

Compensation Report of Infineon Technologies AG

This Compensation Report outlines principles for determining the compensation of the Management Board and Supervisory Board of Infineon Technologies AG, and the amount of compensation paid to the individual members of the Management Board and Supervisory Board. The Compensation report is based on the recommendations of the German Corporate Governance Code as amended on June 12, 2006.

Compensation of the Management Board in the 2006 financial year

The Execution Committee of the Supervisory Board is responsible for determining the compensation of the Management Board. Members of the Execution Committee are the Chairman of the Supervisory Board Max Dietrich Kley, the Vice-Chairman of the Supervisory Board Klaus Luschtinetz, and the member of the Supervisory Board Prof. Dr. Martin Winterkorn. The compensation of the members of the Management Board of Infineon Technologies AG is intended to reflect the company's size and global presence, its economic standing and the level and structure of the compensation paid to Management Boards of comparable companies at home and abroad. Additional factors taken into account are the duties and responsibilities, and the contribution made by the respective member of the Management Board. The compensation of the Management Board comprises the following elements:

> A fixed basic annual salary which – net of statutory deductions – is payable partly in monthly installments and partly at the beginning of the following financial year.

> An annual bonus as a variable, performance-related element. In the 2006 financial year, the annual bonus depended on the return on assets, which we define as net operating profit after taxes, minus exceptional effects, in proportion to capital employed. This ensures that a bonus is only earned if business develops positively. The annual bonus is paid after the end of the financial year. In addition to the bonus tied to the return on assets, the contracts concluded with the Management Board provide for a special bonus option awarded in recognition of special business achievements. In the 2006 financial year Dr. Wolfgang Ziebart and Mr. Kin Wah Loh each received a special bonus of €100,000 for special business achievement in the 2005 financial year.

> Options on Infineon Technologies AG stock deriving from the 2001 Stock Option Plan, as a variable compensation element with long-term incentive effect and risk character. The stock options can be exercised by December 12, 2012 following a waiting period of two years for 50% of the options, three years for 25% of the options and four years for a further 25% of the options, at a price of €8.20, on the terms provided for in the 2001 Stock Option Plan. The monetary value of the stock options is €3.19 per option, determined according to the Black-Scholes option-pricing model. Basic principles of our 2001 Stock Option Plan are available in full text on the Internet at www.infineon.com.

In the 2006 financial year, the members of the Management Board received the following monetary compensation (gross, without statutory deductions):

	Non-performance-related compensation in €			Performance related compensation in €	Total compensation in €
	Salary			Bonus	Total
Management Board	Payment in 12 monthly installments	Payment after financial year end	Others ¹	Bonus	Total
Dr. Wolfgang Ziebart	800,000	800,000	35,563	100,000	1,735,563
Peter Bauer	360,000	540,000	16,438	–	916,438
Prof. Dr. Hermann Eul	350,000	58,333 ²	9,058	–	417,391
Peter J. Fischl	400,000	600,000	30,379	–	1,030,379
Kin Wah Loh	243,750 ³	450,000 ⁴	111,769 ⁵	100,000	905,519
Total	2,153,750	2,448,333	203,207	200,000	5,005,290

1 Compensation elements in the "Others" column basically comprise monetary advantages resulting from the provision of a company car and insurance contributions.

2 This sum comprises the one-off payment paid in the last financial year for the preceding 2005 financial year pro-rated as of 1 August 2005, the day on which Prof. Dr. Eul was appointed to the Management Board.

3 This sum comprises the pro rata temporis monthly compensation up to April 15, 2006, because Mr. Loh retired from the Management Board with effect from this date.

4 This sum comprises the one-off payment paid in the last financial year for the preceding 2005 financial year, and the pro rata temporis one-off payment for the last financial year.

5 This sum is a one-off compensatory payment to Mr. Loh in view of his higher tax burden in Germany due to his longer presence in Germany (as compared with Singapore where Mr. Loh resides).

The members of the Management Board received the following number of stock options from the Infineon 2001 Stock Option Plan in the 2006 financial year:

Management Board	Number of stock options
Dr. W. Ziebart (CEO)	160,000
P. Bauer	80,000
Prof. Dr. H. Eul	80,000
P. Fischl	80,000
Kin Wah Loh	80,000
Total	480,000

Pension awards and retirement pay (in the 2006 financial year)

The retirement pay agreement with the President and CEO fixes the retirement pay at a certain percentage of the last basic monthly salary. A contractual commitment to the other members of the Management Board has been made in the form of a fixed sum. Accrued pension liabilities allocated to the Management Board increased by €4,354,831 in the 2006 financial year. Former members of the Management Board received retirement pay of €100,000 in the 2006 financial year.

Fringe benefits and other awards (in the 2006 financial year)

- > The members of the Management Board received no fringe benefits besides the elements identified in the "Others" column.
- > The contracts of employment of some members of the Management Board provide for the payment of a one-off transitional allowance in the event of termination of employment. The transitional allowance is equivalent to an annual income composed of the last 12 basic monthly salaries, and a sum amounting to the average of the bonus sums paid for the last three financial years prior to termination. There is no right to the payment of a transitional allowance in the event of termination not prompted by the company by the member of the Management Board, and if the company has good cause for termination.
- > Members of the Management Board do not receive any loans from the company.

> The company maintains a directors' and officers' group liability insurance (D&O insurance). The insurance policy is taken out/renewed annually. The insurance covers the personal liability risk in the event of claims raised against members of the Management Board for indemnification of losses incurred in the exercise of their duty, if the claimed loss exceeds 25 % of the non-performance-related compensation of the respective Management Board member. (Deductible as defined by the German Corporate Governance Code, clause 3.8, para. 2).

Compensation of the Supervisory Board for the 2006 financial year

The compensation of the Supervisory Board is determined in the company's Articles of Incorporation. It is intended to reflect the company's size, the duties and responsibilities of the members of the Supervisory Board, and the company's economic position and performance. The compensation of the Supervisory Board is governed by Section 11 of the Articles of Incorporation and comprises two elements:

- > A fixed compensation of €25,000
- > A variable element which takes the form of 1500 share appreciation rights per annum. They are issued and may be exercised on the same terms as provided for by the Stock Option Plan which is applicable to the company in the financial year of issue of the share appreciation rights and is approved by the Shareholders' Annual General Meeting. These share appreciation rights, however, do not entitle to a share purchase but only to settlement in cash. The share appreciation rights can be exercised following a waiting period of two years for 50 % of the share appreciation rights, three years for 25 % of the share appreciation rights and four years for a further 25 % of the share appreciation rights, at a price of €8.20. The monetary value of the share appreciation rights is €3.19 per share appreciation right, determined according to the Black-Scholes option-pricing model.

Additional compensation is paid for certain positions within the Supervisory Board. The Chairman of the Supervisory Board additionally receives 100 % of the fixed compensation, each Vice-Chairman and each other member of a committee of the Supervisory Board, with the exception of the committees formed by operation of law, additionally receive 50 % of the fixed compensation.

Members of the Supervisory Board additionally receive compensation for all expenses incurred in connection with performing the assignment, as well as the VAT apportioned to their compensation, insofar as they can charge for it separately and do so.

The individual members of the Supervisory Board received the following cash compensation, including 19 % VAT, in the 2006 financial year.

Supervisory Board member	Fixed compensation in €
Max Dietrich Kley	59,500
Wigand Cramer ¹	12,396
Alfred Eibl	35,948
Dr. Joachim Faber ²	18,594
Johannes Feldmayer	29,750
Jakob Hauser	35,948
Dr. Stefan Jentzsch	29,750
Prof. Dr. Renate Köcher	29,750
Klaus Luschtinetz	44,625
Dr. Siegfried Luther ³	29,750
Michael Ruth	29,750
Dieter Scheitor ⁴	12,396
Gerd Schmidt	29,750
Prof. Dr. Doris Schmitt-Landsiedel	35,948
Kerstin Schulzendorf	29,750
Alexander Trüby	35,948
Prof. Dr. Martin Winterkorn	44,625
Prof. Dr.-Ing. Klaus Wucherer	35,948
Total	580,126

1 From April 20, 2006

2 Up to February 16, 2006 (retirement from office)

3 Up to February 16, 2006

4 Up to February 28, 2006 (retirement from office)

Others (2006 financial year)

- > Members of the Supervisory Board do not receive any loans from the company.
- > The company maintains a directors' and officers' group liability insurance. The insurance policy is taken out/renewed annually. The insurance covers the personal liability risk in the event of claims raised against members of the Supervisory Board for indemnification of losses incurred in the exercise of their duty, if the claimed loss exceeds 100 % of the fixed compensation of the respective Supervisory Board member. (Deductible as defined by the German Corporate Governance Code, clause 3.8, para. 2).