



**Report of the Management Board concerning Item 9 of the Agenda  
(Revocation of an existing authorization and grant of a new authorization for  
the issue of convertible bonds and/or bonds with warrants, revocation of  
Conditional Capital 2014 (section 4, paragraph 6 of the Articles of Association),  
creation of a new Conditional Capital 2018 and new wording for section 4, para-  
graph 6 of the Articles of Association)  
of the Annual General Meeting  
of Infineon Technologies AG  
on 22 February 2018**

The Management Board and Supervisory Board propose that the shareholders at the Annual General Meeting grant a new authorization to issue convertible bonds and/or bonds with warrants and approve the creation of the related conditional capital.

Convertible bonds and bonds with warrants ("bonds") represent important financing instruments for the Company by providing an additional source of financing alongside traditional debt and equity capital financing. They enable the Company to obtain low-interest debt capital. In the case of convertible bonds, the related debt capital may, under certain circumstances, remain available to the Company in the form of equity. The Company has successfully issued convertible bonds on several occasions in the past.

At the Annual General Meeting held on 13 February 2014 the Management Board was authorized to issue bonds in an aggregate nominal amount of up to EUR 2,000,000,000.00 and to grant bondholders conversion or option rights to up to 130,000,000 no par value Company registered shares, representing a notional portion of the share capital of up to EUR 260,000,000.00. In order to service these conversion and/or option rights and to fulfill the conversion rights attached to the bonds, it was also resolved at the Annual General Meeting to create Conditional Capital 2014. The authorization granted to the Management Board, which has not been utilized to date, expires on 12 February 2019. Since the Annual General Meeting 2019 is likely to take place after this date – and the necessary registration of any new conditional capital in the Company's commercial register even later – the intention is that the existing authorization and Conditional Capital 2014 be revoked now and replaced by a new authorization and new Conditional Capital 2018, thus ensuring that the Company will continue to be able in the coming years to make use of convertible bonds and/or bonds with warrants as important financing instruments.

As previously with Conditional Capital 2014, the intention with Conditional Capital 2018 is to have available up to 130,000,000 shares representing a notional portion of the share capital of up to € 260,000,000.00 to service the bonds. In view of the sharp rise in the price of the Infineon share in recent years, it seems appropriate to set the potential issue volume in the authorization at € 4,000,000,000.00.

The bonds may be issued with or without a time limit and may bear a fixed or variable interest rate. The terms and conditions of the bonds may also provide for a conversion or option obligation at the end of their term or at another point in time (in each case "final maturity") or for the Company to have the right to grant the bondholders, in whole or in part, shares of the Company in lieu of payment of the amount of money due upon final maturity of the bonds.

If the bonds' terms and conditions provide for obligatory conversion or obligatory exercise of the option on final maturity, the conversion or option price for one share may also be determined by reference to the arithmetic mean of the closing prices of the Company's share in Xetra trading on the Frankfurt Stock Exchange (or comparable successor system) during the 10 exchange trading days before or after the final maturity date or by reference to the average volume-weighted price of the Company's share in Xetra trading on the Frankfurt Stock Exchange (or comparable successor system) on at least three exchange trading days immediately prior to the calculation of the conversion/option price in accordance with the applicable conditions, even if this price is below the minimum price stated under point i) above. Section 9, paragraph 1 AktG (in conjunction with section 199, paragraph 2, AktG) must be observed.

Infineon's shareholders have, in principle, a right to subscribe to the bonds, thus enabling them to invest their capital with the Company and at the same time maintain their proportionate stakes in the Company. In accordance with applicable laws, the Management Board is to be authorized in certain clearly defined circumstances, with the approval of the Supervisory Board, to exclude the subscription rights of existing shareholders:

- First of all the Management Board is to be authorized to exclude the subscription rights in analogous application of section 186, paragraph 3, fourth sentence, AktG if the Management Board concludes that the issue price of the bonds is not substantially lower than their theoretical market value as determined in accordance with accepted methods, in particular methods of financial mathematics (section 221, paragraph 4, second sentence 2 in conjunction with section 186, paragraph 3, fourth sentence, AktG). Such exclusion of the subscription rights of the shareholders is necessary if a bond is to be placed at short notice in order to make use of a favorable market environment. The interests of the shareholders are preserved in that the bonds will never be issued at a price substantially lower than their market value, which means that the value of a subscription right is practically zero. This option is limited to bonds with rights to shares representing a notional portion of not more than 10% of the share capital. To be included in this 10% of the share capital is the notional portion of the share capital that relates to shares issued or used in the period from 22 February 2018 through to the expiry of the term of the authorization and for which the subscription rights of the shareholders are excluded in direct or analogous application of section 186, paragraph 3, fourth sentence, AktG. Also to be included in the number of shares for these purposes are the shares that have already been issued or can still be issued in future to service conversion or option rights insofar as the bonds were issued during the lifetime of this authorization with the subscription rights of the shareholders excluded in analogous application of section 186, paragraph 3, fourth sentence, AktG. These adjustments are made in the interests of minimizing any dilution of the stake of the shareholders.
- It is intended that subscription rights should also be able to be excluded in order to permit the exploitation of fractional amounts in issues for which shareholders have subscription rights in principle. It is reasonable and customary to exclude the subscription rights of the shareholders in relation to fractional



amounts, as the costs of trading subscription rights relating to fractional amounts are not at all proportionate to the benefits for the shareholders. The fact that the exclusion is limited to fractional amounts means that the potential dilution effect is negligible.

- The Management Board can also exclude subscription rights insofar as such action is necessary in order to grant holders of conversion or option rights attached to bonds (issued or still to be issued by the Company or its subordinated group companies) the number of subscription rights to which they would be entitled after exercise of the rights or after fulfillment of any conversion or option obligations. This is intended to give the Company the ability to offer the holders of such bonds, which usually have a mechanism to protect against dilution in the case of capital measures, for example, proper compensation without having to adjust the conversion or option price. Excluding the subscription rights of the shareholders in this instance thus ultimately serves to simplify the process of issuing and marketing bonds and is therefore very much in the interests of the Company and its shareholders.
  
- The bonds may also be issued against non-cash capital contributions if this is in the interest of the Company. In this case, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of existing shareholders, provided that the value of the non-cash contribution is appropriate in relation to the bonds' market value, measured in accordance with accepted methods (in particular methods of financial mathematics). This opens up the possibility of using bonds as an acquisition currency, for example when acquiring companies, participations in companies or other assets. The ability to offer bonds as consideration creates an advantage when competing to acquire target objects, while also providing the necessary scope to take advantage of acquisition opportunities without placing a strain on liquidity. Offering bonds in this context may also make sense from the point of view of ensuring an optimum financing structure. The Management Board will examine carefully in each specific case whether or not to make use of the authorization. It will only do so if it is in the interest of the Company and, therefore, of its shareholders.

The authorizations to exclude subscription rights are limited in total to an amount that does not exceed 20% of the share capital both at the time of the authorization becoming effective and at the time of its exercise. Own shares sold during the period of this authorization subject to the exclusion of subscription rights as well as shares issued during the period of this authorization out of authorized capital subject to the exclusion of subscription rights count towards the above-mentioned 20% limit. Similarly, shares issued or to be issued out of conditional capital to service stock option rights count towards the above-mentioned 20% limit, if the stock option rights were granted during the period of this authorization.



Management Board of Infineon Technologies AG:

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Dr. Reinhard Ploss  
(CEO)

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Dominik Asam

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Dr. Helmut Gassel

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Jochen Hanebeck