

Report of the Supervisory Board to the Annual General Meeting

Ladies and Gentlemen,



Wolfgang Mayrhuber
Chairman of the Supervisory Board

The Infineon success story in recent years is characterized not only by its promise to deliver long-term growth and a steady improvement in earnings, but also by its ability to keep that promise. This fact was amply borne out again in the 2017 fiscal year. Admittedly, the attempt to take over Wolfspeed (a business unit of the US semiconductor manufacturer Cree) in mid-February 2017 – aborted due to security concerns of the US government – was certainly a disappointment. Just one month later, however, Infineon demonstrated its underlying strength in impressive style by announcing an increased outlook for the full fiscal year, as a result of which the share price jumped by almost 10 percent. These developments clearly reflect our strong strategic position, in particular with our solutions for electro-mobility, autonomous driving, renewable energy generation and the efficient use of electric power. The markets are growing – and we are growing even faster than

the markets. Long-term trends are also encouraging, which is good news for the Infineon Group and its employees, but also, of course, for you as shareholders, as you will not only be profiting from positive share price developments. The Management Board and Supervisory Board are again recommending an increase in the dividend, this year by 14 percent to €0.25 per share – without compromising on the excellent creditworthiness the Company enjoys or the solid financial targets it has set itself. The Infineon success story continues.

Main activities of the Supervisory Board

During the 2017 fiscal year, the Supervisory Board continued to perform its duties in accordance with the law, the Company's statutes and its own terms of reference with great commitment. We supervised and provided advice to the Management Board in equal measure. Our input was mainly based on detailed reports presented by the Management Board at Supervisory Board and committee meetings, dealing with current business developments, significant transactions, the quarterly financial reports and corporate planning. The Management Board discussed and coordinated corporate strategy as well as key operational issues with us. The Supervisory Board was given ample opportunity to thoroughly examine any reports and resolutions proposed by the Management Board. In this context, we undertook various measures to assure ourselves 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 important topics. Between quarterly reports, the Management Board also kept us informed of current developments in the form of monthly reports.

In my capacity as Chairman of the Supervisory Board, I maintained regular contact with the Management Board, as did each of the chairpersons of the Investment, Finance and Audit Committee and the Strategy and Technology Committee. I was informed without delay by the Chief Executive Officer of all events of significance to the Infineon Group, when necessary outside of the regular Supervisory Board meetings.

During the 2017 fiscal year, the Supervisory Board met six times and passed one resolution on the basis of written communication. Attendance measured in relation to these various proceedings averaged nearly 96 percent. Dr. Diess was excused from attending the meetings held on 15 November 2016, 16 February 2017 and 2 August 2017. Ms. Picaud was unable to attend the meeting held on 16 February 2017. Attendance at Supervisory Board committee meetings was 100 percent.

Financial and investment planning; business strategy; cybercrime

At its meeting held on 15 November 2016, the Supervisory Board approved the financial and investment budget, including the overall investment budget for the 2017 fiscal year as presented by the Management Board, and confirmed the unchanged borrowing limit.

The Supervisory Board continues to attach great importance to devoting one meeting per year exclusively to strategic topics. With this point in mind, the strategy of the Infineon Group and its key elements were discussed at great length at the Supervisory Board meeting held specifically for this purpose on 2 August 2017. Topics covered included key business drivers, focus areas and technological competencies on the one hand as well as financial targets on the other. Market and application trends in the semiconductor industry were also considered, as well as the specific strengths and weaknesses of Infineon. In addition, the Supervisory Board deliberated extensively on the M&A strategy currently pursued by the Management Board to complement Infineon's successful history of organic growth.

At a separate meeting, the Supervisory Board studied information on the important issue of cybercrime, the related threat situation as well as precautionary and protective measures put in place by the Management Board.

Personnel matters

The "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector", which came into force on 1 May 2015, not only requires that the composition of the Supervisory Board of Infineon Technologies AG includes at least 30 percent women and men respectively. The Supervisory Board is additionally required to determine a target quota for the percentage of women on the Management Board and at the same time specify a timeframe within which the target should be achieved. Such a target quota was determined for the first time shortly after the law came into force. At that point in time, the Supervisory Board had good reasons for agreeing upon a target of 0 percent. The Supervisory Board has now set a new target quota of 20 percent, which will remain valid until 30 June 2022.



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 the well-proven Management Board compensation system in place since 1 October 2010 and to conclude on its compliance with applicable legislation as well as its overall appropriateness. The periodic review, initiated during the previous fiscal year, was completed during the 2017 fiscal year. In this context, the target annual incomes of each individual member of the Management Board were subjected to detailed scrutiny. The compensation expert concluded that the Company's compensation system complies 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 promoting the sustainable growth of the enterprise. The compensation and the individual target annual incomes of the members of the Management Board were found to be appropriate, both horizontally (i.e., looking at comparable companies) and vertically (i.e., looking at Infineon's various employee groupings). The compensation expert did, however, point out the existence of scope for raising the level of remuneration. The results of the compensation expert's review, presented in fall 2016, were discussed in detail by the Executive Committee and the full Supervisory Board. The Supervisory Board concurred with the conclusions reached by the compensation expert – also with regard to the scope for maneuverability highlighted in the report – and concluded that a comparison of market conditions, the situation at competitors and, last but not least, the outstanding work performed by the Management Board, justify a measured adjustment of the current level of compensation. For this reason, following the recommendation of the Executive Committee, the Supervisory Board decided to increase the compensation of the members of the Management Board with effect from 1 October 2017 as follows: Dr. Ploss, by 15 percent; Mr. Asam, Dr. Gassel and Mr. Hanebeck, each by 10 percent. The ratio of the individual compensation components to one another and the compensation system as such remain unchanged. With this outcome, the Supervisory Board continues to pursue a compensation policy based on a moderate level of remuneration.

Furthermore, following a recommendation of the Executive Committee, the Supervisory Board resolved that the allocation of performance shares in conjunction with the long-term variable LTI component will take place in future on 1 March of each fiscal year (and no longer on 1 October as previously practiced). The change is largely of a technical and administrative nature, in that it brings the timing of the allocation for the members of Management Board for LTI purposes into line with the timing of the allocation of performance shares to Infineon employees, also brought forward to 1 March to coincide with annual personnel dialogs.

A tranche of performance shares fell due for settlement for the first time at the end of the 2017 fiscal year. As the stipulated performance hurdle was achieved, the tranche allocated in 2013 is required to be settled in full following the expiry of the four-year holding period. The Supervisory Board resolved to settle the entitlement of members of the Management Board resulting from this tranche in cash rather than in shares. In this point, too, equality of treatment was therefore achieved with Infineon employees, for whom the Management Board also decided upon cash settlement of the current tranche.

Details of Management Board compensation – in particular the amounts paid to individual members in the 2017 fiscal year – can be found in the comprehensive Compensation Report in the Annual Report.

 see page 99 ff.

Litigation

The Supervisory Board was regularly provided with detailed information regarding major legal disputes during the 2017 fiscal year, which were then thoroughly discussed with the Management Board. These included in particular the Company's appeal, brought before European courts, against the antitrust fine imposed by the EU Commission in 2014 and the dispute with the insolvency administrator of Qimonda AG pertaining to alleged residual liability claims.



Corporate governance

Declaration of Compliance 2017

In the most recent Declaration of Compliance, issued in November 2017, the Management Board and the Supervisory Board declared that Infineon Technologies AG has complied and continues to comply with all of the recommendations contained in the DCGK.

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

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

Revision and publication of terms of reference for the Management Board and Supervisory Board

In view of the fact that the terms of reference for the Management Board and Supervisory Board had last been revised in 2013, they were subjected during the fiscal year under report to a comprehensive revision by the Supervisory Board. No fundamental modifications to their content were required, with the consequence that the changes decided upon by the Supervisory Board were largely of a clarifying and editorial nature.

In the context of the revision, it was also resolved to publish all terms of reference on the Infineon website. @ www.infineon.com/cms/en/about-infineon/investor/corporate-governance/articles-of-association/

Efficiency examination for Supervisory Board activities

The Supervisory Board examines the efficiency of its activities annually. These examinations had been carried out in the past on the basis of an in-house questionnaire. For the fiscal year under report, the Supervisory Board decided to perform the examination with the assistance of an external independent consultant. In the course of this process, personal interviews were conducted with each member of the Supervisory Board as well as with the Chairman of the Management Board and the Chief Financial Officer. The results of the external efficiency examination were discussed at length at the Supervisory Board meeting held on 3 August 2017. 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 Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose in connection with the members of the Management Board and Supervisory Board in the 2017 fiscal year.

Prior to members of the Management Board assuming sideline activities, especially supervisory board mandates outside the Company, the DCGK requires that permission be given by the Supervisory Board. During the 2017 fiscal year, the Supervisory Board's Executive Committee gave its permission for Dr. Ploss to assume a mandate as a member of the Executive Committee of VDE Verband der Elektrotechnik Elektronik Informationstechnik e.V. and for Dr. Gassel to assume mandates on the Board of Directors of Global Semiconductor Alliance (GSA), on the Board of Directors of ZVEI Zentralverband Elektrotechnik- und Elektronikindustrie e.V. and on the Advisory Board of Fraunhofer-Institut für Integrierte Systeme und Bauelementetechnologie (IISB).

The Supervisory Board was also informed that Mr. Asam has been elected to the Supervisory Board of Zalando SE and appointed chairman to its audit committee. The Infineon Supervisory Board had already approved this mandate in the previous fiscal year.

Further information on corporate governance at Infineon can be found in the joint Corporate Governance Report of the Management Board and Supervisory Board and in the Corporate Governance Statement. Both of these documents are publicly available on the Infineon website.

@ www.infineon.com/corporate-governance-report



Composition of the Supervisory Board

Following the departure of Prof. Dr. Doris Schmitt-Landsiedel from the Supervisory Board in November 2016, Géraldine Picaud was elected as her successor at the Annual General Meeting held on 16 February 2017. Ms. Picaud's mandate will expire at the end of the Annual General Meeting that resolves on the approval of the acts of the members of the Supervisory Board for the 2021 fiscal year.

Concrete objectives for the composition of the Supervisory Board were specified in 2010 in accordance with the recommendation in section 5.4.1 DCGK and developed in subsequent years to form a catalog of objectives. This recommendation was modified in the new version of the Code dated 7 February 2017 to the effect that supervisory boards are now also required to draw up a profile of skills and expertise (competency profile) for the board as a whole. The existing Infineon catalog of objectives already contained some of the characteristics of a competency profile due to the inclusion of a requirements profile. Nevertheless, the Supervisory Board took the modification of the Code's recommendation as an opportunity to comprehensively revise the catalog of objectives. In doing so, the Supervisory Board saw it as important to specify individual requirements for each member of the Supervisory Board, including in terms of personality, integrity and availability. It was also seen as equally important to ensure that the Supervisory Board as a whole has the necessary expertise to perform its tasks as optimally as possible. The range of expertise within the Supervisory Board must be sufficiently broad to ensure that it can take account of the interests of all relevant stakeholders, such as employees, customers, investors and the general public on the one hand as well as play a proactive role in accompanying organizational and technological change on the other. The catalog of objectives for the composition of the Supervisory Board, revised with effect from 3 August 2017 and now including a competency profile, forms part of the Corporate Governance Statement, which is available on Infineon's website.

@ www.infineon.com/declaration-on-corporate-governance

Supervisory Board committees

The committees draw up resolutions or prepare 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.

Nomination and Mediation Committee

The Nomination Committee convened for six meetings during the reporting period. The Committee worked intensively on succession planning for shareholder representatives – firstly, with respect to finding a replacement due to Prof. Dr. Doris Schmitt-Landsiedel leaving the Board, and secondly, in order to find suitable candidates to fill vacancies in the medium and long term. The Nomination Committee attaches great importance to ensuring that the shareholder side of the Supervisory Board will continue to comprise highly competent representatives in the long term.

The Mediation Committee did not need to convene.

Executive Committee

During the fiscal year under report, the Executive Committee held one ordinary meeting, two extraordinary meetings and passed one resolution on the basis of written communication.

The ordinary meeting focused on preparing the Supervisory Board's resolutions with respect to the measurement of the Management Board's variable compensation. The main aspects of this work were to determine the degree to which targets for the 2016 fiscal year were achieved and to set new targets for the 2017 fiscal year.

In its extraordinary meetings, the Executive Committee prepared the resolutions of the Supervisory Board regarding the target quota for the percentage of women on the Management Board, the adjustments to the compensation of members of the Management Board, the change in the date of the annual allocation for the LTI performance shares and the settlement of the performance share tranche which fell due in 2017.

Investment, Finance and Audit Committee

The Investment, Finance and Audit Committee convened four times during the fiscal year under report.

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 Infineon Technologies AG and the Infineon Group, and discussing the audit reports with the auditor. In addition, the committee also examined the financial and investment budget for the 2017 fiscal year and deliberated on the borrowing limit. Furthermore, the committee 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 timely updates on significant legal disputes.

Other duties performed by the committee included specifying key areas to be examined by the external auditor, monitoring the auditor's independence, and considering the scope of non-audit-related services performed by the auditor.

The committee prepared the Supervisory Board's proposal to the Annual General Meeting regarding the election of the auditor and issued the contracts for the corresponding audit engagements. The relevant fee arrangements were also considered.

The committee (and the full Supervisory Board) gave consideration to the report drawn up by KPMG on the statutorily prescribed audit regarding compliance with the so-called EMIR Directive, which, among other things, imposes certain requirements on entities such as Infineon with regard to derivatives management.

Finally, the Supervisory Board also deliberated at length on the potential threat of cybercrime and the measures implemented by Infineon to combat it.

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

Strategy and Technology Committee

The Supervisory Board's Strategy and Technology Committee convened three times during the fiscal year under report. It was provided with in-depth reports on sales and marketing activities as well as on manufacturing strategy. In addition, the Committee considered the planned – and later aborted – acquisition of Wolfspeed (a business unit of the US semiconductor manufacturer Cree) and other M&A activities, including strategic investments in the venture capital sector.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements as of 30 September 2017 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 subject to a review.

At the meeting of the Investment, Finance and Audit Committee held on 9 November 2017, 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 Investment, Finance and Audit Committee resolved to propose to the Supervisory Board that the financial statements drawn up 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 21 November 2017. 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 €0.25 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 the Infineon Group. The Separate Financial Statements were accordingly adopted. The Supervisory Board also approved the Management Board's proposal for the appropriation of unappropriated profit.

The Supervisory Board wishes to thank the Management Board and the entire staff of Infineon once again for their great commitment and outstanding achievements during the 2017 fiscal year.

Neubiberg, November 2017

On behalf of the Supervisory Board

Wolfgang Mayrhuber
Chairman of the Supervisory Board