

REPORT OF THE SUPERVISORY BOARD TO THE GENERAL SHAREHOLDERS' MEETING



MAX DIETRICH KLEY
CHAIRMAN OF THE SUPERVISORY BOARD

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Ladies and Gentlemen,

The Supervisory Board hereby presents its report on the performance of its duties in the 2009 fiscal year. The year proved an extraordinarily difficult one for Infineon and our report consequently describes a period of very intense activity for the Supervisory Board.

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The Supervisory Board monitored the Management Board's management of the Company regularly and provided advice to assist the Management Board. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. At the ordinary meetings of the Supervisory Board, the Management Board reported comprehensively and promptly 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. Matters of concern were discussed thoroughly with the Management Board. The Management Board also reported verbally or in writing between meetings on events of particular importance. 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, risks and material lawsuits. The Supervisory Board also obtained regular detailed reports on the status of the refinancing efforts and the associated issues were the subject of intensive discussions between Supervisory Board and Management Board.

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The Supervisory Board discussed the information submitted by the Management Board in depth in the course of its meetings. In addition, 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 in individual discussions with the Management Board.

The Supervisory Board convened in four ordinary and four extraordinary meetings during the fiscal year. Three of the extraordinary meetings took the form of a telephone conference. In addition, urgent resolutions were passed by written resolution. 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

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Insolvency of Qimonda AG and impact on Infineon. In the course of the year under review, the Supervisory Board dealt in depth with the critical situation and subsequent insolvency of Qimonda AG and the possible impact on Infineon. At its meetings, it received regular information about the progress of the insolvency proceedings from the Management Board. At the meeting held December 11, 2008, the Management Board explained in detail the critical situation at Qimonda AG and the progress of the negotiations with the government of the Free State of Saxony about a financing package to support Qimonda. In this context, the possibility of granting a loan to Qimonda AG was also discussed in detail. The Supervisory Board approved in principle Infineon's involvement in the financing package by granting a loan in an amount considered reasonable in terms of Infineon's financial position on the one hand and the risks for Infineon that may result if Qimonda were to become insolvent on the other. This assessment was preceded by an explanation, given by the Management Board, of possible risks for the Infineon Group that may result if Qimonda were to become insolvent. The Supervisory Board and Management Board were in agreement that Infineon's continued existence would not be in jeopardy even if Qimonda AG were to become insolvent.

Measures to improve profitability and cost management. At all its meetings, the Supervisory Board considered in detail the actual business position and expected business development of the different segments. In addition, it concerned itself at great length with the impact of the financial and economic crisis on the Infineon Group. It asked the Management Board members responsible and the Chief Executive Officer to provide detailed reports on

Infineon's revenue development and performance as compared with its main competitors. The Supervisory Board supported the Management Board in its efforts to practice consistent crisis management, to ensure strict cash and cost discipline and to implement the necessary restructuring measures with vigor.

The Supervisory Board gave detailed attention to the Company-wide IFX10+ program devised by the Management Board and the package of measures to secure Infineon's future devised by the Management Board. It also discussed the impact of short-time work at the various locations on delivery capability, research and development activities and Infineon's cost situation.

Refinancing. The Company's refinancing was a focal point of the Supervisory Board's work in the year under review. The Supervisory Board received regular comprehensive updates from the Management Board on the status of the refinancing activities. The various alternatives and the measures ultimately implemented (the repurchase of the bonds, the issue of a new convertible bond and a capital increase) were discussed in detail with the Management Board over the course of a number of meetings. At the Supervisory Board's extraordinary meeting on July 9, 2009, the Management Board explained the reasons behind the planned capital increase and the associated requirement to publish key preliminary financial figures in the prospectus. The advantages and disadvantages of the planned capital increase and the possible entry of an investor were discussed in depth. The Supervisory Board concluded that the capital increase, backed by an anchor investor, appeared the most promising alternative for refinancing the Company.

Transactions requiring approval. The Rules of Procedure for the Supervisory Board give it responsibility for approving the financial and investment planning (including the investment budget and the setting of limits for financial indebtedness), investments in fixed assets, equity investments, financial investments and divestments in cases where a single project exceeds 10 percent of the applicable total investment budget.

In the context of this approval requirement, the Supervisory Board discussed at its meetings on December 11, 2008 and February 12, 2009 the financial and investment planning, including the investment budget, for the 2009 fiscal year on the basis of different scenarios for future revenue development. Given the unclear market development, the Supervisory Board approved the provisional financial and investment planning in both meetings, each time under the condition of a later review. It also set a limit for financial indebtedness as part of this process. The Supervisory Board approved the final financial and investment planning on April 2, 2009.

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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 approved the granting of a loan of up to 75 million euros to Qimonda AG, which was to form part of the financing package for Qimonda AG developed jointly with the Free State of Saxony and Portugal.

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At the meetings held on May 15 and July 1, 2009, the Management Board gave a detailed report to the Supervisory Board on the efforts to sell the Wireline Communications Division to a private equity investor and discussed the economic reasons for this sale. The Supervisory Board approved this project by written resolution on July 3, 2009, contingent on certain conditions being met.

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In addition, the Supervisory Board regularly received information about the efforts relating to the sale of its participation in ALTIS Semiconductor S.N.C., Essonnes (France).

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At an extraordinary meeting held on July 9, 2009, the Supervisory Board asked the Management Board for an in-depth explanation of the reasons for and details of the planned capital increase from existing authorized capital and the signing of a backstop agreement with the investment company Apollo and approved both projects. At the meeting on August 4, 2009, the Management Board reported to the Supervisory Board on the results of the capital increase. The Supervisory Board approved the Management Board's decisions relating to further details of the implementation of the capital increase and resolved the respective changes to the wording of the Articles of Association.

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Management Board compensation. At the meeting held on August 4, 2009, the Supervisory Board was briefed on the main aspects of the new German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) and any action the Supervisory Board needed to take as a result. Against this background, the Supervisory Board addressed the question of the appropriateness of Dr. Ziebart's compensation, including the pension entitlements, on August 21, 2009 and decided on a reduction. The Executive Committee was asked, with support from an independent external compensation expert, to review the existing Management Board compensation system. At its meeting on November 26, 2009, the Supervisory Board debated the provisional results of this review. The Supervisory Board believes that action needs to be taken to modify the existing compensation system and therefore resolved to have a modified Management Board compensation system developed.

Corporate Governance

As in previous years, the Supervisory Board regularly reviewed German and international corporate governance rules and their implementation in the Company. At its meeting on November 26, 2009, it discussed the changes to the German Corporate Governance Code agreed by the Government Commission in June 2009.

The Supervisory Board discussed the efficiency of its own work, including its interaction with the Management Board, on August 4, 2009. 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. In addition to several recommendations relating to an improvement in efficiency which were implemented consistently, the Management Board and Supervisory Board agreed that from time to time representatives of second tier management should report to the Supervisory Board on their areas of responsibility.

The Supervisory Board resolved the 2008 Declaration of Compliance in accordance with section 161 of the Aktiengesetz (German Stock Corporation Act, AktG) in December 2008 and the 2009 Declaration of Compliance in November 2009. The 2009 Declaration of Compliance was published on the Company's website on November 26, 2009. 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 the Supervisory Board in the 2009 fiscal year.

Composition of the Supervisory Board

The term of office of the employee representatives in the Supervisory Board expired as scheduled at the end of the last General Shareholders' Meeting. Mr. Wigand Cramer, Mr. Alfred Eibl, Mr. Peter Gruber, Mr. Gerhard Hobbach, Mr. Gerd Schmidt, Mr. Horst Schuler, Ms. Kerstin Schulzendorf and Mr. Alexander Trüby were elected as employee representatives to the Supervisory Board of Infineon Technologies AG. Mr. Jakob Hauser and Mr. Michael Ruth thus

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02 left the Supervisory Board on February 12, 2009 and Mr. Peter Gruber and Mr. Horst Schuler
03 were elected as new members to the Supervisory Board. Their term of office began at the end
04 of the General Shareholders' Meeting on February 12, 2009.

05 Prof. Winterkorn resigned his membership of the Infineon Technologies AG Supervisory
06 Board with effect from January 31, 2009. On January 23, 2009, the Munich District Court
07 appointed Mr. Arnaud de Weert to the Supervisory Board as Prof. Winterkorn's succes-
08 sor with effect from February 1, 2009. Moreover, in a letter dated February 18, 2009, Prof.
09 Johannes Feldmayer resigned his membership of the Infineon Technologies AG Super-
10 visory Board with immediate effect. On July 30, 2009, the Munich District Court appointed
11 Dr. Manfred Puffer to the Supervisory Board as Prof. Feldmayer's successor. The next
General Shareholders' Meeting in 2010 will conduct new elections for all shareholder
representatives in the Supervisory Board.

12 The Supervisory Board would like to thank all members who have left the Board for their
constructive and trusting cooperation.

13 The election of new employee representatives and Prof. Winterkorn's resignation neces-
14 sitated several elections within the Supervisory Board. In accordance with the German Code-
15 termination Act (Mitbestimmungsgesetz, MitbestG), Mr. Gerd Schmidt was again elected
16 Deputy Chairman of the Supervisory Board. He was also elected as employee representative
17 to the Investment, Finance and Audit Committee. In addition, Mr. Wigand Cramer, Mr. Alfred
18 Eibl and Mr. Gerhard Hobbach were elected as employee representatives to the Strategy and
19 Technology Committee. Mr. Arnaud de Weert was elected as shareholder representative on
20 the Strategy and Technology Committee. Prof. Klaus Wucherer was elected to the Execu-
21 tive Committee and the Mediation Committee. In addition, Mr. Alfred Eibl was elected as
22 employee representative to the Mediation Committee.

23 Article 6 (1) of the Articles of Association of Infineon Technologies AG stipulates that the
Supervisory Board should have the minimum number of members prescribed by law.
The Company previously had more than 10,000 employees in Germany and the Super-
visory Board accordingly consisted of 16 members according to Article 7 Part 1 (1) 2. of the
German Codetermination Act. Since the number of employees working at Infineon Tech-
nologies AG and its subsidiaries in Germany has since fallen below 10,000, the Manage-
ment Board instituted status proceedings in July 2009 to reduce the size of the Supervisory
Board to 12 members. To this end, the shareholders (through the 2010 General Sharehold-
ers' Meeting) and the employees (through their delegates) will each have to elect six new

Supervisory Board members. This means that the Supervisory Board will in future consist of only six shareholder and six employee representatives.

Supervisory Board Committee Report

In the year under review, the **Investment, Finance and Audit Committee** convened in seven meetings. Three of the meetings took the form of a telephone conference. The Committee's activities focused on the examination of the interim reports, the preliminary audit of the annual financial statements, consolidated financial statements and combined operating and financial reviews (Lagebericht), the discussion of the audit report with the auditor, the examination of the finance and investment planning and the discussion of the limit for financial indebtedness.

The Committee's duties also included defining the key audit areas in the 2009 fiscal year and monitoring the independence of the auditor. The Chief Financial Officer informed the Committee about the completion of the annual assessment of internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act. This assessment determined that there were no material weaknesses.

At its meeting held on December 23, 2008, the Committee had also discussed the granting of a loan to Qimonda AG as part of the financing package to support Qimonda. After Qimonda AG had filed for insolvency, the Committee dealt in depth with the impact of Qimonda AG's insolvency on Infineon. The Committee engaged in detailed discussion of the impact on the balance sheet and the recognition of provisions in particular. The Management Board informed the Committee at its meetings about the progress of the insolvency proceedings of Qimonda AG and any resulting risks for Infineon.

Another focal point of the Committee's activities was the discussion of the issuing of a convertible bond by Infineon Technologies Holding B.V. in May 2009. The Committee approved the issue of such a convertible bond and the assumption of a guarantee for this convertible bond by Infineon Technologies AG in a written resolution on May 12, 2009. To ensure that the placement was implemented as soon as possible, shareholders' pre-emptive rights were excluded. After completion of the bookbuilding procedure, the Committee approved at its meeting on May 18, 2009 the assumption of a guarantee by Infineon Technologies AG for a convertible bond to be issued by Infineon Technologies B.V. in a total nominal amount of 195.6 million euros, subject to the specific terms and conditions set by the Management Board.

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The Management Board also provided information in Committee meetings on the status of the different activities to refinance the Company, the various cash management measures and the progress of the IFX10+ program.

At the meeting held on April 27, 2009, the Management Board explained the risk management system in place at Infineon and at its meeting held November 11, 2009, the Committee discussed the implementation of the provisions of the German Act to Modernize Accounting Law (Gesetz zur Modernisierung des Bilanzrechts), especially the procedure for testing the efficiency of the risk management system and the effectiveness of internal control over financial reporting. Internal Audit's plans and the results of the audits conducted in the past fiscal year were also discussed.

The **Strategy and Technology Committee** convened in four meetings in the year under review, addressing the following topics in particular:

- Market position, business strategies and portfolio decisions of the five Divisions
- Backend technology and strategy as well as productivity improvements in operations
- Innovation Fab and establishment of skills networks
- Cooperation between Infineon and automotive manufacturers and suppliers
- Focusing on sensor technology

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In the year under review, the **Executive Committee** convened in two meetings and passed one written resolution. One of the issues addressed by the Committee was the granting of stock options to the members of the Management Board. On December 11, 2008, it was decided that in light of the poor profitability situation, no stock options would be granted to Management Board members. Accordingly, the members of the Supervisory Board also waived their share appreciation rights provided by the Articles of Association. In view of the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung), which came into effect in August, the Chairman of the Supervisory Board engaged an independent external compensation expert to review the compensation system for the Management Board. At a meeting held October 27, 2009, the Executive Committee discussed the preliminary results of this review and resolved a proposal for the next steps, which is to be presented to the full Supervisory Board.

In accordance with a recommendation of the German Corporate Governance Code, the **Nomination Committee**, which consists exclusively of shareholder representatives, proposes to the Supervisory Board suitable candidates for recommendation to the General

Shareholders' Meeting. In the course of the year under review, the Committee convened in two meetings. One of the meetings took the form of a telephone conference. One written resolution was also passed. Following the resignation of Prof. Martin Winterkorn, the Committee decided by written resolution in January to approve the nomination of Mr. Arnaud de Weert for appointment to the Supervisory Board by the court. In a telephone conference in July, the Nomination Committee then approved the nomination of Dr. Manfred Puffer as Prof. Feldmayer's successor for appointment to the Supervisory Board by the court. Moreover, in view of the election of new shareholder representatives in February 2010, the Nomination Committee convened on October 27, 2009 to determine candidates to be proposed to the full Supervisory Board for recommendation to the General Shareholders Meeting. At this meeting, the Nomination Committee also resolved to propose to the full Supervisory Board Prof. Wucherer as candidate for Chairman of the future Supervisory Board.

All Committees regularly gave the Supervisory Board detailed information about their work.

The **Mediation Committee** formed in accordance with section 27 (3) of the German Code-termination Act, was not convened.

The Supervisory Board decided at its meeting of July 31, 2008 to create a Special Committee and to transfer to this committee the authority to approve any sale of Infineon's interest in Qimonda. After Qimonda AG had filed for insolvency, this committee was no longer needed and the Supervisory Board therefore resolved at its meeting on February 12, 2009 to dissolve it again.

Financial Statements and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the annual financial statements of Infineon Technologies AG and the consolidated financial statements as of September 30, 2009 as well as the combined operating and financial reviews (Lagebericht) of Infineon Technologies AG and of the Infineon Group and gave them an unqualified audit opinion. The half-yearly financial report was also subjected to an audit review by KPMG.

The annual financial statements prepared by the Management Board, the consolidated financial statements prepared in accordance with IFRSs and the combined operating and financial reviews were submitted to all members of the Supervisory Board at the beginning of November 2009.

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The reports by KPMG on the audit of the annual financial statements, the consolidated financial statements and the combined operating and financial reviews were also presented to all members of the Supervisory Board. An initial detailed discussion of these reports with KPMG took place at the meeting of the Investment, Finance and Audit Committee on November 11, 2009. The Investment, Finance and Audit Committee resolved to recommend to the Supervisory Board that these reports should be approved. The Chairman of the Investment, Finance and Audit Committee explained the Committee's recommendations at the Supervisory Board meeting on November 26, 2009. The documents were examined thoroughly in the presence of the auditor at this meeting and were scrutinized by the Supervisory Board to ensure in particular that they were lawful, compliant and reasonable. The Management Board also reported in detail on the scope, key areas and costs of the audit and explained the risk management system. The combined operating and financial reviews corresponded to the Management Board's reports to the Supervisory Board. The Supervisory Board concurs with the statements on the future development of the Company. Following the final result of the review by the Supervisory Board, the Supervisory Board does not raise any objections to the financial statements and their audit. The Supervisory Board agreed with the results of the audit on November 26, 2009 and approved the annual and consolidated financial statements of Infineon Technologies AG and of the Infineon Group. The annual financial statements have thus been adopted.

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 great efforts and achievements over the past fiscal year.

Neubiberg, December 2009
On behalf of the Supervisory Board



Max Dietrich Kley
Chairman of the Supervisory Board