



**Report of the Management Board concerning Item 8
(Revocation of an existing and grant of a new authorization for the issue of
bonds with warrants and/or convertible bonds, the revocation of Conditional
Capital 2010/II, the creation of a new Conditional Capital 2014 and a new word-
ing of section 4, paragraph 11 of the Articles of Association)
on the Agenda of the Annual General Meeting of Infineon Technologies AG
held on Thursday February 13, 2014**

The Management Board and Supervisory Board propose that the shareholders at the Annual General Meeting grant a new authorization to issue bonds with warrants and/or convertible bonds and approve the creation of the related conditional capital. The Management Board reports to the Annual General Meeting as follows in accordance with section 221, paragraph 4, second sentence and section 186, paragraph 4, second sentence of the German Stock Corporation Act (*Aktengesetz - AktG*):

Bonds with warrants and convertible bonds ("bonds") represent an important financing instrument 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, which in some instances it may later retain in the form of equity. The conversion and option premiums realized, moreover, accrue to the Company. The Company has successfully issued convertible bonds on several occasions in the past.

At the Annual General Meeting held on February 11, 2010 the Management Board was authorized to issue bonds in an aggregate nominal amount of up to € 2,000,000,000.00 and to grant bondholders option or conversion rights to up to 130,000,000 no par value Company registered shares, representing a notional portion of the share capital of up to € 260,000,000.00. In order to service these option and/or conversion rights and to fulfill the conversion rights attached to the bonds, it was also resolved at the Annual General Meeting to create Conditional Capital 2010/II. The authorization granted to the Management Board on February 11, 2010, which has not been utilized to date, expires on February 10, 2015. Since the Annual General Meeting 2015 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 2010/II be revoked now and replaced by a new authorization and new Conditional Capital 2014, thus ensuring that the Company will continue to be able in the coming years to make use of bonds with warrants and/or convertible bonds as important financing instruments.

As with the previous authorization, the new authorization is intended to allow the issue of bonds in an amount of up to € 2,000,000,000.00, which can be serviced out of the newly created Conditional Capital 2014 with up to 130,000,000 shares representing a notional portion of the share capital of up to € 260,000,000.00.

Infineon's shareholders have a right in principle 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 and to



the same extent allowed by the previous authorization, 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 issue price of the bonds is not substantially lower than their theoretical market value as determined in accordance with accepted methods of financial mathematics (section 221, paragraph 4, second sentence 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 February 13, 2014 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 the subscription right insofar as such action is necessary in order to grant holders of option or conversion 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 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 option or conversion 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.



Infineon Technologies AG

The Management Board:

Dr. Reinhard Ploss
(CEO)

Dominik Asam

Arunjai Mittal