

Report of the Supervisory Board to the Annual General Meeting

dadies and gentlemen,



Dr. Wolfgang Eder
Chairman of the Supervisory Board

The 2019 fiscal year was undoubtedly a special one, in which Infineon embarked on the largest acquisition in its corporate history, thereby sending out a strong strategic signal. The planned takeover of the US-based Cypress Semiconductor Corporation not only broadens the company's range of core competencies, it simultaneously opens up additional growth potential. The Supervisory Board is fully committed to the transaction – despite the ongoing macroeconomic headwinds. Like the Management Board, it is of the opinion that Infineon's structural growth drivers remain compelling and will gather renewed momentum as the global economy recovers. For Infineon, therefore, the right course of action is to prepare for the next upturn by implementing a range of measures, including strategically challenging projects such as the Cypress takeover, and rigorously continue pursuing its goal of sustainable, profitable growth.

The past fiscal year was also marked by important decisions affecting the composition of Infineon's executive bodies. Firstly, Dr. Reinhard Ploss will remain Chairman of the Management Board for a further three years. Secondly, Infineon has gained an acclaimed Chief Financial Officer in the person of Dr. Sven Schneider. Last but not least, in my new role as Chairman of the Supervisory Board, I look forward with pleasure to the honor of working with my colleagues on the Supervisory Board and the Management Board and to helping write the next chapter in Infineon's success story. At the same time, on behalf of the entire Supervisory Board, I wish to take this opportunity to thank my predecessor, Dr. Eckart Sünner, for his circumspect and professional chairmanship of the Supervisory Board throughout his tenure.

Main activities of the Supervisory Board

During the 2019 fiscal year, the Supervisory Board again performed its duties with the greatest of diligence in accordance with the law, the Company's statutes and its own terms of reference. It both advised and supervised the Management Board, mainly on the basis of detailed written and oral reports presented by the Management Board at Supervisory Board and committee meetings covering matters such as current business performance, significant transactions, macroeconomic developments, the quarterly financial reports and corporate planning. The Management Board discussed and coordinated corporate strategy as well as key operational issues in collaboration with the Supervisory Board, which was always given ample opportunity to thoroughly examine any reports and proposed resolutions drawn up by the Management Board. On all occasions, the Supervisory Board was able to assure itself that the governance of Infineon's corporate affairs was lawful, compliant and appropriate.

The Supervisory Board was provided with written quarterly reports on Infineon's business performance, key financial data, risks and opportunities, major areas of litigation and other topics of importance. Between quarterly reports, the Management Board kept the Supervisory Board well informed of current developments in the form of monthly reports.

Throughout the fiscal year under report, the Chairman of the Supervisory Board (initially Dr. Eckart Süner and then myself, following the change of chairmanship in August 2019) remained in regular contact with both the Chairman and the other members of the Management Board. The Chairman of the Management Board always informed us without delay of any events of significance for Infineon, both during and between regular Supervisory Board meetings.

In the 2019 fiscal year, the full Supervisory Board met nine times (five ordinary and four extraordinary meetings; the latter included three in the form of telephone conferences). One resolution was also passed on the basis of written communication. Measured in relation to these various proceedings for all members of the Supervisory Board, total attendance averaged nearly 92 percent. Dr. Herbert Diess was excused from five meetings, Prof. Renate Köcher from three meetings, Dr. Manfred Puffer from two meetings and Ms. Géraldine Picaud and Mr. Hans-Ulrich Holdenried from one meeting each. Attendance at Supervisory Board committees was just over 97 percent; Mr. Holdenried excused himself from one meeting of the Strategy and Technology Committee and one meeting of the Executive Committee. Details of the individual attendance record of Supervisory Board members is provided in the Statement on Corporate Governance.

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Corporate strategy and the planned acquisition and financing of Cypress

The Infineon Supervisory Board is committed to closely supporting the Management Board in the conception and implementation of corporate strategy. Not least due to this commitment, in addition to the periodic meetings of the Strategy and Technology Committee, a meeting of the full Supervisory Board was again held during the fiscal year under report for the exclusive purpose of dealing with strategic issues. At that meeting we discussed the general development of the semiconductor industry, markets and trends, external conditions, risks, the competitive environment and potential acquisition options as well as Infineon's strategic market positioning and orientation.

The dominant topic and the reason for several of the extraordinary meetings held during the past fiscal year was the planned acquisition of Cypress and the financing thereof. After comprehensively discussing and weighing up the opportunities and risks, the Supervisory Board concluded that the planned acquisition represents a significant strategic step in Infineon's further development and one that is fully in line with its long-term strategy. The product portfolios and competencies of Infineon and Cypress complement each other ideally and create an even stronger, broader base for the Group in key markets of the future. Taking all the circumstances into account, in view of the opportunities for Infineon arising from the planned acquisition, both the Supervisory Board and the Management Board consider the purchase price appropriate. The Management Board also presented the Supervisory Board with a solid and prudently calculated financing concept, including a range of refinancing options, all geared to maintaining Infineon's investment grade rating. Against this backdrop, at its meeting on 2 June 2019, the Supervisory Board approved the planned acquisition and the key financing parameters.

The financing concept also includes a substantial equity component. Without delay, the Management Board proceeded to implement two specific financing measures. Firstly, a share capital increase out of Authorized Capital was executed in June 2019, involving the issuance of around 113 million new shares generating net proceeds of approximately €1.5 billion. Secondly, in October 2019 Infineon issued a hybrid bond for €1.2 billion, significantly increasing the equity capital component of the financing without further diluting the shareholders' interests by issuing additional shares. Given the magnitude of the financing requirements, the Supervisory Board deemed it of utmost importance to be closely involved in these measures. For that reason, it decided not merely to leave the monitoring and approval of decisions regarding the share capital increase and the hybrid bond to the Investment, Finance and Audit Committee, which is responsible for these specific issues, but also to address them in two extraordinary meetings of the full Supervisory Board, which were held on 12 June and 11 September 2019, respectively. The Investment, Finance and Audit Committee then granted its definitive approval of the share capital increase and the hybrid bond.

Personnel matters relating to the Management Board

New Chief Financial Officer

Towards the end of 2018, the former Chief Financial Officer, Mr. Dominik Asam, informed the Supervisory Board of his intention to take up a new position at Airbus SE, also in the function of CFO, with effect from 1 April 2019. The Supervisory Board complied with this request with great regret. Mr. Asam had held various positions at Infineon, including the role of CFO since 2011. He made a significant contribution to Infineon's success, particularly due to his financial market expertise. On behalf of the Supervisory Board, I would like to express my sincere thanks to Mr. Asam for his excellent work and wish him all the best in his new professional environment.

Immediately after Mr. Asam informed the Supervisory Board of his plans, it initiated a structured process to find a successor, enlisting the services of a well-known external human resources consultant. During the selection process, both external candidates and internal applicants were assessed. Following a number of interviews and in-depth discussions within both the Executive Committee and the full Supervisory Board, the decision was taken to appoint Dr. Sven Schneider as Chief Financial Officer with effect from 1 May 2019. The initial mandate and service contract were agreed upon for a term of three years. Dr. Schneider was most recently Spokesman of the Executive Board, Chief Financial Officer and Labor Director at Linde AG. His work to date on the planned Cypress acquisition alone has already proved that his expertise and wealth of experience will make a significant contribution to Infineon's continued success.

Continuity in the chairmanship of the Management Board

During the year under report, the Supervisory Board decided that Dr. Ploss, the current Chairman of the Management Board, should continue to head up Infineon until the end of 2022. His mandate and service contract were due to expire on 30 September 2020. On behalf of the Supervisory Board, I wish to thank Dr. Ploss for the decisive role he has played in charting Infineon's successful course in his seven years as Chairman of the Management Board to date.

Management Board compensation

In accordance with section 4.2.2 of the German Corporate Governance Code (DCGK), the Supervisory Board regularly engages an external, independent compensation expert to review Infineon's Management Board compensation system and examine its compliance with applicable legislation as well as its overall appropriateness. The most recent system review was conducted in 2016. During the 2018 fiscal year, the Supervisory Board again engaged an external compensation expert to assess Infineon's system as well as the target annual incomes of the members of the Management Board. The expert concluded that the compensation system complies both with legal requirements and with the recommendations contained in the DCGK. In particular, the expert 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 company. In addition, the target annual incomes of the members of the Management Board were deemed appropriate in all material respects, notwithstanding the existence of some scope for maneuverability. The results of the compensation expert's review were discussed in detail at the Executive Committee meeting held on 25 October 2018 and by the full Supervisory Board on 20 November 2018. The Supervisory Board concurs with the compensation expert's assessment.

Management Board compensation and the related reporting requirements are currently the subject of various regulatory initiatives. For instance, a draft law, which is currently undergoing parliamentary scrutiny, relating to the implementation of the second Shareholder Rights Directive (ARUG II) is expected to come into force at the beginning of 2020. Furthermore, the Government Commission on the German Corporate Governance Code has adopted a new version of the DCGK, which is to take effect to coincide with ARUG II coming into force. The Supervisory Board has observed these developments very closely over a lengthy period and is already making detailed preparations for the expected changes. However, in the opinion of the Supervisory Board, a definitive analysis, above all of the need for action with regard to the existing Management Board compensation system, can only be performed once the new regulatory framework has been definitively established, i.e. ARUG II has come into force and the revised DCGK taken effect. The Supervisory Board therefore intends to make any changes to the Management Board compensation system that may be necessary in the course of 2020 and to present a revised version to shareholders at the 2021 Annual General Meeting.

For the third time, a tranche of performance shares became due for settlement at the beginning of October 2019. As the specified performance hurdle was not achieved, only 50 percent of the tranche allocated in 2015 was required to be fulfilled at the end of the four-year holding period. Unlike in the two preceding years, the tranche was not settled in cash but in the form of shares, as generally stipulated in the relevant service contracts.

Details of Management Board compensation – in particular the amounts paid to individual members in the 2019 fiscal year – are available in the comprehensive Compensation report, which is contained in the Annual Report.

P see page 103 ff.

Litigation

The Supervisory Board was regularly provided with detailed information regarding major legal disputes during the 2019 fiscal year, which were then thoroughly discussed with the Management Board. These included in particular the Company's appeal, brought before European courts, against an antitrust fine imposed by the EU Commission in 2014, subsequent proceedings relating to that appeal, and the dispute with the insolvency administrator of Qimonda AG pertaining to alleged residual liability claims.

Composition of the Supervisory Board; committee work

Composition of the Supervisory Board and change in its chairmanship

At its meeting held on 6 August 2019, the Infineon Supervisory Board elected me to succeed Dr. Eckart Sünner as its new Chairman. Dr. Sünner succeeded Wolfgang Mayrhuber as Chairman in February 2018. At the most recent Annual General Meeting, Dr. Sünner announced his intention to step down as Chairman in summer 2019. He will continue to serve Infineon as a regular member of the Supervisory Board and as Chairman of the Investment, Finance and Audit Committee until the Annual General Meeting in 2020. On behalf of the Supervisory Board, I would like to thank Dr. Sünner for supporting Infineon so expertly and calmly with his wealth of experience throughout his exciting 18-month tenure. I personally look forward to taking on my new responsibilities as Chairman of the Supervisory Board in this dynamic, innovative company, which has great opportunities for the future.

The mandates of the employee representatives on the Supervisory Board are due to expire at the end of the Annual General Meeting to be held in February 2020. The mandates of six of the eight shareholder representatives also expire at the same time. New employee representatives are due to be elected by the end of December 2019. The election of shareholder representatives will be an item on the agenda of the 2020 Annual General Meeting.

Committee work

The committees are responsible for drawing up resolutions and preparing other important projects and topics that need to be dealt with by the full Supervisory Board. Certain decision-making powers have been delegated to the committees, to the extent permitted under German law. The chairpersons of each committee routinely report on committee meetings at the next relevant full Supervisory Board meeting.

Mediation Committee

The Mediation Committee did not need to convene during the 2019 fiscal year.

Nomination Committee

The Nomination Committee convened twice during the 2019 fiscal year, intensively deliberating on the topic of long-term succession planning for the Supervisory Board. In preparation for the upcoming election of six shareholder representatives at the 2020 Annual General Meeting, it discussed the re-election of Supervisory Board members and the suitability of new candidates. In its search for and assessment of candidates, the Committee took particular account of the competence profile and the catalog of objectives decided on by the Supervisory Board for its own composition, drawing on the support of a renowned external human resources consultant to reach its decisions.

Executive Committee

The Executive Committee held one ordinary and two extraordinary meetings during the year under report. In addition, it made three resolutions on the basis of written communication.

The ordinary meeting focused on preparing the Supervisory Board's resolutions with respect to determining the level of the Management Board's variable compensation. The main aspects of this work were to determine the degree to which targets for the 2018 fiscal year were achieved and to set new targets for the 2019 fiscal year.

The extraordinary meetings dealt primarily with the departure of former CFO Dominik Asam and the succession procedures, including the proposal to appoint Dr. Schneider.

Investment, Finance and Audit Committee

The Investment, Finance and Audit Committee held four ordinary and three extraordinary meetings during the 2019 fiscal year.

Its activities centered on monitoring the financial reporting process, reviewing the half-year and quarterly financial statements, conducting the preliminary audit of the Separate Financial Statements, Consolidated Financial Statements and Combined Management Report for both Infineon Technologies AG and Infineon, and discussing the audit reports with the auditor. In addition, the committee examined the financial and investment budget. Furthermore, it considered the effectiveness of the internal control, internal audit, risk management and compliance management systems. The Committee's members also received reports from the Compliance Officer on a regular basis as well as continuous updates on significant legal disputes.

The Committee's recommendation to the full Supervisory Board to propose to shareholders at the 2019 Annual General Meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, ("KPMG") be elected as Company and Group auditor was based on a Declaration of Independence obtained from KPMG as well as an analysis of the non-audit services provided by KPMG. There were no indications of conflicts of interest, grounds for exclusion, or lack of independence in any other respect on the part of the auditor. The recommendation was also based on the committee's confirmation that its recommendation was free from undue influence by third parties and that it had not been subject to any restriction regarding the selection of auditors within the meaning of section 16, paragraph 6 of the EU Statutory Audit Regulation. The committee also considered the fee arrangements and issued contracts for the relevant audit engagements. In addition, supplementary areas for audit emphasis were defined.

The most important single project arising for the Committee during the 2019 fiscal year was the financing of the planned acquisition of the US-based company Cypress, in particular determining matters relating to the required share capital increase and the supplementary hybrid bond. Based on a corresponding authorization granted by the full Supervisory Board, the Committee approved the share capital increase in two extraordinary meetings on 17 June 2019 and the placement of the hybrid bond in another extraordinary meeting on 25 September 2019.

The auditor attended the ordinary meetings of the Investment, Finance and Audit Committee and reported in detail on the audit activities performed.

Strategy and Technology Committee

The Supervisory Board's Strategy and Technology Committee convened three times during the fiscal year under report. The Management Board provided it with detailed information about non-organic growth opportunities through M&A activities and, in this context, also about the risks regarding the necessary approvals from the antitrust and other authorities. Information on the operations of individual segments, such as Power Management & Multimarket and Digital Security Solutions, was also provided in the form of in-depth presentations. A further topic of discussion was the reorganization of the Human Resources function across the Group, particularly in the context of changing requirements for employee training and vocational qualifications. Last but not least, the strategic assessment of the planned Cypress acquisition was a major topic of Committee deliberations.

Corporate Governance

Declaration of Compliance 2019

In the Declaration of Compliance issued in November 2018, the Management Board and Supervisory Board declared a deviation from section 5.3.2, paragraph 3, sentence 3 DCGK according to which the Chairman of the Supervisory Board should not additionally chair the Audit Committee. The reason for this deviation was that the Chairman of the Investment, Finance and Audit Committee, Dr. Eckart Sünner, was also elected Chairman of the Supervisory Board at the meeting of the Supervisory Board on 22 February 2018. The deviation was ended with his resignation from the position as Chairman of the Supervisory Board at the Supervisory Board meeting held on 6 August 2019. The Declaration of Compliance was updated accordingly in August 2019.

In the Declaration of Compliance dated November 2019, the Management Board and the Supervisory Board jointly declared that Infineon Technologies AG has complied with all the recommendations made by the DCGK in the version dated 7 February 2017 and will continue to do so in the future.

The original versions of the Declarations of Compliance are available on Infineon's website.

@ www.infineon.com/cms/en/about-infineon/investor/corporate-governance/declaration-of-compliance/

Efficiency examination for Supervisory Board activities

The Supervisory Board examines the efficiency of its activities on an annual basis. The examination for the 2017 fiscal year was performed with the assistance of an external, independent consultant. In both the 2018 and 2019 fiscal years, the examination was based on a structured questionnaire. The examination provided a positive picture of the work of the Supervisory Board and its collaboration with the Management Board. No noteworthy shortcomings were identified.

Examination of potential conflicts of interest

The members of the Management Board and the Supervisory Board are required to disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest were disclosed by members of either the Management Board or the Supervisory Board in the 2019 fiscal year.

Prior to members of the Management Board assuming sideline activities, particularly supervisory board mandates outside the Company, the DCGK requires that permission be given by the Supervisory Board. No conflicts of interest were discernible in the mandates assumed.

Further information on corporate governance can be found in the Statement on Corporate Governance, which also contains the Corporate Governance Report.

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Rules of procedure

The rules of procedure for the full Supervisory Board, the Investment, Finance and Audit Committee of the Supervisory Board and the Management Board are available on the Infineon website.

@ www.infineon.com/cms/en/about-infineon/investor/corporate-governance/articles-of-association/

Separate and Consolidated Financial Statements

KPMG audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements as of 30 September 2019 as well as the Combined Management Report for Infineon Technologies AG and the Infineon Group, and issued unqualified audit opinions thereon.

The Half-Year Financial Report was also reviewed by KPMG. No issues were identified that might indicate that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared in accordance with the applicable provisions in all material respects.

KPMG has audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements of the Group and reviewed the Interim Financial Statements of the Group since the 1999 fiscal year (short fiscal year from 1 April 1999 to 30 September 1999). Prof. Dr. Andrejewski signed the auditors' report for the first time for the 2019 fiscal year (1 October 2018 to 30 September 2019) and Mr. Pritzer for the first time for the 2017 fiscal year (1 October 2016 to 30 September 2017).

At the meeting of the Investment, Finance and Audit Committee held on 11 November 2019 and continued in a telephone conference on 18 November 2019, intensive discussions were held with the auditor regarding the Separate Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the proposed profit appropriation, and the auditor's findings. The committee deliberated at length on the key audit matters and on the related audit procedures performed by the auditor. The Investment, Finance and Audit Committee resolved to propose to the Supervisory Board that the financial statements drawn up and presented by the Management Board be approved and the proposed profit appropriation agreed to.

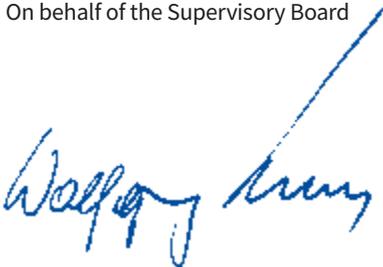
The Separate Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the Management Board's proposal for the appropriation of unappropriated profit (all prepared by the Management Board) and KPMG's long-form audit reports were all made available to the Supervisory Board at the meeting held on 22 November 2019. At this meeting, the Chairman of the Investment, Finance and Audit Committee reported in depth on the corresponding recommendations of the Committee. In addition, all material issues relevant to the financial statements and the audit, including key audit matters, were discussed in detail with the auditor and examined by the Supervisory Board. The examination also covered the proposal to pay a dividend of €0.27 per entitled share.

The Supervisory Board concluded that it has no objections to the financial statements and the audits performed by the auditor. In its opinion, the Combined Management Report complies with legal requirements. Likewise, the Supervisory Board concurs with the assertions regarding Infineon's future development made therein. The Supervisory Board therefore concurred with the results of the audit and approved the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements of Infineon. The Separate Financial Statements were accordingly adopted. The Supervisory Board also approved the Management Board's proposal for the appropriation of unappropriated profit.

In conjunction with the presentation of the sustainability report, the Investment, Finance and Audit Committee and the full Supervisory Board also deliberated on the separate non-financial report of Infineon Technologies AG (Company and Group) from 30 September 2019, which was drawn up by the Management Board. KPMG performed a "limited assurance" review of these reports and issued an unqualified statement thereon. The documents were carefully examined by the Investment, Finance and Audit Committee at its meeting held on 11 November 2019, which was continued in a telephone conference on 18 November 2019, and by the Supervisory Board at its meeting on 22 November 2019. The Supervisory Board acknowledged and approved the separate non-financial report (Company and Group) drawn up by the Management Board.

The Supervisory Board wishes to thank the entire staff and the Board of Management of Infineon once again for their great commitment and outstanding achievements during the 2019 fiscal year.

Neubiberg, November 2019
On behalf of the Supervisory Board



Dr. Wolfgang Eder
Chairman of the Supervisory Board