COMPENSATION REPORT

This Compensation Report, which forms an integral part of the Management Report, explains the principles applied in determining compensation for the Management Board and Supervisory Board of Infineon Technologies AG and the level of remuneration paid to the individual members of the Management Board and Supervisory Board in accordance with the applicable legal requirements and the recommendations of the German Corporate Governance Code in the version of May 13, 2013 (Deutscher Corporate Governance Kodex – "DCGK"). Infineon believes that transparent and understandable reporting of Management Board and Supervisory Board compensation represents a fundamental element of good corporate governance.

Management Board compensation

Compensation system

The Management Board compensation system – similarly to compensation paid to individual members of the Management Board – is defined and regularly reviewed by the full Supervisory Board on the basis of proposals from the Executive Committee. The compensation paid to members of the Management Board is intended to reflect the typical level and structure of Management Board compensation at comparable companies in Germany and elsewhere, as well as Infineon's economic position and future prospects. The duties, responsibilities and performance of each Management Board member are also to be considered, as is Infineon's wider pay structure. This includes considering Management Board compensation in relation to the compensation of senior management and of the workforce as a whole, including changes in the level of compensation over time. The stated objective is that the compensation structure should be designed in such a way that it promotes sustainable business development. Infineon aims to set compensation at a level that is competitive both nationally and internationally so as to inspire and reward dedication and success in a dynamic environment.

The most recent review of the compensation system for the Management Board was carried out in the 2012 fiscal year by an external independent compensation expert, who reached the conclusion that the compensation system complied with applicable stock corporation requirements and that compensation was commensurate with market conditions. In addition, it was concluded that variable compensation, as required by the German Stock Corporation Act, is oriented toward sustainable growth of the enterprise. The next review of Management Board compensation is scheduled to take place in the 2014 fiscal year.

Components of the Management Board compensation system

The members of the Management Board receive as compensation for their service an annual income which – based on a target achievement of 100 percent – comprises approximately 45 percent fixed compensation and approximately 55 percent variable compensation components:

› Fixed compensation: The fixed compensation comprises a contractual basic annual salary that has no link to performance and is paid in twelve equal monthly installments.

› Variable (performance-related) compensation: The variable compensation comprises three components: an annual bonus (short-term incentive), a multiple-year bonus (mid-term incentive) and a long-term variable compensation component (long-term incentive).

The short-term incentive (STI) is intended to reward performance over the preceding fiscal year in line with Infineon's recent progress. Assuming a 100 percent target achievement, the STI constitutes approximately 20 percent of target annual income. It is set by the Supervisory Board in a two-phase process:

(i) At the beginning of each fiscal year, the target functions with respect to the two performance indicators "free cash flow" and "return on capital employed (RoCE)" are defined uniformly for all Management Board members. Underpinning the consistent approach taken to managing the business, the same target indicators – supplemented by "segment result" – are used as the basis for determining the variable compensation components (bonus payments) for Infineon employees. The two performance indicators, which are described in more detail in the chapter "Internal Management System", are equally weighted for the purposes of measuring the STI.

(ii) At the end of the fiscal year, the actual levels of target achievement for free cash flow and RoCE and, hence the amount of the STI, is determined by the Supervisory Board.

An STI is paid only if, on the basis of the approved financial statements, the level of target achievement reaches at least the 50 percent threshold for both performance indicators (free cash flow, RoCE). If one of the two target thresholds is not achieved, no annual bonus is paid for the relevant fiscal year. If the threshold is achieved, the arithmetic mean of the two target achievements is calculated, and used as the percentage rate to determine the actual STI amount. A cap of 250 percent applies, meaning that the maximum amount that can be paid is two and a half times the target STI (= 100 percent), regardless of the actual achievement level. The Supervisory Board may, in addition, increase or reduce the amount to be paid in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's position and any exceptional factors. A lower limit applies in this case such that the amount to be paid cannot be less than the amount that would be due given 50 percent target achievement. The upper limit for an upwards adjustment is the cap of 250 percent.

If the term of office on the Board begins or ends during the fiscal year, the entitlement to STI is calculated on a pro-rata monthly basis (one twelfth for each month started). Management Board members are not entitled to receive an STI bonus for the fiscal year in which they resign from office or terminate their contract of their own will or if their contract is terminated for good cause.

The mid-term incentive (MTI) is intended to reward sustained performance by the Management Board in line with Infineon's medium-term progress. In combination with the long-term incentive, the MTI ensures compliance with the stock corporation law requirement that the structure of compensation is to be "oriented toward sustainable growth of the entity". Assuming a 100 percent target achievement, the MTI constitutes approximately 20 percent of target annual income.

A new MTI tranche commences at the beginning of each fiscal year. Each tranche has a term of three years and is paid in cash at the end of the term. The amount of the payment is determined on the basis of actual RoCE and free cash flow figures during each three-year period. For these purposes, the target values for RoCE and free cash flow for each individual year of an MTI tranche correspond to the STI targets set each year in advance. The level of target achievement for both the RoCE target and the free cash flow target must reach a threshold of 50 percent in each year of the relevant three-year period, otherwise the level of target achievement for the purposes of the MTI is set to zero for the year concerned. If the threshold is exceeded, the level of target achievement determined for the STI in the relevant year also applies for the purposes of the MTI. The MTI to be paid at the end of the three-year period is determined by calculating the arithmetic mean of the three annual target achievement levels. Unlike the STI, the MTI is paid as calculated even if the mean level of target achievement for the three-year period is below the 50 percent threshold. An upper cap of 200 percent applies, meaning that the maximum amount that can be paid is two times the target MTI (= 100 percent), regardless of actual achievement level.

The Supervisory Board may increase or reduce the amount to be paid under the MTI in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's position and any exceptional factors. When exercising its judgment in this respect, the Supervisory Board also takes into account the level of achievement of the three-year target for revenue growth and segment result that is set each year by the Supervisory Board exclusively for this purpose. Unlike the STI, there is no lower limit for the amount by which the Supervisory Board can adjust the MTI; for the upper limit, however, the cap applies (200 percent).

If the term of office commences during a fiscal year, the MTI tranche is determined on a pro-rata basis (1/36 for each month of a full MTI tranche started). Upon leaving Infineon, mechanisms are in place to ensure that a Management Board member can only receive a MTI payment for the actual number of MTI tranches during his/her term of office. MTI tranches already started are forfeited without compensation if the Management Board member's mandate or service contract is brought to an end before the due date, for instance in the case of dismissal from office or termination of contract for good cause.

The long-term incentive (LTI) is intended to reward long-term – and like the MTI – sustained performance on the part of members of the Management Board and to ensure that their interests are aligned with the interest of the Company's shareholders regarding a positive share price development. Assuming a 100 percent target achievement, the LTI constitutes approximately 15 percent of the target annual income of each individual member of the Management Board.

The LTI maintained in recent years by the Company is a stock option plan ("Stock Option Plan 2010") resolved at the 2010 Annual General Meeting. Based on the terms of this plan, the Supervisory Board has awarded members of the Management Board an annual tranche of stock options – most recently in the 2013 fiscal year – corresponding in each case to the portion of the target annual income accounted for by the LTI. Any stock options granted are subject as a general rule to the plan conditions applicable to employees, including a four-year vesting period and a three-year exercise period as well as a relative performance target (outperformance of the relevant Philadelphia Semiconductor Index (SOX) over a specified time period) and an absolute performance target (minimum increase in Infineon share price of 20 percent). If the gain from exercised stock options amounts to more than 250 percent of the target annual income attributable to the LTI for the year concerned, a number of options will expire such that the gain is reduced to the 250 percent mark (cap).

The Supervisory Board has decided upon a new LTI concept for fiscal years commencing after September 30, 2013, which was approved by shareholders at the 2013 Annual General Meeting as part of a resolution on the new Management Board compensation system. The new LTI is a so-called "Performance Share" plan. The (virtual) performance shares are allocated – initially on a provisional basis – on October 1 of each fiscal year for the fiscal year beginning on that date. The performance shares are allocated on the basis of the contractually agreed "LTI - allocation amount". The prerequisite for the definitive allocation of the (at that stage still virtual) performance shares is that the relevant Management Board member invests 25 percent of his/her individual LTI allocation amount in Infineon shares and that the holding period of four years applicable for the member's own investment and for the performance shares has come to an end. Moreover, 50 percent of the performance shares are performance-related; they are only allocated definitively if the Infineon share outperforms the SOX during the period between the date of the performance shares' provisional allocation and the end of the holding period. If the conditions for definitive allocation of performance shares (either of all or of only those that are not performance-related) are met at the end of the holding period, the Management Board member acquires a claim against the Company for the transfer of the corresponding number of (real) Infineon shares; performance shares which do not achieve the target are forfeited. For these purposes, the value of the performance shares definitively awarded to the Management Board member per LTI tranche may not exceed 250 percent of the relevant LTI allocation amount; all performance shares above this amount are forfeited (cap). The value of the performance shares in conjunction with the cap is calculated on the basis of the closing price of the Infineon share in Xetra trading at the end of the holding period; the date on which the Infineon share are transferred is irrelevant for these purposes.

The shares are transferred to a securities account belonging to the Board member, after which he/she can freely access them. The same also applies to Infineon shares acquired in conjunction with the own-investment requirement at the end of the holding period.

The Supervisory Board has the right, at the end of the holding period, to make a cash settlement to the Management Board member rather than actually transfer Infineon shares.

If the Management Board member leaves office during the first two years of the holding period applicable to the performance shares of a particular LTI tranche, those performance shares are forfeited, unless the reason for leaving office is that the Board member has reached the contractually agreed age limit. The holding period for own-investment shares expires when the Management Board member leaves office; at that stage the shares are freely accessible to the Board member concerned. If the Management Board member leaves office at a later date – except in the cases of resignation or contract termination for good cause –, the LTI tranche (including own investment) remains in place unchanged. The Management Board member is then treated in all respects as if he/she were still in office; there is no pro rata reduction due to leaving office early.

Performance Shares based on the new LTI were awarded for the first time on October 1, 2013 for the fiscal year beginning on that date.

The Supervisory Board is required to define suitable alternative LTI instruments of commensurate value if it is impossible or not desired by the Supervisory Board to offer an LTI on the basis of the Performance Share Plan.

Last but not least, the Supervisory Board has the option to grant an additional bonus, amongst others for special achievements of the Management Board. In accordance with the corresponding amendments made to contracts in the 2013 fiscal year, the bonus for each Management Board member is capped at a maximum value of 30 percent of fixed compensation.

Management Board compensation in the 2013 fiscal year

Total cash compensation

The members of the Management Board active in the 2013 fiscal year received total fixed non-performance-related compensation (basic annual salary plus benefits-in-kind) of €2,364,040 for their service (the active members in the previous year had received €3,105,029).

The members of the Management Board also received variable performance-related compensation totaling €1,739,096 for their service during the 2013 fiscal year (2012: €3,415,818), which consists of the short-term incentive (STI) totaling €895,104 (2012: €1,366,560) and the mid-term incentive (MTI) tranches awarded for the 2013 fiscal year totaling €843,992 (2012: € 2,049,258; this figure included a settlement payment to Mr. Bauer and Dr. Ploss as replacement for MTI payments not yet matured totaling €1,218,300). The first MTI tranche completely awarded and payable for the period 2011 – 2013 amounts to €807,576.

No additional bonus was granted by the Supervisory Board.

The amount of compensation awarded for the 2013 fiscal year paid in the 2013 fiscal year or payable in subsequent years accordingly amounts to €4,103,136 (2012: €6,520,847).

Share-based compensation

Stock options relating to the Stock Option Plan 2010 were issued to Management Board members for the last time in (and for) the 2013 fiscal year; with effect from the 2014 fiscal year, Management Board members receive a long-term, share-based compensation in the form of "performance shares" in conjunction with the contractually agreed LTI.

The number of options to be awarded was calculated on the basis of their fair market value. The fair market value figure used to determine the number of stock options took no account of the cap applicable to these options and was consequently equivalent to the fair market value of the options granted by the Company to employees under the Infineon Stock Option Plan 2010, without cap.

Under the terms of that plan, the exercise price for a new share amounts to 120 percent of the average share price over the five trading days preceding the grant day of the option. The options issued may only be exercised if the Infineon share price is equal to or exceeds the exercise price during the term of the option (absolute performance target). In addition, the share price must outperform the Philadelphia Semiconductor Index (SOX) (relative performance target). The initial reference figures (100 percent) for this purpose are the arithmetic mean of the Infineon share price and the daily closing price of the SOX over a three-month period following the issue of the stock options. The Infineon share price must then exceed the SOX (daily closing price), as measured using the respective reference values, at least once on at least ten consecutive trading days in the period beginning one year after the grant of the stock options and lasting until the end of their lifetime.

Further details of the Stock Option Plan 2010 are provided in note 32 to the Consolidated Financial Statements.

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Based on the Stock Option Plan 2010, Dr. Ploss received 187,500 stock options (in his capacity as Chief Executive Officer), Mr. Asam 130,952 stock options and Mr. Mittal 229,167 stock options in (and for) the 2013 fiscal year. Mr. Mittal was appointed as member of the Management Board effective January 1, 2012. In accordance with the agreement reached between Mr. Mittal and the Company, the stock options to which he was entitled as LTI pro rata for the 2012 fiscal year, were awarded in the 2013 fiscal year. Accordingly, 98,215 of the stock options granted to Mr. Mittal in total in the 2013 fiscal year relate to the 2012 LTI.

These stock options are subject to an exercise cap of 250 percent of their fair market value at grant date. The exercise cap was calculated using the fair market value of an option without any value-reducing limit (€1.68; 2012: €1.75).

No stock options were exercised or forfeited during the 2013 fiscal year; 180,000 (2012: 95,000) of the stock options granted to Mr. Bauer expired.

In the previous year 209,714, 220,000 and 125,714 stock options were granted to Mr. Bauer (then CEO), Mr. Asam and Dr. Ploss respectively; the stock options due to Mr. Mittal for the 2012 fiscal year as member of the Management Board were awarded together with the 2013 tranche. The stock options granted continue to be valid if the Board member concerned leaves office. They expire without replacement if the Management Board member's mandate or service contract is brought to an end before the due date, for instance in the case of dismissal from office or termination of contract for good cause. As a result of the special contract termination right agreed with, and applied by, Mr. Bauer, the options issued to him during his period of office remain in place, subject to their exercise.

The members of the Management Board active in the 2013 fiscal year received the following stock options during their service on the Management Board:

Share-based compensation

Management Board member	Fiscal year	Options outstanding at the beginning of the fiscal year: Number	Options outstanding at the beginning of the fiscal year: Average exercise price[1] in €	Options granted in the fiscal year: Number	Options granted in the fiscal year: Average exercise price[1] in €
Dr. Reinhard Ploss (CEO)	**2013**	**245,714**	**7.81**	**187,500**	**7.00**
	2012	120,000	8.62	125,714	7.03
Dominik Asam	**2013**	**220,000**	**7.03**	**130,952**	**7.00**
	2012	–	–	220,000	7.03
Arunjai Mittal (since January 1, 2012)	**2013**	**–**	**–**	**229,167**	**7.00**
	2012	–	–	–	–
Peter Bauer (until September 30, 2012)	**2013**	**–**	**–**	**–**	**–**
	2012	475,000	9.65	209,714	7.03
Total	**2013**	**465,714**		**547,619**	
	2012	595,000		555,428	

1 Weighted average

2 Due to the early retirement of Mr. Bauer at September 30, 2012 the total expenses related to his share-based compensation are recognized in fiscal year 2012.

Other awards and benefits

The Company entered into a restitution agreement in the 2009 fiscal year with each of the members of the Management Board active at that time. Dr. Ploss is the only current Management Board member affected by such an agreement. These agreements provide for the Company to cover, to the extent permitted by law, all costs and expenses incurred by Management Board members in the performance of their duties for the Company in connection with legal, governmental, regulatory and parliamentary proceedings and investigations and with arbitration proceedings, in which the Management Board member is involved in connection with his or her activities on behalf of the Company. However, the agreements specifically exclude any restitution of costs insofar as the proceedings concern an action or omission on the part of the Management Board member that constitutes a culpable breach of the Management Board member's duty of care pursuant to section 93, paragraph 2, of the German Stock Corporation Act ("AktG").

No payments were made by the Company during the 2013 fiscal year under these restitution arrangements.

Options outstanding at the end of the fiscal year				Options available for exercise at the end of the fiscal year		Total expense for share-based compensation [2]
Number	Average exercise price [1] in €	Range of exercise prices in €	Average remaining term [1] in years	Number	Average exercise price [1] in €	in €
433,214	**7.46**	**7.00 – 8.62**	**5.37**	**–**	**–**	**70,766**
245,714	7.81	7.03 – 8.62	5.72	–	–	43,944
350,952	**7.02**	**7.00 – 7.03**	**5.58**	**–**	**–**	**50,631**
220,000	7.03	7.03	6.21	–	–	27,614
229,167	**7.00**	**7.00**	**6.21**	**–**	**–**	**27,904**
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**
589,714	8.79	7.03 – 13.30	4.06	180,000	11.03	375,803
1,013,333				**–**		**149,301**
1,055,428				180,000		447,361

Total compensation

Total compensation granted to the serving members of the Management Board for the 2013 fiscal year amounting to €4,530,974 (2012: €7,065,167) is broken down in the table below (gross, excluding statutory deductions). The amount shown for LTI corresponds to the "share-based compensation" described above:

Total compensation

in €		Non-performance-related compensation	
	Fiscal year	Basic annual salary	Other[1]
Management Board member			
Dr. Reinhard Ploss (CEO)	**2013**	**945,000**	**14,192**
	2012	685,000	21,465
Dominik Asam	**2013**	**685,000**	**22,624**
	2012	685,000	34,691
Arunjai Mittal (since January 1, 2012)	**2013**	**685,000**	**12,224**
	2012	513,750	14,152
Peter Bauer (until September 30, 2012)	**2013**	**–**	**–**
	2012	1,100,000	50,971
Total	**2013**	**2,315,000**	**49,040**
	2012	2,983,750	121,279

1 The compensation shown under "Other" comprises primarily the monetary value of the provision of a company car, life-insurance and invalidity premiums on behalf of Management Board members and inventor's fees.

2 The MTI was introduced as part of the new Management Board compensation system effective October 1, 2010. The figures reported for the 2012 fiscal years relate to settlement amounts paid to Mr. Bauer and Dr. Ploss to compensate them for a lack of a maturing MTI tranche.

3 The figures for the current Management Board members (Dr. Ploss, Asam and Mittal) are based on a fair market value per option of € 0.95 (2012: €0.98), which was calculated on the basis of a Monte-Carlo simulation model taking account of the value-reducing cap.

Members of the Management Board did not receive any loans from Infineon either in the 2013 or 2012 fiscal year.

Similarly, they did not receive any benefits from third parties in the 2013 and 2012 fiscal years, whether promised or actually granted, for their board activities at Infineon.

Commitments to the Management Board upon termination of service

Allowances and pension entitlements in the 2013 fiscal year

The members of the Management Board who were in their position prior to the introduction of the new compensation system in 2010 are contractually entitled to a defined benefit pension payment. In the 2013 fiscal year, this now only relates to Dr. Ploss, who has an entitlement to an annual retirement benefit, currently standing at €195,000 and which increases by €5,000 for each additional full year of service on the board, up to a maximum amount of €210,000. This entitlement is already vested both contractually and under the applicable statutory provisions and is secured and financed by the Company in the form of a pension reinsurance policy pledged to Dr. Ploss. The pension entitlement is required to be reviewed every three years from the start of payment of the pension in accordance with the German Company Pension Act (Betriebsrentengesetz) and increased by a percentage equal to the percentage increase in the consumer price index for Germany as defined by the German Federal Statistical Office. If Dr. Ploss's mandate comes to an end, payment of the pension entitlement begins at the earliest at the age of 60.

Performance-related compensation						Total compensation
Short Term Incentive	Mid Term Incentive				Long Term Incentive[3]	
	Settlement[2]	For the 2011 – 2013 tranche	For the 2012 – 2014 tranche	For the 2013 – 2015 tranche		
362,880	**–**	**98,632**	**98,663**	**134,540**	**178,125**	**1,832,032**
320,320	484,176	106,773	106,773	–	123,200	1,847,707
266,112	**–**	**117,505**	**98,663**	**98,663**	**124,404**	**1,412,971**
320,320	–	106,773	106,773	–	123,200	1,376,757
266,112	**–**	**–**	**98,663**	**98,663**	**125,309**	**1,285,971**
240,240	–	–	80,080	–	92,400	940,622
–	**–**	**–**	**–**	**–**	**–**	**–**
485,680	734,124	161,893	161,893	–	205,520	2,900,081
895,104	**–**	**216,137**	**295,989**	**331,866**	**427,838**	**4,530,974**
1,366,560	1,218,300	375,439	455,519	–	544,320	7,065,167

In accordance with the recommendations incorporated into the new compensation system, Mr. Asam and Mr. Mittal have both received a defined contribution pension commitment essentially resembling the Infineon pension plan applicable to all employees (rather than a defined benefit pension commitment based on years of service under the old system): The Company has accordingly set up a personal pension account (basic account) for Mr. Asam and Mr. Mittal and makes annual pension contributions to it. The Company pays interest on the balance in the basic account annually until disbursement of the pension begins and may also award surplus credits. The balance of the basic account when disbursement of the pension begins (due to age, invalidity or death) – increased by an adjusting amount in the event of invalidity or death – constitutes the retirement benefit entitlement and is paid out to the Board member or his or her surviving dependents in twelve annual installments, or, if so requested by the Board member, in eight annual installments, as a lump sum or as life-long pension. Entitlements due to Mr. Asam and Mr. Mittal that have already vested contractually or under the applicable statutory provisions are also secured and financed by the Company in the form of pension reinsurance policies pledged to the relevant Board members.

The plan rules applicable for Mr. Asam and Mr. Mittal differ in terms of the initial defined component, the annual transfer to the pension account and the vesting period:

In addition to a one-time, contractually vested initial component of €540,000 paid as compensation for the loss of vested retirement pension entitlements in connection with the termination agreement with his previous employer, Mr. Asam will receive from the Company for each fiscal year of his membership of the Management Board an annual pension contribution amounting to between 25 and 40 percent, as determined by the Supervisory Board, of the relevant agreed basic annual salary, i.e. fixed compensation. The pension contribution for Mr. Asam for the 2013 fiscal year has, as in the previous year, been set at 30 percent of his basic annual salary which amounts to €205,500. Those pension entitlements of Mr. Asam resulting from the defined contributions made become vested on December 31, 2013, unless Mr. Asam leaves the Management Board before that date.

Mr. Mittal already has a pension entitlement from his previous employment with Infineon that became vested under the applicable statutory provisions in September 2006. The contract appointing him to the Board specifically states that the amounts made available to cover his vested pension entitlements represent a continuation of this vested entitlement (and are therefore not subject to any separate vesting arrangements). The Company makes a fixed annual pension contribution on behalf of Mr. Mittal for each full fiscal year of service on the Board, equivalent to 30 percent of the relevant agreed basic annual salary; the Supervisory Board is not required to decide each time on the amount to be contributed. The pension contribution for the 2013 fiscal year amounted to €205,500.

The amounts credited to the pension entitlement accounts of Mr. Asam and Mr. Mittal – in line with the plan rules applied to Infineon employees – are paid out on or after reaching the age of 67, provided the service contract has also ended, or, on request, at an earlier point in time if the service contract ends on or after reaching the age of 60. If the beneficiaries elect their pension to be paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.

A total of €524,632 (2012: €247,956) was expensed and added to the pension provision in the 2013 fiscal year in accordance with IFRS for pension entitlements for the serving members of the Management Board (excluding interest cost). In accordance with IFRS, the pension-related personnel expense for the current fiscal year is determined at the beginning of the fiscal year concerned. The increase in personnel expense in the 2013 fiscal year is primarily attributable to the different interest rates used at the relevant measurement dates (5.0 percent at September 30, 2011, compared to 3.5 percent at September 30, 2012) and to the inclusion of the full-year effect of changes in Mr. Mittal’s pension entitlement following his appointment to the board.

The following overview shows the annual pension entitlements at the beginning of retirement and corresponding pension contributions for the Management Board members serving in the 2013 fiscal year on the basis of the entitlements already acquired:

Pension entitlement

in € / Management Board member	Fiscal Year	Pension entitlements (annual) as of beginning of pension period	Agreed pension contributions for the respective fiscal year	Present value of pension entitlement	Expenses in connection with increase in pension provision (excluding interest expense)
Dr. Reinhard Ploss (CEO)	**2013**	**195,000**	**–**	**4,037,092**	**148,302**
	2012	190,000	–	3,853,093	112,560
Dominik Asam[1]	**2013**	**–**	**205,500**	**1,161,739**	**211,352**
	2012	–	205,500	979,836	111,491
Arunjai Mittal[1] (since January 1, 2012)	**2013**	**–**	**205,500**	**1,859,479**	**164,978**
	2012	–	154,125	1,753,419	23,905
Peter Bauer (until September 30, 2012)	**2013**	**–**	**–**	**–**	**–**
	2012	450,000	–	7,984,810	–
Total	**2013**	**195,000**	**411,000**	**7,058,310**	**524,632**
	2012	640,000	359,625	14,571,158	247,956

1 Defined contribution pension commitment in accordance with the new compensation system approved in 2010. With the exception of the contractually vested initial component, the pension entitlements of Mr. Asam become vested after three years from the date on which he took up his position.

Early termination of service contract

The service contracts of members of the Management Board include a change-of-control clause, which stipulates the terms that apply when the activities of a Board member are terminated in the event of a significant change in Infineon's ownership structure. A change of control for the purposes of this clause occurs when a third party, individually or together with another party, acquires at least 30 percent of the voting rights in Infineon Technologies AG as defined in section 30 of the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz"). Management Board members have the right to resign and terminate their contracts within twelve months of the announcement of such a change of control and any that choose to do so are entitled to continued payment of their annual remuneration for the full remaining duration of their contract up to a maximum of 36 months. If Infineon Technologies AG removes a member of the Management Board or terminates his or her contract within twelve months of the announcement of a change of control, the Management Board members concerned are entitled to continued payment of the annual remuneration for the full remaining duration of the contract subject to a minimum period of 24 months and a maximum period of 36 months.

The Management Board service contracts otherwise contain no promises of severance pay for situations in which contracts are terminated early.

Payments to former members of the Management Board in the 2013 fiscal year

Former members of the Management Board received total payments of €1,097,095 (primarily pension payments) in the 2013 fiscal year (2012: €1,058,912). As of September 30, 2013, pension liabilities for former members of the Management Board amount to €47,929,138 (2012: €42,192,107). The main reason for the increase is the inclusion here of the pension liability to Mr. Bauer, which was reported in the 2012 fiscal year within pension liabilities to active members of the Management Board.

In agreement with the Supervisory Board, Mr. Bauer continued to make use of the Company's security services free of charge and at the previous level for a further year after leaving office as CEO, i.e. until September 30, 2013. The income tax expense resulting from this benefit was borne by Mr. Bauer.

Mr. Bauer did not receive any service fees relating to the consultancy agreement concluded on November 26, 2012, by him and the Company after prior approval by the Supervisory Board. Costs arising in association with the consultancy services rendered were reimbursed to Mr. Bauer.

Review of Management Board compensation; changes to Management Board compensation system and individual service contracts

Review of Management Board compensation system and individual compensation

In accordance with section 4.2.2 DCGK, the Supervisory Board shall engage an external independent compensation expert to review the appropriateness of the Management Board compensation system. The most recent review of the system, which has been in place at Infineon since October 1, 2010, was performed during the 2012 fiscal year. The next review is scheduled to take place in the 2014 fiscal year, at which stage the target annual income of each individual Management Board member will be subjected to detailed scrutiny.

Introduction of new long-term incentive (LTI); changes to Management Board service contracts

At its meeting on August 7, 2012, the Supervisory Board decided on a new long-term incentive (LTI) – the "Performance Share Plan" – that will come into force with effect from the 2014 fiscal year. In agreement with Dr. Ploss, Mr. Asam and Mr. Mittal, the Board member's service contracts were amended accordingly in November 2012. In February 2013, the Annual General Meeting in accordance with section 120, paragraph 4, AktG approved the new Management Board compensation system (changed only with respect to the LTI) with a large majority. As well as being relevant for Management Board members, the new LTI will also apply with effect from the beginning of the 2014 fiscal year for Infineon senior executives worldwide, thus aligning the interests of the Management Board and its management team with respect to the long-term compensation component.

For details of the new Performance Share Plan, see "Components of the Management Board compensation system" above.

Changes to the DCGK; further changes to Management Board service contracts

A number of changes made to the DCGK in May 2013 also relate to Management Board compensation:

Firstly, the new version of the DCGK now requires all variable compensation components as well as the total compensation to be subject to upper limits (caps). In this context, the Supervisory Board resolved in August 2013 that any compensation component awarded to a Management Board member by the Supervisory Board in a single fiscal year – hitherto the last compensation component at Infineon not to have been subject to a cap – may not exceed 30 percent of the fixed basic annual salary of the relevant Management Board member; this also applies in the case of a mutually agreed termination of a service contract. All Board members agreed to corresponding changes in their service contracts.

Secondly, the new version of the DCGK requires an even more comprehensive and differentiated "vertical comparison" of the compensation than is currently stipulated under German stock corporation law. In deciding on the Management Board compensation, the Supervisory Board is required to particularly consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, also in terms of its development over time. The Supervisory Board deliberated on this matter at its meeting in August 2013 and came to the conclusion that no changes were required to the Management Board's service contracts.

Thirdly, the DCGK now stipulates that the Supervisory Board should establish the level of pension provision aimed at for each Management Board member – including consideration of the length of service on the board – and take into account the resulting annual and long-term expense for the entity. The Supervisory Board also concluded in August 2013 that existing pension arrangements conform to the DCGK; no changes were required to the Management Board's service contracts.

Supervisory Board compensation

Compensation structure

The Supervisory Board compensation system was subject to a thorough review in the 2010 fiscal year and came into force with (retrospective) effect from October 1, 2010, in line with a proposal put forward by the Management Board and Supervisory Board to the Annual General Meeting on February 17, 2011. Compensation paid to the Supervisory Board takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as Infineon's economic position and performance. The compensation due to the Supervisory Board in each fiscal year (total compensation) is governed by section 11 of the Company's Articles of Association and comprises three components:

› Fixed compensation (basic remuneration) of €50,000. This amount applies to each Supervisory Board member and is payable within one month of the close of the fiscal year;

› A variable compensation component amounting to €1,500 for every €0.01 by which earnings per share exceed a minimum threshold of €0.30, where this minimum threshold is increased by €0.03 every year with the first increase taking effect for the fiscal year beginning October 1, 2011; the minimum threshold therefore amounted to €0.36 for the 2013 fiscal year. The variable compensation component is determined in each case on the basis of the basic (undiluted) earnings per share from continuing operations determined in accordance with the pertinent financial reporting regulations. The variable compensation component is limited to €50,000 per fiscal year. It also applies to each Supervisory Board member and falls due for payment once the Annual General Meeting following the fiscal year to which the compensation relates has ended;

› An allowance recognizing the additional work involved in performing certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives an allowance of €50,000, each Vice-Chairman receives an allowance of €37,500, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee each receive an allowance of €25,000 and each member of a Supervisory Board committee – with the exception of the Nomination Committee and the Mediation Committee – receives an allowance of €15,000. The additional allowance is payable only if the body to which the Supervisory Board or committee member belongs has convened or passed resolutions in the fiscal year concerned. A member of the Supervisory Board performing more than one of the functions indicated receives only the highest single additional allowance payable to a member performing the functions concerned. The allowance is paid to the relevant holder of office within one month of the close of the fiscal year.

In the event that a member, during a fiscal year, joins (or leaves) the Supervisory Board or one of its committees or takes on a Supervisory Board function for which an allowance is paid, the relevant compensation components are given on a pro-rata basis.

As part of the total compensation, the Company additionally grants each member of the Supervisory Board a meeting attendance fee of €2,000 in respect of each meeting of the Supervisory Board or one of its committees attended in person. The meeting attendance fee is paid only once in cases in which more than one meeting is held on a given day.

Members of the Supervisory Board, moreover, are reimbursed for all expenses incurred in connection with the performance of their Supervisory Board duties and for any value-added tax to be charged to them in this connection. The Company also pays any value-added tax incurred on their total compensation and meeting attendance fees for the members of the Supervisory Board.

Compensation of the Supervisory Board for the 2013 fiscal year

The total compensation (including meeting attendance fees) paid to the individual members of the Supervisory Board on a pro-rata basis for their service on the Supervisory Board and on a Supervisory Board committee for the 2013 fiscal year comprises the following (these figures do not include value-added tax at 19 percent):

Compensation of the Supervisory Board

In € Supervisory Board member	Fiscal year	Fixed compen-sation	Variable compen-sation [1]	Allowance for specific functions	Meeting attendance fees	Total compen-sation
Wigand Cramer	**2013**	**50,000**	**–**	**15,000**	**24,000**	**89,000**
	2012	50,000	10,500	15,000	22,000	97,500
Alfred Eibl	**2013**	**50,000**	**–**	**15,000**	**18,000**	**83,000**
	2012	50,000	10,500	15,000	18,000	93,500
Peter Gruber	**2013**	**50,000**	**–**	**15,000**	**18,000**	**83,000**
	2012	50,000	10,500	15,000	18,000	93,500
Gerhard Hobbach	**2013**	**50,000**	**–**	**15,000**	**16,000**	**81,000**
	2012	50,000	10,500	15,000	24,000	99,500
Hans-Ulrich Holdenried	**2013**	**50,000**	**–**	**15,000**	**22,000**	**87,000**
	2012	50,000	10,500	15,000	26,000	101,500
Prof. Dr. Renate Köcher	**2013**	**50,000**	**–**	**–**	**12,000**	**62,000**
	2012	50,000	10,500	–	8,000	68,500
Wolfgang Mayrhuber	**2013**	**50,000**	**–**	**50,000**	**28,000**	**128,000**
	2012	50,000	10,500	50,000	32,000	142,500
Manfred Puffer	**2013**	**50,000**	**–**	**–**	**16,000**	**66,000**
	2012	50,000	10,500	–	18,000	78,500
Gerd Schmidt	**2013**	**50,000**	**–**	**37,500**	**24,000**	**111,500**
	2012	50,000	10,500	37,500	26,000	124,000
Prof. Dr. Doris Schmitt-Landsiedel	**2013**	**50,000**	**–**	**25,000**	**18,000**	**93,000**
	2012	50,000	10,500	25,000	18,000	103,500
Jürgen Scholz	**2013**	**50,000**	**–**	**15,000**	**16,000**	**81,000**
	2012	50,000	10,500	15,000	18,000	93,500
Dr. Eckart Sünner	**2013**	**50,000**	**–**	**25,000**	**20,000**	**95,000**
	2012	50,000	10,500	25,000	20,000	105,500
Total	**2013**	**600,000**	**–**	**227,500**	**232,000**	**1,059,500**
	2012	600,000	126,000	227,500	248,000	1,201,500

1 Based on earnings per share of €0.25 in 2013 and €0.40 in 2012.

Members of the Supervisory Board did not receive any loans from Infineon either in the 2013 or 2012 fiscal year.

Other matters (2013 fiscal year)

As a precaution and in accordance with section 114 AktG, in November 2010 the Supervisory Board approved a contract between the Company and the Technische Universität München (Institute for Technical Electronics headed by Prof. Dr. Schmitt-Landsiedel) for the performance of research and development work on the topic of “Sensing for Automotive Applications”. The contract ran until September 30, 2013. In accordance with the terms of the contract, an amount of €45,000 was paid by the Company to the TU München in the 2013 fiscal year. The Company and the Technische Universität München are currently in negotiations concerning a renewal of the contract.

In May 2011 the Company concluded a contract with Prof. Dr. Wucherer, a former member of the Supervisory Board which – unless terminated prematurely – runs to the beginning of 2015. The subject of the contract is the rendering of general and project-related advisory services to the Strategy and Technology Committee. The contract provides for an annual flat-rate fee of €20,000, which was also incurred in the 2013 fiscal year for the services provided by Prof. Dr. Wucherer during this time.

Neubiberg, November 2013

Management Board

Dr. Reinhard Ploss   Dominik Asam   Arunjai Mittal