

REPORT OF THE SUPERVISORY BOARD TO THE ANNUAL GENERAL MEETING

Ladies and Gentlemen,

The 2012 fiscal year was largely overshadowed by the European debt crisis. The ensuing tensions on the world's financial markets also spilled over to the real economy, causing a slowdown in global growth. Infineon also began to feel the impact of macroeconomic uncertainties. Despite these developments, both the Supervisory Board and the Management Board are convinced that Infineon's medium- and long-term growth and earnings prospects remain bright, thanks to the focus of its product range on the key areas of energy efficiency, mobility and security.

During the 2012 fiscal year, the Supervisory Board again conscientiously performed its duties in accordance with the law, the Company's statutes and its internal rules of procedure. It assisted the Management Board in an advisory capacity in its management duties and monitored its governance. In this endeavor, it was continually informed of Infineon's current overall situation, business performance, strategic direction and all other major individual measures. The Supervisory Board was closely involved in any decisions of fundamental importance to Infineon. In this context, it undertook measures to assure itself that manner in which the Management Board governed Infineon's affairs was lawful, compliant and appropriate.

At the regular meetings of the Supervisory Board, the Management Board reported comprehensively and promptly on Infineon's financial condition, business performance and future expectations as well as on cash flow and investment forecasts. Infineon's strategic direction was coordinated with the Supervisory Board and all major topics were discussed in depth with the Management Board. The Supervisory Board was always given sufficient time and opportunity to thoroughly examine any reports and proposed resolutions drawn up by the Management Board and to make suggestions. Information on matters of particular importance was also conveyed to the Supervisory Board at extraordinary meetings.

In addition to the information provided at regular meetings, the Management Board submitted comprehensive quarterly financial reports to the Supervisory Board covering such matters as business performance in the previous quarter, financial data, risks and opportunities, significant issues and major areas of litigation. In between quarterly reports, the Supervisory Board has additionally been provided with information on all developments in the form of monthly reports.



WOLFGANG MAYRHUBER
Chairman of the Supervisory Board

The Chairman of the Supervisory Board, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee remained at all times in close contact with the Management Board and deliberated on questions relating to strategy, planning, business performance, risks, risk management and compliance at Infineon. The Chairman of the Supervisory Board was informed by the Chief Executive Officer without delay of any important events essential for an accurate assessment of Infineon's situation and performance as well as for the management of Infineon's affairs.

MAIN ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board convened four ordinary and three extraordinary meetings during the 2012 fiscal year, one of which took the form of a telephone conference. No member of the Supervisory Board attended less than half of the Supervisory Board meetings held during the period under report. The average attendance rate was 94 percent.

CURRENT SITUATION, BUSINESS PERFORMANCE AND STRATEGIC DIRECTION

In addition to its regular reporting on Infineon's current situation (in particular the market situation, significant transactions and key financial performance indicators), the Management Board also kept the Supervisory Board informed of its assessment of market developments on the one hand and Infineon's future performance and strategic direction on the other. Production capacity utilization issues and planned investments were also regularly discussed. In addition, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee reported regularly on the activities of the two committees.

The detailed discussion of strategic matters at full Supervisory Board level is seen as being of crucial importance. To this end, a one-day strategy meeting took place in August 2012, during which Infineon's strategic long-term plan was reported on and in-depth discussions held with respect to financial targets, regional performance (with particular regard to the Asian market) and the positioning of each of the segments.

The Asia-Pacific region is a key market for the semiconductor industry and the continued growth of Infineon in this area is seen as a key component in the Group's business strategy, a view clearly underlined by the significant volume of investment made in the recent past at production sites located there. With this in mind, the Supervisory Board held its full regular meeting in May 2012 at the Infineon site in Singapore, the hub of operations for Infineon's business operations in the Asia-Pacific region. Supervisory Board members also made good use of their stay in Asia to visit Infineon's production sites in Kulim and Malacca (Malaysia), where they were able to obtain a direct impression of production facilities and employee expertise.

TRANSACTIONS AND MEASURES REQUIRING APPROVAL

The rules of procedure governing the actions of the Supervisory Board and the Management Board stipulate that certain transactions and measures require the approval of the Supervisory Board. The list of items requiring approval contained therein was made additionally specific during the fiscal year under report, without having any impact on well-established monitoring routines.

In accordance with the stipulated procedures, Infineon's financial and investment budget (including the overall investment budget) for the 2012 fiscal year, as presented by the Management Board, was approved at the Supervisory Board meeting held on November 22, 2011 and a borrowing limit set. At the meeting held on May 6, 2012, the Supervisory Board gave its consent to the provisional investment budget for the 2013 fiscal year. The Management Board also took the opportunity on this occasion to elucidate a new process for drawing up the investment budget, which the Supervisory Board both acknowledged and concurred with.

MANAGEMENT BOARD COMPENSATION

The German Corporate Governance Code recommends that management board compensation systems are subject to regular review. In this context, the Supervisory Board engaged an external independent compensation expert in the 2012 fiscal year to review the compensation system introduced in 2010. The expert came to the conclusion that the existing system complies both with legal requirements and with the Code's recommendations. In particular, the review concluded that the compensation of Infineon's Management Board is commensurate with market conditions and that the variable compensation component is oriented towards the sustainable growth of the enterprise. The results of the review were discussed at the Executive Committee meeting on July 30, 2012 and at the full Supervisory Board meeting on August 7, 2012. The Supervisory Board concurs with the assessment of the compensation expert.

In addition, the Supervisory Board reviewed the target levels of annual income for each of the Management Board members and found that the agreed targets remain appropriate, both compared to the market in general and in relation to compensation paid within Infineon itself.

Moreover, during the year under report, the Executive Committee and full Supervisory Board deliberated on a successor scheme for the current Long-Term Incentive (LTI) plan, i.e. the plan used to determine the long-term variable compensation component for Management Board members (and executive managers). A new plan is necessary as the Infineon Technologies AG Stock Option Plan 2010, on which the LTI is based, expires at the end of the 2013 fiscal year. Here too, the Supervisory Board called upon the expertise of the compensation expert engaged to review the Management Board compensation system.

In accordance with the advice received, it was resolved that a new share-based LTI scheme should take effect from the beginning of the 2014 fiscal year to replace the previous stock-option-based LTI scheme. This move is intended to strengthen the link between Management Board actions and shareholder interests. For further details, please refer to the Compensation Report presented in the Annual Report.

The compensation expert confirmed that the conclusion reached regarding the appropriateness of the previous compensation system would be the same after the new LTI scheme is introduced. The two boards will present the amended compensation system (i.e. as revised for the new LTI scheme) in February 2013 for approval by shareholders at the Annual General Meeting in accordance with Section 120, paragraph 4 of the German Stock Corporation Act.

CHANGES IN MANAGEMENT BOARD

After taking the decision in the previous fiscal year to add a new area of board responsibility (Sales, Marketing and Strategy Development), the Supervisory Board appointed Arunjai Mittal, previously Head of the Industrial & Multimarket segment, as member of the Management Board at its extraordinary meeting on October 27, 2011 and with effect from January 1, 2012, in line with the proposal made by the Executive Committee.

The departure of Peter Bauer from office as Management Board member and Chief Executive Officer with effect from the end of the 2012 fiscal year also necessitated a number of further board-related decisions. The Supervisory Board very much regrets Mr. Bauer's decision to step down for health reasons, whilst fully understanding and having the greatest respect for his decision. Mr. Bauer, who has helped to shape Infineon's fortunes over a period of many years, became Management Board member in 1999, its spokesman in 2008 and its Chief Executive Officer in 2010. Infineon owes him a great debt of gratitude for his achievements, including the decisive, skilful way in which he steered Infineon out of a very difficult situation and back to profitability. Together with his management team, he has set the course for Infineon's future. The Supervisory Board sincerely thanks Mr. Bauer for his outstanding achievements, and also, in equal measure, for the culture of mutual trust he has inspired when cooperating with the Supervisory Board. The entire Supervisory Board is pleased that Mr. Bauer intends to continue serving Infineon in an advisory capacity.

At its extraordinary meeting on May 13, 2012, the Supervisory Board unanimously appointed Dr. Reinhard Ploss as Peter Bauer's successor to the post of Chief Executive Officer as of October 1, 2012, thereby ensuring continuity in this position. Dr. Ploss joined Infineon more than 25 years ago, becoming a member of the Management Board in 2007, since which time he has been directly responsible for production, logistics and purchasing as well as for research and development. In this role, he has contributed significantly to Infineon's innovative and earnings strength, including the introduction of a pioneering manufacturing strategy serving as the basis for further profitable growth. The Supervisory Board is firmly convinced that this appointment ensures the successful continuation of Infineon's corporate strategy.

LITIGATION

The Supervisory Board was kept well informed of the progress of major legal disputes during the 2012 fiscal year, consulting with the Management Board and deliberating internally about subsequent strategy, with particular regard to disputes with the insolvency administrator managing the assets of Qimonda AG.

CORPORATE GOVERNANCE

The Supervisory Board continues to closely monitor the development of corporate governance standards within Infineon, focusing in particular on implementing the recommendations of the German Corporate Governance Code, to which Infineon has given its commitment. During the year under report, its main focus was on changes to the German Corporate Governance Code adopted by the Government Commission on May 15, 2012.

Number of independent members of the Supervisory Board

The Code now recommends that the list of specific objectives of a supervisory board should, in addition to diversity and internationality, also include a statement regarding what it considers to be an adequate number of independent members. The Supervisory Board deliberated on this issue at its meeting on August 7, 2012 and added the issue of independence to its list of specific objectives. The stated objective is that at least nine (of twelve) of its members should be independent within the meaning of the Code, including a minimum of four (of six) independent shareholder representatives. The current composition of the Supervisory Board is in keeping with these objectives.

Supervisory Board compensation and Declaration of Compliance 2012

The Supervisory Board was also affected by changes to the Code in as much as the recommendation with respect to compensation was revised to the effect that the previous recommendation that supervisory board members should receive performance-related as well as fixed compensation elements (as is the case at Infineon) was removed. If, however, supervisory board members are promised variable compensation, it should, as the Code seems to imply, be based on a multi-year assessment. The current compensation system for members of Infineon's Supervisory Board is not based on a multi-year assessment and therefore does not comply with the Code's revised recommendation. At its meeting on August 7, 2012, the Supervisory Board decided to wait for the time being before proposing a change to the compensation system for members of the Supervisory Board to the Annual General Meeting, given that the current compensation system was only recently revised and approved by shareholders at the 2011 Annual General Meeting. The issue of compensation for Supervisory Board members will be reconsidered during the 2013 fiscal year. It was therefore agreed that Infineon would diverge from the Code's recommendation.

The 2012 Declaration of Compliance, in which the divergence from the Code's recommendation is explained in detail, was published on Infineon's website in November 2012.

Efficiency review for Supervisory Board activities

The Supervisory Board reviews the efficiency of its work once a year, including the efficiency of its interaction with the Management Board. The most recent efficiency review took place in summer 2012, with members of the Supervisory Board requested to complete a questionnaire about their work and the level of cooperation between the two boards. The results of this survey were subsequently discussed at the meeting on August 7, 2012. Significant deficits were not identified.

Potential conflicts of interest

The members of the Management Board and the Supervisory Board disclose any potential conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and the Supervisory Board in the 2012 fiscal year.

Any material transactions conducted between the Company and members of the Management Board or related parties require the approval of the Supervisory Board. This also applies to any consultancy or service or works contracts a Supervisory Board member may enter into with the Company. As a precaution, in the previous fiscal year (November 2010), the Supervisory Board approved a contract between the Company and the Technische Universität München (Institute for Technical Electronics headed by Prof. Dr. Schmitt-Landsiedel) for the performance of research and development work on sensing for automotive applications; this contract runs until the end of the 2013 fiscal year.

Other comments relating to corporate governance at Infineon can be found in the Corporate Governance Report issued jointly by the two boards.

SUPERVISORY BOARD COMMITTEE REPORTS

As in the previous fiscal year, the Supervisory Board has five committees, namely the Mediation Committee (pursuant to Section 27 paragraph 3 of the German Co-Determination Act), the Executive Committee, the Investment, Finance and Audit Committee, the Strategy and Technology Committee and the Nomination Committee. The committees draw up resolutions or prepare topics which need to be dealt with by the full Supervisory Board. Certain decision-making powers have been delegated to committees, to the extent permitted under German law. As a matter of routine, the chairperson of each committee is required to report on committee meetings at the next relevant full Supervisory Board meeting.

All Supervisory Board committees have an equal number of employee representatives and shareholder representatives, with the exception of the Nomination Committee, which consists exclusively of shareholder representatives. As in the previous fiscal year, Mr. Mayrhuber is Chairman of the Mediation, Nomination and Executive Committees. 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.

Executive Committee

The Executive Committee convened in six meetings during the year under review.

The focus of these meetings was on preparing resolutions (as described above) for the full Supervisory Board in connection with the review of the existing Management Board compensation system and personnel changes on the Management Board.

A further task completed was to draw up specific resolutions for the full Supervisory Board with respect to the variable compensation components of members of the Management Board. Important aspects of this work were to determine the degree to which targets for the 2011 fiscal year were achieved, to set new target levels for the 2012 fiscal year and to grant stock options to members of the Management Board.

The committee – and subsequently the full Supervisory Board – also deliberated on the general question of succession planning for Management Board posts, in particular the introduction of structured processes to select suitable managers, both in Germany and abroad, and to further develop promising candidates.

Investment, Finance and Audit Committee

The Investment, Finance and Audit Committee convened four times 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. Another major task was to examine and discuss Infineon's financial and investment plans and to set a borrowing limit. Matters arising in conjunction with the capital return program established by the Company were also deliberated upon. The committee also considered the effectiveness of the internal control system, internal audit system and risk management system. Compliance issues were also addressed at committee meetings, with the Compliance Officer reporting at each meeting. The committee also received detailed reports on the most significant lawsuits, particularly those pertaining to disputes with the insolvency administrator of Qimonda AG. These disputes and the course of action to be taken were the subject of in-depth discussion.

Other duties performed by the committee included specifying key areas to be examined in audit activities in the 2012 fiscal year and monitoring the auditor's independence as well as 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 and engaged the auditor to examine the separate and consolidated financial statements as well as carry out the auditor's review of interim financial reports. Fee arrangements with the auditor were also considered.

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

Strategy and Technology Committee

The Strategy and Technology Committee convened three times during the period under report.

The focus in this committee was primarily on various aspects of Infineon's long-term strategic plan regarding new technologies, products and markets. The ongoing process of improving organizational structures at Infineon was also debated, alongside the topic of corporate culture and Infineon's strategy to position itself as a "High Performance Company". Last but not least, the committee also addressed the issue of human resources development tools for managers, with particular focus on the Asian region.

Mediation and Nomination Committees

The Mediation Committee did not need to convene during the 2012 fiscal year. The same was also the case for the Nomination Committee, since no Supervisory Board elections were needed to be planned.

Company 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, 2012 as well as the Management Report of Infineon Technologies AG and that of the Infineon Group and issued unqualified audit opinions. The quarterly and half-yearly financial reports were subjected to a review by KPMG.

The separate financial statements, the consolidated financial statements prepared in accordance with IFRS, the Management Report and the Management Board's proposal for the appropriation of the unappropriated profit – all prepared by the Management Board – and the long-form reports prepared by KPMG pertaining to the audits of the separate financial statements, the consolidated financial statements and the Management Report, were discussed thoroughly with KPMG at the meeting of the Investment, Finance and Audit Committee held on November 12, 2012. That committee resolved to propose the approval of the two sets of financial statements by the Supervisory Board.

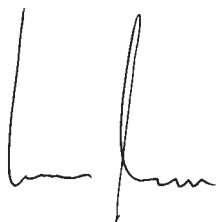
The Chairman of the Investment, Finance and Audit Committee reported on the committee's recommendations at the Supervisory Meeting held on November 21, 2012. The financial statements were examined thoroughly in the presence of the auditor at this meeting and additionally scrutinized by the Supervisory Board to ensure, in particular, that they were lawful, compliant and adequate.

The Management Board reported 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 as well as of the Infineon Group were also examined and found, in the opinion of the Supervisory Board, to be consistent with the reports made by the Management Board to the Supervisory Board. The Supervisory Board concurs with the statements on Infineon's future development. 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 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 21, 2012 and approved the separate and consolidated financial statements of Infineon Technologies AG as well as those of the Infineon Group. The separate financial statements have thus been adopted.

The Supervisory Board wishes to express its thanks to the Management Board and to 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 2012
On behalf of the Supervisory Board



Wolfgang Mayrhuber
Chairman of the Supervisory Board