



**Report of the Management Board concerning Item 7 of the Agenda
(Authorization to acquire and use own shares)
of the Annual General Meeting
of Infineon Technologies AG
on 22 February 2018**

Acquisition modes (Point (1) of the Authorization Resolution):

The proposed resolution provides for the acquisition of own shares through the stock exchange or by means of a public purchase offer addressed to all shareholders or a public invitation to submit offers for sale. Section 71 paragraph 1 no. 8, fourth sentence, AktG states that the mode of acquisition via the stock exchange in itself satisfies the requirements of the principle of equal treatment. Similarly, shareholders are not disadvantaged in the event of a public purchase offer or a public invitation to submit offers for sale.

It is also intended that the Company should have the option of engaging a bank or other entity (collectively "bank") that meets the requirements of section 186 paragraph 5 sentence 1, AktG to conduct the acquisition as part of a defined repurchase program, whereby the bank gives a commitment to acquire either an agreed number of shares or shares for a previously defined total purchase price, on a previously defined minimum number of exchange trading days in Xetra trading on the Frankfurter Stock Exchange (or comparable successor system) and in any case by no later than the end of a previously agreed period, and to transfer them to the Company. The principle of equal treatment is also complied with in this situation since the bank acquires Infineon shares via the stock exchange and on the conditions specified by the Company. The fact that the purchase price per share to be paid by the Company must include a discount compared to the arithmetic mean of the volume-weighted average price ("VWAP") of the Infineon share in Xetra trading on the Frankfurter Stock Exchange (or comparable successor system) over the period in which shares are repurchased means that shareholders not involved in the repurchase transactions suffer no disadvantage in value terms.

Uses to which own shares can be put (Point (2) of the Authorization Resolution):

The authorization is intended to give the Company the opportunity to use the acquired shares for all legally admissible purposes. In addition to being able to sell shares via the stock exchange or via a public offer to all shareholders (in both cases in compliance with the principle of equal treatment), and to recall shares (in which case there are no such restrictions), the acquired shares may also be used in particular for the purposes described below:

- Own shares as an acquisition currency
(Point (2) letter b. of the Authorization Resolution)

First of all it should be possible to offer and transfer own shares in connection with company mergers and the acquisition of companies, parts of companies, participations and/or other assets that are eligible for treatment as capital contributions in conjunction with such acquisitions. It is essential that the Company is capable of combining forces with other entities and/or of acquiring com-



panies, parts of companies or participations in order to improve its competitive position. It may also be necessary in this context to acquire further assets, over and above the primary acquisition target, but which are nevertheless related to the acquisition transaction, for example when the entity being acquired does not own the rights to the intangible assets necessary to operate the acquired entity's business.

It is not uncommon in practice for acquiring entities to be required to offer own shares as part of the purchase price. It may make economic sense in other cases for the Company to offer own shares as part of the purchase price, thus helping to conserve liquidity by contrast to cash payment. Using own shares can also have advantages over using authorized capital in that it generally avoids the dilution effect typically associated with the creation of new shares.

- Sale to third parties for cash consideration
(Point (2) letter c. of the Authorization Resolution)

The Company would also benefit from being able to sell own shares to third parties, in particular institutional investors, in return for cash payment. Such an option would be in the interests of the Company by enabling it to react quickly and flexibly and cover short-term capital requirements. Specifically, it would allow the Management Board to take advantage of the opportunities offered by favorable stock market conditions and to achieve the highest possible resale price by setting appropriate market-based prices, thereby strengthening equity capital to the greatest possible extent, while also reaching out to new investor groups. In accordance with the resolution, the shares can only be sold at a price (excluding incidental acquisition costs) that is not substantially lower than the share price established in the Xetra trading opening auction on the Frankfurt Stock Exchange (or comparable successor system) on the day of the sale. The Management Board will ensure that any discount compared to the stock exchange price is as small as possible given the prevailing market conditions at the time of placement. Furthermore, the Management Board will make use of this authorization only in such a way that the total value of the shares sold to third parties for cash payment subject to the exclusion of the subscription rights of shareholders does not exceed 10% of the share capital as determined both at the time of this authorization becoming effective and the time of its exercise. Shares issued or used subject to the exclusion of the subscription rights of shareholders in direct or analogous application of section 186, paragraph 3, fourth sentence, AktG will be counted towards this threshold. Also to be counted towards the threshold are those shares that have already been issued or can still be issued in future to service conversion or option rights insofar as the underlying bonds were issued during the lifetime of this authorization subject to the exclusion of the subscription rights of shareholders in analogous application of section 186, paragraph 3, fourth sentence, AktG.



- Own shares to meet the Company's obligations under convertible bonds and bonds with warrants
(Point (2) letter d. of the Authorization Resolution)

Own shares should also be available to service obligations relating to convertible bonds and bonds with warrants ("bonds") that have already been or will in future be issued or guaranteed by the Company. Such bonds are usually serviced out of conditional capital. However, the terms and conditions of the bonds normally stipulate that any conversion and option obligations can also be serviced out of own shares. This option also harbors benefits in terms of enhanced flexibility. One of the advantages of using own shares for this purpose is that there is then no need to create new shares, thus avoiding the dilution effect typically arising when capital increases are made out of conditional capital.

- Own shares to meet obligations under the Stock Option Plan 2010
(Point (2) letter e. of the Authorization Resolution)

The Company would also like to be able to offer own shares to holders of subscription rights from the Stock Option Plan 2010. The "Stock Option Plan 2010" approved by the Annual General Meeting held on 11 February 2010 in relation to Item 12 on the Agenda can be serviced using the conditional capital available for this purpose, but also using own shares. The reasons for using own shares are essentially the same as those explained under the previous item.

- Own shares to be offered/awarded to members of the Company's Management Board, members of the management board/board of directors of affiliated companies and employees of the Company or affiliated companies
(Point (2) letter f. of the Authorization Resolution)

Own shares should also be available to be offered for purchase or awarded as a compensation component and in both cases transferred to members of the Company's Management Board, members of the management board/board of directors of affiliated companies and employees of the Company or affiliated companies.

Under current legislation, shares to members of the Management Board may only be awarded out of authorized capital with specified restrictions, and own shares acquired in accordance with section 71 paragraph 1 no. 2, AktG may not be used at all. In particular section 71, paragraph 1 no. 2, AktG relates only to shares awarded to employees, not however to members of the Company's representative bodies serving on the basis of service contracts. Notwithstanding this fact, it may be in the interests of the Company to acquire shares for subsequent award to employees on the basis of a repurchase authorization as defined by section 71 paragraph 1 no. 8, AktG, given that using authorized capital and acquiring shares in accordance with section 71 paragraph 1 no. 2, AktG are both subject to restrictions which reduce the Company's flexibility. The award of new shares out of authorized capital also has a dilution effect



when share capital is increased subject to the exclusion of subscription rights of existing shareholders.

In addition to the direct transfer of shares by the Company, it is also intended that the Company should be able to transfer acquired shares initially to a bank which has given a commitment to transfer them only to the Company's Management Board, members of the management board/board of directors of affiliated companies and employees of the Company or affiliated companies. The use of a bank as an intermediary can help to simplify the process.

The shares acquired on the basis of this or an earlier authorization may also be used to satisfy redelivery obligations resulting from securities lending transactions taken out with a bank for one of the purposes permitted by the authorization. The acquisition of the shares by means of a securities loan also facilitates the process; the subsequent repayment of the loan using own shares only recreates the situation that would have existed had the shares been used directly in accordance with the purpose permitted by the authorization.

In all of the cases described above, the subscription rights of shareholders must be excluded for the shares concerned in order for them to be used as described. The Company's representative bodies will therefore examine in each individual case whether own shares should be used for the measures stated. The decision to exclude existing shareholders' subscription rights will be taken by the Company's representative bodies after careful consideration of shareholder and Company interests. The measure will only be executed and subscription rights excluded in this case.

The Management Board will report on all relevant aspects, including the decision and the circumstances of the exercise of the repurchase authorization in each case, at the subsequent Annual General Meeting as indicated in section 71, paragraph 3, AktG.



Management Board of Infineon Technologies AG:

Dr. Reinhard Ploss
(CEO)

Dominik Asam

Dr. Helmut Gassel

Jochen Hanebeck