

REPORT OF THE SUPERVISORY BOARD TO THE ANNUAL GENERAL MEETING

Ladies and Gentlemen,

The Supervisory Board hereby presents its report on the performance of its duties in the 2011 fiscal year. The Company made excellent progress over the course of the year, achieving a Total Segment Result Margin of 19.7 percent and announcing a second successive dividend for our shareholders.

The Supervisory Board tracked the position of the Company closely as usual in the 2011 fiscal year, with both the full board and its committees meeting many times. The Supervisory Board monitored the management of the Company regularly. It assisted the Management Board in its advisory capacity and was directly involved in all decisions of fundamental importance to the Company. The Management Board provided prompt and comprehensive reports on the course of business and financial and investment planning and on the financial position of the Company and its individual segments in the ordinary meetings of the Supervisory Board and all matters of concern were discussed thoroughly with the Management Board. The Management Board also provided oral or written reports on events of particular importance in extraordinary meetings and between meetings. The detailed quarterly reports submitted to the Supervisory Board by the Management Board covered topics such as the economic and financial development and profitability of the Company over the respective quarter ended, important business transactions, the risk situation and significant lawsuits.

The Chairman of the Supervisory Board, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee also held individual discussions with the Management Board between meetings in order to remain abreast of significant developments and decisions within the Company.

The Supervisory Board convened in four ordinary and two extraordinary meetings during the year under review. All members of the Supervisory Board attended at least half of the Supervisory Board meetings held over the period.

MAIN ACTIVITIES OF THE SUPERVISORY BOARD

Strategic matters

The Management Board reported in detail on its strategy for the long-term direction of the Company and its assessment of market developments and also kept the Supervisory Board fully informed about the capacity and capacity utilization situation in production and its manufacturing strategy for the future. The information supplied by the Management Board was supplemented by the reports of the Chair of the Strategy and Technology Committee to the full Supervisory Board concerning the activities of the committee.



WOLFGANG MAYRHUBER
Chairman of the Supervisory Board

At the extraordinary meeting held on October 27, 2011, the Supervisory Board discussed in detail the Management Board's motivations and objective of the planned reorganization of the Company, in particular the splitting of the fast-growing Industrial & Multimarket (IMM) segment on January 1, 2012 to create two independent areas to be known as Industrial Power Control (IPC) and Power Management & Multimarket (PMM). The Supervisory Board approved the planned organizational changes on the basis that given the rapid growth and increasing application complexity characteristic of the areas concerned, the proposed structure will enable the Company to respond faster and more flexibly to customer wishes and market requirements.

Capital return program

The Management Board reported to the Supervisory Board on its capital return plans in two ordinary meetings. Infineon intends to devote a sum of up to 300 million euros to capital return measures in the period through March 2013 on the basis of the authorization to repurchase shares granted by the Annual General Meeting on February 17, 2011. The capital return may be effected by the acquisition of own shares using put options. Another possibility is the direct repurchase of own shares in Xetra trading on the Frankfurt Stock Exchange. The Company may also repurchase additional parts of the Company's outstanding convertible bond. The Supervisory Board supports the Management Board's plans to share Infineon's economic success with investors and approved the proposed capital return program at its meeting on May 9, 2011.

Transactions requiring approval

The Supervisory Board's and the Management Board's rules of procedure stipulate that certain transactions and measures, specifically including financial and investment plans, the investment budget and the setting of borrowing limits, require the consent of the Supervisory Board.

The Supervisory Board discussed the financial and investment plans and investment budget for the 2011 fiscal year in accordance with this requirement at its meeting on November 30, 2010 and also set a borrowing limit. The investment budget was increased with the consent of the Supervisory Board step by step in the 2011 fiscal year in response to a variety of planned investments, most notably in the area of production. The Management Board additionally presented its medium-term investment planning for the 2012 and 2013 fiscal year and the investment framework for the 2012 fiscal year at the Supervisory Board meeting on May 9, 2011.

The Supervisory Board approved the purchase of real estate and production facilities belonging to Qimonda Dresden GmbH & Co. OHG by Infineon Technologies Dresden GmbH for a total of 100.6 million euros at its meeting on May 9, 2011. This transaction secures for Infineon the 300-millimeter production facilities it needs in order to pursue the envisaged establishment of a large-scale production operation for power semiconductors on 300-millimeter wafers.

Management Board compensation

The Supervisory Board deliberated over the provisions of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung) and the recommendations of the German Corporate Governance Code relating to Management Board compensation in detail. In the 2010 fiscal year, the Supervisory Board had already commissioned external independent compensation experts to assess the compatibility of the existing compensation system with these provisions and recommendations and draw up a modified Management Board compensation system for the Company on the basis of this assessment. The proposals put forward by the external experts were discussed in detail and prepared for approval by the full Supervisory Board over the course of a number of Executive Committee meetings and the system as a whole was approved in the meeting on November 22, 2010. Details of this new compensation system may be found in the Compensation Report, which appears in the Annual Report. The new compensation system was adopted by the Annual General Meeting on February 17, 2011 and is intended to apply to all future members of the Management Board. The existing contracts with Management Board members Peter Bauer and Dr. Reinhard Ploss were amended to bring them in line with the new compensation system with effect from October 1, 2010.

Management Board matters

The Supervisory Board decided at its meeting on November 30, 2010 that Mr. Bauer and Dr. Ploss should have their term of office extended at the same time as having their Management Board contracts amended to reflect the new compensation system. Mr. Bauer had his term of office extended through September 30, 2016 and was reappointed to the position of CEO for the duration of this term. Dr. Ploss had his term of office extended through September 30, 2015 and was reappointed to the position of Labor Director.

The Supervisory Board began its search for a new CFO as soon as Dr. Schröter departed in August 2010, a process in which it was assisted by an international consulting company specializing in the sourcing of management board members. Acting in accordance with the proposal of the Executive Committee, it appointed Mr. Dominik Asam to the post of CFO at its meeting on November 22, 2010. Mr. Asam started in his new position on January 1, 2011.

Supervisory Board activities in the 2011 fiscal year also included consideration of the future demands on the Company's management and the fundamental question of whether the Management Board needs to be expanded. At the Supervisory Board meeting on July 27, 2011, the Chairman of the Executive Committee informed the Supervisory Board of its concept and the progress of the committee's deliberations and the Supervisory Board discussed the planned next steps. The Supervisory Board subsequently appointed Mr. Arunjai Mittal, who was proposed for the post by the Executive Committee, as an additional member of the Management Board at an extraordinary meeting held on October 27, 2011. Mr. Mittal, previously Head of the Industrial & Multimarket (IMM) Segment, takes up his new position on January 1, 2012. This expansion of the Management Board will enable the Company to redouble its efforts to increase market penetration in the key growth regions in particular. The Supervisory Board believes that with his education, experience in the global semiconductor business, international career as well as his background and intercultural expertise Arunjai Mittal is ideally qualified for this new role. Given his global connections with customers and business partners, Arunjai Mittal is best suited for the successful implementation of his new tasks.

Corporate Governance

As in previous years, the Supervisory Board reviewed the corporate governance rules and their implementation within the Company on a regular basis. It discussed the changes to the German Corporate Governance Code adopted by the Government Commission in May 2010 in its meeting on November 22, 2010. In this context, it also addressed the issue

of diversity and specified concrete objectives in accordance with the recommendation in section 5.4.1 of the German Corporate Governance Code. The composition of the Supervisory Board should reflect the diversity to be found in a global company like Infineon as closely as possible. The Supervisory Board specified that at least two of its members should be women and at least a third of its members should be “international” representatives. The Supervisory Board already meets these criteria and it is intended that it continues to do so at all times in future.

The Supervisory Board adopted the 2010 Declaration of Compliance in November 2010 and the 2011 Declaration of Compliance in October 2011. The 2011 Declaration of Compliance was published on the Company’s website on November 2, 2011. 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 Supervisory Board reviews the efficiency of its work, including its interaction with the Management Board, once a year. In the 2010 fiscal year, an external independent consultant was engaged for the first time to conduct a detailed survey of Supervisory Board activities. The findings of this external efficiency study were presented and discussed in the Supervisory Board meeting on November 30, 2010. The most recent efficiency study took place in the fall of 2011: the efficiency of Supervisory Board activities, including its interactions with the Management Board, was assessed using a set of questions designed to address the different elements and factors in the Supervisory Board’s tasks and the Supervisory Board then discussed the findings at its meeting on November 22, 2011.

The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the 2011 fiscal year. Material transactions between the Company and members of the Management Board or related parties require the approval of the Supervisory Board. The same applies in respect of consulting agreements and other contracts for goods or services between the Company and a member of the Supervisory Board. Acting on a precautionary basis, the Supervisory Board moved in November 2010 to approve a contract between the Company and Technical University of Munich (TUM) concerning the performance of research and development work in the area of automotive sensing on the grounds that Prof. Dr. Schmitt-Landsiedel is the head of TUM’s Institute for Technical Electronics.

Composition of the Supervisory Board

The Supervisory Board of Infineon Technologies AG has twelve members and comprises an equal number of shareholder representatives and employee representatives as stipulated in the German Codetermination Act (*Mitbestimmungsgesetz – MitbestG*). The shareholder representatives are elected by the Annual General Meeting, the employee representatives by employee delegates at Infineon’s German facilities in accordance with the German Codetermination Act. The regular term of office of Supervisory Board members is five years. New elections were held in the 2010 fiscal year for both the shareholder representative and the employee representative positions on the Supervisory Board. The term of office of all members of the Supervisory Board runs through the end of the Annual General Meeting that decides on the approval of the acts of the Supervisory Board during the 2014 fiscal year.

Prof. Dr. Klaus Wucherer resigned from his post with effect from the end of the Annual General Meeting on February 17, 2011. The Supervisory Board decided on November 22, 2010 to accept the proposal submitted by the Nomination Committee on November 20, 2010 and propose to the Annual General Meeting that Mr. Wolfgang Mayrhuber be elected to succeed Prof. Dr. Wucherer on the Supervisory Board. The Annual General Meeting accepted this proposal and elected Mr. Wolfgang Mayrhuber to the Supervisory Board on February 17, 2011. The Supervisory Board elected Mr. Mayrhuber as its new chairman in a meeting held on the same day.

Prof. Dr. Wucherer was a member of the Company's Supervisory Board from its inception and became chairman in February 2010. The Supervisory Board would like to express its deep gratitude to Prof. Dr. Wucherer for his many years of highly constructive, dedicated and successful service.

The Supervisory Board has established the following committees: a Mediation Committee in accordance with section 27, paragraph 3, MitbestG, an Executive Committee, an Investment, Finance and Audit Committee, a Strategy and Technology Committee and the Nomination Committee recommended in the German Corporate Governance Code.

The Supervisory Board decided in the 2010 fiscal year that all of its committees should have an equal number of employee representatives and shareholder representatives apart from the Nomination Committee, which consists exclusively of shareholder representatives.

Following his election to the Supervisory Board by the Annual General Meeting, Mr. Mayrhuber was elected by the Supervisory Board to the position of Chairman of the Mediation Committee and the Nomination Committee. According to the Supervisory Board rules of procedure, his position as Chairman of the Supervisory Board means that he is also Chairman of the Executive Committee. Dr. Sünner continues to serve as Chairman of the Investment, Finance and Audit Committee and Prof. Dr. Schmitt-Landsiedel remains Chairwoman of the Strategy and Technology Committee.

Supervisory Board Committee Reports

The Investment, Finance and Audit Committee convened in four ordinary meetings during the year under review.

Its activities centered on monitoring the financial reporting process, reviewing the quarterly financial statements, conducting the preliminary audit of the separate financial statements, consolidated financial statements and Management Report of Infineon Technologies AG and of the Infineon Group and discussing the audit report with the auditor. It also discussed and reviewed the financial and investment plans and the borrowing limit, including an investment framework for the 2012 fiscal year, as a matter of priority. These issues were addressed at the meetings on May 2 and July 27, 2011. The committee also considered the effectiveness of the internal control system, internal audit system and risk management system and the Company's compliance organization, among other matters, and arranged to receive detailed reports on the most significant lawsuits and the disputes with the insolvency administrator of Qimonda AG.

Other duties performed by the committee included specifying the key areas to be examined in audit activities in the 2011 fiscal year and monitoring the auditor's independence and the additional services performed by the auditor. It prepared the Supervisory Board's proposal to the Annual General Meeting regarding the selection of the auditor, moreover, and engaged the auditor to audit the separate and consolidated financial statements and carry out the auditor's review of interim financial reports.

The auditor attended all of the Audit Committee's ordinary meetings and reported in detail on its audit activities.

The Strategy and Technology Committee convened in four ordinary meetings during the year under review.

It paid particular attention to the Company's manufacturing strategy and, insofar as they relate to the manufacturing strategy, to the investment budget and actual investments planned and to market developments. Other issues considered by the committee included innovation activities at Infineon and various related initiatives plus the subject of HR development, HR management and diversity.

The **Executive Committee** convened in four meetings in the year under review.

As already reported at the last Annual General Meeting, it conducted a thoroughgoing examination of the external consultants' proposals for a new Management Board compensation system and its proposal that the system put forward be adopted was approved by the Supervisory Board on November 22, 2010. The committee also laid the groundwork for the resolutions to be considered by the Supervisory Board in the matters mentioned above, an aspect of its work that included supporting the process to find and select the new CFO (a full report on the search and selection process was also provided at the last Annual General Meeting).

The committee addressed the fundamental question of whether the Management Board needs to be expanded and how this might be done at its meetings on July 1 and September 14. Following unanimous agreement in the Executive Committee and the full Supervisory Board that the Management Board should be expanded to four members, the search for a suitable candidate began. Both international and national, internal and external as well as female and male candidates were considered. The committee received assistance in its search from an external consultant that conducted a development assessment with potential candidates. Drawing on the findings of the development assessments and meetings between individual members of the Supervisory Board and the preferred candidate, the Executive Committee resolved in a further meeting on October 7, 2011 to propose to the Supervisory Board that Mr. Arunjai Mittal be appointed to the Management Board.

The Executive Committee additionally completed the preparatory work for the Supervisory Board resolutions in relation to Management Board compensation, which included in particular defining target values for the variable element of Management Board compensation and granting stock options to the members of the Management Board.

It addressed the low level of Supervisory Board compensation as compared with other DAX 30 companies too and engaged an independent consultant to draw up proposals for the revision of Supervisory Board compensation. Having been agreed by the full Supervisory Board in November 2010, the modified Supervisory Board compensation package was submitted to and approved by the 2011 Annual General Meeting.

At its meeting on November 22, 2010, the full Supervisory Board adopted the committee's recommendation to it that the deductible in the D&O insurance for the Supervisory Board be increased to bring it in line with a recommendation of the German Corporate Governance Code.

The **Nomination Committee** convened in two meetings in the year under review.

It decided in the first of these, which took place in November 2010, to propose to the Supervisory Board that Mr. Wolfgang Mayrhuber be elected to succeed Prof. Dr. Wucherer as Chairman of the Supervisory Board. Following his election to the Supervisory Board by the Annual General Meeting, the Nomination Committee then selected Mr. Mayrhuber as its chairman in a subsequent meeting held in February 2011.

The **Mediation Committee** established in accordance with section 27, paragraph 3, MitbestG was not convened in the year under review.

The committee chairs presented regular and comprehensive reports to the full Supervisory Board in the latter's ordinary meetings.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the separate financial statements of Infineon Technologies AG and the consolidated financial statements as of September 30, 2011 as well as the Management Report of Infineon Technologies AG and of the Infineon Group and issued unqualified audit opinions. The half-yearly financial report was also subjected to a review by KPMG.

The separate financial statements, the consolidated financial statements prepared in accordance with IFRSs, the Management Report of Infineon Technologies AG and of the Infineon Group and the Management Board's proposal for the appropriation of the unappropriated profit – all prepared by the Management Board – were submitted to all members of the Supervisory Board in the middle of November 2011.

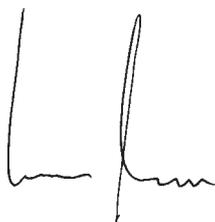
The reports by KPMG on the audit of the separate financial statements, the consolidated financial statements and the Management Report of Infineon Technologies AG and of the Infineon Group were also presented to all members of the Supervisory Board. Initial detailed discussions with KPMG on these reports and the actual financial statements took place in the meeting of the Investment, Finance and Audit Committee on November 15, 2011. The Investment, Finance and Audit Committee resolved to recommend to the Supervisory Board that the financial statements be approved. The Chairman of the Investment, Finance and Audit Committee explained the committee's recommendations in the Supervisory Board meeting on November 22, 2011. The financial statements 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 adequate.

The Management Board also reported in detail at the aforementioned Supervisory Board meeting on the scope, key areas and costs of the audit and explained the risk management system. The Management Report of Infineon Technologies AG and of the Infineon Group 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. The Supervisory Board has examined and endorses the Management Board's proposal for the appropriation of the unappropriated profit, which provides for a dividend of 0.12 euros per qualifying share. Following the final result of the examination by the Supervisory Board, the Supervisory Board has no objections to the financial statements and the audit performed by the auditor. The Supervisory Board concurred with the results of the audit on November 22, 2011 and approved the separate and consolidated financial statements of Infineon Technologies AG and of the Infineon Group. The separate financial statements have thus been adopted.

The Supervisory Board would like to express its thanks to the Management Board and all employees working worldwide for their great commitment and outstanding achievements over the past fiscal year and to the employee representatives for their effective cooperation.

Neubiberg, November 2011

On behalf of the Supervisory Board



Wolfgang Mayrhuber
Chairman of the Supervisory Board