrative (G&A) expenses decreased 9 percent to €302 million, or 6 percent of sales, from €333 million, or 6 percent of sales, in the 2001 financial year. G&A expenses decreased in absolute as well as in relative terms due to optimization of processes and successful implementation of our Impact cost reduction program, including headcount reductions and IT-cost savings. We also donated €2 million to support the victims of the flood catastrophe in Dresden in the summer of 2002.

### ***Restructuring***

In the fourth quarter of the 2001 financial year, we approved plans to restructure our organization and reduce costs under a comprehensive program called "Impact". In connection with this program, we recorded restructuring charges of €117 million in the fourth quarter of the 2001 financial year.

We completed our announced headcount reduction in the 2002 financial year. In completing this program, we recorded additional restructuring expenses of €16 million in the 2002 financial year, principally relating to non-cancelable commitments.

### ***Other Operating Income, Net***

Other operating income, net, amounted to €46 million in the 2002 financial year, reflecting the pre-tax gains of €39 million from the sale of the remaining part of the infrared components business and €2 million from the sale of our gallium arsenide business. In the 2001 financial year, other net operating income amounted to €200 million, which reflected the pre-tax gains of €202 million from the sale of the image & video business and €26 million from the sale of the infrared components business.

### ***Earnings Before Interest and Taxes (EBIT)***

We recorded an EBIT loss of €1,142 million in the 2002 financial year, compared to an EBIT loss of €1,024 in the 2001 financial year.

### ***Equity in Earnings (Losses) of Associated Companies***

Equity in the earnings (losses) of associated companies is reflected primarily in the results of the Memory Products segment. Equity in the losses of associated companies amounted to €47 million in the 2002 financial year compared to earnings of €21 million in the 2001 financial year. Our share of losses of the ProMOS joint venture amounted to €53 million in the 2002 financial year compared to earnings of €17 million in the 2001 financial year, reflecting continuing weakness in the DRAM market.

### ***Interest Expense, Net***

We recorded net interest expense of €25 million in the 2002 financial year compared to €1 million in the 2001 financial year. This increase is mainly due to the interest on our convertible bond and financing costs for the 300-millimeter production facility in Dresden, which was partially offset by €12 million of additional interest earned from liquid investments.

### ***Income Taxes***

We recorded an income tax benefit of €143 million in the 2002 financial year, which represents an effective income tax rate of 12 percent. This compares with income tax benefits of €427 million in the 2001 financial year, representing an effective income tax rate of 42 percent. The change in the effective tax rate in the 2002 financial year mainly reflects an additional valuation allowance on deferred tax assets of €271 million.

We have evaluated our deferred tax asset position and the need for a valuation allowance. The assessment requires the exercise of judgment on the part of our management, with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The ultimate realization of deferred tax assets is dependent upon our ability to generate the appropriate character of future taxable income sufficient to utilize loss



carry forwards or tax credits before their expiration. Since we have incurred a cumulative loss in certain tax jurisdictions over the three-year period ended September 30, 2002, the impact of forecasted future taxable income is excluded from such an assessment, pursuant to the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 109. For these tax jurisdictions, the assessment was therefore only based on the benefits that could be realized from available tax strategies and the reversal of temporary differences in future periods. As a result of this assessment, we recognized an additional deferred tax asset valuation allowance as of September 30, 2002 of €271 million related to continuing operations, to reduce the deferred tax asset to an amount that is more likely than not expected to be realized in the future.

We assess our deferred tax asset position on a regular basis. Our ability to realize deferred tax assets is dependent on our ability to generate future taxable income sufficient to utilize tax loss carryforwards or tax credits before their expiration. As a result of recently incurred tax losses, we expect to recognize deferred tax benefits in the 2003 financial year at a lower rate than in the past, until such time as taxable income is generated from operations in tax jurisdictions that would utilize our tax loss carryforwards in those jurisdictions.

Generally German tax loss carryforwards do not expire. The German Government’s proposal to reduce the ability to offset current tax losses against taxable income earned in future years has not been enacted. However, there are ongoing political discussions about some further restrictions. Under US GAAP, we would recognize the effect of such changes upon the date of their enactment into law. We cannot now determine the content, timing or impact of such amendments, if enacted.

## EBIT

We define EBIT as earnings (loss) from continuing operations before interest, minority interest and taxes. Management uses EBIT as a measure to establish budgets and operational goals, to manage the Company’s business and to evaluate its performance. We report EBIT information because we believe that it provides investors with meaningful information about the operating performance of the Company. EBIT is determined as follows from the statement of operations, without adjustment to the US GAAP amounts presented:

	<b>Financial Year ended September 30,</b>		<b>Six months ended March 31,</b>	
	<b>2001</b>	<b>2002</b>	<b>2002</b>	<b>2003</b>
	<i>(€ in millions)</i>		<i>(€ in millions)</i>	
<b>Loss before income taxes</b>	(1,019)	(1,160)	(739)	(260)
Minority interests .....	(6)	(7)	(4)	(4)
Interest expense .....	1	25	8	10
<b>EBIT .....</b>	<b><u>(1,024)</u></b>	<b><u>(1,142)</u></b>	<b><u>(735)</u></b>	<b><u>(254)</u></b>

## Financial Position

### Cash Flow

	<b>For the year ended September 30,</b>	
	<b>2001</b>	<b>2002</b>
	<i>(€ in millions)</i>	
Net cash provided by operating activities from continuing operations .....	221	226
Net cash used in investing activities .....	(1,813)	(1,244)
Net cash provided by financing activities .....	1,846	1,448
Cash and cash equivalents at period end .....	757	1,199

The statement of cash flows shows the sources and uses of cash during the reported periods. It is of key importance for the evaluation of our financial position.

Cash flows from investing and financing activities are both determined based on payments and receipts. Cash flows from operating activities are determined indirectly from net income (loss). The changes in balance sheet items in connection with operating activities have been adjusted for the effects of the foreign currency exchange calculations and for changes in the scope of consolidation. Therefore, they do not conform to the corresponding changes in the respective balance sheet line items.

Cash provided by operating activities from continuing operations for the 2002 financial year increased to €226 million from €221 million in the 2001 financial year. Significant non-cash items impacting cash flows from operating activities include an increase in depreciation and amortization of €249 million and a decrease in deferred tax benefit of €216 million, primarily due to an additional valuation allowance of €271 million. Significant changes in operating assets and liabilities include an increase in trade accounts receivables of €131 million, offset by an increase in other net liabilities of €181 million.

Cash used in investing activities in the 2002 financial year decreased to €1,244 million (2001: €1,813), principally attributable to purchases of property and equipment purchases of €643 million (2001: €2,282 million). This primarily related to the completion of the 300-millimeter facility in Dresden, and investments in marketable securities of €709 million (2001: €82 million). Additionally, we made investments in associated and related companies and intangible assets of €127 million (2001: €296 million). Cash provided by investing activities mainly related to proceeds from sales of non-core businesses of €96 million (2001: €346 million) and cash of €50 million received through the acquisition of MIC.

Cash provided by financing activities totaled €1,448 million in the 2002 financial year (2001: €1,846 million). This includes a €450 million loan for the 300-millimeter production facility in Dresden and €981 million in net proceeds from our convertible bond offering in February 2002. Cash flow from financing activities in the 2001 financial year included €1,475 million from our secondary share offering.

Cash and cash equivalents at the end of the 2002 financial year increased to €1,199 million from €757 million at the end of the 2001 financial year.

### ***Financial Condition***

As of September 30, 2002, our total assets amounted to €10,918 million, an increase of 12 percent compared to €9,743 million at the end of the 2001 financial year. Cash, cash equivalents and marketable securities increased to €1,937 million, from €850 million at the end of the 2001 financial year. The increase principally reflects the proceeds derived from the convertible bond offering launched in January 2002 and the loan for the 300-millimeter production facility in Dresden, partially offset by cash used in investing activities. Non-current assets decreased by 2 percent to €6,727 million from €6,867 million at the end of the 2001 financial year. This decrease mainly relates to property, plant and equipment, due to the fact that depreciation expense exceeded capital expenditures by €677 million. The decrease was partially offset by capitalized deferred income taxes and increased other assets due to the acquisition of MIC.

Total liabilities increased by 67 percent to €4,760 million, up from €2,843 million in the 2001 financial year. This increase was mainly due to the increase in long-term debt of €1,461 million to €1,710 million, attributable to our convertible bond offering and the loan for the 300-millimeter production facility in Dresden. Other non-current liabilities increased by 80 percent to €609 million, mainly due to deferred government grants. The unfunded status of our pension plans increased to €103 million from €70 million at the end of the 2001 financial year, mainly due to lower-than-expected equity market returns. Our funding requirements for these plans may be adversely affected in the future if such trends continue. However, during the 2002 financial year, contributions to our pension plans offset the decline in fair value of their assets.

Our shareholders' equity decreased by 11 percent to €6,158 million, down from €6,900 million in the 2001 financial year. This mainly reflects the issuance of new shares of €325 million related to the purchase of MIC in September 2002, and the net loss of €1,021 million. At September 30, 2002, shareholders' equity as a percentage of total assets was 56 percent, down from 71 percent at September 30, 2001.

### Capital Requirements

Our net cash position — meaning cash and cash equivalents, plus marketable securities and restricted cash, less total financial debt — decreased by €391 million to €177 million at September 30, 2002, compared to €568 million at September 30, 2001.

#### Net Cash Position

As of September 30, 2002	Payments Due by Period						
	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
	(€ in millions)						
Cash and cash equivalents .....	1,199	1,199	—	—	—	—	—
Marketable securities .....	738	738	—	—	—	—	—
Restricted cash .....	70	—	70	—	—	—	—
Gross cash position .....	2,007	1,937	70	—	—	—	—
Less:							
Long-term debt .....	1,705	—	92	497	46	1,000	70
Capital lease obligations .....	5	—	2	2	1	—	—
Short-term debt and current maturities .....	120	120	—	—	—	—	—
Total financial debt .....	1,830	120	94	499	47	1,000	70
Net cash position .....	177	1,817	(24)	(499)	(47)	(1,000)	(70)

As of September 30, 2002, we had debt of €120 million scheduled to become due within one year. We believe we will be in a position to fund all these payments through existing cash balances, cash flows from operations, borrowings and the renewal of debt in the ordinary course of business.

On February 6, 2002, we (as guarantor), through our subsidiary Infineon Technologies Holding B.V. (as issuer), issued €1,000 million in subordinated convertible notes at par in an underwritten offering to institutional investors in Europe. The notes are convertible, at the option of the holders of the notes, into our shares at a conversion price of €35.43 per share. Upon conversion, we may pay a cash amount in lieu of delivery of all or part of the shares. The convertible notes accrue interest at 4.25 percent per year and have a five-year maturity. We may redeem the convertible notes after three years at their principal amount plus interest accrued thereon, if our share price exceeds 115 percent of the conversion price for a 30-day period. The convertible notes are listed on the Luxembourg Stock Exchange.

#### Commitments and Contingencies

As of September 30, 2002 <sup>(1)(2)(3)</sup>	Payments Due by Period						
	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
	(€ in millions)						
Operating lease payments .....	376	83	78	67	46	18	84
Unconditional purchase commitments .....	843	449	155	107	22	13	97
Other long-term commitments .....	436	146	145	145	—	—	—
Contractual commitments .....	1,655	678	378	319	68	31	181
Guarantees .....	398	19	19	19	332	—	9
Contingencies .....	398	19	19	19	332	—	9

The above table should be read in conjunction with Note 31 to our consolidated financial statements for the year ended September 30, 2002.

- (1) US dollar amounts have been translated to euro at the rate of €1 = \$0.9879, which was the noon buying rate on September 30, 2002.
- (2) Certain payments of obligations or expiration of commitments that are based on the achievement of milestones or other events that are not date-certain, are included for purposes of this table, based on our estimate of the reasonably likely timing of payments or expirations in the particular case. Actual outcomes could differ from those estimates.
- (3) Product purchase commitments associated with capacity reservation agreements are not included in this table, since the purchase prices are based, in part, on future market prices, and are accordingly not quantifiable at September 30, 2002.

Included in the above table:

- We will be required to make additional investments of technology and cash contributions in the UMCi joint venture totaling \$405 million over the next two years.
- Further to our formation as a separate legal entity, we agreed to indemnify Siemens against any losses it may suffer under a small number of guaranty and financing arrangements that relate to our business but that could not be transferred to us for legal, technical or practical reasons. These arrangements, as of September 30, 2002, include a guaranty of a letter of credit of €313 million, relating to contingent liabilities for government grants previously received.
- Siemens AG has guaranteed the indebtedness of ProMOS up to the amount of \$61 million. We provided Siemens with a backup guaranty. This indebtedness was satisfied subsequent to September 30, 2002.

Not included in the above table are commitments of €550 million to be made over a three-year period ending September 30, 2005 relating to agreements entered into on November 13, 2002 with Nanya for the joint development of advanced DRAM technologies and the construction of a jointly-owned 300-millimeter manufacturing facility in Taiwan.

We have established independent financing arrangements with several financial institutions, in the form of both short and long-term credit facilities, which are available for anticipated funding purposes. These facilities (which include the amended revolving credit facility of €750 million and syndicated credit facility of €450 million as described below) aggregate €2,183 million, of which €1,340 million was available at September 30, 2002, and are comprised of the following components:

<b>Credit Facilities</b>			<b>As of September 30, 2002</b>		
<b>Term</b>	<b>Nature of financial institution commitment</b>	<b>Purpose/intended use</b>	<b>Aggregate facility</b>	<b>Drawn</b>	<b>Available</b>
			<i>(€ in millions)</i>		
short-term . . . . .	firm commitment	working capital, guarantees, cash pooling	911	96	815
short-term . . . . .	no firm commitment	working capital	152	–	152
short-term . . . . .	firm commitment	working capital	384	11	373
long-term <sup>(1)</sup> . . . . .	firm commitment	project finance	736	736	–
			<u>2,183</u>	<u>843</u>	<u>1,340</u>

(1) Including current maturities.

We have a €450 million syndicated credit facility relating to the expansion of the Dresden manufacturing facility. The credit facility is supported by a partial guarantee of the Federal Republic of Germany and another governmental entity. The credit facility contains specified financial covenants, provides for annual payments of interest and matures on September 30, 2005.

On September 30, 2002, we entered into a new revolving credit facility with a syndicate of financial institutions to replace our previous facility. As amended, the total amount of the facility is €750 million, which is divided into two equal tranches. The first tranche of €375 million expires in September 2003. The second tranche of €375 million expires in September 2005. The facility has customary financial covenants and bears market related interest. At September 30, 2002, there were no amounts outstanding under this facility.

At September 30, 2002, we were in compliance with our covenants related to the relevant credit facilities.

### Capital Expenditures

	Year ended September 30,		Planned
	2001	2002	2003
	<i>(€ in millions)</i>		
Memory products .....	1,380	470	630
Non-memory products .....	<u>902</u>	<u>173</u>	<u>350</u>
Total .....	<u><u>2,282</u></u>	<u><u>643</u></u>	<u><u>980</u></u>

We expect to invest approximately €980 million in capital expenditures in the 2003 financial year, largely for improving productivity and upgrading technology at existing facilities. Due to the lead times between ordering and delivery of equipment, a substantial amount of capital expenditures typically is committed well in advance. Approximately 64 percent of these expected capital expenditures will be made in the Memory Products business group's front-end and back-end processes. Approximately 36 percent of these planned capital expenditures will be invested in our non-memory facilities. In addition, certain of the commitments and contingencies summarised on pages 81 and 82 include significant capital expenditure investments of Infineon Technologies AG's joint-ventures.

We plan to fund our working capital and capital requirements from cash provided by operations, available funds, bank loans, government subsidies and, depending on market conditions, the issuance of debt or additional equity securities. We have also applied for governmental subsidies in connection with certain capital expenditure projects, but can provide no assurance that such subsidies will be granted in a timely fashion or at all. We cannot assure you that we will be able to obtain additional financing for our research and development, working capital or investment requirements or that any such financing, if available, will be on terms favorable to us.

### Capitalization

The following table sets forth, as of March 31, 2003, our actual and as adjusted consolidated capitalization to reflect the sale of the guaranteed subordinated convertible notes we are selling in this offering, after deducting the fees and commissions payable to the Underwriters and our estimated offering expenses.

	Actual March 31, 2003	As adjusted March 31, 2003
	<i>(€ in thousands)</i>	
<b>Short-term debt, including current portion of long-term debt</b> .....	<u>109</u>	<u>109</u>
<b>Long-term debt, excluding current portion</b> .....	<u>1,698</u>	<u>2,384</u>
<b>Shareholders' equity</b>		
Share capital issued and fully paid up .....	1,442	1,442
Additional paid-in capital .....	5,565	5,565
Accumulated deficit .....	(1,194)	(1,194)
Other comprehensive income .....	<u>(112)</u>	<u>(112)</u>
Total shareholders' equity .....	<u>5,701</u>	<u>5,701</u>
<b>Total capitalization</b> .....	<u><u>7,508</u></u>	<u><u>8,194</u></u>

Save as disclosed in the section entitled "General Information — Material Adverse Change", there has been no material change in the capitalization of the Guarantor since September 30, 2002.

Other than the Notes, which are the subject of this Offering Circular and the €1 billion 4.25% Guaranteed Subordinated Convertible Notes due 2007, the Company has no outstanding convertible debt securities, exchangeable debt securities or securities with warrants attached.



## Management

### **Supervisory Board**

Our supervisory board consists of 16 members. The shareholders elect eight members at the general shareholders' meeting and the employees elect the remaining eight members. The supervisory board appoints and removes the members of the management board and oversees the management of our company but is not permitted to make management decisions.

The present members of our supervisory board and their principal occupations are as follows:

### **Supervisory Board Members**

<b>Name</b>	<b>Other business activities</b>
Max Dietrich Kley* <i>Chairman</i> .....	Deputy Chairman of the management board of BASF AG
Alfred Eibl** <i>Deputy Chairman</i> .....	Member of the works council Munich Balan-/St.-Martin-Strasse
Dr. h.c. Martin Kohlhaussen <i>Deputy Chairman</i> .....	Chairman of the supervisory board of Commerzbank AG
Ender Beyhan** .....	Member of the central works council Member of the works council, Munich-Perlach
Johann Dechant** .....	Deputy Chairman of the works council, Regensburg West
Dr. Joachim Faber .....	Member of the management board of Allianz AG
Heinz Hawreliuk** .....	Head of the company codetermination department of IG Metall
Dr. Stefan Jentzsch .....	Member of the management board of Bayerische Hypo- und Vereinsbank AG
Klaus Luschtinetz** .....	Chairman of the central works council Chairman of the works council, Munich Balan-/St.-Martin-Strasse
Karl-Heinz Midunski .....	Corporate Vice President and Treasurer of Siemens AG
Wolfgang Müller*/** .....	Director of Organization; IT Industry IG Metall Bavaria
Univ.-Prof. Dr.-Ing. Ingolf Ruge ...	Professor at the Technical University Munich
Michael Ruth** .....	Vice President, Business Administration, Wireless Solutions; representative of senior management
Gerd Schmidt** .....	Deputy Chairman of the central works council Chairman of the works council, Regensburg West
Dr. Martin Winterkorn .....	Member of the management board of Volkswagen AG
Prof. Dr. Ing. Klaus Wucherer ....	Member of the management board of Siemens AG

\* Mr. Kley was legally appointed by order of August 16, 2002 to replace Dr. Mihatsch following his resignation. Mr. Müller was legally appointed to replace Sabine Wankel upon her resignation.

\*\* Employee representative.

The business address of each of the members of our supervisory board is Infineon Technologies AG, St.-Martin-Strasse 53, D-81669, Munich, Germany.

### **Management Board**

Our management board currently consists of five members. The management board is responsible for managing our business in accordance with applicable laws, the Articles of Association of our company and the rules of procedure of the management board. It represents our company in dealings with third parties.

The current members of our management board and their positions are as follows:

### Management Board Members

<b>Name</b>	<b>Position and outside Directorships</b>
Dr. Ulrich Schumacher .....	Chairman, President and Chief Executive Officer; Member of the supervisory board of Deutsche Bahn AG, Berlin
Peter Bauer .....	Executive Vice President and Chief Sales and Marketing Officer; Member of the supervisory board of Siemens VDO Automotive AG, Munich
Peter J. Fischl .....	Executive Vice President and Chief Financial Officer
Dr. Sönke Mehrgardt .....	Executive Vice President and Chief Technology Officer; Member of the supervisory boards of Loewe AG and Loewe Opta GmbH, Kronach
Dr. Andreas von Zitzewitz .....	Executive Vice President and Chief Operating Officer; Member of the supervisory board of Steag Hamatech AG, Sternenfels

The business address of each of the members of our management board is Infineon Technologies AG, St.-Martin-Strasse 53, D-81669 Munich, Germany.

### **Compensation of management and supervisory boards**

Under our Articles of Association, the annual compensation is €25,000 for each member of the supervisory board. The chairman of the supervisory board receives 200% of this amount and each of the deputy chairman and each member of certain committees receive 150% of this amount. The aggregate compensation of the members of our supervisory board for the 2002 financial year was €526,833 (consisting of fixed components €526,833, variable components €0 and consideration for other personally rendered services €0). In addition, all members of the supervisory board receive 1,500 share appreciation rights (*Wertsteigerungsrechte*) per year, which are granted and may be exercised for cash under the same conditions as options granted under the then-current long-term incentive plan.

The aggregate remuneration of the five members of our management board in respect of the 2002 financial year consisted of €1.6 million in fixed salaries, plus options to purchase an aggregate of 290,000 shares. These options had an aggregate fair value at their grant date of €2.8 million (which is not reflected as compensation expense under U.S. GAAP). These options have an exercise price of €23.70 per share; will become exercisable no earlier than December 4, 2003, subject to the condition that the trading price of our ordinary shares on the Frankfurt Stock Exchange will have reached the exercise price on at least one trading day; and will expire on December 3, 2008. Bonuses in the aggregate amount of €3.2 million were accrued with respect to members of the management board for the 2002 financial year.

During the 2002 financial year, we made the standard annual grant of 1,500 share appreciation rights to each member of our supervisory board, as described above, but did not grant any additional options to the members of our supervisory board.

### Long-Term Incentive Plans

#### **1999 Share Option Plan**

Under our 1999 Share Option Plan, we granted non-transferable share options to members of our management board, directors of subsidiaries and affiliates, managers and key employees.

As of September 30, 2002, options to purchase an aggregate of 10,471,570 shares were outstanding under the 1999 plan, of which options to purchase 1,302,000 shares were held by members of our management board. The 1999 plan was discontinued and, accordingly, we no longer grant options under that plan. When options are exercised, our company may either issue new shares from its conditional capital or deliver previously issued shares.

### **2001 International Long-Term Incentive Plan**

In April 2001, we adopted the Infineon Technologies AG 2001 International Long-Term Incentive Plan, which we refer to as the 2001 plan. Under the 2001 plan, we have the authority to grant, over a five-year period, non-transferable share options to members of our management board, the top management of our subsidiaries and other senior level executives and employees with exceptional performance at Infineon Technologies AG and our subsidiaries. We may grant options covering up to 2.5 million shares to members of our management board, 6.3 million shares to members of the top management of our German and foreign subsidiaries and 42.7 million shares to senior level executives and employees with exceptional performance below management board level of Infineon Technologies AG and below top management level of domestic and foreign subsidiaries. We may not grant options under the 2001 plan covering more than 51.5 million shares in our company in the aggregate. As of September 30, 2002 options to purchase an aggregate of 9,411,640 shares were outstanding under the 2001 plan, of which options to purchase 290,000 shares were held by members of our management board.

When options are exercised, our company may either issue new shares from its conditional capital, deliver previously issued shares or elect to settle the options in cash.

### **Employee Share Purchase Program**

We have implemented an employee share purchase program ("ESPP") under which most of our employees, including employees of designated subsidiaries, will be offered the opportunity to purchase our shares at a discount. It is generally contemplated that our shares will be offered to employees at a discount of 15% from the then current market price of our company's shares on the Frankfurt Stock Exchange. We expect that there would be offerings under the ESPP in each financial year, but there will be no offering in the 2003 financial year.

We have also adopted two separate plans that allow our eligible employees who are based in Germany, as well as eligible employees of our participating German subsidiaries, to purchase additional shares under the ESPP.

We issued 355,460 shares under the ESPP for the 2002 financial year. Employees who purchase shares under the ESPP may not transfer those shares for a period of time to be determined by a committee of our management board prior to each offering period.

### **Principal Shareholders**

The following table shows the ownership of our Company's share capital by the principal shareholders (each person or entity who owns 5% or more of our shares) as of May 30, 2003. We are not directly or indirectly owned or controlled by any foreign government.

	Shares owned	
	Number	%
Wachovia Trust Company, as trustee <sup>(1)</sup> .....	200,000,000	27.7
Siemens Nederland N.V. <sup>(2)</sup> .....	86,292,363	12.0
Fidelity Management & Research Company .....	37,580,186	5.08

(1) Siemens AG reported that it transferred these shares to the Wachovia Trust Company (formerly First Union Trust Co.), as trustee under a trust agreement dated December 4, 2001. We understand that under the terms of the trust agreement, the shares transferred to the trust may not be voted, as Siemens has relinquished its voting rights in those shares while they are held in trust and the trustee is not permitted to vote the shares it holds in trust. We also understand that Siemens continues to be entitled to all of the benefits of economic ownership of these shares held by the trustee. Further information and a copy of the trust agreement may be obtained from Siemens AG's annual report on Form 20-F for its financial year ended September 30, 2002.

(2) Siemens Nederland N.V. is a wholly-owned subsidiary of Siemens AG.

In August 2000, Siemens Nederland N.V. issued 25,000 bonds with a nominal value of €100,000 each, each of which is exchangeable at the option of the holders thereof into 1,000 of our company's shares at an exchange price of €100 per share. The exchange feature may be exercised on any business day during the exchange period, which commenced on August 10, 2001, inclusive, and ends

ten business days before August 10, 2005, which is July 27, 2005, or, in the event of early redemption by the issuer on and including the fourth business day immediately preceding the day fixed for such early redemption.

Under German law, as long as Siemens holds more than 25% of the shares in our company represented at a shareholders' general meeting, it would be in a position to block shareholder action on a variety of matters, including the exclusion of preemptive rights in a capital increase, or any capital decrease, merger, consolidation, spin-off, sale or other transfer of all or substantially all of our assets, a change in the corporate form or business purpose of our company or the dissolution of our company.

**Infineon Technologies AG and Subsidiaries**  
**Consolidated Statements of Operations**  
**for the six months ended March 31, 2002 and 2003**

	<b>March 31,</b>	
	<b>2002</b>	<b>2003</b>
	(unaudited)	
	<i>(€ in millions, except per share data)</i>	
Net sales:		
Third parties .....	1,887	2,420
Related parties .....	397	505
Total net sales .....	2,284	2,925
Cost of goods sold .....	2,078	2,322
Gross profit .....	206	603
Research and development expenses .....	531	519
Selling, general and administrative expenses .....	329	336
Restructuring charges .....	8	11
Other operating (income) expense, net .....	(42)	7
Operating loss .....	(620)	(270)
Interest expense, net .....	(8)	(10)
Equity in (losses) earnings of associated companies .....	(45)	25
Loss on associated company share issuance .....	—	(2)
Other expense, net .....	(70)	(7)
Minority interests .....	4	4
Loss from continuing operations before income taxes .....	(739)	(260)
Income tax benefit (expense) .....	304	(108)
Net loss from discontinued operation .....	(4)	—
Net loss .....	(439)	(368)
Loss per share:		
Basic and diluted — continuing operations .....	(0.63)	(0.51)
Basic and diluted — discontinued operation .....	—	—



**Infineon Technologies AG and Subsidiaries**  
**Consolidated Balance Sheet**

**March 31, 2003**

(unaudited)  
(€ in millions)

**ASSETS**

Current assets	
Cash and cash equivalents .....	633
Marketable securities .....	842
Accounts receivable, net .....	735
Inventories .....	957
Deferred income taxes .....	110
Other current assets .....	586
	<hr/>
Total current assets .....	3,863
Property, plant and equipment, net .....	4,248
Long-term investments, net .....	773
Restricted cash .....	66
Deferred income taxes .....	686
Other assets .....	591
	<hr/>
Total assets .....	10,227

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities	
Short-term debt and current maturities .....	109
Accounts payable .....	858
Accrued liabilities .....	536
Deferred income taxes .....	28
Other current liabilities .....	589
	<hr/>
Total current liabilities .....	2,120
Long-term debt .....	1,698
Deferred income taxes .....	55
Other liabilities .....	653
	<hr/>
Total liabilities .....	4,526
Total shareholders' equity .....	5,701
	<hr/>
Total liabilities and shareholders' equity .....	10,227

**Infineon Technologies AG and Subsidiaries**  
**Consolidated Statements of Operations**  
**for the Financial Years ended September 30, 2001 and 2002**

	<u>2001</u>	<u>2002</u>
	<i>(€ in millions, except per share data)</i>	
Net sales:		
Third parties .....	4,352	4,035
Related parties .....	995	855
Total net sales .....	<u>5,347</u>	<u>4,890</u>
Cost of goods sold .....	<u>4,580</u>	<u>4,289</u>
Gross profit .....	782	601
Research and development expenses .....	1,189	1,060
Selling, general and administrative expenses .....	782	643
Restructuring charges .....	117	16
Other operating income, net .....	(200)	(46)
Operating loss .....	<u>(1,121)</u>	<u>(1,072)</u>
Interest expense, net, .....	(1)	(25)
Equity in earnings (losses) of associated companies .....	21	(47)
Gain on associated company share issuance .....	11	18
Other income (expense), net .....	65	(41)
Minority interests .....	6	7
Loss from continuing operations before income taxes .....	<u>(1,019)</u>	<u>(1,160)</u>
Income tax benefit .....	427	143
Net loss from continuing operations .....	<u>(592)</u>	<u>(1,017)</u>
Net income (loss) from discontinued operation .....	<u>1</u>	<u>(4)</u>
Net loss .....	<u>(591)</u>	<u>(1,021)</u>
Loss per share:		
Basic and diluted — continuing operations .....	(0.92)	(1.46)
Basic and diluted — discontinued operation .....	—	(0.01)
Basic and diluted — net loss .....	<u>(0.92)</u>	<u>(1.47)</u>

**Infineon Technologies AG and Subsidiaries**  
**Consolidated Balance Sheets**

	<b>September 30,</b>	
	<b>2001</b>	<b>2002</b>
	<i>(€ in millions)</i>	
<b>ASSETS</b>		
Current assets .....		
Cash and cash equivalents .....	757	1,199
Marketable securities .....	93	738
Trade accounts receivable, net .....	626	758
Inventories .....	882	891
Deferred income taxes .....	39	82
Other current assets .....	479	523
Total current assets .....	<u>2,876</u>	<u>4,191</u>
Property, plant and equipment, net .....	5,233	4,491
Long-term investments, net .....	655	708
Restricted cash .....	86	70
Deferred income taxes .....	412	787
Other assets .....	481	671
Total assets .....	<u>9,743</u>	<u>10,918</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Short-term debt and current maturities .....	119	120
Trade accounts payable .....	1,191	1,197
Accrued liabilities .....	426	508
Deferred income taxes .....	19	21
Other current liabilities .....	448	537
Total current liabilities .....	<u>2,203</u>	<u>2,383</u>
Long-term debt .....	249	1,710
Deferred income taxes .....	53	58
Other liabilities .....	338	609
Total liabilities .....	<u>2,843</u>	<u>4,760</u>
Shareholders' equity		
Ordinary share capital .....	1,385	1,442
Additional paid-in capital .....	5,247	5,569
Retained earnings (accumulated deficit) .....	195	(826)
Accumulated other comprehensive income (loss) .....	73	(27)
Total shareholders' equity .....	<u>6,900</u>	<u>6,158</u>
Total liabilities and shareholders' equity .....	<u>9,743</u>	<u>10,918</u>

## TAXATION

The following summary of certain Dutch and German taxation consequences is based on the laws and practice in force as of the date of this Offering Circular and is subject to any changes in law and practices (and the interpretation and application thereof) occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes or to convert Notes into Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. This summary is of a general nature based on the understanding of the Issuer and the Guarantor of current law and practice. It does not address any changes which may arise from a corporate restructuring of the Infineon Technologies group in accordance with § 7(5) of the Conditions or the substitution of Infineon Technologies AG as guarantor for any other reason in accordance with § 14(1) of the Conditions. The occurrence of such an event may have an impact on the considerations dealt with in the following summary. The noteholders are advised to consult their own tax advisors as to the tax consequences of such changes. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with The Netherlands other than the holding of the Notes. Investors should consult their professional advisers on the possible tax consequences of their subscribing for, acquiring, holding, selling or redeeming Notes or converting Notes into Shares under the laws of their country of citizenship, residence, domicile or incorporation.

### The Netherlands

#### **Withholding Tax**

All payments by the Issuer of interest and principal under the Notes can be made free of withholding or deduction for, or on account of, any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

#### **Taxes on Income and Capital Gains**

A holder of a Note who derives income from a Note or who realises a gain on the disposal, the conversion into Shares, or redemption of a Note will not be subject to Dutch taxation on such income or capital gains unless:

- (i) the holder is, or is deemed to be, resident of The Netherlands or, if the holder is an individual, such holder has elected to be treated as a resident of The Netherlands; or
- (ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (iii) the holder is not an individual and the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer and such interest does not form part of the assets of an enterprise, or
- (iv) the holder is an individual and the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) in the Issuer or such income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

#### **Gift, Estate or Inheritance Taxes**

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder, unless:

- (i) the holder is, or is deemed to be, resident of The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or as a gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be, resident of The Netherlands for the purpose of the relevant provisions; or
- (iii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands.

### **Value Added Tax**

There is no Dutch value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

### **Other Taxes and Duties**

There is no Dutch registration tax, capital tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of a Note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or the performance of the Issuer's or Guarantor's obligations under the Notes.

### **Residence**

A holder of a Note will not become resident, or deemed to be resident, of The Netherlands by reason only of the holding of a Note or the execution, performance delivery and/or enforcement of the Notes.

### **Federal Republic of Germany**

Although the Notes qualify as convertible notes (*Wandelanleihen*) pursuant to section 221 paragraph 1 German Stock Corporation Act for corporate law purposes, there is no clear guidance whether the Notes also qualify as convertible notes for German tax purposes. In light of the recent change of section 20 paragraph 2 no. 4 of the German Income Tax Act, it can, therefore, not be excluded that the German tax authorities will qualify the Notes as financial innovations. This applies in particular if the Notes will be converted into shares of another company than Infineon Technologies AG. The German tax consequences in this case are included in the following description.

### **Taxation of the Notes**

#### ***Noteholders resident in Germany***

**Interest Payments.** Individual or corporate Noteholders who are resident in the Federal Republic of Germany (individuals or entities whose residence, customary place of abode, statutory seat, head office or place of effective management or control is located in the Federal Republic of Germany) are subject to German personal or corporate income tax and solidarity surcharge thereon with any interest payment received on the Notes. Such interest is also subject to trade tax if the Notes are part of the assets of a German trade or business.

As the Notes are not issued by a German resident issuer the interest payments should not be subject to German withholding tax on interest from convertible notes (*Kapitalertragsteuer auf Zinsen aus Wandelanleihen*). However, if the Notes are kept or administered in a domestic securities deposit account by a German financial or financial service institution ("Disbursing Agent"), which term includes a German branch of a foreign financial or financial service institution but excludes a foreign branch of a German financial or financial service institution, ("German Administered Notes") a 30% withholding tax on interest payments plus a 5.5% solidarity surcharge thereon will be levied on interest payments, resulting in a total withholding tax charge of 31.65%.

Such withholding tax and solidarity surcharge thereon are credited against the German personal or corporate income tax and the respective solidarity surcharge of the Noteholder and any excess amount is refunded to the Noteholder.

**Sale or Redemption of the Notes.** If the Notes are sold or redeemed during a current interest period, the accrued interest received as part of the purchase price will be subject to personal or corporate income tax and solidarity surcharge thereon as well as to trade tax, where applicable. Accrued interest paid by a purchaser as part of the purchase price for the Notes can be deducted from the personal or corporate income tax base. The capital gains received on the sale of the Notes are only taxable if (i) the Notes are disposed of within one year after their acquisition or (ii) the Noteholder (or, in



the case of a transfer without consideration, his or her predecessor) at any time during the five years preceding the sale held an interest (including, among other things, shares and convertible bonds or convertible notes) of at least 1% in the issued share capital of Infineon Technologies AG or (iii) the Notes are held as business assets of a German trade or business of the Noteholder in which case the capital gains may also be subject to trade tax. However, after the amendment of the Income Tax Act by the Tax Amendment Act, it cannot be excluded entirely that the tax authorities will qualify the Notes as financial innovations in which case any positive difference between the purchase price paid by the Noteholder for the Notes and the proceeds received by the Noteholder from the sale or redemption is subject to income tax plus solidarity surcharge thereon as well as trade tax, where applicable, as additional deemed interest.

If the Notes are German Administered Notes the Disbursing Agent will be required to withhold tax (*Zinsabschlagsteuer*) on accrued interest included in the sale price at a rate of 30% (plus solidarity surcharge at a rate of 5.5% thereon), resulting in a total tax charge of 31.65%. If the accrued interest is separately invoiced, the tax base is the invoiced interest. If the accrued interest is not separately invoiced and the Notes were held in the same securities deposit account of the seller since the date of their acquisition by the seller, the tax base is the difference between the sales proceeds and the issue or purchase price of the Notes. If the accrued interest is not separately invoiced and the Notes are sold after a transfer from one securities deposit account to another securities deposit account kept at a different bank, the basis for the withholding tax and the solidarity surcharge on accrued interest will be the amount of 30% of the sales price.

**Exercise of Conversion Right.** According to administrative guidance the conversion of the Notes into Shares in case of a convertible note (*Wandelanleihe*) does not give rise to a taxable capital gain for purposes of personal or corporate income tax or trade tax. The purchase price for the Notes is carried over as acquisition costs for the Shares.

However, it cannot be excluded entirely that the German tax authorities will qualify the Notes as financial innovations. In that case, the conversion may be treated as a disposal of the Notes for tax purposes and the difference between the purchase price paid by the Noteholder for the Notes and, in principle, the fair market value of the Shares at the time of the exchange or the Cash Payment in lieu of the delivery of all or part of the Shares is also subject to income tax plus solidarity surcharge thereon. The 30% withholding tax plus solidarity surcharge applies in this case if the Notes are German Administered Notes. If any potential cash payment should not be sufficient to pay withholding tax plus solidarity surcharge, the Noteholder may be required to pay the entire amount of withholding tax plus solidarity surcharge or a part of that amount to the Disbursing Agent which is obliged to withhold the tax. If the Shares are delivered to the Noteholder, the fair market value for the Shares at the time of the exchange is considered to be the acquisition costs for the Shares.

If the Noteholder receives a Cash Payment in lieu of the delivery of all or a part of the Shares, any amount received in addition to the (*pro rata*) repayment of the principal of the Notes will be subject to tax as additional deemed interest.

**Expenses related to the income from the Notes; special tax exemption.** The Noteholder may deduct expenses related to the income from the Notes. Where no higher expenses related to income from capital investment are shown, the Noteholder is entitled for a standard deduction (*Werbungskosten-Pauschbetrag*) of €51 p.a. (€102 p.a. in the case of married couples filing joint returns), if the Notes are not held as business assets. In addition, Noteholders who do not hold the Notes as business assets are entitled to an annual special tax exemption (*Sparerfreibetrag*) for all capital investment income of €1,550 p.a. (€3,100 p.a. in the case of married couples filing joint returns). Income from the Notes is free of withholding tax up to these limits if an exemption order (*Freistellungsauftrag*) has been filed with the deposit bank. The same applies if the shareholder provides the deposit bank with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) issued by the relevant tax office. The standard deduction and the special exemption apply to all investment income from capital investments (net of related expenses) received during the year including dividend income.

#### **Noteholders not resident in Germany**

Individuals or corporate Noteholders, who are not tax resident in Germany are in general not subject to German income tax with their interest income from the Notes unless the Notes are held as

business assets of a permanent establishment or a fixed base maintained in Germany in which case similar tax consequences as in case of Noteholders resident in Germany would apply.

Capital gains derived from a sale of the Notes will in general be subject to German personal or corporate income tax plus solidarity surcharge thereon if (i) the Notes are held as business assets of a German permanent establishment or fixed base of the Noteholder in which case also trade tax may apply, or (ii) if the Noteholder (or, in case of a transfer without consideration, his or her predecessor) at any time during the five years preceding the disposition held an interest (including among other things, shares and convertible bonds or convertible notes) of 1% or more in the issued share capital of Infineon Technologies AG. Most tax treaties to which Germany is a party provide for a complete exemption from German taxation in the case of (ii).

### ***Taxation of the Shares received in Conversion of the Notes***

#### ***Shareholders resident in Germany***

***Dividend taxation.*** Only half of the dividends received by a German-resident individual are subject to income tax (plus solidarity surcharge of 5.5% thereon) (so-called half income system). Accordingly, only one half of the expenses attributable to the shareholding are deductible. If an individual holds the Shares as assets of a German commercial business of such shareholder, the dividend is subject to trade tax, unless the shareholder holds 10% or more of the share capital of Infineon Technologies AG. For corporate shareholders such dividend income is in general free of corporate income tax and, if the shareholder held 10% or more of the share capital of Infineon Technologies AG, in general also free of trade tax. In this case, however, expenses directly economically related to the shareholding will only be deductible to the extent they exceed the amount of dividends received during the tax year.

Dividends are also subject to 20% withholding tax plus 5.5% solidarity surcharge (in total 21.1%), which will be credited or refunded to the shareholder.

***Taxation of Capital Gains.*** Half of the capital gains from the disposal of the Shares received in exchange for the Notes by an individual as Noteholder are taxable, if (i) the Shares are held as business assets of a trade or business, (ii) the Shares are sold within one year after the exchange, or (iii) the Noteholder (or, in the case of a transfer without consideration, his or her predecessor) at any time during the five years preceding the disposition held an interest (including, among other things, shares and convertible bonds or convertible notes) representing 1% or more of the issued share capital of Infineon Technologies AG. For corporate shareholders capital gains from the disposal of the Shares are in general tax-free.

If and to the extent that capital gains would be tax-free, losses are also not deductible. Losses from the sale of the Shares held as personal (non-business) assets within the one-year period can only be set off against certain capital gains realized in the same year, the preceding year and the subsequent years.

#### ***Shareholders not resident in Germany***

***Dividend taxation.*** Dividend income received by a non-resident shareholder who does not hold the Shares as business assets of a permanent establishment or a fixed base in Germany is subject to withholding tax (plus solidarity surcharge thereon) only. The rate is the same as applicable to resident shareholders, unless a tax treaty reduces the withholding to a lower rate. The difference between the withholding tax including solidarity surcharge which was levied and the maximum rate of withholding tax permitted by an applicable tax treaty is refunded to the shareholder by the German Federal Tax Office upon application.

***Capital gains.*** Capital gains from the disposition of the Shares are only subject to German tax if (i) such shareholder (or, in the case of the transfer without consideration, his or her predecessor) at any time during the five years preceding the disposition, directly or indirectly, held an interest (including, among other things, shares and convertible bonds or convertible notes) of 1% or more in the issued share capital of Infineon Technologies AG or (ii) if the Shares were held as assets of a permanent establishment or fixed base in Germany. Most tax treaties to which Germany is a party provide for a complete exemption from German taxation in the case of (i).

### ***Inheritance and Gift Tax***

Under German law, the transfer of the Notes or of the Shares will be subject to German inheritance or gift tax on a transfer by reason of death or as a gift if at the time of the transfer of the assets:

- (i) the donor or transferor or the heir, donee or other beneficiary is resident in Germany at the time of the transfer, or, if a German citizen, was not continuously outside of Germany and without German residence for more than five years; or
- (ii) except as mentioned under (i) the Notes or Shares belong to the business assets of a permanent establishment maintained in Germany by the deceased or donor; or
- (iii) in case of the transfer of the Shares, the deceased or donor has held, alone or together with related persons, directly or indirectly, 10% or more of the registered share capital of Infineon Technologies AG at the time of the transfer.

The few presently existing German estate tax treaties usually provide that German inheritance or gift tax may only be imposed in cases (i) and (ii) above.

Special rules may apply to certain German expatriates (German citizens or former German citizens living abroad).

### ***Other Taxes***

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

### ***Proposed EU Savings Directive***

On 21 January 2003 the EU Council of Economic and Finance Ministers agreed to adopt a new directive regarding the taxation of savings income. It is proposed that each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. The proposed directive may be subject to further amendment and/or clarification.

## DESCRIPTION OF THE SHARES

### Share Capital

The issued share capital of our Company consists of €1,441,761,208 divided into 720,880,604 individual shares in registered form with a notional value of €2.00 each.

According to German law, the individual shares do not have a par value, but they do have a notional value that may be determined by dividing the share capital amount by the number of shares.

### *Authorized Capital*

Under the German Stock Corporation Act, a stock corporation's shareholders can authorize the management board to issue shares in a specified aggregate nominal amount of up to 50% of the issued share capital at the time the resolution is passed. The shareholders' authorization may extend for a period of no more than five years.

The Articles of Association of our Company authorize the management board to increase the share capital with the supervisory board's consent. The management board may use these authorizations to issue new shares in one or more tranches:

- in an aggregate amount of up to €119 million through March 30, 2004 to issue shares to employees of the Infineon group companies (in which case preemptive rights of the existing shareholders are excluded); or
- in an aggregate amount of up to €295 million through January 21, 2007 to issue shares for cash (in which case preemptive rights of existing shareholders may be excluded under certain circumstances by the Management Board with the consent of the Supervisory Board) or in exchange for contributions in kind (in which case preemptive rights of the existing shareholders may be excluded by the Management Board with the consent of the Supervisory Board).

### *Conditional Capital*

Our Company has conditional capital of up to €96 million that may be used to issue up to 48 million new registered shares in connection with our 1999 and our 2001 long term incentive plans and additional conditional capital of up to €29 million that may be used to issue up to 14.5 million new registered shares in connection with our 2001 long term incentive plan. These shares will have dividend rights from the beginning of the financial year in which they are issued.

Our Company also has conditional capital of up to €50 million that may be used to issue up to 25 million new registered shares upon conversion of the convertible debt securities issued in February 2002. These shares will have dividend rights from the beginning of the financial year in which they are issued.

Furthermore, our Company has conditional capital of up to €350 million that may be used to issue up to 175 million new registered shares upon conversion of debt securities, if those securities are not issued later than January 21, 2007. These shares will have dividend rights from the beginning of the financial year in which they are issued. Of these shares, up to 68.4 million shares may be delivered upon conversion of the Notes.

### Preemptive Rights

Under the German Stock Corporation Act, an existing shareholder in a stock corporation has a preferential right to subscribe for issues of new shares by that corporation in proportion to the number of shares he holds in the corporation's existing share capital. These rights do not apply to shares issued out of conditional capital. Preemptive rights also apply to securities that may be converted into shares, securities with warrants, profit-sharing certificates and securities with dividend rights. The German Stock Corporation Act only allows the exclusion of this preferential right in limited circumstances. At least three-fourths of the share capital represented at the meeting must vote for exclusion. In addition to approval by the shareholders, the exclusion of preemptive rights requires a justification. The justification must be based on the principle that the interest of the company in excluding preemptive rights outweighs the shareholders' interest in their preemptive rights.

Preemptive rights resulting from a capital increase generally may be transferred and may be traded on any of the German stock exchanges upon which our shares are traded for a limited number of days prior to the final date on which the preemptive rights may be exercised.

### **Dividend Rights**

Shareholders participate in profit distributions in proportion to the number of shares they hold. We have not declared a dividend in respect of the 2001 and 2002 financial years and currently do not expect to declare future dividends.

### **Transfer of Shares**

The transfer of the registered shares is not restricted and the approval of Infineon Technologies AG is not required. As the shares are booked into the settlement system of Clearstream Banking AG, Frankfurt am Main, the transfer of the shares is effected by delivery. The registration of any acquiror of shares as the shareholders in the share register of Infineon Technologies AG is not required to effect the transfer of ownership. However, the rights to attend and vote at shareholders' meetings and to receive dividend payments are dependent on the registration of the acquiror as the shareholder in the share register of Infineon Technologies AG.

### **Disclosure Requirement**

The German Securities Trading Act requires each person whose shareholding reaches, exceeds or, after exceeding, falls below the 5%, 10%, 25%, 50% or 75% voting rights thresholds of a listed corporation to notify the relevant issuer and the German Federal Supervisory Authority for Securities Trading in writing within seven calendar days after they have reached, exceeded or fallen below such a threshold. In their notification such shareholders must also state the number of shares they hold. Such shareholders cannot exercise any rights from those shares until they have satisfied this disclosure requirement. In addition, the German Securities Trading Act contains various rules designed to ensure the attribution of shares to the person who has effective control over the exercise of the voting rights attached to those shares.

### **Repurchase of Own Shares**

We may not acquire our own shares unless authorized by the shareholders' at the general shareholders' meeting or in other very limited circumstances set out in the German Stock Corporation Act. Shareholders may not grant a share repurchase authorization lasting for more than 18 months. The rules in the German Stock Corporation Act generally limit repurchases to 10% of our share capital and resales must be made either on a stock exchange, in a manner that treats all shareholders equally or in accordance with the rules that apply to preemptive rights relating to a capital increase. We are not currently authorized to repurchase our own shares.



## SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in the underwriting agreement dated June 2, 2003 (the "Underwriting Agreement"), the Issuer has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase, the principal amount of the Notes set forth opposite its name below:

<u>Underwriter</u>	<u>Principal Amount of Notes</u>
	<i>(in €)</i>
Goldman Sachs International .....	350,000,000
Morgan Stanley & Co. International Limited .....	<u>350,000,000</u>
Total .....	<u>700,000,000</u>

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Notes at the issue price of 100% of the principal amount of the Notes.

Subject to certain exceptions, the Issuer and the Guarantor have agreed that they will not offer or cause others to offer for sale, publicly or privately, and will not in any way participate or engage in or cause others to participate or engage in, any equity or equity-linked bond or note or equivalent transaction in relation to the Shares or other equity securities in Infineon Technologies AG on or before September 3, 2003, without the prior written consent of the Underwriters.

The Issuer and the Guarantor have agreed to indemnify the Underwriters against certain liabilities in connection with the issue and offering of the Notes.

ABN AMRO Rothschild, Banc of America Securities Limited, Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Credit Suisse First Boston (Europe) Limited, J.P. Morgan Securities Ltd. and Société Générale have been appointed as selling group members and will receive a fee in connection with their appointment.

### **Selling Restrictions**

#### ***The Netherlands/Global***

The Notes (including rights representing an interest in a Note in global form) may only be offered or sold anywhere in the world, as part of their initial distribution or as part of any re-offering, and this Offering Circular may only be distributed and circulated, anywhere in the world, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational institutions and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner). Each of the Underwriters has undertaken to the Issuer and the Guarantor that it has been and will be made clear upon making any such offers and from any and all disclosure documents or advertisements in which the offering of the Notes is announced that the offer is exclusively made to the said individuals or legal entities anywhere in the world.

#### ***Federal Republic of Germany***

Pursuant to the Underwriting Agreement, each of the Underwriters has acknowledged that it has only offered and sold and has agreed that it will only offer and sell the Notes in the Federal Republic of Germany ("Germany") in accordance with the provisions of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) and any other laws applicable in Germany governing the issue,

sale and offering of securities. Any resale of the Notes in Germany may only be made in accordance with the provisions of the Securities Sales Prospectus Act and any other laws applicable in Germany governing the sale and offering of securities.

### ***The United States of America***

Each Underwriter has confirmed that it understands that the Notes, including the Guarantee and the Undertaking, and the Shares into which the Notes may be converted have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Notes are in bearer form and are subject to U.S. tax law requirements. Accordingly, subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or its possessions or to United States persons. Each Underwriter has agreed that it will not offer, sell or deliver a Note within the United States, except as permitted by the Underwriting Agreement.

In addition, until 40 days after the commencement of the issue, an offer or sale of the Notes within the United States by any Underwriter may violate the registration requirements of the Securities Act.

In addition, under the U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "D-Rules"), the Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Underwriter has represented and agreed that:

- (a) except to the extent permitted under the D-Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person which is within the United States or its possessions or to a United States person, and (ii) such Underwriter has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person which is within the United States or its possessions or to a United States person, except as permitted by the D-Rules;
- (c) if such Underwriter is a United States person, it has represented that it is acquiring the Notes in bearer form for the purpose of resale in connection with their original issuance and, if such Underwriter retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from such Underwriter Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Underwriter either (i) has repeated and confirmed the agreements contained in sub-clauses (a), (b) and (c) on such affiliate's behalf or (ii) has agreed that it will obtain from such affiliate for the benefit of such Underwriter and the benefit of the Issuer, the agreements contained in sub-clauses (a), (b) and (c).

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D-Rules.

### ***United Kingdom***

Each Underwriter has acknowledged and agreed that: (a) it has not offered or sold and, prior to the expiration of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, the "FSMA") received by them in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **Italy**

The Notes have not been and will not be registered pursuant to the Italian securities legislation and, accordingly, the Underwriters have represented and agreed that they have not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. In any case, the Notes cannot be offered or sold to any individuals in the Republic of Italy either in the primary market or the secondary market.

Each of the Underwriters has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy except:

- (1) to “**Professional Investors**”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of July 2, 1998 as amended (“**Regulation No. 11522**”), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of February 24, 1998 as amended (“**Decree No. 58**”), or in any other circumstances where an expressed exception to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 of May 14, 1999 as amended applies, provided, however, that any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:
  - (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993 as amended (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;
  - (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in the Republic of Italy, applies; and
  - (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or
- (2) to Italian residents who submit unsolicited offers to any of the Underwriters to purchase the Notes.

## **General**

Each Underwriter has acknowledged that no action has been or will be taken in any jurisdiction by the Underwriters or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any jurisdiction where action for those purposes is required. Each Underwriter has agreed to comply with all applicable laws in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular or any other offering material.

## GENERAL INFORMATION

### Authorization

The issue of the Notes by the Issuer has been duly authorized by a resolution of the Issuer's management board, dated May 8, 2003, and a confirmation of the sole shareholder, dated May 9, 2003. The issuance of the Notes, the extension of the Guarantee and the entering into the Undertaking was authorized by resolutions of the management board of Infineon Technologies AG of April 29, 2003 and April 30, 2003, and the *Investitions-, Finanz- und Prüfungsausschuss* of the supervisory board, of April 27, 2003.

The preemptive rights of the existing shareholders of Infineon Technologies AG with respect to the Notes have been excluded by the aforementioned resolutions of the management board of Infineon Technologies AG with the consent of the supervisory board based on the authorizations of the shareholders' meeting on January 22, 2002.

### Listing Information

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Prior to the listing, a legal notice containing information regarding the issue of the Notes and the Memorandum and Articles of Association of the Issuer and the Guarantor will be registered and deposited with the *Registre de Commerce et des Sociétés à Luxembourg*, where copies thereof may be inspected and obtained.

The audited consolidated annual financial statements for the financial years ended September 30, 2001, and 2002, the audited unconsolidated annual financial statements for the financial years ended September 30, 2001, and 2002, and the unaudited condensed consolidated interim financial statements as of March 31, 2003, and for the six months ended March 31, 2002, and 2003, of the Guarantor and the audited annual financial statements for the financial years ended September 30, 2001, and 2002, of the Issuer prepared on an unconsolidated basis are incorporated by reference into this Offering Circular. Copies of the above-mentioned financial statements and, following their publication, copies of financial statements for subsequent years may be inspected and are available free of charge at Dexia Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg, as long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require. The Issuer does not publish consolidated financial statements or interim financial statements. Copies of the Agency Agreement dated June 2, 2003, may also be inspected and are available free of charge at the aforementioned address. The consolidated annual and condensed consolidated quarterly financial statements of the Guarantor are also available on its website: [www.infineon.com](http://www.infineon.com).

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the Issuer will maintain a paying and conversion agent in Luxembourg. Such agent will act as intermediary between the Issuer and the Noteholders.

## Share Price and Market Information

The principal trading market for the shares is the Frankfurt Stock Exchange. Options on the shares trade on the German options exchange (*Eurex Deutschland*) and other exchanges.

The shares have traded on the Frankfurt Stock Exchange since March 13, 2000. The table below sets forth, for the periods indicated, the high and low closing sales prices for the shares on the Frankfurt Stock Exchange, as reported by the Frankfurt Stock Exchange Xetra trading system:

	<u>High</u>	<u>Low</u>
	<i>(Price per share in €)</i>	
April 2000 through June 2000 .....	92.50	51.56
July 2000 through September 2000 .....	88.70	54.88
October 2000 through December 2000 .....	56.42	38.72
January 2001 through March 2001 .....	47.99	35.08
April 2001 through June 2001 .....	49.75	27.39
July 2001 through September 28, 2001 .....	30.20	12.21
October 2001 through December 2001 .....	28.24	12.65
January 2002 through March 2002 .....	29.11	22.85
April 2002 through June 2002 .....	25.02	14.61
July 2002 through September 30, 2002 .....	17.50	5.61
October 2002 through December 2002 .....	11.71	5.34
January 2003 through March 2003 .....	8.56	5.55

On May 30, 2003, the closing sales price per share on the Frankfurt Stock Exchange, as reported by the Xetra trading system, was €7.61.

## Use of Proceeds

Pursuant to the terms of the Loan Agreement, Infineon Technologies Holding B.V. has undertaken to pass on to Infineon Technologies AG any proceeds from the issue of the Notes in the form of a subordinated loan.

The net proceeds of the issue after deduction of fees and expenses incurred in respect of the issue, including fees and commissions payable to the Underwriters and selling group of approximately €686 million will be used to support general corporate purposes.

## Legal Matters

### *Litigation*

**Rambus.** On August 7, 2000 and August 8, 2000, Rambus Inc. ("**Rambus**"), filed separate actions against the Company in the U.S. and Germany. Rambus alleges that the Company has infringed patents owned by Rambus that relate to the SDRAM and DDR DRAM products. The SDRAM product is a significant component of the Company's DRAM product line. If the Company were to be enjoined from producing SDRAM and DDR DRAM products, the Company's financial position and results of operations would be materially and adversely affected, as the Company would have to discontinue the SDRAM and DDR DRAM product lines or enter into a licensing arrangement with Rambus, which could require the payment of substantial licensing fees. The affected products currently constitute substantially all of the products of the Memory Products segment.

On May 4, 2001 and May 9, 2001, the Federal District Court for the Eastern District of Virginia dismissed all 57 of Rambus' patent infringement claims against the Company. In addition, the court found that Rambus committed fraud by its conduct in the JEDEC standard setting organization and awarded damages to Infineon. On January 29, 2003 the U.S. Court of Appeals for the Federal Circuit revised the District Court's claim construction on 4 claim terms, and remanded the infringement case back to the District Court for a jury trial on 4 remaining claims. The Company believes it has meritorious defenses to the allegations of infringement.

The Court of Appeals also reversed the District Court's finding that Rambus had committed fraud by its conduct in JEDEC. On February 26, 2003, the Company asked for a rehearing of this decision at



the Court of Appeals, but cannot predict the likelihood of a favourable outcome or whether the Company will ultimately prevail in the matter. The initial hearings on the German action commenced in May 2001. In its brief on February 9, 2001, Rambus amended its initial injunctive relief complaint to include a request for payment of damages for alleged infringement of the patents. No amount of damages have yet been declared. The initial hearing took place on May 18, 2001, at which time the Court noted the decisions of the parallel infringement suit in the U.S. The court has appointed a technical expert to render an opinion on the infringement issue. The opinion has been rendered but no decision has been made by the court yet.

In addition, the European Patent office declared on September 11, 2002, that the Rambus Patent had been unduly broadened, thus making it easier for the Company to defend against allegations of direct infringement. The Company believes that it has meritorious defenses and intends to vigorously defend itself in this matter.

If we were to be enjoined from producing SDRAM and DDR DRAM products, our financial condition and results of operations would be materially and adversely affected, as we would have either to stop producing our SDRAM and DDR DRAM products or enter into licensing arrangements with Rambus, under which we might have to pay substantial licensing fees. The affected products currently constitute substantially all of the products of our Memory Products business group. This business group contributed net sales of €1,844 million and a loss before interest, minority interest and taxes of €616 million in the 2002 financial year.

We also license RDRAM technology from Rambus. Our use of this technology is not in dispute in these proceedings.

In December 2002 Infineon AG was named party in a lawsuit before the regional court in Munich, Germany, alleging that it had misappropriated certain trade secrets and other proprietary information related to access cards for digital television systems. The complaint made against Infineon AG was made in connection with a lawsuit in the US, where the plaintiff in the Munich action is a defendant in a lawsuit by a provider of satellite TV services against allegations that it had misappropriated trade secrets of the satellite TV system provider. The claim in Munich also alleges that Infineon conspired to infringe the third party's patents and had colluded to create unfair competition. The complaint seeks unspecified damages and an injunction against further violations. The lawsuit is still at a very preliminary stage and no oral hearing has taken place yet. Additionally, the parent company of the plaintiff has acquired a controlling interest in the voting stock of the satellite TV system provider and is awaiting approval of a merger. As a result, the parties of the US law suit agreed to a mediation procedure to settle the case and that would influence the German action against Infineon. At this point in time, a stay of all of the proceedings is most likely at least until the final decision to approve the merger in the US is made within the next 10 to 12 months. If the merger is approved, the lawsuit will be stayed permanently with prejudice.

**Other Matters.** In October 1999, Deutsche Telekom AG ("DT") notified the Company of a potential contractual warranty claim in respect of chips supplied by the Company for DT calling cards. The claim relates to damages allegedly suffered by DT as a result of such cards being fraudulently reloaded by third parties. DT originally alleged damages of approximately €90 million as a result of these activities, reflecting damages suffered and the cost of remedial measures, and sought compensation from both Siemens and the Company.

In November, 2001, however, DT brought an action in court against Siemens alone. Siemens gave a third party notice to the Company and the Company has joined the court proceedings on the side of Siemens. DT currently claims damages of approximately €150 million. After an initial hearing, a court decision is expected to be rendered by end of May 2003. Should Siemens be found liable, the Company could be responsible for payments to Siemens in connection with certain indemnifications provided to Siemens at the Company's formation. The Company has investigated the DT claim and believes that it is without merit. The Company does not anticipate that the ultimate resolution of the DT claim will have a material adverse effect on the Company's financial position, results of operations or cash flows will result in connection with the DT claim.

In June 2002, Infineon Technologies AG's U.S. subsidiary, Infineon Technologies North America Corp., as well as other manufacturers of memory products, received a subpoena from a grand jury

sitting in the U.S. District Court for the Northern District of California in connection with an investigation of possible violations of U.S. federal antitrust laws involving pricing in the dynamic random access memory (DRAM) industry. The Company has been requested to provide information to the grand jury to assist with its investigation and intends to cooperate with any requests by officials involved in the investigation. In connection with this investigation Infineon Technologies AG and Infineon Technologies North America Corp. have been sued in several separate class actions by direct and indirect purchasers of DRAM. All actions allege that Infineon and other competitors conspired to fix the price of DRAM. The Company is in the process of investigating these allegations. The Company is unable to predict the outcome of these suits.

ProMOS and the Company have filed a series of preliminary injunctions, criminal and civil complaints against each other and representatives of each party relating to actions taken at the January 10, 2003 special meeting of the shareholders of ProMOS, alleged actions of breach of fiduciary duty and trust, as well as actions associated with the use of the Company's licensed technology by ProMOS. The Company intends to both vigorously defend itself and its representatives in all courses of action initiated by ProMOS, as well as vigorously pursue its actions filed against ProMOS and its representatives. The shareholders agreement, the product purchase and capacity reservation agreement and the technology license agreement provide for the use of an arbitration proceeding to resolve certain disputes.

ProMOS has initiated an arbitration proceeding relating to this dispute pursuant to International Chamber of Commerce (ICC) regulations which is to be conducted in Munich, Germany. The Company has received the statement of claim and is in the process of responding.

The Company has become aware, through published reports in media outlets, that MVI has apparently defaulted on indebtedness of NTD 4.7 billion, which is collateralized by a substantial portion of MVI's stockholdings in ProMOS. These published reports indicate that a bondholders meeting will be held on May 28, 2003 to discuss the resolution of this matter, including the potential disposition of such collateral. The Company is unable to predict the potential impact this event may have on its investment in ProMOS.

In April 2003, Infineon Technologies AG received a Request for Information from the European Commission (the "Commission") to enable the Commission to assess the compatibility with the Commission rules on competition of certain practices of which the Commission has become aware in the European market of DRAM memory products. The Company is in the process of responding.

The Company and Ericsson Holding International B.V. ("Ericsson") are in discussions relating to potential amendments to the June 2002 agreement for the acquisition by the Company of Ericsson's microelectronics business. Based on the results of these discussions, the Company believes that an amendment of the agreement is reasonably possible, which could result in the reduction or elimination of remaining acquisition indebtedness due to Ericsson, as well as modifications to existing purchase commitments of Ericsson. There can be no assurance that such negotiations will be successfully concluded.

Irrespective of the validity or the successful assertion of the above-referenced claims, however, we could incur significant costs with respect to defending against such claims, which could have a material adverse effect on our results of operations or financial condition. We are currently involved in other legal proceedings. However, we do not believe that the ultimate resolution of these other legal proceedings will have a material adverse effect on our results of operations or financial condition.

## **Auditors and Financial Year**

The auditors of Infineon Technologies are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstrasse 29, D-80339 Munich, who have examined the consolidated financial statements of Infineon Technologies AG as of and for each of the two financial years ended September 30, 2001, and September 30, 2002, and whose opinion is unqualified.

## **Announcements**

Announcements of the Issuer are made by publication in the Dutch official gazette (*Staatscourant*), and announcements by the Guarantor are made by publication in the German Federal Gazette (*Bundesanzeiger*).

All notices regarding the Notes shall be published in the following journals: (a) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), and (b) a leading daily newspaper printed in the English language and of general circulation in London (which is expected to be the Financial Times).

## **Material Adverse Change**

With respect to the Guarantor, except as disclosed herein under the captions “Infineon Technologies AG — Operating and Financial Review” and “Infineon Technologies AG Operating and Financial Review — Outlook for 2003” and taking into account the unaudited interim financial information of the Guarantor for the six month period ended March 31, 2003, incorporated herein by reference, there has been no material adverse change in the financial position of the Issuer or the Guarantor since September 30, 2002.

With respect to the Issuer, except as disclosed herein under the caption “Infineon Technologies Holding B.V. — Capitalization”, there has been no material adverse change in the financial position of the Issuer since September 30, 2002.

## **Payment Proceedings**

Payments of interest and principal, if any, on the Notes shall be made by the Issuer to the Principal Paying Agent for payment to Euroclear and Clearstream. Euroclear and Clearstream will transfer the amounts received directly to the Noteholders if the Notes are held in an account with either Euroclear or Clearstream. All other payments on the Notes shall be made by the Issuer to the Principal Paying Agent and the Principal Paying Agent shall transfer the received funds to a euro account designated by the Noteholders or the Depositary Bank.

## **Clearance**

The Notes have been accepted for clearance through the Clearing System with the following security identification numbers:

ISIN Code:	XS0168128030
Common Code:	016812809

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