

Report of the Supervisory Board to the Annual General Meeting

MAX DIETRICH KLEY

Chairman of the Supervisory Board of Infineon Technologies AG



Dear Shareholders,

The Supervisory Board hereby presents its report on the performance of its duties over the past fiscal year.

At the ordinary meetings of the Supervisory Board, the Management Board has reported comprehensively on the company's business development, the economic situation of the company and its individual segments, as well as the company's financial and investment planning. In detailed quarterly reports, the Management Board reported to the Supervisory Board on topics such as the economic and financial development of the company over the previous quarter, major business transactions, risk issues, and material lawsuits. In the course of its meetings, the Supervisory Board discussed the information submitted by the Management Board in depth. The Management Board also reported verbally or in writing on events of particular importance. In individual discussions with the Management Board, the Chairman of the Supervisory Board was kept continually informed of significant developments and decisions within the company. The Supervisory Board regularly monitored the company's management through the Management Board, and supported the Management Board with its advice.

Over the fiscal year, the Supervisory Board convened in four ordinary and three extraordinary meetings.

MAIN ACTIVITIES OF THE SUPERVISORY BOARD

- Strategic orientation
- Acquisitions in the Communication Solutions (COM) segment
- Production strategy
- Participation in Qimonda AG

STRATEGIC ORIENTATION. The Supervisory Board dealt intensively, as it did the previous fiscal year, with the strategic direction of the company. The subject matter of the deliberations was, in particular, the further development of the Communication Solutions (COM) and Automotive, Industrial & Multi-market (AIM) segments after the carve-out of the Memory Products segment into Qimonda AG. Further

discussions concentrated on the Management Board's concept of a reduction of Infineon's participation in Qimonda.

The Management Board's strategy for profitable growth was another central point of discussion for the Supervisory Board. The Supervisory Board supports the Management Board's strategy of focusing Infineon with regard to its semiconductor and system solutions on the three core themes energy efficiency, communications, and security.

ACQUISITIONS IN THE COMMUNICATION SOLUTIONS (COM) SEGMENT. In an ordinary meeting on May 11, 2007 and an extraordinary meeting on June 22, 2007, the Supervisory Board deliberated in detail on the purchase of the Texas Instruments DSL customer premises equipment (CPE) activities. In an extraordinary meeting on August 20, 2007, the Supervisory Board discussed the purchase of the LSI mobility business. The Supervisory Board received comprehensive information from the Management Board as a basis for the evaluation of these acquisitions. In its deliberations, the Supervisory Board focused especially on information provided by the Management Board concerning business plans, risks and opportunities, the integration of the acquired businesses including their employees, IP rights, production issues, as well as the maintenance of customer relationships.

The Supervisory Board views the acquisition of the Texas Instruments DSL-CPE activities and the LSI mobility business as important milestones on the road to strengthening core business areas in the Communications Solutions segment and therefore granted the required approval to proceed with these acquisitions.

PRODUCTION STRATEGY. The Supervisory Board also dealt with the sale of Infineon's participation in ALTIS Semiconductor, based in Essonnes, France, to Advanced Electronic Systems AG (AES), and with the Management Board's "Fab Light" strategy to reduce the company's own production of advanced logic products.

On June 1, 2007, a new Management Board department for operations was created to move forward with the implementation of Infineon's production strategy. The department, headed by Dr. Reinhard Ploss, combines the units front-end and back-end production, procurement, logistics, and quality management that had previously been assigned to different departments.

PARTICIPATION IN QIMONDA AG. In its meeting on July 30, 2007, the Supervisory Board dealt with the business development of Qimonda AG and intensively discussed the drastic decline in prices for DRAM products and the measures taken by the Management Board of Qimonda AG. The Supervisory Board also deliberated the Management Board's intention to reduce the company's participation in Qimonda to considerably below 50 percent by the 2009 Annual General Meeting at the latest. The Supervisory Board supports the Management Board in its plan to use financial resources that result from the reduction of the company's participation in Qimonda to make selective acquisitions to strengthen its core areas of business or for share buybacks.

CORPORATE GOVERNANCE. The Supervisory Board firmly believes that good corporate governance is an essential factor in the success of the company, and has therefore regularly reviewed German and international corporate governance rules and their implementation in the company. At its meeting of November 23, 2006, the company's Corporate Governance Officer submitted his report to the Supervisory Board. At the July 30, 2007 meeting, the Supervisory Board reviewed the changes in the German Corporate Governance Code that had been implemented by the government commission. In light of

the continuing development of the German Corporate Governance Code, the Supervisory Board is of the view that the company has no further need for its own Corporate Governance Code. The Management Board and Supervisory Board have thus decided to do without the Infineon Corporate Governance Code. Corporate Governance continues to play a major role at Infineon Technologies AG, and the Supervisory Board, Management Board, and managerial staff work to ensure that the German Corporate Governance Code is actively upheld throughout the company.

At its November 30, 2007 meeting, the Supervisory Board discussed the efficiency of its own work. The Supervisory Board filed the 2006 Declaration of Compliance, in accordance with Sec.161 of the German Stock Corporation Act (Aktiengesetz), in November 2006, and the 2007 Declaration of Compliance in November 2007. Each year, only one exception was made from the recommendations of the Code. This and further details of Infineon's corporate governance are described in detail by the Management Board and Supervisory Board in the Infineon Corporate Governance Report.

SUPERVISORY BOARD COMMITTEE REPORT. The **Investment, Finance and Audit Committee** convened four times over the past fiscal year. The committee's activities focused on the examination of the interim reports, the preliminary auditing of the annual accounts, discussion of the auditor's report with the auditor, and the examination of finance and investment plans. In its meeting on July 25, 2007, the committee was informed in detail on the business development of Qimonda AG and discussed the measures already taken or required by the Management Board of Qimonda AG with regard to the drastic decline in prices for DRAM products. In this context, the committee turned its particular attention to the issues of cash flow, liquidity and financing. Moreover, the committee held several discussions on the company's sale of its shares in Qimonda AG. The committee also dealt with the 2008 corporate tax reform and its effects on the company. The CFO informed the committee on management's annual assessment of internal controls over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act. This assessment determined that there were no "material weaknesses".

On February 15, 2007, Gerd Schmidt was elected to replace Mr. Klaus Luschinetz as committee member. The chairman of the Supervisory Board, Max Dietrich Kley, resigned as chairman of the committee as of November 30, 2007, thus complying with a suggestion of the German Corporate Governance Code that the Supervisory Board chairman should not simultaneously chair the Audit Committee. Dr. Siegfried Luther was elected as new chairman of the committee.

The **Strategy and Technology Committee** convened three times over the past fiscal year, working in particular on the following topics:

- Energy efficiency and the ensuing business opportunity for the company;
- Innovation management along the value-added chain;
- Growth opportunities in power management.

There were no meetings of the **Executive Committee** over the past fiscal year. For reasons of expedience, committee members conferred mostly by telephone and passed resolutions afterwards by way of circulation of written proposals. The committee focused on issues such as stock option grants for the Management Board members, the Management Board contracts of Prof. Dr. Hermann Eul, Mr. Rüdiger A. Günther, and Dr. Reinhard Ploss, and the termination agreement with Mr. Günther. The committee discussed and decided on the addition of a change-of-control clause to Management Board members contracts.

The Investment, Finance and Audit Committee, the Strategy and Technology Committee and the Executive Committee regularly informed the Supervisory Board of their activities.

The **Mediation Committee** formed pursuant to Section 27(3) of the German Codetermination Act was not convened.

Gerd Schmidt took the place of Klaus Luschinetz on the Executive and Mediation Committees as of February 15, 2007.

At its meeting of November 30, 2007, the Supervisory Board created a **Nomination Committee**, following the recommendation of the German Corporate Governance Code. The committee is composed exclusively of shareholder representatives and will recommend suitable candidates to the Supervisory Board to be recommended by the board at the Annual General Meeting.

INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS. In the period under review Infineon's annual financial statements were again audited by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main. KPMG audited the individual financial statements of Infineon Technologies AG and the consolidated financial statements of the Infineon Group for the fiscal year ended September 30, 2007, as well as the combined operating and financial reviews (Lagebericht) of Infineon Technologies AG and of the Infineon Group. KPMG has rendered an unqualified auditor's opinion (uneingeschränkter Bestätigungsvermerk) for these documents. KPMG also confirmed that the consolidated financial statements were prepared in accordance with the provisions of U.S. GAAP and that the exemption provision under Section 292a of the German Commercial Code (HGB) in the version dated December 9, 2004, in conjunction with Article 58, para. 5, no. 2 of the Introductory Act to the German Commercial Code (EGHGB) was applicable.

All members of the Supervisory Board received the annual accounts and the consolidated financial statements as well as the combined operating and financial reviews (Lagebericht), prepared and submitted on time by the Management Board. These documents were subsequently examined by the Supervisory Board. The reports by KPMG on the audit of the annual accounts and the consolidated financial statements as well as the combined operating and financial reviews (Lagebericht) were also presented to all members of the Supervisory Board. These reports were discussed in detail at the meeting of the Investment, Finance and Audit Committee on November 13, 2007, and subsequently at the financial statements meeting of the Supervisory Board on November 30, 2007, in the presence of the auditors. At this meeting the Management Board also reported in detail on the scope, key areas, and costs of the audit. The Supervisory Board found no grounds for objection and agreed with the results of the audit, approving the annual and consolidated financial statements and the combined operating and financial reviews of Infineon Technologies AG and of the Infineon Group. The annual report and accounts are thus completed.

MANAGEMENT BOARD CHANGES. Effective December 1, 2006, Prof. Dr. Hermann Eul, previously a deputy member of the Management Board, was appointed full member of the Management Board with no change of his membership term. Effective September 1, 2007, Prof. Dr. Eul's Management Board membership was extended to August 31, 2012. Effective June 1, 2007, Dr. Reinhard Ploss was appointed member of the Management Board through May 31, 2012. Rüdiger A. Günther was appointed member of the Management Board as of April 1, 2007, and his appointment was revoked on August 6, 2007, an event that was discussed in detail at the Supervisory Board meeting of July 30, 2007. Peter J. Fischl retired from office as member of the Management Board as of April 30, 2007, and

was reappointed member of the Management Board effective August 7, 2007. The Supervisory Board would like to thank Mr. Fischl for his agreement to assume on short notice the positions of company CFO and labor director for an interim period.

COMPOSITION OF THE SUPERVISORY BOARD. Klaus Luschtinetz resigned from office as member of the Supervisory Board as of February 15, 2007. He was replaced by Gerhard Hobbach who was elected by the employees as substitute Supervisory Board member. Gerd Schmidt was elected to succeed Mr. Luschtinetz as deputy chairman of the Supervisory Board as of February 15, 2007. Dr. Stefan Jentzsch resigned from the board on August 2, 2007. Dr. Eckart Sünner, elected by the Annual General Meeting as substitute Supervisory Board member, replaced Dr. Jentzsch on the board.

We would like to thank the departing members of the Supervisory Board for their dedication and efforts. We would especially like to express our appreciation to Mr. Luschtinetz for his many years of responsible work as deputy chairman of the Supervisory Board and as member of the Executive and Investment, Finance and Audit Committees.

The Supervisory Board would like to express its thanks to the Management Board and all employees as well as employee representatives for their efforts and their performance over the past fiscal year.

NEUBIBERG, NOVEMBER 2007

ON BEHALF OF THE SUPERVISORY BOARD



MAX DIETRICH KLEY
Chairman of the Supervisory Board

