

# Compensation report

This Compensation Report, which forms part of the Combined 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 dated 7 February 2017 (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 – similar to the compensation paid to the individual members of the Management Board – is defined and regularly reviewed by the full Supervisory Board on the basis of proposals made by the Executive Committee. In accordance with applicable legal requirements and the recommendations of the DCGK, the compensation paid to members of the Management Board is intended to reflect the typical level and structure of management board compensation at peer companies, as well as Infineon’s economic position and future prospects. The duties, responsibilities and performance of each member of the Management Board are also to be considered, as is Infineon’s wider pay structure. This includes considering Management Board compensation in relation to that 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, with a cap in place in the event of exceptional developments. 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.

In the 2018 fiscal year, the Supervisory Board engaged an independent external remuneration expert to perform the regular review of the Management Board compensation system. The expert concluded that the Company’s compensation system complies with the requirements of the German Stock Corporation Act (Aktiengesetz) and the DCGK and is in line with current market conditions (for details see “Review of the Management Board compensation system, compensation components and individual contracts” in this chapter).

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### Components of the Management Board compensation system

There have been no changes to the Management Board compensation system in the 2018 fiscal year compared to the previous fiscal year.

All members of the Management Board receive as compensation for their service an annual income which – based on 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 contractually agreed basic annual salary that is not linked 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, reflecting Infineon’s recent progress. Assuming a 100 percent target achievement of the variable compensation components, 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 key performance indicators “free cash flow” and “Return on Capital Employed (RoCE)” are defined uniformly for all members of the Management Board. Underpinning the consistent approach taken to managing the business, the same target indicators – supplemented by the Segment Result – are used as the basis for determining the variable compensation components (bonus payments) for Infineon managers and employees. The two key performance indicators referred to above, which are described in more detail in the chapter “Internal Management System”, are equally weighted for the purposes of measuring the STI.

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- (ii) At the end of the fiscal year, the actual levels of target achievement and hence, the amount of the STI payouts, are determined by the Supervisory Board by reference to the levels of target achievement for free cash flow and RoCE as reported in the audited financial statements.

An STI is paid only if the levels of target achievement reach 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 thresholds are 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 an actual higher 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 upward adjustment is the cap of 250 percent.

If the term of office on the Board begins or ends during a fiscal year, the entitlement to STI is reduced on a pro rata monthly basis (by one-twelfth for each full month missing from the complete STI tranche). A member of the Management Board is not entitled to receive an STI bonus for the fiscal year in which he/she resigns from office (unless the resignation is for a reason ("good cause"), for which the member is not responsible) or if the contract of the member of the Board is terminated by the Company for good cause.

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

A new MTI tranche, each with a term of three years, commences every fiscal year. The incentive is paid in cash at the end of the three-year 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 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 it is deemed – for MTI purposes – to be zero for the year concerned. If the thresholds are exceeded, the level of target achievement determined for the STI applies for the relevant annual tranche 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 50 percent. A cap of 200 percent applies, meaning that the maximum amount that can be paid is two times the target MTI (= 100 percent), regardless of the 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 situation and any exceptional factors. When exercising its judgment in this respect, the Supervisory Board also takes into account the extent to which the three-year target for revenue growth and Segment Result (set each year by the Supervisory Board exclusively for this purpose) has been achieved and the degree of success achieved complementing organic growth through M&A activities. 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 reduced on a pro rata monthly basis (by 1/36 for each full month missing from the complete MTI tranche). Upon leaving Infineon, regulations ensure as a general rule that the member of the Management Board can only receive an MTI payment for the number of MTI tranches corresponding to his/her term of office, reduced where appropriate on a pro rata basis. MTI tranches already started are forfeited if a mandate or service contract of a member of the Management Board comes to an end before the due date, for instance if a member resigns from office (unless the resignation is for good cause for which the member is not responsible) or if the contract of the member of the Board is terminated by the Company for good cause.

The **long-term incentive (“LTI”)** is intended to reward long-term and, similar to the MTI, sustained performance on the part of members of the Management Board and, additionally, 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 of the variable compensation components, the LTI constitutes approximately 15 percent of target annual income.

With effect from the 2014 fiscal year, the LTI is awarded in the form of a Performance Share Plan. As well as being relevant for members of the Management Board, the new LTI also applies to Infineon managers and selected Infineon employees worldwide, in their case however unlike for the Management Board on a voluntarily basis and with minor differences attributable to specific circumstances.

In the 2018 fiscal year, the allocation of the (virtual) performance shares – initially made on a provisional basis – took place for the first time as of 1 March for the fiscal year beginning on the preceding 1 October. Consequently, based on the four-year term of the relevant tranche, the definitive allocation of (real) Infineon shares will take place at the end of the month of February four years later (see “Review of the Management Board compensation system, compensation components and individual contracts” in this chapter).

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Performance shares are allocated provisionally on the basis of the contractually agreed “LTI allocation amount” in euros, agreed upon individually in the contract of each member of the Management Board. This amount is reduced accordingly if the member of the Management Board takes up office during a fiscal year (by one twelfth for each full month missing for the relevant fiscal year). The number of performance shares is determined by dividing the LTI allocation amount by the average price of the Infineon share (Xetra closing price) during the nine months prior to the allocation date. The prerequisites for the definitive allocation of the – at that stage still virtual – performance shares are (i) that the member of the Management Board invests 25 percent of his/her individual LTI allocation amount in Infineon shares and (ii) that the holding period of four years applicable both for the member’s own-investment and for the performance shares has come to an end. 50 percent of the performance shares are also performance-related; they are only allocated definitely if (iii) the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) between the date of the performance shares’ provisional allocation and the end of the holding period. If the conditions for the 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 member of the Management Board 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. The value of the performance shares definitively granted to the member of the Management Board per LTI tranche at the end of the holding period may not exceed 250 percent of the relevant LTI allocation amount; the performance shares above this amount lapse (cap).

The shares are transferred to a securities custodian account attributable to the member of the Management Board; thereafter he/she can freely dispose of 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 value-equivalent cash settlement to the member of the Management Board rather than actually transfer Infineon shares. As in the previous year, the Supervisory Board resolved on 3 August 2018 that the performance shares maturing on expiry of 30 September 2018 relating to the tranche awarded on 1 October 2014 will not be allocated in the form of Infineon shares, but rather – in accordance with the option specified in the Performance Share Plan – will be settled in cash.

The rules governing situations where a member joins or leaves the Management Board during an on-going LTI tranche were revised during the 2018 fiscal year (see “Review of the Management Board compensation system, compensation components and individual contracts” in this chapter).

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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.

Prior to the introduction of the Performance Share Plan, the Company maintained a stock option plan as an LTI, which was resolved at the 2010 Annual General Meeting. The stock options allocated to members of the Management Board on the basis of the “Stock Option Plan 2010” were all exercised during the 2017 fiscal year.

Additionally, the Supervisory Board has the option – based in all cases on its own best judgment – to grant a **special bonus**, among other things for special achievements of the Management Board or its individual members. In each case, however, the bonus is capped at a maximum of 30 percent of the fixed compensation of the member of the Management Board concerned.

## Management Board compensation in the 2018 fiscal year in accordance with German Accounting Standard 17 (DRS 17)

### Total compensation

Total compensation to members of the Management Board pursuant to DRS 17 and benefits to the individual members of the Management Board – also presented in accordance with DRS 17 – are shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer		Dominik Asam Chief Financial Officer		Dr. Helmut Gassel Member of the Management Board	
	2018	2017	2018	2017	2018	2017
<b>Fixed compensation</b>						
Basic annual salary	1,240,000	1,075,000	825,000	750,000	750,000	685,000
Fringe benefits	36,461	36,154	44,940	43,203	65,596	47,728
<b>Total fixed compensation</b>	<b>1,276,461</b>	<b>1,111,154</b>	<b>869,940</b>	<b>793,203</b>	<b>815,596</b>	<b>732,728</b>
<b>Variable compensation</b>						
Single-year variable compensation (STI)	630,850	670,080	430,125	474,640	389,980	429,968
Multi-year variable compensation						
Mid Term Incentive (MTI) <sup>1</sup>						
2015 – 2017 tranche	–	243,040	–	172,153	–	–
2016 – 2018 tranche	183,520	243,040	129,993	172,153	117,759	155,951
2017 – 2019 tranche	183,520	243,040	129,993	172,153	117,759	155,951
2018 – 2020 tranche	210,283	–	143,375	–	129,993	–
Long Term Incentive (LTI)						
Performance Share Plan <sup>2</sup>	298,168	315,608	191,662	211,838	170,373	190,238
<b>Total variable compensation</b>	<b>1,506,341</b>	<b>1,714,808</b>	<b>1,025,148</b>	<b>1,202,937</b>	<b>925,864</b>	<b>932,108</b>
<b>Total compensation</b>	<b>2,782,802</b>	<b>2,825,962</b>	<b>1,895,088</b>	<b>1,996,140</b>	<b>1,741,460</b>	<b>1,664,836</b>

in €	Jochen Hanebeck Member of the Management Board		Total Management Board	
	2018	2017	2018	2017
<b>Fixed compensation</b>				
Basic annual salary	750,000	685,000	3,565,000	3,195,000
Fringe benefits	33,500	32,016	180,497	159,101
<b>Total fixed compensation</b>	<b>783,500</b>	<b>717,016</b>	<b>3,745,497</b>	<b>3,354,101</b>
<b>Variable compensation</b>				
Single-year variable compensation (STI)	389,980	429,968	1,840,935	2,004,656
Multi-year variable compensation				
Mid Term Incentive (MTI) <sup>1</sup>				
2015 – 2017 tranche	–	–	–	415,193
2016 – 2018 tranche	117,759	155,951	549,031	727,095
2017 – 2019 tranche	117,759	155,951	549,031	727,095
2018 – 2020 tranche	129,993	–	613,644	–
Long Term Incentive (LTI)				
Performance Share Plan <sup>2</sup>	170,373	190,238	830,576	907,922
<b>Total variable compensation</b>	<b>925,864</b>	<b>932,108</b>	<b>4,383,217</b>	<b>4,781,961</b>
<b>Total compensation</b>	<b>1,709,364</b>	<b>1,649,124</b>	<b>8,128,714</b>	<b>8,136,062</b>

1 The values include the annual MTI tranche granted in the respective fiscal year based on the fulfilment of the plan requirements.

2 The figures for the active members of the Management Board in the 2018 fiscal year are based on a fair market value per performance share amounting to €15.25 (2017: €11.25), which was calculated using a Monte-Carlo simulation model taking account of the value-reducing cap.

Members of the Management Board did not receive any loans from Infineon, neither in the 2018 nor 2017 fiscal years.

Similarly, they did not receive any benefits from third parties in the 2018 and 2017 fiscal years, whether promised or actually paid, for their board activities at Infineon.

### Fringe benefits

In accordance with their service contracts, members of the Management Board are entitled to a chauffeur-driven company car, which may also be used for private purposes. Operating and maintenance costs for the company car and chauffeur are borne by the Company. Taxes arising on the fringe benefit related to private usage are borne by the members of the Management Board.

The Company also maintains accident insurance policies for members of the Board in the case of death (€3 million) and invalidity (€5 million).

Other fringe benefits related mainly to statutory obligations such as the payment of inventor's compensation or to general benefits/discounts available to all Infineon employees.

### Share-based remuneration

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As described in the section "Management Board compensation", the contractually agreed LTI is granted to members of the Management Board by the Company in the form of "performance shares". The average price of the Infineon share relevant for the number of performance shares granted for the 2018 fiscal year was €21.48 (2017: €13.01).

A fair market value of €15.25 (2017: €11.25) per performance share granted in the 2018 fiscal year was determined, taking account of the cap of 250 percent cap set on the LTI allocation amount as well as the performance hurdle.

The following table shows the number of performance shares awarded to members of the Management Board in the 2018 fiscal year.

Member of the Management Board	Fiscal year	Performance Share Plan					
		Virtual performance shares outstanding at the beginning of the fiscal year	Virtual performance shares newly granted at the beginning of the fiscal year	Fair value grant date	Virtual performance shares exercised in the fiscal year <sup>1</sup>	Virtual performance shares expired in the fiscal year <sup>2</sup>	Virtual performance shares outstanding at the end of the fiscal year
		Number	Number	in €	Number	Number	Number
Dr. Reinhard Ploss (Chief Executive Officer)	2018	153,190	19,552	298,168	35,967	11,615	125,160
	2017	125,136	28,054	315,608	–	–	153,190
Dominik Asam (Chief Financial Officer)	2018	104,118	12,568	191,662	25,119	8,113	83,454
	2017	85,288	18,830	211,838	–	–	104,118
Dr. Helmut Gassel (Member of the Management Board)	2018	16,910	11,172	170,373	–	–	28,082
	2017	–	16,910	190,238	–	–	16,910
Jochen Hanebeck (Member of the Management Board)	2018	16,910	11,172	170,373	–	–	28,082
	2017	–	16,910	190,238	–	–	16,910
<b>Total</b>	2018	<b>291,128</b>	<b>54,464</b>	<b>830,576</b>	<b>61,086</b>	<b>19,728</b>	<b>264,778</b>
	2017	210,424	80,704	907,922	–	–	291,128

<sup>1</sup> The share price of the virtual performance shares exercised in the fiscal year 2018 amounts to €21.90.

<sup>2</sup> The expiration of the virtual performance shares results from the cap. The finally allocated performance shares may not exceed 250 percent of the respective LTI allocation amount.

Member of the Management Board	Fiscal year	Stock Option Plan 2010					Total expense for share-based compensation in €
		Stock options outstanding at the beginning of the fiscal year Number	Stock options outstanding at the end of the fiscal year Number	Stock options exercised in the fiscal year <sup>1</sup> Number	Stock options expired in the fiscal year Number	Exercisable stock options outstanding at the end of the fiscal year Number	
Dr. Reinhard Ploss (Chief Executive Officer)	2018	-	-	-	-	-	198,986
	2017	307,500	-	208,200	99,300	-	376,461
Dominik Asam (Chief Financial Officer)	2018	-	-	-	-	-	134,669
	2017	130,952	-	62,800	68,152	-	285,173
Dr. Helmut Gassel (Member of the Management Board)	2018	-	-	-	-	-	95,379
	2017	-	-	-	-	-	94,858
Jochen Hanebeck (Member of the Management Board)	2018	-	-	-	-	-	95,379
	2017	-	-	-	-	-	94,858
<b>Total</b>	2018	-	-	-	-	-	<b>524,413</b>
	2017	438,452	-	271,000	167,452	-	851,350

<sup>1</sup> When exercising stock options members of the Management Board may only make gains up to a pre-determined amount (cap). Where the cap has been reached in the previous fiscal year stock options have expired.

Further details regarding the performance shares which vested on 30 September 2017 and to the performance shares awarded to the members of the Management Board on 1 March 2018 for the 2018 fiscal year are provided in note 17 to the Consolidated Financial Statements.

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### Special bonuses

The Supervisory Board did not award any special bonuses to members of the Management Board during the 2018 fiscal year.

### Other awards and benefits

In the 2009 fiscal year, the Company entered into a restitution agreement with each of the active members of the Management Board at that time. Dr. Ploss is the only current member of the Management Board affected by the agreement. These agreements stipulate that the Company covers all costs and expenses of any legal, governmental, regulatory and/or parliamentary proceedings and investigations as well as arbitration proceedings, in which the member of the Management Board is involved in conjunction with his/her activities on behalf of the Company. However, the agreements specifically exclude any restitution of costs if the Company initiates proceedings against the member of the Management Board for a breach of the duty of care owed in conjunction with section 93, paragraph 2, German Stock Corporation Act (Aktiengesetz).

### Management Board compensation in the 2018 fiscal year in accordance with the German Corporate Governance Code

The DCGK recommends that the individual compensation components for each member of the Management Board be disclosed in accordance with specified criteria. It also recommends that disclosure is based on the model tables – in part diverging from DRS 17 – provided in the appendix to the Code.

### Compensation granted in accordance with DCGK

The following table shows the value of compensation granted for the 2017 and 2018 fiscal years, including fringe benefits, as well as the minimum and maximum values that can be achieved for the 2018 fiscal year.

Unlike in the disclosures in accordance with DRS 17, the STI is required to be disclosed pursuant to the DCGK at the target value (i.e. the value in the event of 100 percent target achievement). The MTI is required to be disclosed – in a deviation from DRS 17 – at the target value for an “average probability scenario” at the grant date. For these purposes, Infineon assumes 100 percent target achievement on a scale ranging from 0 to 200 percent. In addition, the pension expense, i.e. the service cost pursuant to IAS 19 (see “Commitments to members of the Management Board upon termination of their Board activities” in this chapter), is also required to be included in the amount of total compensation disclosed in accordance with the DCGK.

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Compensation granted to members of the Management Board in accordance with the DCGK (total compensation and compensation components) as well as the minimum and maximum values that can be achieved are shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer				Dominik Asam Chief Financial Officer			
	2018	2017	2018 (min.)	2018 (max.)	2018	2017	2018 (min.)	2018 (max.)
<b>Fixed compensation</b>								
Basic annual salary	1,240,000	1,075,000	1,240,000	1,240,000	825,000	750,000	825,000	825,000
Fringe benefits	36,461	36,154	36,461	36,461	44,940	43,203	44,940	44,940
<b>Total fixed compensation</b>	<b>1,276,461</b>	<b>1,111,154</b>	<b>1,276,461</b>	<b>1,276,461</b>	<b>869,940</b>	<b>793,203</b>	<b>869,940</b>	<b>869,940</b>
<b>Variable compensation</b>								
Single-year variable compensation (STI)	550,000	480,000	–	1,375,000	375,000	340,000	–	937,500
Multi-year variable compensation								
Mid Term Incentive (MTI)								
2017–2019 tranche	–	480,000	–	–	–	340,000	–	–
2018–2020 tranche	550,000	–	–	1,100,000	375,000	–	–	750,000
Long Term Incentive (LTI)								
Performance Share Plan <sup>1</sup>	298,168	315,608	149,084	1,050,000	191,662	211,838	95,831	675,000
<b>Total variable compensation</b>	<b>1,398,168</b>	<b>1,275,608</b>	<b>149,084</b>	<b>3,525,000</b>	<b>941,662</b>	<b>891,838</b>	<b>95,831</b>	<b>2,362,500</b>
Pension expense <sup>2</sup>	318,442	321,123	318,442	318,442	279,374	297,220	279,374	279,374
<b>Total compensation (DCGK)</b>	<b>2,993,071</b>	<b>2,707,885</b>	<b>1,743,987</b>	<b>5,119,903</b>	<b>2,090,976</b>	<b>1,982,261</b>	<b>1,245,145</b>	<b>3,511,814</b>

in €	Dr. Helmut Gassel Member of the Management Board				Jochen Hanebeck Member of the Management Board			
	2018	2017	2018 (min.)	2018 (max.)	2018	2017	2018 (min.)	2018 (max.)
<b>Fixed compensation</b>								
Basic annual salary	750,000	685,000	750,000	750,000	750,000	685,000	750,000	750,000
Fringe benefits	65,596	47,728	65,596	65,596	33,500	32,016	33,500	33,500
<b>Total fixed compensation</b>	<b>815,596</b>	<b>732,728</b>	<b>815,596</b>	<b>815,596</b>	<b>783,500</b>	<b>717,016</b>	<b>783,500</b>	<b>783,500</b>
<b>Variable compensation</b>								
Single-year variable compensation (STI)	340,000	308,000	–	850,000	340,000	308,000	–	850,000
Multi-year variable compensation								
Mid Term Incentive (MTI)								
2017–2019 tranche	–	308,000	–	–	–	308,000	–	–
2018–2020 tranche	340,000	–	–	680,000	340,000	–	–	680,000
Long Term Incentive (LTI)								
Performance Share Plan <sup>1</sup>	170,373	190,238	85,186	600,000	170,373	190,238	85,186	600,000
<b>Total variable compensation</b>	<b>850,373</b>	<b>806,238</b>	<b>85,186</b>	<b>2,130,000</b>	<b>850,373</b>	<b>806,238</b>	<b>85,186</b>	<b>2,130,000</b>
Pension expense	124,723	132,853	124,723	124,723	148,449	162,385	148,449	148,449
<b>Total compensation (DCGK)</b>	<b>1,790,692</b>	<b>1,671,819</b>	<b>1,025,505</b>	<b>3,070,319</b>	<b>1,782,322</b>	<b>1,685,639</b>	<b>1,017,135</b>	<b>3,061,949</b>

<sup>1</sup> The figures of the active members of the Management Board in the 2018 fiscal year are based on a fair market value per performance share amounting to €15.25 (2017: €11.25), which was calculated using a Monte-Carlo simulation.

<sup>2</sup> Income from past service costs for Dr. Ploss amounting to €1,114,773 have been recorded in the 2017 fiscal year.

### Allocation amount in accordance with DCGK

Since compensation granted to members of the Management Board for the 2018 fiscal year does not coincide fully with amounts disbursed in a particular fiscal year, a separate table is presented – in accordance with the relevant DCGK recommendation – showing the amounts flowing to members of the Management Board for the 2018 fiscal year (the “allocation amount” (“Zufluss”)).

In line with the DCGK recommendations, the fixed compensation and the STI are required to be disclosed as the allocation amount for the relevant fiscal year concerned. In the case of the MTI, the DCGK recommends that this is disclosed as flowing to members of the Management Board in the fiscal year in which the plan term of the relevant MTI tranche ends. In addition to the fixed compensation and the STI granted for the 2018 fiscal year, the allocation

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amount for the 2016-2018 MTI tranche therefore flowed to the members of the Management Board in the 2018 fiscal year. In accordance with the DCGK, share-based payments are deemed to be allocated on the basis of the relevant time and value for German tax law purposes. The performance shares awarded on 1 October 2014 which were settled in cash after the end of the 2018 fiscal year (see "Components of the Management Board compensation system" in this chapter) will not be disclosed as having flowed until the 2019 fiscal year. In line with the DCGK recommendations, the pension expense (meaning the service cost pursuant to IAS 19) constitutes the allocation amount (see previous table), even though it is not – strictly speaking – an allocation.

The total compensation allocated to the individual members of the Management Board for the 2018 fiscal year in accordance with DCGK – analyzed by component – is shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer		Dominik Asam Chief Financial Officer		Dr. Helmut Gassel Member of the Management Board		Jochen Hanebeck Member of the Management Board	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Fixed compensation</b>								
Basic annual salary	1,240,000	1,075,000	825,000	750,000	750,000	685,000	750,000	685,000
Fringe benefits	36,461	36,154	44,940	43,203	65,596	47,728	33,500	32,016
<b>Total fixed compensation</b>	<b>1,276,461</b>	<b>1,111,154</b>	<b>869,940</b>	<b>793,203</b>	<b>815,596</b>	<b>732,728</b>	<b>783,500</b>	<b>717,016</b>
<b>Variable compensation</b>								
Single-year variable compensation (STI)	630,850	670,080	430,125	474,640	389,980	429,968	389,980	429,968
Multi-year variable compensation								
Mid Term Incentive (MTI)								
2015–2017 tranche	–	678,720	–	480,760	–	–	–	–
2016–2018 tranche	584,640	–	414,120	–	281,358	–	281,358	–
Long Term Incentive (LTI)								
Stock Option Plan 2010	–	1,525,500	–	550,000	–	–	–	–
Performance Share Plan	–	–	–	–	–	–	–	–
due in the financial year 2018 <sup>1</sup>	787,500	–	550,000	–	–	–	–	–
<b>Total variable compensation</b>	<b>2,002,990</b>	<b>2,874,300</b>	<b>1,394,245</b>	<b>1,505,400</b>	<b>671,338</b>	<b>429,968</b>	<b>671,338</b>	<b>429,968</b>
Pension expense <sup>2</sup>	318,442	321,123	279,374	297,220	124,723	132,853	148,449	162,385
<b>Total compensation (DCGK)</b>	<b>3,597,893</b>	<b>4,306,577</b>	<b>2,543,559</b>	<b>2,595,823</b>	<b>1,611,657</b>	<b>1,295,549</b>	<b>1,603,287</b>	<b>1,309,369</b>

<sup>1</sup> Represents 250 percent of the LTI allocated amount (cap) at the time of granting the virtual performance shares in financial year 2013.

<sup>2</sup> Income from past service costs for Dr. Ploss amounting to €1,114,773 have been recorded in the 2017 fiscal year.

## Commitments to members of the Management Board upon termination of their Board activities

### Benefits and pension entitlements in the 2018 fiscal year

In accordance with the Management Board compensation system in place since 2010, the members of the Management Board have, in the meantime, all received a defined contribution pension commitment, which is essentially identical to the Infineon pension plan applicable to all employees. The Company has accordingly set up a personal pension account (basic account) for each beneficiary and makes annual pension contributions to it. The Company adds annual interest to the balance in the basic account using the highest statutory interest rates valid for the insurance industry (guaranteed interest rates) until disbursement of the pension begins and may also award surplus credits. Ninety-five percent of any income earned over and above the guaranteed interest rate is credited to the pension account, either at the date on which disbursement of the pension begins or, at the latest, when the beneficiary reaches the age of 60. 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 member of the Management Board or his or her surviving dependents in twelve annual installments, or, if so requested by the member of the Management Board, in eight annual installments, as a lump sum or as a life-long pension. In addition to the defined contribution pension plan that has been in place for Dr. Ploss since 1 January 2016, a fully vested fixed-amount pension entitlement of €210,000 p.a. also exists for his Board activities up to 31 December 2015 which will not increase in future.

If the entitlements of members of the Management Board (i) have not yet legally vested or (ii) have legally vested but are not protected by the state pension insurance scheme (Pensionssicherungsverein), the Company maintains pension reinsurance policies in favor of, and pledged to, the members of the Management Board concerned.



The plan rules applicable to members of the Management Board differ in terms of the initial defined component, the annual transfer to the pension account and the vesting period.

- › On joining the Management Board, the Company made a one-time, contractually vested initial pension contribution of €540,000 on behalf of Mr. Asam as compensation for the loss of vested retirement pension entitlements in connection with the termination agreement with his previous employer. For each fiscal year of his membership on the Management Board, Mr. Asam also receives a pension contribution from the Company amounting to between 25 and 40 percent, as determined by the Supervisory Board, of the relevant agreed basic annual salary. As in the previous year, the pension contribution for Mr. Asam for the 2018 fiscal year has been set at 30 percent of his basic annual salary and therefore amounts to €247,500. The pension entitlements arising from the defined contributions made on behalf of Mr. Asam vested with effect from 31 December 2013.
- › Dr. Gassel and Mr. Hanebeck have statutorily vested pension entitlements as a result of their previous periods of employment in senior management positions with Infineon. The contracts appointing them to the Board specifically state that the amounts made available to cover their vested pension entitlements represent a continuation of those vested entitlements and are, therefore, not subject to any separate vesting arrangements. The Company makes a fixed annual pension contribution on behalf of Dr. Gassel and Mr. Hanebeck 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 contributions for the 2018 fiscal year for Dr. Gassel and Mr. Hanebeck amounted in each case to €225,000.
- › The defined contribution pension plan in place for Dr. Ploss is also based on a fixed contribution amount of 30 percent of the relevant agreed basic annual salary. The pension contribution made by the Company for the 2018 fiscal year amounted to €372,000.

The amounts credited to the pension entitlement accounts of the members of the Management Board – 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, upon request, at an earlier point in time if the service contract ends on or after reaching the age of 60. If the beneficiaries elect that their pension be paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.

Alongside the annual retirement entitlements and related benefit amounts, the following table shows the present values of pension entitlements earned to date and the service cost in accordance with IFRS. The service cost reported in the table for Dr. Gassel and Mr. Hanebeck only relates to periods of current Board activities. The present value of pension and benefit entitlements is particularly dependent on changes in the discount rate required to be applied (30 September 2018: 1.7 percent, 30 September 2017: 1.8 percent).

### Pension entitlements

in €	Fiscal year	Pension entitlements (annual) as of beginning of pension period	Benefit amounts determined for the relevant fiscal year	Present value of pension and benefit entitlement	Original service cost (earned in the current year)
<b>Member of the Management Board</b>					
Dr. Reinhard Ploss <sup>1</sup> (Chief Executive Officer)	<b>2018</b>	–	<b>372,000</b>	<b>977,189</b>	<b>318,442</b>
		<b>210,000</b>	–	<b>5,046,826</b>	–
	2017	–	322,500	629,343	321,123
		210,000	–	4,876,940	–
Dominik Asam (Chief Financial Officer)	<b>2018</b>	–	<b>247,500</b>	<b>2,787,031</b>	<b>279,374</b>
	2017	–	225,000	2,586,986	297,220
Dr. Helmut Gassel <sup>2</sup> (Member of the Management Board)	<b>2018</b>	–	<b>225,000</b>	<b>2,241,660</b>	<b>124,723</b>
	2017	–	205,500	2,716,822	132,853
Jochen Hanebeck <sup>2</sup> (Member of the Management Board)	<b>2018</b>	–	<b>225,000</b>	<b>2,702,051</b>	<b>148,449</b>
	2017	–	205,500	3,361,736	162,385
<b>Total</b>	<b>2018</b>	<b>210,000</b>	<b>1,069,500</b>	<b>13,754,757</b>	<b>870,988</b>
	2017	210,000	958,500	14,171,827	913,581

1 The upper line for Dr. Ploss in the 2018 fiscal year respectively 2017 shows the contribution amount, the present value and the service cost relating to the defined contribution pension commitment additionally granted to him with effect from 1 January 2016. The second line shows the pension entitlement and the present value of his fixed amount pension plan. Income from past service cost amounting to €1,114,773 was recognized in the 2017 fiscal year.

2 As a result of the separate allocation to pension entitlement accounts and guaranteed interest component – compared to the previous year's flat-rate allocation – the present value of the pension provision for Dr. Gassel and Mr. Hanebeck as of 30 September 2018 was reduced by €475,162 and €659,685 respectively (including the effect of changes in interest rates).

### Early termination of service contracts

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 member of the Management Board 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 50 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 – "WpÜG"). Members of the Management Board have the right to resign and terminate their service contracts within twelve months of the announcement of such a change of control and any who choose to do so are entitled to continued payment of their annual remuneration through to the end of the originally agreed 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 members of the Management Board concerned are entitled to continued payment of their annual remuneration through to the end of the originally agreed duration of their 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 2018 fiscal year

Total compensation (primarily pension benefits) of €1,527,437.89 (2017: €1,324,427.14) was paid to former members of the Management Board in the 2018 fiscal year. As of 30 September 2018, accrued pension liabilities for former members of the Management Board amounted to €68,838,837 (30 September 2017: €67,862,601).

### Review of the Management Board compensation system, compensation components and individual contracts

#### Review of the Management Board compensation system

In accordance with section 4.2.2 DCGK, the Supervisory Board has engaged an external, independent compensation expert to review the Management Board compensation system in place since 1 October 2010 and conclude on its compliance with applicable legislation and its overall appropriateness from an objective perspective. In this context, the target annual incomes of each individual member of the Management Board were subjected to detailed scrutiny. The expert's report concluded that the Company's compensation system complies with legal requirements and with the recommendations contained in the German Corporate Governance Code (DCGK). In particular, the expert concluded that the compensation of Infineon's Management Board is commensurate with market conditions and that the variable compensation component is oriented towards the sustainable growth of the enterprise. The individual target annual incomes of the members of the Management Board are appropriate, both horizontally (i.e. looking at peer companies) and vertically (i.e. looking at Infineon's various employee groupings). Regardless of this, however, there would be scope for the compensation to be increased, especially for the Chief Executive Officer. The results of the compensation expert's review were discussed in detail during the Executive Committee meeting held on 25 October 2018 and by the full Supervisory Board on 20 November 2018. The Supervisory Board concurred with the conclusions reached by the external expert.

#### Increase in Management Board compensation

The increases in the compensation of the members of the Management Board resolved by the Supervisory Board in the 2017 fiscal year – in the case of Dr. Ploss by approximately 15 percent and in the case of Mr. Asam, Dr. Gassel and Mr. Hanebeck by approximately 10 percent respectively – took effect from the beginning of the 2018 fiscal year. The increases did not, however, change the relation of the individual compensation components or the compensation structure as a whole.

#### Other adjustments

On 3 August 2017, the Supervisory Board resolved to move the allocation date for granting performance shares to members of the Management Board for LTI purposes from 1 October to 1 March of a fiscal year, in line with the rules applicable for managers and employees. This amendment was applied for the first time for the LTI allocation in the 2018 fiscal year.

In addition, following extensive discussions at the Supervisory Board meetings held on 21 November 2017, 16 May 2018 and 3 August 2018, prepared by the Executive Committee, a new (simplified) set of rules came into force on 1 October 2018 for LTI purposes when a member leaves the Management Board:

- › The previous two-year minimum waiting period rule – which prevented the payment of a current LTI tranche if the member of the Board left office during this period – no longer applies.

- › Instead, the LTI will be reduced in future proportionately if the length of service of a member of the Board – specifically in the year in which the LTI is allocated – is shorter than the fiscal year to which the LTI award relates. This situation usually arises when a member of the Board does not begin his duties exactly at the beginning of a fiscal year or does not leave office exactly at the end of a fiscal year. The allocation amount is reduced in each case by one twelfth for each full month missing for the fiscal year in which the LTI is allocated.
- › In a change from the previous rules, the allocation amount will also be reduced in future proportionately in the case of a so-called “good leaver”, i.e. a member of the Board leaving office without any fault on his/her part, for instance in the event of reaching the stipulated age limit. The group of “good leavers” now also includes cases in which a member of the Board fulfills his/her contract properly up to the end of the agreed term and leaves the Company only because the contract has not been extended. By contrast, if a member of the Board resigns from office (unless the resignation is for good cause for which the member is not responsible) or if a contract of a member of the Board is terminated by the Company for good cause (a so-called “bad leaver”), all performance shares not yet definitely allocated are forfeited when the member of the Board leaves office.

## Supervisory Board compensation

### Compensation structure

The compensation due to the Supervisory Board (total compensation) is governed by section 11 of the Company's Articles of Association and comprises the following:

- › A **fixed compensation (basic remuneration)** of €90,000. This amount applies to each member of the Supervisory Board and is payable within one month of the close of the fiscal year.
- › **Allowances** recognizing the additional work involved in performing certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives an allowance of €90,000, each Vice-chairman receives an allowance of €30,000, the Chairman of the Investment, Finance and Audit Committee and the Chairman of the Strategy and Technology Committee each receive an allowance of €25,000 and each member of a Supervisory Board committee receives an allowance of €15,000 – with the exception of the Nomination Committee and the Mediation Committee. 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 end of the fiscal year.
- › A **meeting attendance fee** of €2,000 per meeting of the Supervisory Board or one of its committees that is attended in person. The meeting attendance fee is paid only once if more than one meeting of the relevant committees takes place on a given day.

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 disbursed on a pro rata basis, i.e. payment of one twelfth of the relevant annual compensation component for each (started) month of membership or exercise of function.

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 payable by them in this connection. The Company also pays any value-added tax incurred on their total remuneration (including meeting attendance fees) for the members of the Supervisory Board.

### Compensation of the Supervisory Board for the 2018 fiscal year

The total compensation (including meeting attendance fees) paid to the individual members of the Supervisory Board in the 2018 fiscal year comprises the following (these figures do not include value-added tax at 19 percent):

## Supervisory Board compensation

in €	Fiscal year	Fixed compensation	Allowance for specific functions	Meeting attendance fees	Total compensation
<b>Member of the Supervisory Board</b>					
Peter Bauer	2018	90,000	25,000	18,000	133,000
	2017	90,000	25,000	18,000	133,000
Johann Dechant	2018	90,000	30,000	28,000	148,000
	2017	90,000	30,000	26,000	146,000
Dr. Herbert Diess	2018	90,000	-	10,000	100,000
	2017	90,000	-	6,000	96,000
Dr. Wolfgang Eder <sup>1</sup>	2018	60,000	10,000	12,000	82,000
	2017	-	-	-	-
Annette Engelfried	2018	90,000	15,000	18,000	123,000
	2017	90,000	15,000	20,000	125,000
Peter Gruber	2018	90,000	15,000	18,000	123,000
	2017	90,000	15,000	18,000	123,000
Gerhard Hobbach	2018	90,000	15,000	20,000	125,000
	2017	90,000	15,000	18,000	123,000
Hans-Ulrich Holdenried	2018	90,000	15,000	22,000	127,000
	2017	90,000	15,000	24,000	129,000
Prof. Dr. Renate Köcher	2018	90,000	-	10,000	100,000
	2017	90,000	-	16,000	106,000
Dr. Susanne Lachenmann	2018	90,000	15,000	18,000	123,000
	2017	90,000	15,000	18,000	123,000
Wolfgang Mayrhuber <sup>2</sup>	2018	37,500	37,500	18,000	93,000
	2017	90,000	90,000	36,000	216,000
Géraldine Picaud <sup>3</sup>	2018	90,000	-	20,000	110,000
	2017	60,000	-	6,000	66,000
Dr. Manfred Puffer	2018	90,000	-	-	90,000
	2017	90,000	-	20,000	110,000
Prof. Dr. Doris Schmitt-Landsiedel <sup>4</sup>	2018	-	-	-	-
	2017	15,000	-	-	15,000
Jürgen Scholz	2018	90,000	15,000	20,000	125,000
	2017	90,000	15,000	18,000	123,000
Kerstin Schulzendorf	2018	90,000	-	14,000	104,000
	2017	90,000	-	12,000	102,000
Dr. Eckart Süner	2018	90,000	68,333	24,000	182,333
	2017	90,000	25,000	20,000	135,000
Diana Vitale	2018	90,000	-	14,000	104,000
	2017	90,000	-	12,000	102,000
<b>Total</b>	2018	<b>1,447,500</b>	<b>260,833</b>	<b>284,000</b>	<b>1,992,333</b>
	2017	<b>1,425,000</b>	<b>260,000</b>	<b>288,000</b>	<b>1,973,000</b>

1 Joined as Member of the Supervisory Board since 22 February 2018. The compensation for 2018 therefore was awarded on a pro rata basis.

2 Joined as Member of the Supervisory Board until 22 February 2018. The compensation for 2018 therefore was awarded on a pro rata basis.

3 Joined as Member of the Supervisory Board since 16 February 2017. The compensation for 2017 therefore was awarded on a pro rata basis.

4 Joined as Member of the Supervisory Board until 8 November 2016. The compensation for 2017 therefore was awarded on a pro rata basis.

Members of the Supervisory Board did not receive any loans from Infineon in either the 2018 or 2017 fiscal years.

Neubiberg, 20 November 2018

Management Board

Dr. Reinhard Ploss

Dominik Asam

Dr. Helmut Gassel

Jochen Hanebeck