
Report of the Supervisory Board to the Annual General Meeting

MAX DIETRICH KLEY
Chairman of the Supervisory Board of Infineon Technologies AG



Ladies and Gentlemen,

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. The Supervisory Board was also kept fully informed by the Management Board about the business development, financial position and business prospects of Qimonda AG.

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 between meetings on events of particular importance. In individual discussions with the Management Board, the Chairman of the Supervisory Board and the Chairman of the Investment, Finance and Audit Committee were kept continually informed of significant developments and decisions within the company. The Supervisory Board regularly monitored the Management Board's management of the company and supported the Management Board with its advice.

Over the fiscal year, the Supervisory Board convened in four ordinary and three extraordinary meetings. One of the extraordinary meetings took the form of a telephone conference. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings over the course of the fiscal year ended.

MAIN ACTIVITIES OF THE SUPERVISORY BOARD

Analysis of the options for reducing the interest in Qimonda and discussion of the business development of Qimonda AG. The Supervisory Board received detailed information from the Management Board about the status of efforts to reduce the interest in Qimonda at all of its ordinary meetings. The Supervisory Board reviewed the options for reducing the interest in Qimonda and discussed them thoroughly with the Management Board. The Chairman of the Supervisory Board also received regular updates from the Chief Executive Officer and Chief Financial Officer between meetings.

The Supervisory Board addressed the business development, financial position and business planning of Qimonda AG in detail in each of its ordinary meetings. To this end, the Supervisory Board agreed explicit requirements with the Management Board in respect of the Management Board's reporting on Qimonda, and also arranged to receive reports from individual members of the Management Board of Qimonda AG.

The Strategy and Technology Committee looked at the issues associated with DRAM technology development and technology conversion at Qimonda AG, and the Investment, Finance and Audit Committee too kept Qimonda under very close observation. The Investment, Finance and Audit Committee also examined and approved the Management Board's proposal to reclassify the interest in Qimonda AG into "Assets held for sale" in the consolidated balance sheet. The committee chairmen reported to the full Supervisory Board on the results of the discussions on these topics in their respective committee. This information was then discussed in detail in the full Supervisory Board.

Reorganization and other measures to improve profitability. The Supervisory Board addressed the actual business position and expected business developments in the Automotive, Industrial & Multi-market (AIM) and Communication Solutions (COM) segments in detail in each of its meetings and received full reports from the relevant members of the Management Board and the Chief Executive Officer.

The Supervisory Board also scrutinized and approved the "IFX 10 Plus" company-wide restructuring program devised by the Management Board. This program is intended to bring about a significant improvement in profitability by reducing manufacturing costs, boosting efficiency throughout the organization and introducing rigorous and consistent portfolio management.

The Supervisory Board supports the reorganization of the old AIM and COM segments and their 14 business areas on October 1, 2008 to create five new Divisions with independent global profit responsibility.

Transactions requiring approval.

The rules of procedure for the Supervisory Board give it responsibility for approving financial and investment plans, including the investment budget, setting limits for financial indebtedness, and approving investments in fixed assets, portfolio investments, financial investments and divestments in cases where a single project exceeds 10% of the applicable total investment budget.

In the context of this approval requirement, the Supervisory Board discussed the financial and investment plans, including the investment budget, for the fiscal year 2008 at its meetings on November 30, 2007 and February 14, 2008 and gave them its approval on February 14, 2008. It also set a borrowing limit as part of this process.

The Management Board reported to the Supervisory Board in detail on the status of efforts to sell Infineon's stake in ALTIS Semiconductor S.N.C. based in Essonnes, France. The Supervisory Board approved this plan in its meeting of November 30, 2007.

In an extraordinary meeting on April 17, 2008, the Supervisory Board received an explanation of the reasons behind the acquisition of Primarion Inc. of Torrance, USA, and gave its approval.

At its meeting on December 11, 2008, the Supervisory Board discussed and approved in principle a loan to Qimonda AG. On December 29, 2008, the Supervisory Board resolved to grant a loan to Qimonda AG in the amount of up to €75 million as part of a financial package for Qimonda AG put together jointly by the Free State of Saxony and Portugal.

CORPORATE GOVERNANCE

As in the previous years, the Supervisory Board regularly reviewed German and international corporate governance rules and their implementation in the company. It discussed the changes to the German Corporate Governance Code agreed by the German government commission in June 2008 at its meeting on December 11, 2008.

At its July 31, 2008 meeting, the Supervisory Board discussed the efficiency of its own work, including its interaction with the Management Board. This discussion was based on the results of a survey of Supervisory Board members conducted using a set of questions designed to address the different elements and factors in the Supervisory Board's tasks. Following on from this analysis, the Management Board and Supervisory Board agreed specifications for the timescales and content of Management Board reports to the Supervisory Board.

The Supervisory Board filed the 2007 Declaration of Compliance, in accordance with Sec. 161 of the German Stock Corporation Act (Aktengesetz), in November 2007, and the 2008 Declaration of Compliance in December 2008. There was only one discrepancy with respect to the recommendations of the Code to be disclosed in each of the years concerned. 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.

The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. Material transactions between the company and members of the Management Board or any persons in close association with them require the approval of the Supervisory Board. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the fiscal year 2008. According to the recommendation in Section 4.3.5 of the German Corporate Governance Code, members of the Management Board are not supposed to take up secondary positions, especially supervisory board mandates outside the company, without the approval of the Supervisory Board. In its meeting of December 21, 2007, the Supervisory Board approved the acceptance of an external supervisory board mandate outside the company with the Board of Directors of Autoliv Inc. by Dr. Ziebart.

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 financial statements, the discussion of the auditor's report with the auditor, the examination of the finance and investment plans and the discussion of a limit for financial indebtedness. At its meeting of February 6, 2008, the committee approved the Management Board's proposal to change the consolidated financial reporting basis to the International Financial Reporting Standards (IFRS) from October 1, 2008.

The committee's duties also included defining the key areas of auditing in the fiscal year 2008 and monitoring the independence of the auditor. The Chief Financial Officer informed the committee about 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".

Another important aspect of the committee's work was the discussion of measures concerning the closer monitoring of business development at Qimonda AG. The Management Board gave the committee a full report on Qimonda AG's business development at every meeting, and the committee chairman additionally received regular oral updates from the Chief Executive Officer and Chief Financial Officer between meetings. The committee also intensively discussed the various options for reducing the interest in Qimonda on a number of occasions and made preparations for the discussion of the subject in the full Supervisory Board. Furthermore, at its meeting on December 23, 2008, the committee also addressed the issue of granting a loan to Qimonda AG in connection with the financial package to support Qimonda.

The committee approved the reclassification of the interest in Qimonda AG into "Assets held for sale" in the consolidated balance sheet in its meeting of April 21, 2008. This reclassification was necessary in order to prepare for the disposal and resulting deconsolidation of the interest in Qimonda AG and also focuses the company's reporting on its continuing operations.

The Chairman of the Supervisory Board, Max Dietrich Kley, resigned as chairman of the committee effective November 30, 2007 to comply with the German Corporate Governance Code's suggestion that the Supervisory Board Chairman not simultaneously chair the Audit Committee. Dr. Siegfried Luther was elected as new chairman of the committee.

The **Strategy and Technology Committee** convened four times in the fiscal year ended. This committee concentrated on the following topics:

- the business strategy of the various business areas,
- the company's strategy with respect to the planned commercial introduction of TDSCDMA mobile communication technology in China,
- innovation management along the value chain, and
- DRAM technology development at Qimonda.

The **Executive Committee** did not meet during the last fiscal year. For reasons of expedience, committee members conferred mostly by telephone and passed resolutions subsequently by circulating written proposals. The committee focused on issues such as the granting of stock options to the members of the Management Board. The committee decided that in light of the profitability situation, no stock options should be granted to Management Board members in the fiscal year 2008. The Executive Committee also approved the Management Board contracts of Peter Bauer and Dr. Marco Schröter and an agreement with Dr. Ziebart concerning the resignation of his seat on the Management Board.

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.

At its meeting of November 30, 2007, the Supervisory Board formed a **Nomination Committee**, following the recommendation of the German Corporate Governance Code. The committee is comprised exclusively of shareholder representatives and will recommend suitable candidates to the Supervisory Board to be recommended by the board at the Annual General Meeting. The Nomination Committee did not meet during the fiscal year ended.

The Supervisory Board decided at its meeting of July 31, 2008 to create a **Special Committee** comprising two shareholder representatives and two employee representatives and to transfer to this committee the authority to approve any sale of Infineon's interest in Qimonda. The sale of the interest in Qimonda is taking longer than originally anticipated by the Supervisory Board for a number of reasons, so the new Special Committee did not meet during the year under review. Committee members did not receive any additional remuneration based on committee membership in the year under review.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Infineon's annual financial statements were again audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, in the year under review. KPMG audited the financial statements of Infineon Technologies AG and the consolidated financial statements of the Infineon Group for the fiscal year ended September 30, 2008, 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. The half-yearly financial report and the other quarterly financial reports were also subjected to an auditor's review by KPMG. The consolidated financial statements and operating and financial review were for the first time prepared in accordance with International Financial Reporting Standards (IFRS).

At the end of November 2008, all members of the Supervisory Board received the provisional status of the financial statements, the consolidated financial statements in accordance with IFRS, and the combined operating and financial review (Lagebericht), as well as the consolidated financial statements and combined operating and financial review based on US-GAAP.

At the meeting of the Investment, Finance and Audit Committee on November 27, 2008, as well as at the meeting of the Supervisory Board on December 11, 2008, KPMG reported in detail on the audit of the provisional financial statements. At the meeting of the Supervisory Board on December 11, 2008, the Chairman of the Investment, Finance and Audit Committee outlined the committee's recommendations, and the provisional financial statements were examined thoroughly in the presence of the auditor. In view of the ongoing negotiations with the Free State of Saxony concerning financial support for Qimonda AG, the Supervisory Board approved the Management Board's proposal to postpone the preparation of and the final decision on approval of the financial statements. Moreover, at the meeting on December 11, 2008, the Management Board delivered a detailed report on the scope, key issues and costs of the audit and explained the risk management system.

Following presentation of the final financial statements prepared by the Management Board, the consolidated financial statements in accordance with IFRS, and the combined operating and financial review, as well as of the consolidated financial statements and the combined operating and financial review based on US-GAAP and reports from KPMG on the audit, the Investment, Finance and Audit Committee discussed these documents in detail in the presence of the auditor on December 23, 2008 and a final decision was taken to recommend approval to the Supervisory Board.

The financial statements prepared by the Management Board, the consolidated financial statements in accordance with IFRS, and the combined operating and financial review, as well as the consolidated financial statements based and the combined operating and financial review on US-GAAP were presented to all members of the Supervisory Board, who examined them with a particular emphasis on legal compliance, correctness and fitness for purpose. The KPMG reports on the audit of the financial statements and the consolidated financial statements, as well as on the combined operating and financial review, and the recommendations of the Investment, Finance and Audit Committee were likewise presented to all members of the Supervisory Board. The combined operating and financial review coincided with the Management Board's reports to the Supervisory Board. The Supervisory Board concurs with the statements made concerning the future development of the company. Based on the final result of its examination, the Supervisory Board has no objections to the financial statements or the audit by KPMG. The Supervisory Board confirmed the results of the audit on December 29, 2008 and approved the financial statements and consolidated financial statements of Infineon Technologies AG and of the Infineon Group. The financial statements are thus completed.

MANAGEMENT BOARD CHANGES

At its meeting of December 21, 2007, the Supervisory Board appointed Dr. Marco Schröter to the Management Board and the position of Labor Director for a term of five years. Dr. Schröter succeeded Peter J. Fischl when the latter retired on April 1, 2008. Dr. Wolfgang Ziebart resigned from the Management Board effective June 1, 2008. Peter Bauer's term of office as a member of the Management Board, which was due to end on September 30, 2008, was extended by three years to September 30, 2011. He was also appointed to the position of Chief Executive Officer for the duration of his term of office effective June 1, 2008. We would like to thank Dr. Ziebart and Mr. Fischl for their great commitment to our company.

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

NEUBIBERG, DECEMBER 2008
ON BEHALF OF THE SUPERVISORY BOARD



MAX DIETRICH KLEY
Chairman of the Supervisory Board