

CORPORATE GOVERNANCE

INFORMATION PURSUANT TO SECTION 289, PARAGRAPH 4, AND SECTION 315, PARAGRAPH 4, OF THE GERMAN COMMERCIAL CODE (HGB)

Structure of the subscribed capital

The share capital of Infineon Technologies AG stood at €2,255,478,460 as of September 30, 2014. This sum is divided into 1,127,739,230 non-par registered shares, each of which represents a notional portion of the share capital of €2. Each share carries one vote and gives an equal right to the profit of the Company based on the profit appropriation resolved by shareholders at the Annual General Meeting.

The Company held 6 million of the above-mentioned issued shares as own shares at the end of the reporting period (September 30, 2013: 6 million). Own shares held by the Company on the date of the Annual General Meeting do not carry a vote and are not entitled to participate in profit.

Restrictions on voting rights or the transfer of shares

Restrictions on the voting rights of shares may, in particular, arise as the result of the regulations of the German Stock Corporation Act (Aktiengesetz – “AktG”). Shareholders are prohibited from voting under certain circumstances pursuant to section 136 AktG, for example, and Infineon Technologies AG has no voting rights from its own shares according to section 71b AktG. Non-compliance with the notification requirements pursuant to section 21, paragraph 1 or 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – “WpHG”) can, according to section 28 WpHG, have the effect that certain rights – including the right to vote – may, temporarily at least, not exist. We are not aware of any contractual restrictions on voting rights or the transfer of shares.

Pursuant to section 67, paragraph 2, AktG, only those persons recorded in the share register of Infineon Technologies AG are recognized as shareholders of the Company. In order to be recorded in the share register of Infineon Technologies AG, shareholders are required to submit to the Company the number of shares held by them and their name or company name, their address and, where applicable, their registered office and their date of birth. Pursuant to section 67, paragraph 4, AktG, Infineon Technologies AG is entitled to request information from any party registered in the share register regarding the extent to which shares, to which the entry in the share register relates, are actually owned by the registered party and, if it does not own the shares, to receive the information necessary for the maintenance of the share register in relation to the party for whom the party concerned holds the shares. Section 67, paragraph 2, AktG, stipulates that the shares concerned do not confer voting rights until such time as the information requested has been supplied in the appropriate manner.

Shareholdings exceeding 10 percent of the voting rights

Section 21, paragraph 1, WpHG requires each shareholder whose voting rights reach, exceed or, after exceeding, fall below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights of a listed corporation to notify such corporation and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – “BaFin”) immediately. As of September 30, 2014, we have not been notified of any direct or indirect shareholdings reaching or exceeding 10 percent of the voting rights. The shareholdings notified to us as of September 30, 2014, are presented in the Notes to the Financial Statements of Infineon Technologies AG under the information pursuant to section 160, paragraph 1, No. 8 AktG.

Shares with special control rights

No shares conferring special control rights have been issued.

System of control over voting rights when employees' own shares and their control rights are not exercised directly

Employees who hold shares in Infineon Technologies AG exercise their control rights directly in accordance with the applicable laws and the Articles of Association just like other shareholders.

Rules governing the appointment and dismissal of members of the Management Board

Section 5, paragraph 1, of the Articles of Association stipulates that the Management Board of Infineon Technologies AG shall consist of at least two members. The Management Board currently comprises three members. The Supervisory Board decides on the exact number of members of the Management Board and on their appointment and dismissal in accordance with section 5, paragraph 1, of the Articles of Association and section 84, paragraph 1, AktG. As Infineon Technologies AG falls within the scope of the German Co-Determination Act (Mitbestimmungsgesetz – "MitbestG"), the appointment or dismissal of members of the Management Board requires a two-thirds majority of the votes of the members of the Supervisory Board (section 31, paragraph 2, MitbestG). If such majority is not achieved on the first ballot, the appointment may be approved on a recommendation of the Mediation Committee on a second ballot by a simple majority of the votes of the members of the Supervisory Board (section 31, paragraph 3, MitbestG). If the required majority is still not achieved, a third ballot is held in which the Chairman of the Supervisory Board has two votes (section 31, paragraph 4, MitbestG). If the Management Board does not have the required number of members, in urgent cases, the local court (Amtsgericht) of Munich makes the necessary appointment upon petition of a party concerned pursuant to section 85, paragraph 1, AktG.


Pursuant to section 84, paragraph 1, sentence 1, AktG, the maximum term of appointment for members of the Management Board is five years. Re-appointment or extension of the term of office, in each case for a maximum of five years, is permitted (section 84, paragraph 1, sentence 2, AktG). Section 5, paragraph 1, of the Articles of Association and section 84, paragraph 2, AktG stipulate that the Supervisory Board may appoint a chairman and a deputy chairman of the Management Board. The Supervisory Board may revoke the appointment of a member of the Management Board and the Chairman of the Management Board for good cause (section 84, paragraph 3, AktG).

Rules governing the amendment of the Articles of Association

Pursuant to section 179, paragraph 1, AktG, responsibility for amending the Articles of Association rests with the Annual General Meeting. However section 10, paragraph 4, of the Articles of Association gives the Supervisory Board the authority to amend the Articles of Association insofar as such amendments relate merely to the wording, such as changes in the share capital amount resulting from a capital increase out of conditional or authorized capital or a capital decrease by means of cancellation of own shares. Unless the Articles of Association provide for another majority, section 179, paragraph 2, AktG stipulates that resolutions of the Annual General Meeting on the amendment of the Articles of Association require a majority of at least three quarters of the share capital represented. Section 17, paragraph 1, of the Articles of Association of Infineon Technologies AG provides in principle for resolutions to be passed with a simple majority of the votes cast and, when a capital majority is required, with a simple majority of the capital unless a higher majority is required by law or in accordance with other stipulations contained in the Articles of Association.

Powers of the Management Board to issue shares

The powers of the Management Board to issue shares derive from section 4 of the Articles of Association, in conjunction with applicable legal provisions. Further information relating to the Company's existing Authorized and Conditional Capital can be found in note 25 to the Consolidated Financial Statements.

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Authorization to issue bonds with warrants and/or convertible bonds

The Annual General Meeting on February 13, 2014 authorized the Management Board, in the period through February 12, 2019, once or in partial amounts, to issue bonds with warrants and/or convertible bonds (referred to collectively as “bonds”) in an aggregate nominal amount of up to €2,000,000,000, to guarantee such bonds issued by subordinated Group companies of the Company and to grant holders of bond options or conversion rights to up to 130,000,000 no par value registered Company shares, representing a notional portion of the share capital of up to €260,000,000, in accordance with the relevant terms of the bonds. The Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders to the bonds

- if the issue price is not substantially lower than the theoretical market value of the bonds, as determined in accordance with accepted methods of financial mathematics; however this only applies insofar as the shares to be issued to service the option and/or conversion rights established on this basis in aggregate do not exceed 10 percent of the share capital either at the time of this authorization becoming effective or at the time of its exercise;
- in order to exclude fractional amounts resulting from a given subscription ratio from the subscription rights of the shareholders to the bonds or insofar as such action is necessary in order to grant holders of option or conversion rights from bonds that have already been or will in future be issued by the Company or its subordinated Group companies subscription rights to that extent to which they would be entitled after exercise of their rights or after fulfillment of any conversion obligations.

Even if the dilution protection regulations are applied, the option or conversion price must equal at least 90 percent of the average stock exchange price of the Company’s shares in the Xetra closing auction on the Frankfurt Stock Exchange (or a comparable successor system) during the ten exchange trading days prior to the date of adoption of the resolution by the Management Board to issue the bonds or, insofar as the shareholders have subscription rights for the bonds, during the days on which subscription rights for the bonds are traded on the Frankfurt Stock Exchange, but excluding the last two exchange trading days for such subscription rights. Without prejudice to section 9, paragraph 1, AktG, the option or conversion price may be reduced pursuant to a dilution protection clause in accordance with the terms of the bonds if the Company increases its share capital before the end of the option or conversion period, honoring the subscription rights of the shareholders, or issues or guarantees further bonds and the holders of option rights or of convertible bonds are not granted subscription rights in this regard. The terms may also provide for a value-preserving adjustment of the option or conversion price or of the option or conversion rate in the event of other measures potentially leading to a dilution of the commercial value of the option or conversion rights. In any event, the notional portion of the share capital attributable to the shares underlying each convertible bond may not exceed the nominal value of the bond.

The Management Board is authorized, subject to the requirements resolved by shareholders at the Annual General Meeting, to determine the further details of the bond issue, including its terms and conditions.

Purchase of own shares

A resolution passed by the Annual General Meeting on February 28, 2013 authorizes Infineon Technologies AG, in the period through to February 27, 2018, to acquire its own shares, within the statutory boundaries, in an aggregate amount not exceeding 10 percent of the share capital at the time the resolution was passed or – if the latter amount is lower – of the share capital in existence at the time the authorization is exercised. The Company may not use the authorization for the purposes of trading in its own shares. The Company may exercise the authorization once or a number of times for one or a number of purposes. The authorization may also be used by dependent companies or companies in which the Company has a majority holding or by third parties acting for the Company or for dependent companies or companies in which the Company has a majority holding. The Management Board decides whether own shares are acquired through the stock exchange, by means of a public offer to purchase addressed to all shareholders or a public invitation to submit offers for sale (referred to jointly as a “public purchase offer”) or via a bank or other entity that meets the requirements of section 186, paragraph 5 sentence 1 AktG (referred to jointly as “bank”) that is engaged to complete the acquisition as part of a defined repurchase program.

- (a) If shares are acquired through the stock exchange, the purchase price per share (excluding incidental costs) paid by the Company may not be more than 10 percent above or below the price established in the Xetra (or comparable successor system) opening auction on the trading day.
- (b) If shares are acquired by means of a public purchase offer, a fixed purchase price or purchase price range may be specified. The purchase price per share (excluding incidental costs) paid by the Company in this case may be no more than 10 percent above and no more than 20 percent below the arithmetic mean of the closing prices of the share in Xetra trading (or a comparable successor system) on the last three exchange trading days prior to the day of publication of the public purchase offer (“effective date”). If significant price changes occur after the effective date, the purchase price may be adjusted accordingly; in this case, the relevant time frame is the three exchange trading days prior to the public announcement of any such adjustment. The volume of the purchase may be limited. If the total subscription for the public purchase offer exceeds this volume, the Company will adopt a quota-based purchase approach. Provision may be made for a preferred acceptance of smaller quantities (up to 100 offered shares per shareholder). The public purchase offer may also provide for further terms and conditions.
- (c) A bank can be engaged as part of a defined repurchase program 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. In such cases, (i) the bank must acquire the shares through the stock exchange and (ii) the purchase price per share to be paid by the bank (excluding incidental costs) must not be more than 10 percent above or below the price established in the Xetra (or comparable successor system) opening auction on the trading day and (iii) 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 actual period in which shares are repurchased. Notwithstanding the above stipulations and subject to any further instructions issued by the Company, the bank may implement the repurchase program at its own discretion.

The Company is authorized – on its own, through dependent companies or companies in which it has a majority holding or through third parties acting for it or for dependent companies or companies in which it has a majority holding – not only to sell Infineon shares acquired on the basis of this or an earlier authorization via the stock exchange or by means of a public offer, but also to utilize those shares for all legally admissible purposes, specifically including the following:

- (a) The shares may be cancelled without this cancellation or its implementation requiring any further resolution of the Annual General Meeting. Cancellation results in a reduction in share capital by the proportion attributable to the cancelled shares. The Management Board may also decide in this connection that the share capital will not be affected by the cancellation and that the proportion of non-cancelled shares in the share capital will be increased accordingly. The Management Board is authorized in this case to amend the number of shares listed in the Articles of Association.
- (b) The shares may be offered and transferred to third parties in connection with corporate mergers or the acquisition of companies, parts of companies or participations in companies and/or other assets that qualify for treatment as contributions in conjunction with acquisition transactions of the above-mentioned nature.
- (c) The shares may, subject to the consent of the Supervisory Board, be sold to third parties for cash payment including by means other than through the stock exchange or through an offer to all shareholders, provided that the price at which the shares are sold (excluding incidental selling costs) is not substantially lower than the share price established in the Xetra (or comparable successor system) opening auction on the day of the sale. Furthermore, the total value of the shares sold in these cases may not exceed 10 percent of the share capital as determined either at the time of this authorization becoming effective or at the time of its exercise. The notional portion of the share capital that relates to shares issued or used with the subscription rights of the shareholders excluded in direct or analogous application of section 186, paragraph 3, sentence 4, AktG, is to be included in this amount. Also to be included in this number are the 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, sentence 4, AktG.
- (d) The shares may be used to meet the Company's obligations under bonds with warrants and convertible bonds issued or guaranteed by it in the past or in the future.
- (e) The shares may be used directly or indirectly to meet obligations under the "Infineon Technologies AG Stock Option Plan 2006" or the "Infineon Technologies AG Stock Option Plan 2010". If own shares are to be transferred to members of the Management Board, this authorization applies to the Supervisory Board.
- (f) The shares may be offered for sale to, or awarded as compensation to, members of the Company's Management Board, to members of the Management Board/Board of Directors of affiliated companies and to employees of the Company or affiliated companies; shares offered and awarded in this context may also be transferred to the relevant persons after termination of membership on representative bodies and/or employment contracts. The shares may also be transferred to a bank that has agreed to use the shares exclusively for the purposes stipulated in sentence 1. If own shares are to be offered for purchase or awarded and transferred to members of the Management Board, this authorization applies to the Supervisory Board.

The shares acquired on the basis of this or an earlier authorization may also be used to repay securities-backed loans taken out with a bank for one of the purposes stated in clauses b) to f).

The authorizations may be used once or a number of times, individually or together, and in their maximum value or in fractions of their maximum value. Subscription rights of the shareholders with respect to the shares affected by these measures are excluded insofar as the shares concerned are used in accordance with the aforementioned authorizations with the exception of clause a). In addition, the subscription rights of shareholders are excluded in respect of fractional amounts in instances in which the shares are sold through a public offer addressed to all shareholders.

According to a resolution passed by the Annual General Meeting on February 28, 2013, the acquisition of Infineon Technologies AG shares may also be effected using equity derivatives. The Management Board is authorized (i) to sell options that when exercised require the Company to acquire Company shares (put options) and (ii) to acquire options that when exercised entitle the Company to acquire Company shares (call options). The acquisition may furthermore be effected using a combination of put and call options (referred to collectively as "derivatives"). Shares may also be acquired using derivatives via a bank that is engaged – in conjunction with a defined repurchase program and on the conditions determined by the Annual General Meeting – to acquire an agreed number of shares or shares underlying derivatives for a pre-determined total acquisition price by no later than the end of a previously agreed period and to transfer them to the Company.

The total number of shares that can be acquired using derivatives may not exceed 5 percent of the Company's share capital, determined either at the time of this authorization becoming effective or at the time of its exercise through the use of the derivatives. The shares acquired through the exercise of this authorization are to be counted toward the acquisition threshold for the shares acquired in accordance with the authorization to acquire own shares described directly above. The term of the individual derivatives may in each case be no longer than 18 months, must expire by no later than February 27, 2018 and must be defined such that the acquisition of own shares either to exercise or to satisfy the derivatives cannot be effected after February 27, 2018.

The derivative contracts must be concluded with a bank or via the stock exchange. It must be ensured that obligations under the derivatives are met only using shares that have been acquired previously, in compliance with the principle of equal treatment, via the stock exchange at the current price of the share in Xetra trading (or a comparable successor system) at the time of acquisition via the stock exchange. 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 percent above and no more than 30 percent below the price of the share calculated at the opening auction in Xetra trading (or a comparable successor system) on the day the derivative transaction is concluded.

The acquisition price paid by the Company for derivatives may not be substantially higher than, and the sale price received by the Company for derivatives may not be substantially lower than, the theoretical market value of the options concerned as determined in accordance with accepted methods of financial mathematics, considering among other things the agreed exercise price.

If own shares are acquired using derivatives in accordance with the foregoing rules, any right of the shareholders to conclude such derivative transactions with the Company will be excluded in analogous application of section 186, paragraph 3, sentence 4, AktG. The shareholders similarly have no right to conclude derivative transactions with the Company insofar as arrangements for the conclusion of derivative transactions include a preferred offer for the conclusion of derivative transactions concerning small volumes of shares.

Shareholders have a right to sell their Infineon shares in this connection only insofar as the Company is required to accept the shares under the derivative transactions. No other right to sell shares will apply in this connection.

The rules laid out above relating to the authorization to acquire own shares directly apply as appropriate to the use of own shares acquired using derivatives.

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@ www.infineon.com/cms/en/about-infineon/investor/capital-returns/program-2013

The Company resolved a new capital returns program in November 2013 and intends to allocate up to €300 million for this program through September 30, 2015. Further details and the current status of the program are provided in note 25 to the Consolidated Financial Statements and are also published regularly on the Company's website at www.infineon.com/cms/en/about-infineon/investor/capital-returns/program-2013.

Significant agreements in the event of a change of control as a result of a takeover bid

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The facilities agreement concluded by Infineon with several local and international financial institutions to finance the acquisition of International Rectifier (for details see note 23 to the Consolidated Financial Statements), contains a change of control clause, which conveys the right to the individual contractual parties – in the event of a defined change in control – to call for an amendment to the facilities agreement or, in specified cases, to give notice of termination of their participation in the financing arrangements and call for repayment of the relevant credit amount. This change of control clause reflects standard market practice for facilities agreements of this nature in the interests of creditor protection.

Furthermore, certain patent cross-licensing agreements, development agreements, subsidy agreements and approvals, supply contracts, joint venture agreements and license agreements contain change of control clauses according to which a change in control of Infineon Technologies AG triggers the right of the other party to terminate the agreement, to continue the agreement at its discretion as well as other rights which may, under circumstances, be unfavorable for Infineon.

The change of control clauses negotiated with the contract partners of Infineon Technologies AG as part of its general business activities are also in line with standard market practice. The same applies for the subsidy agreements and approvals as well as for the joint venture agreements entered into by Infineon.

Agreements for compensation in the event of a takeover bid

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If a member of the Management Board leaves his or her position in connection with a change of control, that member is currently entitled to continued payment of the relevant annual remuneration for the entire remaining contract term. In accordance with a special contract termination right granted to members of the Management Board, the period of continued payment is capped at a maximum of 36 months in the event the member resigns, or at a minimum of 24 months and a maximum of 36 months in the event the member is removed from office or dismissed by Infineon Technologies AG. Further details are contained in the Compensation Report.

The change of control clauses agreed with the members of the Management Board correspond to the recommendation made in section 4.2.3, paragraph 5, of the German Corporate Governance Code. Such clauses are intended to give members of the Management Board security if a change of control situation occurs, and to preserve their independence in the event of a takeover bid.

There are no comparable arrangements for employees.