



**Report of the Management Board concerning Item 7 on the Agenda
(Authorization to acquire and use own shares)
of the Annual General Meeting on February 28, 2013**

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 either a public offer to purchase addressed to all shareholders or a public invitation to submit offers for sale ("public purchase offer"). 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. Any disadvantage to shareholders is similarly excluded in the case of a public purchase offer.

It is also intended that the Company should have the option of engaging a bank or other entity meeting the requirements of section 186 paragraph 5, first sentence, AktG (collectively "bank") to conduct the acquisition as part of a defined repurchase program, with the bank giving 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 trading days in Xetra trading (or a 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 with respect to the arithmetic mean of the volume-weighted average price ("VWAP") of the Infineon share in Xetra trading (or a comparable successor system) over the period in which shares are repurchased means that shareholders not involved in the derivative 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 by means of a public offer to all shareholders (in both cases in compliance with the principle of equal treatment), and recalling 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 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 contributions in conjunction with such acquisitions. It is essential that the Company is capable of combining forces with other entities and/or of acquiring companies, 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 its 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 since it would enable it to react quickly and flexibly and cover short-term capital requirements. 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 (or comparable successor system) opening auction on the day of the sale. The Management Board will ensure that any discount with respect 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 with the subscription rights of the shareholders excluded, does not exceed 10% of the share capital determined both at the time of this authorization becoming effective and the time of its exercise. Shares issued or used with the subscription rights of the shareholders excluded in direct or analogous application of section 186 paragraph 3, fourth sentence, AktG will be counted toward this threshold. Also to be counted toward 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 with the subscription rights of the shareholders excluded in analogous application of section 186 paragraph 3, fourth sentence, AktG.

- Own shares to service bonds with warrants and convertible bonds
(Point (2) letter d. of the Authorization Resolution)

Own shares should also be available to service bonds with warrants and convertible bonds ("bonds") that have already been or will in future be issued or guaranteed by the Company. Although the Company already has a sufficient volume of conditional capital in place to cover bonds issued, the terms of such bonds usually state that any conversion obligations may also be met using 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 service obligations under the Stock Option Plans 2006 and 2010
(Point (2) letter e. of the Authorization Resolution)

The Company would also like to be in a position to be able to offer own shares to holders of option rights from the Stock Option Plans 2006 and 2010. The "Infineon Technologies AG Stock Option Plan 2006" approved by the Annual General Meeting held on February 16, 2006 in relation to Item 6 on the Agenda and the "Infineon Technologies AG Stock Option Plan 2010" approved by the Annual General Meeting held on February 11, 2010 in relation to Item 12 on the Agenda can be serviced using the conditional capitals available for this purpose, but also using own shares. The reasons for this 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. This is particularly relevant in the light of the introduction of long-term variable compensation components which go further than the stock option plans previously employed by the Company and provide for the award of shares to members of the Company's Management Board and other members of executive management within the Group.

As far as the compensation of the Company's Management Board is concerned, the Supervisory Board has already decided to replace the previously option-based long term incentive (LTI) with a new share-based LTI with effect from the 2013/2014 fiscal year. The Management Board considers it desirable that the new LTI should also apply as the long-term, variable compensation component for other Infineon senior managers with effect from the 2013/2014 fiscal year. The new LTI is a so-called "Performance Share" plan, whereby (virtual) performance shares are allocated – initially on a provisional basis – at the beginning of each fiscal year for the relevant fiscal year. If the conditions for definitive allocation of performance shares are met at the end of the holding period, the holder has a claim against the Company for the transfer of the corresponding number of Infineon shares.

Further information with respect to the new LTI is provided in the Compensation Report for the 2011/2012 fiscal year which is shown on pages 195 et seq. of the 2012 Annual Report as part of the combined Management Report. The Annual Report can be downloaded from Infineon's website at www.infineon.com/agm and will also be available for inspection at the Annual General Meeting.



The new LTI is intended to strengthen the link between Management Board actions and shareholder interests. Share-based compensation should also have the effect of tying in the interests of other LTI plan participants even more closely with Infineon's interests and generating an even greater sense of co-responsibility for performing well. Awarding shares 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 is therefore in the interests of the Company and its shareholders.

Under current legislation, it is not permitted to award shares to members of the Management Board either out of authorized capital or using own shares acquired in accordance with section 71 paragraph 1 no. 2, AktG. Both of these modes of obtaining shares only relate to the shares awarded to employees, not, however, to members serving on one of the Company's representative bodies. 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 with the subscription rights of existing shareholders excluded.

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 shares by taking out a securities lending transaction can also help to simplify 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 right 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 or not 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 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

Arunjai Mittal