



**Report of the Management Board concerning Item 8 of the Agenda
(Authorization to acquire own shares using derivatives)
of the Annual General Meeting
of Infineon Technologies AG
on 22 February 2018**

In addition to the options provided under Item 7 on the Agenda, it is intended – as in the past – that the Company should also be allowed to use equity derivatives to acquire own shares. It may be advantageous for the Company to sell put options or acquire call options (collectively "derivatives") rather than acquiring Company shares directly. This possible line of action, however, only supplements the authorization proposed in Item 7 on the Agenda, without widening the scope of the overall repurchase volume.

When it sells a put option, the Company grants the acquirer the right to sell Infineon shares to the Company during the agreed period at a price specified in the put option (exercise price). The Company receives in exchange an option premium corresponding to the value of the right of sale taking into account the exercise price, the term of the option and the volatility of the Infineon share. If the put option is exercised, the option premium paid by the acquirer of the put option reduces the total amount paid by the Company to acquire the share. It makes economic sense for the holder to exercise the put option if the price of the Infineon share at the time of exercise is lower than the exercise price, as the option then enables the holder to realize a higher sale price than would otherwise be possible at the time. The advantage of using put options to repurchase shares from the Company's perspective is that the exercise price is established as soon as the option transaction is concluded but the liquidity is not lost until the exercise date. The overall charge to the Company for the acquisition of the shares, moreover, is lower than the share price when the option transaction is concluded thanks to the option premium received. If the holder chooses not to exercise the option because the share price on the exercise date is higher than the exercise price, the Company cannot acquire own shares by this means but does retain the option premium received.

When it acquires a call option, the Company pays an option premium in exchange for the right to purchase a predefined number of shares at a predefined price (exercise price) from the writer of the option. It makes economic sense for the Company to exercise the call option if the price of the Infineon share is higher than the exercise price, as the option then enables it to purchase the shares from the option writer for a lower price than would otherwise be possible. Call options thus enable the Company to hedge against the risk of having to purchase own shares at higher prices. They also help to preserve the Company's liquidity, as the defined acquisition price for the shares does not have to be paid until the call option is exercised.

The Company can combine the use of put options and call options i.e. it is not restricted to either only selling put options or to only acquiring call options.

The term of the individual derivatives must expire by no later than by the end of 21 February 2023 and must be defined such that the acquisition of Infineon shares on exercise or satisfaction of the derivatives cannot be effected after 21 February 2023. The authorization is thus intended to make full use of the five-year period permitted



by law, but with the restriction that the term of individual options may not exceed 18 months in each case. This ensures that there is an appropriate time limit on obligations arising from the individual option transactions. The entire acquisition volume via put and call options is capped at 5% of the current share capital, determined both at the time of the authorization becoming effective and the time of its exercise through the use of the derivative. The repurchase of own shares with the aid of derivatives must also be counted towards the threshold stipulated for the general repurchase authorization in Item 7 on the Agenda; a repurchase of own shares above the 10% threshold stipulated by law is therefore excluded.

The derivative contracts must be concluded with a bank or via the stock exchange. This ensures that obligations under the derivatives are met only using shares that have been acquired previously – in compliance with the principle of equal treatment – , at the current price of the share in Xetra trading on the Frankfurter Stock Exchange (or comparable successor system) at the time of acquisition.

The acquisition price to be paid by the Company for the shares is the exercise price specified in the relevant put or call option. The exercise price of a put option will be lower and that of a call option higher than the stock exchange price of the Infineon share when the put option is sold or the call option is acquired. The price agreed in the derivative (excluding incidental acquisition costs but taking into account the option premium paid or received) for the acquisition of a share when options are exercised may be no more than 10% above and no more than 30% below the price of the share determined in the Xetra trading opening auction on the Frankfurt Stock Exchange (or comparable successor system) on the day the derivative transaction is concluded.

The sales price received by the Company for a derivative (usually a put option) may not be substantially lower and the purchase price paid by the Company for a derivative (usually a call option) may not be substantially higher than the theoretical market value of the options concerned as determined in accordance with accepted methods (in particular methods of financial mathematics), it being the case that the factors to be considered in determining the theoretical market value shall include the agreed exercise price.

The fact that the exercise price and the option premium are specified in advance as described and the requirement that obligations under the options be met using only shares that have been acquired previously, in compliance with the principle of equal treatment, via the stock exchange ensures that shareholders are never financially disadvantaged if the Company acquires own shares using options. The Company receives or pays a fair market price, so shareholders not involved in the derivative transactions suffer no disadvantage in value terms. The position of shareholders is equivalent to that when shares are repurchased via the stock exchange, as here too not all shareholders are actually able to sell shares to the Company. The specifications for the configuration of the options and the requirements in respect of the shares to be delivered ensure that this mode of acquisition also complies with the principle of equal treatment of shareholders. Consequently it is justifiable to exclude any right of shareholders to conclude the aforementioned derivative transactions with the Company in analogous application of section 186, paragraph 3, fourth sentence, AktG. Excluding the subscription rights of shareholders enables the Company to



conclude derivative transactions quickly, an advantage it would forfeit if it had to make an offer to acquire the options to all shareholders. This gives the Company the flexibility it needs to respond swiftly to market developments.

It is intended that when own shares are acquired using derivatives, shareholders will only have a right to sell their shares in this connection if the Company is required to accept the shares as a result of the derivatives. Otherwise the use of derivatives for the purposes of repurchasing own shares would be impossible and the Company would be unable to access the associated benefits. Having carefully weighed up the interests of the shareholders and the interests of the Company, the Management Board believes that the benefits to the Company from using derivatives are sufficient to justify denying or limiting the right to sell shares in this connection.

It is also intended that the Company should have the opportunity to engage a bank as part of a defined repurchase program to execute derivative-backed share purchases, with the requirement to acquire either an agreed number of shares or shares for a previously defined total purchase price and in any case by no later than the end of a previously agreed period, and to transfer them to the Company. Given that the same conditions apply for derivative-backed share purchases by a bank as for situations in which the Company uses derivatives itself, the engagement of a bank does not give rise to any disadvantages for the shareholders.

The Management Board will – at the subsequent Annual General Meeting as indicated in section 71, paragraph 3, AktG – also report on any decisions to employ the repurchase authorization allowing the use of derivatives as well as on the detailed circumstances of an acquisition.



Management Board of Infineon Technologies AG:

Dr. Reinhard Ploss
(CEO)

Dominik Asam

Dr. Helmut Gassel

Jochen Hanebeck