

Qimonda AG

Corporate Governance Report 2008

In our view, good and responsible corporate leadership is the basis for increasing the value of the company in a sustainable way. This is why the Management Board and the Supervisory Board are following almost all recommendations of the German Corporate Governance Codex (“DCGK”).

Structure of the Management and Control of the Company

The German Stock Corporation law, which applies to Qimonda AG as a German stock corporation stipulates a two-tier system of corporate management and control, namely management by the Management Board and corporate control by the Supervisory Board. We are convinced that separating the two functions in this way facilitates good Corporate Governance.

Management Board

The Management Board of Qimonda AG – consisting during the financial year 2008 of three (and now, after the retirement of Dr. Michael Majerus, of two) members – is the company’s management body. It is solely bound by the interest of the company and is based on the objective of increasing the value of the company in a sustainable way. Under compulsory German stock corporation law it has overall responsibility for managing the company in a way that adds value. In accordance with the rules of procedure of the Management Board, all of its members jointly manage the company, subject to the individual Management Board members’ sole responsibility in their respective business areas.

Supervisory Board

The Supervisory Board advises and monitors the management of the Management Board. The Management Board informs the Supervisory Board regularly, without delay and comprehensively about all issues that are significant in terms of business development, planning and the risk situation and coordinates the strategy and its implementation with the Supervisory Board. The Supervisory Board discusses the quarterly reports and examines the company’s annual financial statements, for which it is assisted by the Audit Committee and the auditor is reporting. The Supervisory Board also resolves on the appointment and dismissal of members of the Management Board. The Supervisory Board consists of six members, two thirds of which in accordance with the German One-third Participation Act (*Drittelbeteiligungsgesetz*) are elected by the general shareholders’ meeting and one third are employee representatives.

Until 31 March 2008, the chairman of the Supervisory Board, Peter J. Fischl, has been member of the Management Board of Infineon Technologies AG, which directly and indirectly holds the majority of the shares in Qimonda AG. The member of the Supervisory Board, Dr. Reinhard Ploss, is a member of the Management Board of Infineon Technologies AG. All transactions between Infineon Technologies AG and Qimonda AG are done at arms' length. In view of the Supervisory Board no conflict of interest has occurred.

Supervisory Board Committees

The rules of procedure of the Supervisory Board provide for the establishment of two committees. These are the Presidential Committee and the Investment, Finance and Audit Committee. In addition, the Supervisory Board has set up a Technology Committee. The tasks, responsibilities and the way in which these committees work satisfy the requirements of the German Corporate Governance-Codex, the applicable regulations of German and U.S. law and of the New York Stock Exchange ("NYSE").

The Investment, Finance and Audit Committee consists of two shareholders' representatives and one employees' representative. The committee fulfils the tasks of an "Audit Committee" in accordance with U.S. law. The Supervisory Board has determined that Mr Richard Previte is a financial expert ("Audit Committee Financial Expert"). The committee also has the authority to engage independent counsel and other advisers to carry out its duties.

The Investment, Finance and Audit Committee supervises the company's accounting, discusses the quarterly and annual financial statements prepared by the Management Board and, on the basis of the external auditors' report concerning the audit of the financial statements – and after a discussion with them –, makes suggestions to the Supervisory Board concerning the approval of the annual financial statements. The committee also reviews the company's internal control system and the risk assessment, risk control and risk management procedures. In addition, the committee monitors compliance with legal provisions and official regulations. For this purpose, the company's compliance officer reports not only to the Management Board but also to the committee. Further, the committee is also responsible for the relationship between the company and the external auditor, for issuing the order to audit the financial statements, including the fee arrangements, to the external auditor, including the determination of the focus of the audit. Additionally, the auditor may only be instructed to carry out non-audit services to the extent approved by the committee. Finally, the committee's approval is required for human resources, financial and investment planning, major acquisitions, disinvestments and financial measures.

The Presidential Committee, which consists of the Chairman of the Supervisory Board and two further shareholders' representatives prepares the appointment and dismissal of Management Board members and the suggestions of suitable Supervisory Board candidates to the Supervisory Board for its proposals to the general shareholders' meeting. Furthermore, it is responsible for concluding, amending and terminating agreements with Management Board members and determines the amount and the structure of Management Board remuneration.

Shareholders and General Shareholders' Meeting

The company's shareholders make their decisions at the company's general shareholders' meeting which is held at least once a year. Each share grants one vote at the meeting. All shareholders who are entered in the register of shareholders and who have applied in time are entitled to take part in the general shareholders' meeting. Holders of Qimonda American Depositary Shares (ADS) exercise their voting rights pursuant to the agreements with the Depository (Citibank). The general shareholders' meeting resolves upon all matters that are assigned to it, in particular the election of the shareholders' representatives in the Supervisory Board, changes to the Articles of Association and any measures that change the capital structure of the company, the selection of the auditor, and the formal approval of the acts of the members of the Management Board and the Supervisory Board.

In accordance with a fixed financial calendar we report to our shareholders four times a year on the company's business development, financial and assets position and profitability. Our comprehensive Investor Relations activities include regular meetings and teleconferences with analysts and institutional investors, and stipulate ongoing dialogue with shareholders and analysts.

Business Conduct Guidelines and Code of Ethics in Financial Matters

We manage our company responsibly in accordance with the provisions of law and official regulations. We have established different guidelines which contribute to achieve this objective. Our Business Conduct Guidelines are binding for the Management Board and the employees. They contain, in particular, regulations about the (also anonymous) registering and treatment of complaints and indications to violations of these guidelines. The Business Conduct Guidelines also include our Code of Ethics for financial matters and are published on our website.

Qimonda AG Stock Option Plan 2006

Pursuant to the authorisation given by the general shareholders' meeting on 14 July 2006, the Management Board resolved upon the Qimonda Stock Option Plan 2006 ("Plan") on 8 November 2006, and the Presidential Committee of the Supervisory Board consented to it on 14 November 2006.

In accordance with the authorisation the Plan provides for the issuance of up to 6.0 million options on Qimonda shares. In three annual tranches

- up to 1.2 million options in total may be issued to members of the Management Board of Qimonda AG
- up to 1.0 million options in total may be issued to members of management of domestic and foreign companies affiliated with Qimonda AG and
- up to 3.8 million options in total may be issued to other management staff and other key personnel on levels below the Management Board of Qimonda AG and management level of domestic and foreign affiliated companies.

The options shall run for a total of six years from the date of allocation but may be initially exercised only after a waiting period of at least three years has elapsed.

The exercise of all options is conditional, among other things, on the market price of the Qimonda-ADS outperforming the reference index, the "Philadelphia Semiconductor Sector" at least once on at least three successive days during the life of the option.

The strike price of the options for an ordinary share in Qimonda AG is 100% of the average of the opening prices of Qimonda-ADS on the NYSE on the five trading days preceding the date of allocation of the options.

Information Provided in Accordance with Clause 6.6 of the DCGK

The members of the Management Board and the Supervisory Board do not own, directly or indirectly, any shares in Qimonda AG.

Remuneration Report

Remuneration of the Management Board in 2007/2008 Financial Year

The Presidential Committee of the Supervisory Board is responsible for determining the remuneration of the Management Board and is made up of the Supervisory Board Chairman Peter J. Fischl, the deputy Supervisory Board Chairman Richard Previte, the Supervisory Board member Prof. Dr. Claus Weyrich (until his retirement from the Supervisory Board on 7 August 2008), as well as the Supervisory Board member Dr. Reinhard Ploss (since his election to the Presidential Committee on 5 September 2008). The remuneration paid to the members of the Management Board of Qimonda AG is based on the size and the global orientation of the company, its economic position as well as the amount and the structure of management board remuneration in similar companies domestically and abroad. The areas of responsibility and the performance of the respective Management Board member is also taken into account. The Board remuneration consists of the following basic components:

- A fixed annual base salary, which is paid out in part monthly and in part after the end of the financial year.
- An annual bonus as a variable performance-based component. The annual bonus is linked to the return on total capital employed, which is defined as the operating result before interest and tax, adjusted for non-recurrent effects, in relation to the capital employed. An annual bonus is paid out after the calculation of the return on total capital employed and after the end of the financial year. In addition to the bonus linked to the return on total capital employed the Management Board contracts stipulate the possibility of granting a special bonus for achieving special targets.

Stock options have not been granted in the 2007/2008 financial year.

For the 2007/2008 financial year the members of the Management Board are entitled to the following cash remuneration (gross, before statutory deductions):

In Euro	Non performance-based		Performance-based remuneration	Total remuneration
	Salary	Other	Annual bonus	Total
Kin Wah Loh (Chairman)	1,100,000	72,774	0	1,172,774
Dr. Michael Majerus*	662,500	99,113	100,000	613
Thomas Seifert	650,000	24,396	100,000	674,396
Total	2,400,000	196,283	200,000	2,525,503

*The remuneration shown above includes remuneration for Dr. Majerus until his retirement.

Pension Commitments and Retirement Pensions (in the 2007/2008 Financial Year)

A fixed pension payment, which increases by €5,000 annually until a maximum amount has been reached, has been promised to the members of the Management Board and is dealt with in detail in their service contracts. In accordance with U.S. GAAP, a total of €838,872 was added to the pension reserves in the financial year 2007/08. Upon termination of membership in the Management Board, pension entitlements normally begin from age 65 at the earliest. Exceptions are provided for in cases such as departures from the board for health reasons, surviving dependents' pensions, and non-reappointment unless it occurs for reason pursuant to Sec. 84 para. 3 of the German Stock Corporation Act (*Aktiengesetz*). In the latter case, however, incomes from other employment or self-employed activities may be set off against up to one half of their pension entitlements.

The chart below shows the annual pension entitlements (from the time of the begin of the entitlement) of the Management Board members who were in service at the end of the financial year 2007/08 on the basis of the entitlements acquired until 30 September 2008:

	Pension Entitlement (Annual amount at the begin of the entitlement) in Euro	Maximum amount in Euro	Increase of the pension reserves in the financial year 2008 (pursuant to U.S. GAAP) in Euro	Position of the accrued pension reserves as of 30 September 2008
Kin Wah Loh (Chairman)	310,000	350,000	584,224	1,100,981
Dr. Michael Majerus*	130,000	200,000	141,738	259,278
Thomas Seifert	120,000	200,000	112,910	201,053
Total	560,000	750,000	838,872	1,561,312

* The company disclosed on 13 Oktober 2008 that Dr. Michael Majerus left the Management Board. Entitlements to pensions do not exist. Severance pay has neither been paid out nor is there an entitlement to it.

Supplementary Payments and Other Commitments (in 2008/2008 Financial Year)

- Apart from the remuneration components listed in the column headed "Other", the members of the Management Board did not receive any supplementary payments. The supplementary payments contained under such heading essentially refer to non-cash benefits due to the provision of company cars, allowances to insurance policies as well as to a company apartment of the CEO in Munich. In the case of Dr. Majerus, the compensation for remaining vacation time is included.
- The Management Board contracts contain change-of-control clauses: A change-of-control within the meaning of this clause occurs when a third party, individually or in cooperation with another party, holds 30 percent of voting rights in Qimonda AG. In case of such change-of-control, the Management Board members have the right to resign from their office and terminate their contract if the exercise of their office and the fulfilment of their service contract become unacceptable, due to, for instance, considerable restrictions in their areas of responsibility. In such an event, the Management Board members are entitled to a one-off compensation of one annual target income. In the event of a termination of the contract, or the removal from office, by Qimonda AG within 12 months after the announcement of a change of control, the Management Board members are entitled to a one-off compensation in the amount of the income due with respect to the remaining time of their contracts, in no case, however, less than two years. The chairman of the Management Board, as an exception to this rule, is entitled to a one-off compensation of two annual target incomes in case of a termination by him and of four annual target incomes in case of a termination by the company. The Management Board members' pension entitlements and rights arising out of stock options

remain unaffected. These rights in the event of a change of control, however, only exist if there is no serious breach of duty.

Management Board contracts, furthermore, do not foresee severance payments in the event of an early termination of contract. Severance payments may, however, be stipulated in individual termination agreements.

- Members of the Management Board are not granted any loans by the company.
- The members of the Management Board are part of a Group consequential loss liability insurance scheme (so called D&O Insurance). It is taken out or extended on an annual basis. The insurance covers the personal liability risk in the event that legal action for financial damages is taken against Management Board members in the course of carrying out their work and the damages exceed 25% of the non performance-based annual remuneration of the Management Board member that is the subject of the legal action in question. The deductible does not apply to legal defense expenses. Further, there is criminal law defence cost insurance.

Remuneration of the Supervisory Board in 2007/2008 Financial Year

The remuneration of the Supervisory Board is based on the size of the company, the duties and the responsibilities of the Supervisory Board members as well as on the performance of the company's share price. The remuneration of the Supervisory Board is regulated in Sec. 12 of the Articles of Association and contains two components:

- A fixed remuneration in the amount of USD 50,000 for each full financial year plus
- A variable component in the form of 5,000 stock appreciation rights for each full financial year (and prorated for shorter terms of office), which are issued and may be exercised subject to the same conditions as stipulated for stock options by the stock option plan valid in the financial year of the granting of the stock appreciation rights and approved by the general shareholders' meeting. Stock appreciation rights do not, however, grant any entitlement to subscribe to shares but merely to cash compensation.
- Certain positions receive additional remuneration: The chairman of the Supervisory Board receives an additional USD 100,000 for each full financial year, the deputy Supervisory Board chairman and each chairman of a Supervisory Board committee receive an additional USD 50,000 for each full financial year (each Supervisory Board member is, however, entitled to only one additional remuneration).

Members of the Supervisory Board are also reimbursed for all expenses that they incur in connection with the exercise of their position.

The emoluments of the individual Supervisory Board members in financial year 2007/2008 amounted to:

Supervisory Board member	Fixed remuneration in EUR (converted)
Peter J. Fischl*	52,268.45
Richard Previte	69,691.27
Dr. Lothar Armbrecht*	34,845.63
Professor Dr. Claus Weyrich* (until 7 August 2008)	29,715.58
Johann Grundbacher*	34.845,63
Professor Yoshio Nishi	69,691.27
Dr. Reinhard Ploss (since 19 August 2008)	---
Total:	291.057,83

* plus value added tax

Stock appreciation rights have not been granted in the 2007/2008 financial year.

Peter J. Fischl, the chairman of the Supervisory Board waived his right for remuneration pro rata temporis for the months October 2007 until and including March 2008. The member of the Supervisory Board Dr. Reinhard Ploss waived his right for remuneration for the duration of his Supervisory Board mandate in the financial year 2007/08.

Miscellaneous (Status as at 30 September 2008)

- Members of the Supervisory Board are not granted any loans by the company.
- The members of the Supervisory Board are part of a Group consequential loss liability insurance scheme (so called D&O Insurance). It is taken out or extended on an annual basis. The insurance covers the personal liability risk in the event that legal action for financial damages is taken against Supervisory Board members in the course of carrying out their work and the damages exceed 100% of the fixed annual remuneration of the Supervisory Board member that is the subject of the legal action in question. The deductible does not apply to legal defense expenses. Further, there is criminal law defence cost insurance.
- No further remuneration, in particular for consulting and brokerage work, was paid to members of the Supervisory Board.

Declaration of Compliance 2008 by Management Board and Supervisory Board of Qimonda AG pursuant to Sec.161 of the German Stock Corporation Act (*Aktiengesetz*)

The Management Board and Supervisory Board declare that the recommendations of the "German Corporate Governance Codex Government Committee" (version dated 14 June 2007) notified by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been complied with in the financial year 2007/2008 and that these recommendations (version dated 6 June 2008) are being complied with. The following exceptions apply:

--- The Management Board compensation system including the main contract elements is discussed and decided by the Presidential Committee of the Supervisory Board (Clause 4.2.2 of the DCGK).

--- The payments to Management Board members provided in their service contracts for the event of an early termination of service exceed, under certain circumstances, the value of two years' compensation ("Severance Payment Cap") and compensate for more than the remaining term of contract (Clause 4.2.3 para. 4 of the DCGK). Further, the payments to Management Board members provided in their service contracts for the event of an early termination of service due to a change-of-control exceed, under certain circumstances, 150 % of the Severance Payment Cap (Clause 4.2.3 para. 5 of the DCGK).

--- No age limit has been stipulated for Supervisory Board members (Clause 5.4.1 of the DCGK).

--- Ordinary membership of committees of the Supervisory Board is not taken into account in the remuneration of the Supervisory Board (Clause 5.4.7 of the DCGK).

In respect of the specified deviation from Clause 4.2.2 of the DCGK, we believe that the involvement of the Presidential Committee of the Supervisory Board with the Management Board compensation system including the main contract elements is more appropriate because this committee also decides in detail on the individual remuneration.

In respect of the specified deviation from Clause 4.2.2, para. 4 and 5 of the DCGK, we believe it is expedient that the Presidential Committee of the Supervisory Board is in a position to make flexible decisions on an individual basis.

In respect of the deviation from Clause 5.4.1 of the DCGK we believe that age in itself has no bearing on the qualification of Supervisory Board members.

We believe that the separate remuneration for ordinary membership in a committee of the Supervisory Board as recommended in Clause 5.4.7 of DCGK is not necessary in view of the overall level of Supervisory Board remuneration.

Further Remarks to the Declaration of Compliance 2008

Qimonda AG is listed on the NYSE. US domestic companies listed on the NYSE are subject to a number of capital markets laws (among others, the Sarbanes-Oxley Act), regulations of the stock market supervisory authority (Securities and Exchange Commission - SEC) and NYSE regulations. Largely, these regulations also apply to us as a non-US company that is listed on a U.S. stock exchange („Foreign Private Issuer“). Since, however, we are not listed on a stock exchange in the European Economic Area, certain European and German law regulations do not apply to us – or only in part.

Thus, the obligations to act and disclose cited in Clauses 3.7, 6.1, 6.2 and 6.6 of the DCGK are complied with only to the extent that they correspond to obligations of the German Stock Corporation Act or of applicable provisions of US law. To the extent the specified disclosure obligations are stipulated in the German Act on Securities Trade (*Wertpapierhandelsgesetz*) or in the German Act on Securities Acquisition and Takeovers (*Wertpapiererwerbs- und Übernahmegesetz*) they do not apply to Qimonda AG, because we are not listed in Europe. Instead, the relevant US capital markets law provisions are being complied with. We can not comply with the recommendation of Clause 2.3.2 of the DCGK to electronically transmit the invitation to the general shareholders' meeting since the consent requirements can not be complied with because we are not listed in Europe.

As Qimonda AG is fully consolidated in the group financial statements of Infineon Technologies AG, Qimonda AG is – pursuant to Sec. 291 para. 2 of the German Commercial Code – not required to prepare group financial statements pursuant to German law (cf. Clause 7.1.1 of the DCGK). Due to the listing of Qimonda AG on the NYSE, annual group financial statements are prepared according to U.S. GAAP and quarterly reports are also published. Due to the exclusive listing on the NYSE, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) is not responsible for enforcement with respect to Qimonda (cf. Clause 7.1.2 of the DCGK). Rather, Qimonda is subject to enforcement provisions of the SEC and the NYSE.