Combined Management Report

This report combines the Group Management Report of Infineon ("Infineon" or "Group") – comprising Infineon Technologies AG (hereafter also referred to as "the Company") and its consolidated subsidiaries – and the Management Report of Infineon Technologies AG.

The Combined Management Report contains forward-looking statements about the business, financial condition and earnings performance of Infineon. These statements are based on assumptions and projections based on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected. Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

The business with the XMC™ family of industrial microcontrollers was transferred from the Automotive segment to the Connected Secure Systems segment with effect from 1 October 2020. The previous year's figures have been adjusted accordingly.

The content of these sections is voluntary content that has not been checked by the auditor but only read critically. In the case of cross-references, the information to which the cross-references refer was not checked either.

Business model

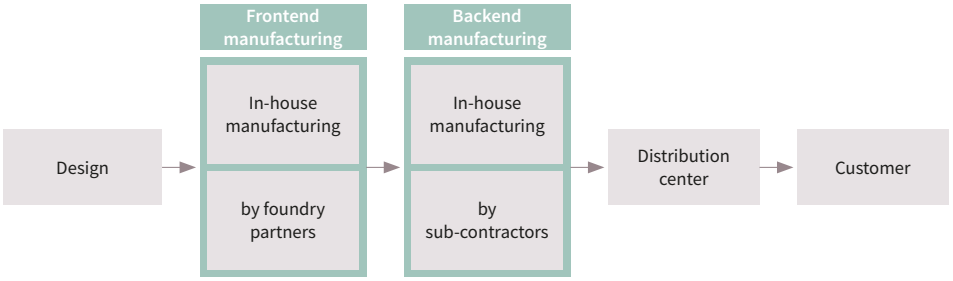
With 50,288 employees worldwide, Infineon is a leading global provider of semiconductors. Semiconductors connect the real world and the digital world. They enable, for example, intelligent mobility, efficient energy management and the secure collection and transmission of data. Infineon designs, develops, manufactures and markets a large number of semiconductor and system solutions, focusing on the automotive, industrial, and information and communications markets, as well as on hardware-based security. Its products range from standard components to customer-specific solutions for components and systems, all the way to special components for digital, analog and mixed-signal applications.

Infineon is divided into four segments, each of which derive their long-term focus from the Group strategy. All the Group's activities relate to one of the higher-level growth drivers – energy efficiency, mobility, security, and IoT and big data. See the chapter "Growth drivers", p. 22 ff. The segments are each responsible for particular areas that reflect their core competencies (see the chapter "The segments", p. 58 ff.).

Infineon covers the main stages of the semiconductor value chain: from the design, via frontend and backend manufacturing, to delivery to customers, C09. It operates 56 research and development sites worldwide to develop chips, software, and manufacturing technologies (see the list of sites on the page “R&D sites”, p. 87).

Our manufacturing landscape covers both stages of semiconductor manufacturing: frontend and backend. In frontend manufacturing, the wafers are processed. Optical, physical and chemical methods are used to implement transistors and their interconnections, thus determining the function of the chip. The wafers are dispatched from the frontend site to a backend site, where the remaining processing steps take place in backend manufacturing. These steps include sawing the wafer into individual chips as well as assembly and testing. Finally, the chips are dispatched to the distribution centers. At the end of the 2021 fiscal year, Infineon operated 20 manufacturing sites (see the list of sites on the page “Manufacturing sites”, p. 91).

C09 The main stages of the semiconductor value chain



In frontend manufacturing, in order to optimize the use of capital and increase flexibility, we use external manufacturing partners, called foundries, in addition to our in-house manufacturing. This applies primarily to technology nodes of 65 nanometers or smaller and to older generations of power semiconductors. In backend manufacturing, particularly in assembly and testing, we also use manufacturing partners, called subcontractors, for standardized package types. More information about our manufacturing strategy is given in the chapter “Manufacturing”, p. 89.

Following the completion of backend manufacturing, the products are dispatched and sent to customers via regional distribution centers.

Review of the semiconductor industry

Review of the semiconductor market in the 2021 fiscal year (in euros)

Global semiconductor revenue in the 2021 fiscal year was €436.887 billion, R08. This is an increase of 13.7 percent compared with the figure for the same period of the previous year of €384.109 billion.

Growth in the 2021 fiscal year was mainly due to the digitalization push during the coronavirus pandemic and to the resulting strong demand throughout the year for data centers, smartphones, consumer electronics, PCs, notebooks and PC accessories. However, some industrial projects (including in particular the expansion of high-speed trains in China) were postponed or curtailed as a result of the coronavirus pandemic.

There were also several months of interruptions in automobile production. In addition, for various reasons, there were Manufacturing stoppages in the semiconductor industry itself, which resulted in a chip shortage in some product categories.

The global market for semiconductors without microprocessors, DRAM and NAND flash memory grew by 16.7 percent, from €236.673 billion in the 2020 fiscal year to €276.293 billion in the 2021 fiscal year, R08. In the same period, Infineon's revenue increased by 29.1 percent. Cypress has been fully consolidated since 16 April 2020. This limits the comparability of the current figures with those of the prior year.

Review of the semiconductor market in the 2020 fiscal year (in US dollars)

In the 2020 calendar year, global semiconductor revenue was US$473.713 billion. This was the second highest figure ever for annual revenue. The highest figure, of US$485.313 billion, was achieved in the 2018 calendar year. Compared with the revenue generated in the 2019 calendar year of US$428.832 billion, growth in revenue in the 2020 calendar year was 10.5 percent. R01

As in 2019, there were only three companies in 2020 with a market share of more than 5 percent: Intel (16.1 percent), Samsung (12.0 percent) and SK Hynix (5.6 percent), C10. For Infineon, the revenue figure calculated by Omdia for the 2020 calendar year was US$11.215 billion. This represents a market share of 2.4 percent and 9th place in the ranking of companies according to revenue. Revenue from Cypress was included for both the full 2019 calendar year and the full 2020 calendar year. Infineon's revenue grew at a slower pace than that of the semiconductor market as a whole due to the high proportion of its revenue derived from automotive and industrial applications.

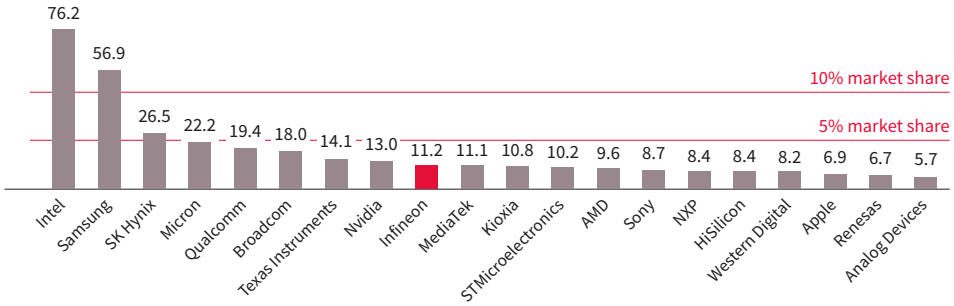
Nvidia was able to increase its revenue by 37.3 percent – or around US$3.5 billion – to US$13.035 billion and thus oust Infineon from the 8th place it held in 2019. Of the 20 largest semiconductor companies, the following are direct competitors of Infineon in at least one product category: Samsung, Qualcomm, Texas Instruments, STMicroelectronics, NXP, Renesas and Analog Devices.

In December 2020, Taiwanese wafer manufacturer GlobalWafers announced its acquisition of German wafer manufacturer Siltronic for around €4.4 billion. In February 2021, GlobalWafers secured more than 50 percent of the shares of Siltronic, thus reaching the minimum acceptance threshold. The transaction is expected to be completed in the first half of the 2022 calendar year. Infineon purchases wafers from both companies.

In February 2021, Japanese semiconductor manufacturer Renesas announced its acquisition of Dialog Semiconductor for around €4.9 billion. The transaction was completed on 31 August 2021. Infineon is a competitor of both companies in some product categories.

C10 Top 20 semiconductor manufacturers in the 2020 calendar year

Revenue in billion US$



R01

Frontend contract manufacturers are not included in this market research.

In August 2021, US semiconductor manufacturer onsemi announced its acquisition of SiC materials manufacturer GT Advanced Technologies for US$415 million. The transaction is expected to be completed in the first half of the 2022 calendar year. Infineon is a competitor of onsemi in some product categories and purchases SiC materials from GT Advanced Technologies.

In August 2021, US semiconductor manufacturer Synaptics announced its acquisition of Israel-based company DSP Group for around US$538 million. DSP Group develops digital signal processors and chipsets for wireless communications and audio applications. Infineon is a competitor of Synaptics in some product categories.

The acquisition of Maxim by Analog Devices announced in July 2020 was completed in August 2021. The transaction was valued at US$28 billion. Infineon is a competitor of both companies in only a few product categories.

The 20 largest semiconductor companies accounted for 74.4 percent of global semiconductor revenue in the 2020 calendar year (2019: 73.0 percent). The remaining 25.6 percent (2019: 27.0 percent) was spread over more than 1,500 other semiconductor companies. The semiconductor industry is therefore highly fragmented. The consolidation process has advanced at different rates depending on the product category. R01

Greater China has played the dominant role for years in terms of regional semiconductor revenue. In the 2020 calendar year, Greater China increased its share of the global semiconductor market still further to 58 percent, compared with 56 percent in 2019, R09. In Greater China, and especially in Mainland China, contract manufacturers known as EMS (Electronic Manufacturing Services) play a special role. These companies assemble electronic products predominantly for Western customers. This business model applies particularly to consumer durables and to IT and telecommunications products such as servers, PCs, laptops, tablets and mobile phones. Most of the semiconductors delivered to and mounted in Mainland China are re-exported as part of a finished product. C11

In terms of purchasing volume, the top 20 semiconductor consumers accounted for US$214.353 billion, equivalent to a share of 65.3 percent (2019: US$184.497 billion with a share of 62.1 percent). C12

The boom in demand for data centers, smartphones, consumer electronics, PCs, notebooks and PC accessories is clearly shown by almost all the semiconductor consumers increasing their purchasing volume. Out of the top 20 companies, only the two automotive suppliers, Bosch (in 12th position) and Continental (in 15th position), reduced their purchasing volume. Denso, another automotive supplier with a purchasing volume that shrank, which was in 17th position in 2019, was no longer one of the top 20 semiconductor consumers in the 2020 calendar year. At US$42.821 billion, the purchasing volume of Apple is now significantly higher than the total purchasing volume of the global automotive industry. R10

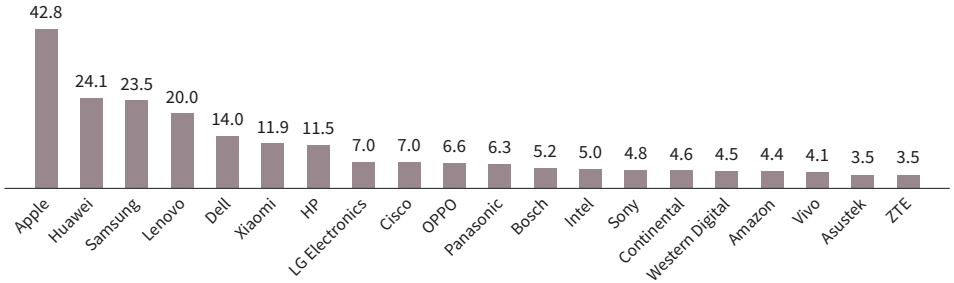
C11 Global semiconductor sales in the 2020 calendar year by region (total market size US$473 billion)

R09

Greater China comprises Mainland China, Hong Kong, Macau, and Taiwan.

C12 Top 20 semiconductor consumer in the 2020 calendar year

Purchasing volume in billion US$



R10

2021 fiscal year

- Infineon records revenue of over €11 billion for first time
- Profitability significantly up: Segment Result Margin rises to 18.7 percent (2020: 13.7 percent)
- Dividend set to be raised to 27 cents per share

Revenue up by 29 percent; Segment Result Margin rises to 18.7 percent

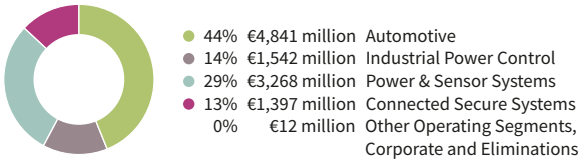
Infineon achieved a **revenue** of €11,060 million in the 2021 fiscal year, 29 percent up on the previous year's figure of €8,567 million and in line with the adjusted forecast of around €11 billion. Firstly, revenue went up on the back of continued high demand for semiconductors and the related expansion of manufacturing capacities, with the resulting positive volume and pricing effects causing revenue to grow. Secondly, the higher revenue was driven by the acquisition of Cypress in April 2020. For the first time, Cypress contributed to Group revenue for a full fiscal year, whereas in the fiscal year just ended Cypress' revenue was only included for the period from April to

September. Pandemic-related constraints, for example on manufacturing capacity in Melaka (Malaysia) and on contract manufacturers, and the aftermath of the winter storm in Austin (Texas, USA) held down revenue growth.

The segments all developed positively, with Automotive remaining the largest in revenue terms. Based on segment revenue of €4,841 million (2020: €3,521 million), Automotive contributed 44 percent of Infineon's total revenue, up by 37 percent on the previous year. The Power & Sensor Systems segment recorded revenue of €3,268 million (2020: €2,650 million), corresponding to a growth rate of 23 percent. Both segments included revenue contributions from Cypress. Revenue generated by the Industrial Power Control segment totaled €1,542 million and was therefore 10 percent above the previous year's figure (2020: €1,406 million). The Connected Secure Systems segment reported revenue of €1,397 million (2020: €974 million), up by a significant 43 percent and largely driven by an improved product mix and the acquisition of Cypress.

The development of the US dollar exchange rate to the euro, which averaged 1.19 for the year compared to 1.12 one year earlier, had a negative impact on revenue.

C13 Revenue by segment in the 2021 fiscal year



The **Segment Result** totaled €2,072 million for the 2021 fiscal year, 77 percent up on the €1,170 million reported one year earlier. One of the factors contributing to this strong earnings performance was the decline in idle costs compared to one year earlier. It was also possible to pass on increased procurement prices to customers. By contrast, the pandemic-related restrictions on manufacturing in Melaka and the shutdown of the fabrication plant in Austin had a negative impact on the Segment Result.

The **Segment Result Margin** of 18.7 percent was accordingly higher than the previous fiscal year's figure of 13.7 percent, and hence in line with the most recent forecast of more than 18 percent, as upwardly adjusted in the third quarter.

Key performance indicators for Group up on previous year

Profit for the period improved to €1,169 million (see the chapter "Review of results of operations", p. 102), representing an increase of €801 million compared to the previous fiscal year's figure of €368 million. The resulting **earnings per share** for the 2021 fiscal year amounted to €0.87 (basic and diluted) and were thus significantly above the preceding year's figure of €0.26 (basic and diluted). **Adjusted earnings per share (diluted)** for the year under report amounted to €1.20 (2020: €0.64).

The **Return on Capital Employed (RoCE)** rose from 3.0 percent to 8.4 percent year over year, mainly reflecting the sharp rise in **operating profit from continuing operations after tax** from €473 million to €1,325 million (see the chapter "Review of results of operations", p. 99 ff.). **Capital employed** stood at €15,793 million as of 30 September 2021, very similar to the amount reported one year earlier (30 September 2020: €15,827 million).

Free Cash Flow from continuing operations was a positive amount of €1,574 million in the 2021 fiscal year (2020: negative €6,727 million) and arose mainly due to the high level of net cash provided by operating activities from continuing operations totaling €3,063 million (2020: €1,817 million). The figure reported for the previous fiscal year was influenced primarily by the net payment (i.e., net of cash and cash equivalents acquired) amounting to €7,433 million used to acquire Cypress.

The **gross cash position** improved by €695 million to stand at €3,922 million at the end of the reporting period (30 September 2020: €3,227 million), with the increase resulting mainly from high Free Cash Flow amounting to €1,574 million.

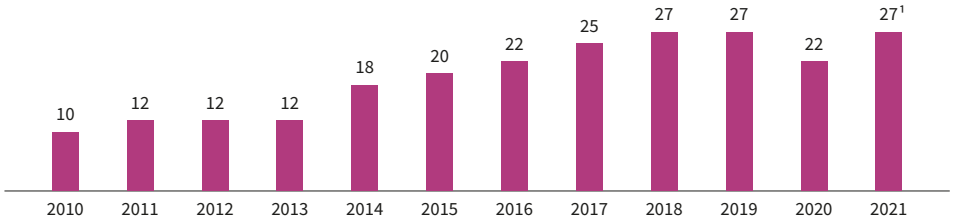
The **net cash position** at the end of the 2021 fiscal year was a negative amount of €2,663 million (30 September 2020: negative €3,806 million).

Dividend payment of €0.27 per share planned

Our dividend policy is aimed at letting shareholders adequately participate in Infineon's economic development and, in general, at paying out at least an unchanged dividend even in the event of stagnating or declining earnings. However, due to the negative economic impact of the coronavirus pandemic, the risks that existed at the time of the payout, and in order to maintain sufficient financial flexibility, a dividend of €0.22 was paid for the 2020 fiscal year, i.e. €0.05 lower than the amount distributed for the 2019 fiscal year. Due to Infineon's good economic performance in the 2022 fiscal year and the positive outlook for the current fiscal year, the dividend is now to be increased again by €0.05. Accordingly, a proposal is planned to be put forward at the Annual General Meeting in February 2022 to distribute a dividend of €0.27 per share for the 2021 fiscal year. The number of shares issued totaled 1,305,921,137 as of 30 September 2021. The figure includes 4,545,602 shares owned by the Company that are not entitled to a dividend. The total dividend amount would therefore increase to €351 million, compared with €286 million one year earlier.

C14 Dividend per share for the 2010 to 2021 fiscal years

in € cents



1 Proposal to the Annual General Meeting to be held on 17 February 2022.

The segments

Infineon comprises four segments, each of which derive their long-term focus from the Group strategy. All the Group's activities relate to one of four key growth areas – energy efficiency, mobility, security, and IoT and big data. The segments are each responsible for particular areas that reflect their core competencies. The Automotive segment is responsible for the semiconductor business for automotive electronics, including activities with memory products. The Industrial Power Control segment concentrates on power semiconductors primarily used in industrial applications and renewable energy, while the Power & Sensor Systems segment addresses more consumer-oriented applications and power supplies in general. Also falling within the sphere of responsibility of the Power & Sensor Systems segment are activities in the area of radio frequency and sensor-based applications, including the collection of sensor data and interaction with machines and devices. Microcontrollers for non-automotive electronic applications, connectivity solutions and activities relating to traditional and new security applications are bundled in the Connected Secure Systems segment.

In the areas of sensor technologies, power semiconductors, hardware-based security, radio frequency and embedded control, Infineon has continually developed and deepened its knowledge of its traditional core competencies. In particular, we have expanded our expertise in the area of sensor technologies to include the collection of other physical measurands, C15. As a result of the acquisition of Cypress, we greatly strengthened our position in the area of embedded control. Contributing to this are the extensive portfolio of microcontrollers and different types of memory for specific applications. Furthermore, with connectivity we acquired a new competence, indispensable for the IoT growth market. Combining this in turn with our security knowhow takes us to a new level.

Our markets are converging more and more, so that a strict organizational separation is not appropriate. Technologies and products are increasingly being used across the segments in line with our strategic approach “Product to System”. Digital transformation in particular requires flexible and innovative approaches. Teams from various organizational units work together on an application-oriented and expertise-specific basis. In such cases, one segment takes responsibility for the overall system and develops the roadmap for the application, while responsibility for the technologies and products required remains in the established organizational units of the other segments. Similarly, the segments collaborate on technology development. High-voltage power semiconductors for electromobility are, for example, a core topic in the area of automotive electronics, so it follows that the Automotive segment assumes responsibility here. On the other hand, it is the Industrial Power Control segment that takes on responsibility for fundamental developments in IGBT technology, IGBT module housing technology and SiC technology.

C15 Core competencies in the segments

Core competencies	Automotive	Industrial Power Control	Power & Sensor Systems	Connected Secure Systems
Sensor technologies	✓		✓	
Radio frequency	✓		✓	
Embedded control	✓			✓
Control of power semiconductors	✓	✓	✓	✓
Power semiconductors	✓	✓	✓	
Memories for specific applications	✓			
Connectivity				✓
Security	✓			✓
Software	✓			✓
Differentiating in-house manufacturing	✓	✓	✓	

Automotive

The Automotive segment shapes the future of mobility with products and solutions to make cars clean, safe and smart. We cover all application areas in the vehicle: powertrain and energy management, connectivity and infotainment, body and comfort electronics, safety and security. Our range of products and solutions helps to navigate the transition from internal combustion engines to hybrid or electric drives, as well as enabling an ever-increasing degree of automated driving, electric-electronic (E/E) vehicle architecture and greater connectivity, digitization and a higher level of data security in vehicles. We also offer our customers innovative solutions in the areas of safety, the digital cockpit, infotainment, comfort and lighting technology. In addition to sensors, microcontrollers, a reliable power supply, high-performance memory ICs for specific applications and power semiconductors based on Si and SiC, our product portfolio also comprises components for human-machine interaction and vehicle connectivity. Infineon is the world market leader in semiconductor solutions for cars. R02

Applications p. 240

Strategic focus

The automotive industry continues to experience a period of profound upheaval. The car of the future will be a purely electric vehicle, assisted, fully connected and always online. Even if this will not yet apply to every newly produced car by the end of the current decade, we are still seeing an acceleration in structural change compared with previous decades. The reasons for this are the desire for vehicles which are ever-safer, ever-smarter and increasingly connected and the need for compliance with ever-stricter emission standards and therefore for sustainable mobility. This is evident from automotive megatrends: electromobility, automated driving, connectivity and security. The greatest contribution to this process will come from vehicle electronics and consequently from semiconductor solutions. We are contributing to the change and want to benefit disproportionately from these trends. We have a broad product portfolio of automotive semiconductor solutions. With this portfolio and a high level of system expertise, Infineon can handle a wide range of automotive applications. These include powertrain, assistance systems, safety, comfort electronics, digital instrument clusters, infotainment applications and security.

Infineon supports the trend towards increasing connectivity. This includes both the communication between the various control units within the vehicle (for example, via CAN, CAN FD and FlexRay™) and the communication with other vehicles (vehicle-to-vehicle) and with the cloud (vehicle-to-infrastructure). It also includes the connection of mobile devices via Wi-Fi and Bluetooth for in-cabin infotainment. In the area of human-machine interaction, switches, buttons and dials will increasingly be replaced by touch pads. Human-machine interaction also includes head-up displays.

In the traditional applications, our growth will be driven by new functions in the areas of connectivity, lighting technology, comfort and safety, on the one hand, and by continuing electrification of various vehicle functions, on the other. This means that the number of electronic components per vehicle and therefore the value of the semiconductor content per vehicle will increase. The two megatrends electromobility and automated driving have the effect of further increasing the average semiconductor demand per vehicle. Even if it will take some time for autonomous driving to be introduced and to become widespread, driver assistance systems are in high demand and the strong growth they have already shown looks set to continue in the coming years. Driver assistance systems not only ensure greater driving comfort, but also contribute to the implementation of “Vision Zero”, the global project that seeks one day to achieve its aim of road traffic without fatalities.

We are benefiting from the trend towards automated driving, on the one hand, with our 77 gigahertz radar sensor ICs, which are used in emergency braking systems and increasingly in lane change assistance systems. On the other hand, we also provide dedicated microcontrollers which undertake a significant part of the radar signal processing. Our optimized radar system solutions (including radar sensor ICs, microcontrollers, power supply and

memory IC solutions) enable our customers to achieve faster time to market. Our microcontrollers are not only used in driver assistance systems that are radar-based, but also in those that are camera-based, as well as in sensor fusion systems up to Level 2+. The intermediate level 2+, which was retrospectively defined, includes those functions which are part of Level 3 except for the function of the complex handover of vehicle control between the vehicle and the driver.

For electromobility, Infineon has an extensive range of power semiconductors and control ICs with the corresponding packaging and connection technologies. Infineon also offers battery management solutions for the efficient charging and monitoring of battery systems. Infineon's semiconductor solutions are suitable for all types of electric vehicles: pure electric vehicles, plug-in hybrid vehicles and mild hybrid vehicles with 48-volt technology. Our portfolio also covers semiconductor solutions for vehicles based on emerging hydrogen technology. The AURIX™ family of microcontrollers is used both in the control of electric motors and in battery management.

In the area of power electronics, we are the undisputed market leader for Si-based power semiconductor solutions in the automotive market. In the fast-growing market for SiC-based components (diodes, discrete MOSFETs and power modules), we offer our customers alternative scalable solutions for greater efficiency and more compact design in the areas of drive trains and onboard chargers. In the medium term, we are also expanding our portfolio to include components based on GaN. Both compound materials, SiC and GaN, offer additional potential for improvements in efficiency and power density.

Our product portfolio meets the high quality and reliability requirements of the automotive industry. In the case of automated driving, the greater the trust in the technological innovations that are replacing the driver of the vehicle, the greater the acceptance and the sooner it will be possible to achieve higher levels of automation in vehicles – in private vehicles, taxis and buses, in utility and construction vehicles, in agricultural machinery and in public transport such as trains and trams. The prerequisite for gaining that trust is the reliability of the vehicles and thus the reliability of the systems, components and semiconductor solutions built into them. They must all be fault-tolerant, must not fail and must ensure a minimum function if there are unexpected disruptions, and all this must apply for the service life of the vehicle. For some time now, Infineon has provided concepts and solutions for reliability at the component and subsystem level, adopting an integrated approach. Our semiconductor solutions – sensors, microcontrollers, memory, power electronics, power management ICs and security ICs – enable systems to meet the high functional safety requirements set out in ISO 26262. The AURIX™ family of microcontrollers is used, for example, in steering and braking, and as host controllers that contribute towards the functional safety of central control units. Other semiconductor solutions ensure both internal and external data communication.

Market position

In the 2020 calendar year, the automotive industry experienced its greatest decline in a decade as a result of the coronavirus pandemic. As most car manufacturers halted production for several months across all regions, demand for automotive semiconductors shrank by 6.0 percent from US$37.186 billion in 2019 to US$34.960 billion in the 2020 calendar year, R02. An even greater decline was averted by the recovery in China in the second half of the 2020 calendar year and by surprisingly high demand for electric vehicles, C16. The unexpected rapid resurgence in demand for cars and the boom triggered by incentive schemes for electric vehicles, on the one hand, and insufficient manufacturing capacity on the other resulted in the ongoing chip shortage.

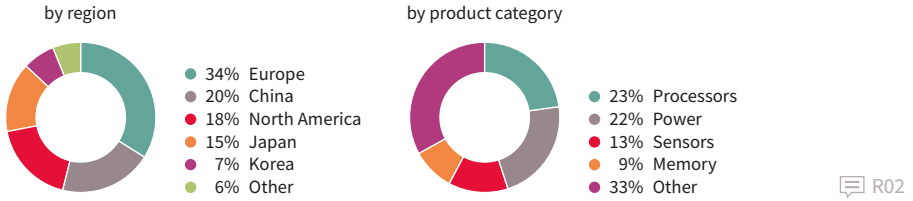
Power semiconductors and controllers are the two largest product categories. Together they account for around half of all semiconductors in the automotive sector. Infineon was the market leader in the 2020 calendar year for power semiconductors, with a market share of 30.2 percent. In the case of controllers, Infineon had a market share of 16.9 percent and was in 3rd position. The gap between it and the two frontrunners Renesas (with a market share of 26.7 percent) and NXP (with a market share of 26.3 percent) narrowed, while the gap between Infineon and Texas Instruments (with a market share of 9.8 percent) widened. In the case of sensors, Infineon (with a market share of 15.5 percent) remained the second largest manufacturer behind Bosch (with a market share of 22.2 percent), R02.

In the 2020 calendar year, Infineon remained the world's largest manufacturer of automotive semiconductors, with a 13.2 percent share of the total market, C17. It slightly increased its lead over second-placed manufacturer NXP. The five largest market players together accounted for 48.4 percent of the market (2019: 49.2 percent).

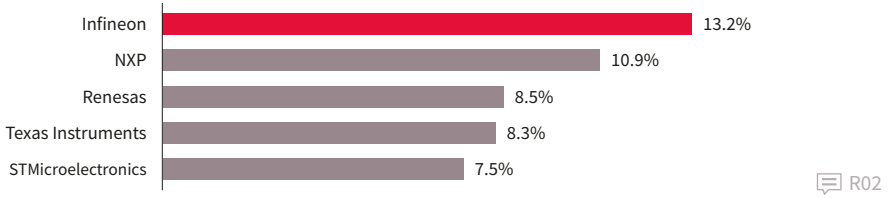
In both regions with the greatest decline in market size, North America (9.5 percent) and Japan (9.4 percent), Infineon was able to significantly outperform the market, gaining market share, and in each case moving up one position. This means that Infineon is now at least in 2nd position in all regions, C18. The trend in Japan, where the company has quadrupled its market share over the last ten years, is particularly encouraging.

C16 World market for automotive semiconductors in the 2020 calendar year

US$34.960 billion (minus 6.0% compared with 2019)

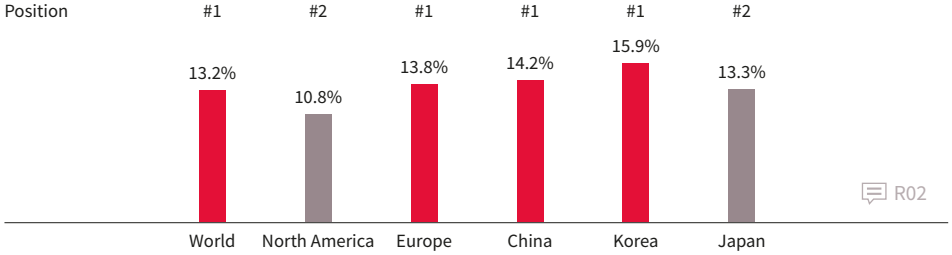


C17 Market share for automotive semiconductors in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

C18 Market share of Infineon for automotive semiconductors by region in the 2020 calendar year



Review of the Automotive segment in the 2021 fiscal year

In the Automotive segment, Infineon generated revenue in the 2021 fiscal year of €4,841 million, an increase of 37.5 percent compared with the figure for the previous fiscal year of €3,521 million. Cypress was fully consolidated with effect from 16 April 2020, and therefore the comparability of the current-year figures with the prior-year figures is limited. The segment contributed 44 percent of Infineon's Group revenue.

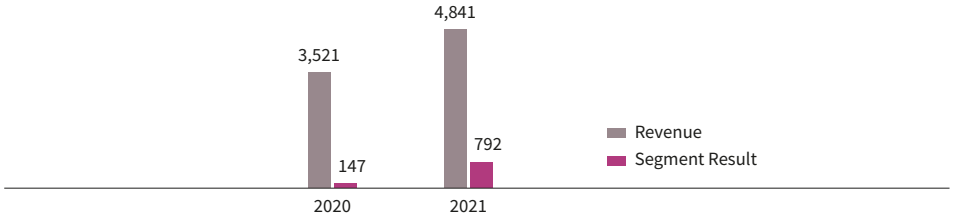
In the 2021 fiscal year, the Segment Result was €792 million, an increase of 438.8 percent compared with the Segment Result for the previous fiscal year of €147 million. Based on revenue, the Segment Result Margin was 16.4 percent (previous year: 4.2 percent). C19

The increase in the Segment Result Margin was due to a higher revenue, a significant reduction in under-utilization costs and a 12-month contribution to revenue made by Cypress' business activities. Factors which had a negative impact on the Segment Result were restrictions on our manufacturing capacity as a result of the pandemic, especially in Melaka (Malaysia), and costs arising from a manufacturing stoppage in Austin (Texas, USA).

The 2021 fiscal year was characterized by an unexpectedly swift economic recovery in China and a significant subsequent ramp-up in automotive production in the country.

C19 Revenue and Segment Result of the Automotive segment

€ in millions



Particularly the purchase of electric vehicles showed a sharp increase in demand. This turn around, together with continuing high levels of demand for other semiconductor products in other sectors, led to an industry-wide chip shortage. Pandemic-related restrictions on the manufacturing capacity at our frontend and backend manufacturing partners exacerbated the difficult supply situation.

Electromobility and driver assistance systems continued to be the main drivers behind our growth in the 2021 fiscal year. Electromobility benefited not only from incentive schemes, but also from the increasing availability of charging stations, the wider range of models being produced by almost all vehicle manufacturers and from a change in attitude in society to sustainable technologies. During the reporting period, the first vehicle with our CoolSiC™ HybridPACK™ drive module also went into series manufacturing. As a result, we generated significant revenue from SiC for the first time in the automotive area. We won three additional contracts for SiC in the power train, so we can assume that over the coming years we will continue to achieve steady increases in revenue in this area.

Alongside power semiconductors, the second product category to achieve above-average revenue growth rates in the segment is microcontrollers, including the two families, AURIX™ and TRAVEO™.

Our system understanding, commitment to quality and the excellent service we provide all create added value for our customers and help them grow their businesses. In the 2021 fiscal year, we again received awards from several leading automotive manufacturers, in particular, recognition of our sustainable actions as well as excellent cooperation during this period of chip shortages. From the Chinese car manufacturer Great Wall Motor, for example, we received the Best Cooperation Contribution Award for exceptionally customer-oriented cooperation. A second example is the Excellent Contribution Award which we were given by FinDreams Technology Company, a subsidiary of the Chinese automotive manufacturer BYD. Thirdly, we received the Global Supplier Sustainability Award from the German automotive supplier Bosch for our climate-friendly actions. See the chapter "Group strategy", p. 41.

Industrial Power Control

The Industrial Power Control segment specializes in semiconductor solutions for the intelligent management and efficient conversion of electric energy along the entire conversion chain: generation, transmission, storage and use. The product portfolio comprises mainly IGBT power transistors, driver ICs to control them, and power semiconductors based on SiC. The latter are becoming increasingly important for industrial applications. We offer the products in the Industrial Power Control segment, whether Si-based or SiC-based, in various form factors and with different levels of functionality. The segment's broad application spectrum includes motor control units for industrial manufacturing and building technology, inverters for photovoltaic and wind power systems, home appliances, traction, electric utility vehicles (such as buses and construction and agricultural vehicles), systems for high-voltage direct current transmission and energy storage, industrial power supplies and the charging infrastructure for electric vehicles. Our focus is on integration and digitization.

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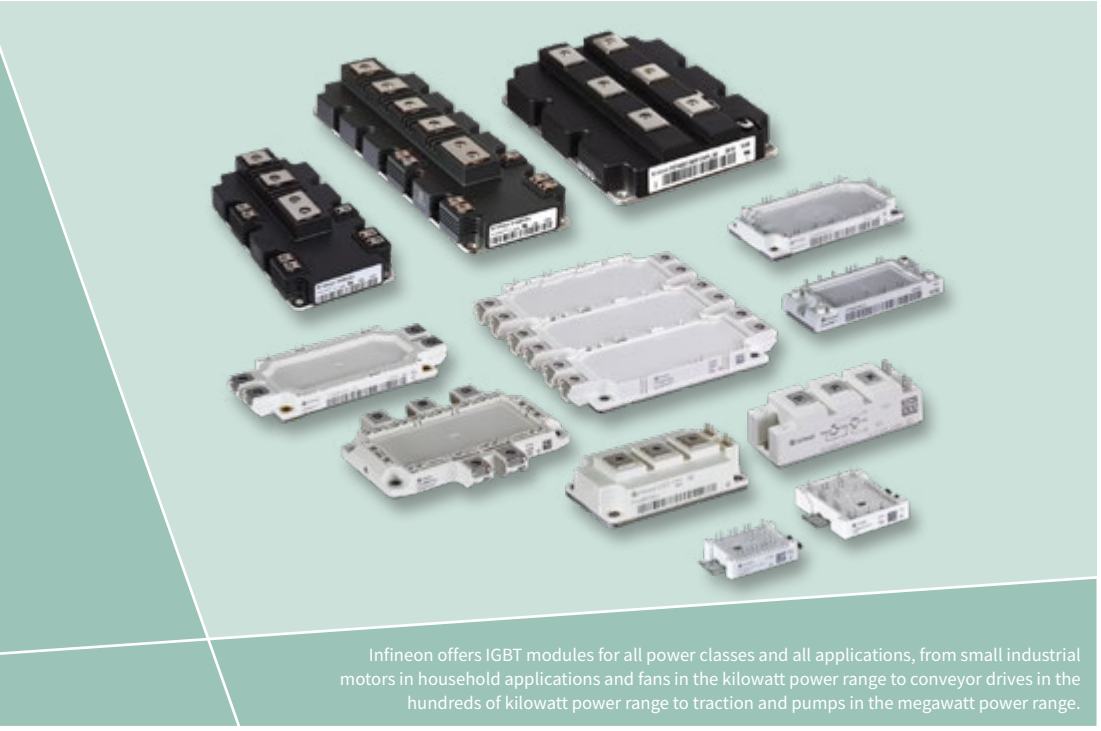
Strategic focus

Power semiconductors are a key element in the products and systems of our customers, largely determining the function, efficiency, size, weight and cost of the systems. The products in our Industrial Power Control segment provide the foundation for the efficient generation, almost lossless transmission and storage of electric energy, on the one hand, and the reduction of losses on consumption, on the other. Our core business consists of discrete IGBTs and IGBT modules and the driver ICs associated with them.



Infineon offers IGBT modules for all power classes and all applications, from small industrial motors in household applications and fans in the kilowatt power range to conveyor drives in the hundreds of kilowatt power range to traction and pumps in the megawatt power range.

We want to continue to strengthen this core. We are constantly refining our existing products, combining them to create complete solutions for the customer. We leverage our economies of scale in research and development, as well as in manufacturing, and are therefore able to achieve a broad portfolio optimized for both cost and performance. In addition, we develop products that provide the opportunity for long-term differentiation.

Two examples of this are the following:

- The PrimePACK™ module, which combines IGBT5 chip technology with the .XT bonding technology. While the IGBT5 chip technology allows higher power densities with lower static and dynamic losses, the .XT bonding and connection technology in the modules ensures a longer service life through improved thermal load cycling capability. This provides our customers with significant added value for high-power inverters in wind and photovoltaic applications and in industrial drives.

- The products in the iMOTION™ family – which are basically application-optimized microcontrollers – enable easy-to-implement intelligent motor control. Infineon offers reference design solutions for these compact products, including connectivity solutions and components for human-machine interaction.

Infineon offers its customers evaluation boards for motor drive applications, including hardware and software. These reference designs allow short development times of the customer's products.

We are strengthening our product portfolio by using new materials. See the chapter "Research and development", p. 82 f. The Easy module family is an important success factor here for fast market entry for the customer. It offers a flexible, easily scalable module solution with Si or SiC that is particularly effective in applications such as

photovoltaics, industrial automation and the charging infrastructure for electric vehicles. In addition to the modules, we are strengthening the volume production of our extensive product portfolios of discrete SiC MOSFET components. With our SiC products, customers can count on Infineon delivering the reliability for which it is known, as well as providing support to develop systems based on this new material.

The Industrial Power Control segment uses the expertise acquired in the application of discrete IGBTs and IGBT modules to unlock additional growth potential in adjacent product areas, such as Intelligent Power Modules (IPMs). The functional integration of drivers and power switches into our CIPOS™ IPMs helps our customers increase the efficiency of drives for small motors and therefore meet new energy efficiency standards for home appliances and industrial applications. These integrated products also enable a significant reduction in system size and development cost. We develop special control algorithms for the products in the iMOTION™ family mentioned above. Customers only need to adjust a few parameters within the algorithms to find efficient solutions to their problems. Products in the iMOTION™ family are used in all types of home appliances, from hairdryers and washing machines to air conditioning units.

Looking across the segments, the Industrial Power Control segment benefits from the range of microcontrollers and connectivity and security solutions on offer in the Connected Secure Systems segment. This opens the door to new markets and additional growth potential in the application areas for which the Industrial Power Control segment is responsible.

With this expanded range, we can address a larger proportion of the semiconductor value in an application, which will enable us to continue to grow in our existing markets, while we can also offer our customers easy-to-use complete solutions. Understanding the newly acquired products and markets also enables us to expand the scope of our operations. We can see the potential for synergies, particularly in the areas of home appliances and factory automation (and here especially in robotics and driverless transport systems).

Software development is part of our strategic approach “Product to System”. In addition to hardware-near software such as firmware or drivers, we offer our customers other types of support. One example is IPOSIM (Infineon Online Power Simulation Tool), a program that helps the customer select the right product for a given application topology. It also simulates the switching and conduction losses, including an assessment of the thermal performance.

Market position

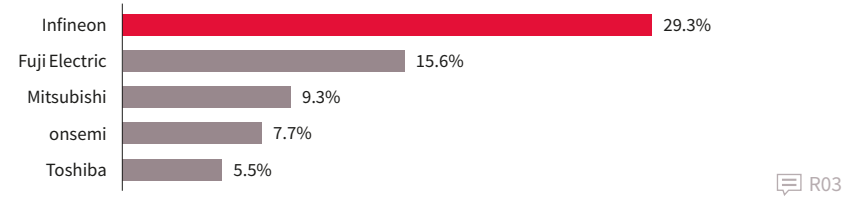
The world market for discrete power semiconductors and modules grew slightly by 0.4 percent in the 2020 calendar year to US$20.896 billion. In the same period, Infineon increased its revenue by 3.1 percent. Therefore its market share saw a slight rise of 0.5 percentage points to 19.7 percent. R03

The world market for discrete IGBT power transistors reached US$1.586 billion in the 2020 calendar year, R03. This was an increase of 10.9 percent compared with the figure for 2019 of US$1.430 billion. Infineon's revenue in this area fell by 0.7 percent. With a market share of 29.3 percent, Infineon continued to be the clear market leader (2019: 32.7 percent), C20. The five largest market players together accounted for 67.4 percent of the market (2019: 63.9 percent).

The world market for Intelligent Power Modules (IPMs) reached US$1.429 billion in the 2020 calendar year, R03. This was a decrease of 7.1 percent compared with the figure for 2019 of US$1.537 billion. Infineon's revenue in this area fell by 9.4 percent. With a market share of 11.6 percent (2019: 11.9 percent), Infineon remained in 3rd position, C21. The five largest market players together accounted for 78.3 percent of the market (2019: 79.0 percent).

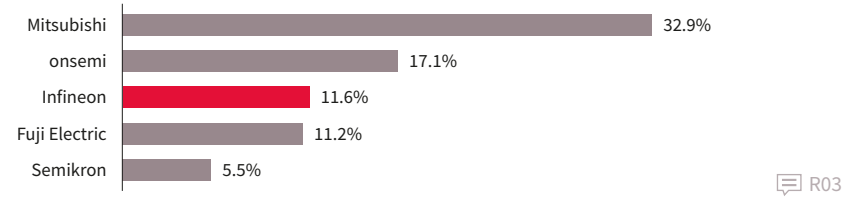
The world market for IGBT modules reached US$3.626 billion in the 2020 calendar year, R03. This was an increase of 9.3 percent compared with the figure for 2019 of US$3.316 billion. Infineon's revenue in this area increased by 12.6 percent. With a market share of 36.5 percent, Infineon continued to be the clear market leader (2019: 35.5 percent), C22. The five largest market players together accounted for 66.7 percent of the market (2019: 68.5 percent).

C20 Market share for discrete IGBTs in the 2020 calendar year



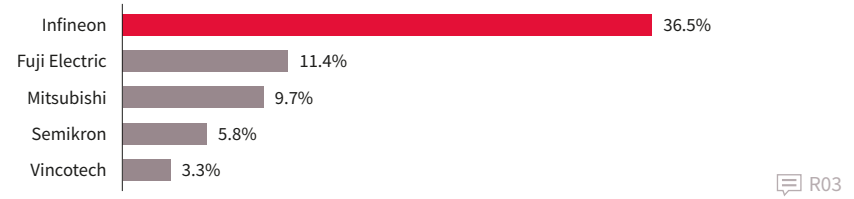
Comparability limited due to differing reporting period (fiscal year-end) and currency.

C21 Market share for IPMs in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

C22 Market share in IGBT modules in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

Review of the Industrial Power Control segment in the 2021 fiscal year

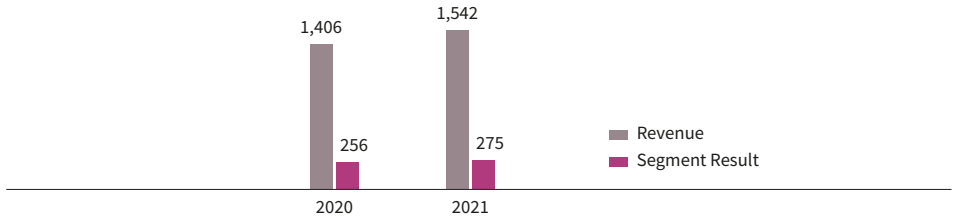
In the Industrial Power Control segment, Infineon generated revenue in the 2021 fiscal year of €1,542 million, which was an increase of 10 percent compared with the figure for the previous fiscal year of €1,406 million. The segment contributed 14 percent to Infineon's Group revenue.

The growth in revenue was driven by the strong recovery in the areas of automation, electric drives and home appliances, as well as by continuing growth in renewable energy and in the energy infrastructure, whereas there was a decline in revenue in the area of transportation. From a regional perspective, the Chinese market in particular contributed to this growth. Revenue increased by 21 percent and represent 55 percent of segment revenue.

In the 2021 fiscal year, the Segment Result was €275 million. This was an increase of 7 percent compared with the figure for the previous fiscal year of €256 million, C23. Despite the increase in revenue, the Segment Result Margin fell slightly to 17.8 percent (previous year: 18.2 percent), as the result was adversely impacted by costs arising from the coronavirus pandemic and by idle costs in the high power area.

C23 Revenue and Segment Result of the Industrial Power Control segment

€ in millions



Demand in the area of automation and electric drives, the segment's largest field of application, recovered strongly from the impact of the coronavirus pandemic.

With 26 percent, the fastest rate of growth was to be seen in the area of renewable energy, which now accounts for 28 percent of segment revenue. The generation of clean energy is an essential prerequisite for the achievement of global carbon emission targets. Thanks to our strong market position in the area of renewable energy, Infineon is able to benefit directly from this megatrend.

There was a significant increase in revenue from products for wind power as well as from PV inverter products. In many regions of the world, solar and wind power are now the cheapest way of generating electricity. Capacity is therefore being expanded accordingly, especially in the form of utility scale installations.

The energy infrastructure business comprises the transmission, distribution and storage of energy, as well as the charging infrastructure for electromobility. This last area enjoyed particularly strong demand. In the 2021 fiscal year, Infineon's revenue from battery-based storage solutions was still low. However, as the proportion of renewable energy in the energy mix continues to grow, so does the importance of storage solutions to stabilize the grids. The energy infrastructure business represents 8 percent of the segment revenue.

In home appliances, the trend towards inverterized motor control systems continues. As a result of energy efficiency regulations, we expect demand for inverterized home appliances, especially air conditioning units and washing machines, to remain high over the coming years. Following a decline in demand in the previous year as a result of the coronavirus pandemic, revenue in this area increased substantially in the 2021 fiscal year.

Revenue in the transportation sector saw a significant decline. As a result of the coronavirus pandemic, passengers are using public transportation much less than usual. In many regions, expansion of transport capacity was postponed. New business areas such as the electrification of buses, trucks and farm machinery were unable to offset this decline.

Power & Sensor Systems

The Power & Sensor Systems segment encompasses a large selection of technologies relating to power semiconductors, radio frequency and sensors. We use these technologies to make electronic devices like power supplies, power tools, lighting systems, mobile devices and industrial and consumer applications smaller, lighter and more energy-efficient, as well as to develop new functionalities. We are drawing on the next generation of new, innovative solutions based on Si, SiC and GaN for applications in the areas of 5G, big data, power supplies and adapters, battery-powered devices, and renewable energy. Our portfolio of products for power supplies, comprising control ICs, drivers and MOSFET power transistors, addresses the two key requirements of the market: efficiency and power density. Infineon is the clear market leader in the global Si MOSFET market, C24. Our high-precision sensor solutions give IoT devices “human senses”, enabling them to react intuitively to their surroundings. The portfolio is rounded off with USB controllers and radio frequency products such as RF antenna switches, RF power transistors and GPS low-noise amplifiers.

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Strategic focus

At the core of the Power & Sensors Systems segment are power semiconductors for power supply applications in the low and medium voltage range. The key requirements for power semiconductors are high efficiency levels, the best possible performance and a small form factor. Here, Infineon is able to offer solutions covering all the key active components of the system: i.e., control ICs, drivers and MOSFET switches. Currently, Si is the predominant base material for power switches, but now we are seeing a gradual trend towards increased use of power semiconductor products that are based on the new materials SiC and GaN. These result in far lower switching losses, which means that significant increases in efficiency and power density can be achieved. Digital controls are another factor contributing to improvements in performance. Power management is moving away from analog systems and becoming increasingly digital (Digital Power Management). Digital control ICs also allow for greater functionality. The system therefore becomes more complex and higher-end, allowing Infineon's customers shorter development times for their own products. These functionalities have been further enhanced by the microcontrollers and connectivity solutions we added to our product portfolio when we acquired Cypress. Infineon is now offering its customers not only wireless connection technologies (Wi-Fi, Bluetooth and Bluetooth Low Energy) but also wired USB controllers, which transmit both signals and power.

Power & Sensor Systems' broad sensor portfolio allows machines and other electrical devices to communicate with their surroundings, depending on their situation. The various types of sensors emulate the human senses. MEMS microphones are a substitute for human ears, radar and time-of-flight (ToF) sensors provide 3-D vision, while gas sensors replicate the sense of smell. If the customer so wishes, any of these sensors can easily be combined with microcontrollers and connectivity solutions.

In the area of radio frequency, the company offers high-performance products for various special applications, such as amplifying the signal in cell phones and communicating between the cell phone and the base station. The portfolio includes RF antenna switches, RF power transistors, low-noise amplifiers, GPS signal amplifiers and transient voltage suppressor (TVS) diodes. The product portfolio is supplemented by GaN-on-Si power transistors for use in 5G base stations.

Both GaN and SiC are playing an increasingly important role in the area of power semiconductors. Using these new materials makes it possible to achieve further efficiency improvements here. In the case of SiC, 650 volt SiC switches are of particular interest to customers in the Power & Sensor Systems segment for use in their products. The applications these switches primarily address are servers, telecommunications and industry, solar energy systems, energy storage systems, motor drives and charging stations for electric cars. In the 2021 fiscal year, we have doubled our portfolio of 650 volt CoolSiC™ products. The portfolio now comprises 15 product types, including special SiC driver components that offer the customer optimal performance in combination with our SiC switches. Our existing portfolio of GaN products is also constantly being expanded. It currently comprises several switches in the 400 and 600 voltage classes. The main applications addressed by the existing portfolio are telecommunications, chargers and adapters, motor drives, servers, wireless charging and Class D audio amplifiers. A 650 volt GaN switch for use in the onboard chargers of electric cars is currently under development. There are plans to add 100 volt and 200 volt switches to the GaN portfolio in the near future. These could then be used, for example, in solar micro-inverters.

In May 2021, at the PCIM exhibition in Nuremberg (Germany), Infineon presented the first integrated product combining a CoolGaN™ switch in a system-in-package with a specially designed driver.

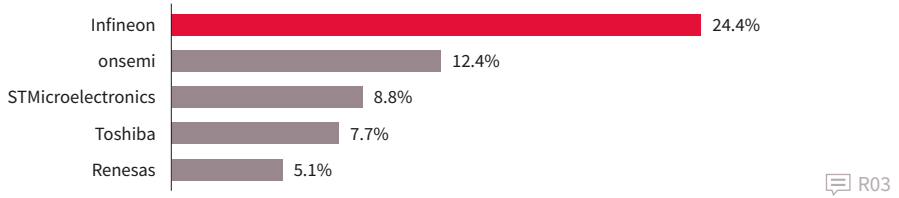
Market position

The world market for power MOSFETs, comprising standard MOSFETs, protected MOSFETs, SiC MOSFETs and GaN transistors, reached US$8.114 billion in the 2020 calendar year, R03, an increase of 0.1 percent compared with US$8.105 billion in the previous year. Infineon's revenue in these product categories decreased by 0.4 percent in the 2020 calendar year. With a market share of 24.4 percent compared with 24.6 percent in the previous year, the company maintained its clear market leader position, C24. The five largest market players together accounted for 58.4 percent of the market in the 2020 calendar year (2019: 59.7 percent).

The world market for power semiconductor ICs, comprising power management ICs, voltage monitoring ICs, drivers and voltage regulators, as well as controllers for switch-mode power supplies, power factor correction and battery management, was US$24.326 billion in the 2020 calendar year. This was an increase of 0.6 percent compared with the figure for 2019 of US$24.191 billion, R03. Infineon's revenue in this area rose significantly by 6.8 percent. Hence the company improved its market share from 7.8 percent in the previous year to 8.2 percent in the 2020 calendar year and remained in 2nd place, C25. The five largest market players together accounted for 43.4 percent of the market (2019: 43.2 percent).

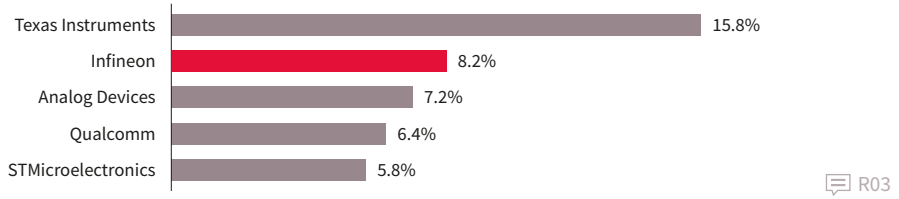
The world market for MEMS microphones reached 5.976 billion units in the 2020 calendar year, R04. This was an increase of 9.0 percent compared with the figure for 2019 of 5.482 billion units. Units sold by Infineon rose by 12.8 percent. Infineon continued to expand its market share, which rose from 42.7 percent in the 2019 calendar year to 44.2 percent in the 2020 calendar year, retaining the position as market leader it held in the previous year, C26. The five largest market players together accounted for 95.4 percent of the market (2019: 95.1 percent).

C24 Market share for MOSFETs in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

C25 Market share for power ICs in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

C26 Market share of MEMS microphones die suppliers in the 2020 calendar year (by units)

Comparability limited due to differing reporting period (fiscal year-end).

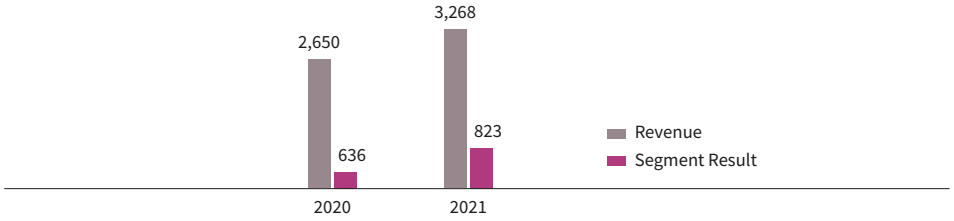
Review of the Power & Sensor Systems segment in the 2021 fiscal year

In the Power & Sensor Systems segment, Infineon generated revenue in the 2021 fiscal year of €3,268 million, an increase of 23.3 percent compared with the figure for the previous fiscal year of €2,650 million (which included the contribution to revenue made by Cypress from 16 April 2020 onwards), C27. The segment contributed 29 percent of Infineon's Group revenue.

In the 2021 fiscal year, the Segment Result was €823 million, an increase of 29.4 percent compared with the figure for the previous fiscal year of €636 million. The Segment Result Margin improved from 24.0 percent in fiscal 2020 to 25.2 percent in the 2021 fiscal year. The main reason for the significant growth in revenue was the sustained rise in demand for semiconductors in a variety of applications. Another reason was the consolidation of Cypress' USB component business for the first time for a full fiscal year. The positive revenue trend also led to a further slight improvement in the Segment Result Margin.

C27 Revenue and Segment Result of the Power & Sensor Systems segment

€ in millions



Growth in data volumes transmitted remained consistently high due to the persistent coronavirus pandemic and the resulting extent of virtual business conferences, working from home, home-schooling, online shopping and video streaming. In response, the expansion of server capacity and data centers continued undiminished in the 2021 fiscal year. In light of this development, many countries also expedited the expansion of their 5G cellular infrastructure.

Demand for battery-powered devices, games consoles and televisions also continued to develop positively. All these applications require a large number of power semiconductors, which has resulted in the increase in revenue in these areas.

Good revenue growth was also to be seen in the 2021 fiscal year in the area of radio frequency and sensor technologies. The greatest contributor to growth was our MEMS microphone business. Demand for microphones, not only for smartphones but also for the relatively new product group of wireless earphones with active noise cancellation, saw further strong growth. This growth was further supported by the use of these microphones in voice-controlled applications, such as smart speakers and remote controls for smart home devices.

The recovery in demand for 24 gigahertz radar sensor ICs also contributed to the increase in revenue. An important field of application for radar sensors with this frequency range is in blind spot detection systems for cars. Revenue from 3D time-of-flight sensors sold to smartphone and automotive customers stagnated in the 2021 fiscal year, remaining at the same level as in the 2020 fiscal year, while the company generated first revenue from gas sensors for measuring CO_2, newly launched onto the market in the 2021 fiscal year.

Revenue from radio frequency products, which comprise mainly RF power transistors for base stations, RF antenna switches and GPS low-noise amplifiers, also contributed to growth in this area.

Connected Secure Systems

The Connected Secure Systems segment provides comprehensive systems for a secure, connected world based on reliable, game-changing microcontrollers and wireless connectivity solutions and security solutions. In particular, we offer microcontroller solutions, Wi-Fi and Bluetooth solutions, and combined connectivity solutions (known as combo chips), along with hardware-based security technologies and an efficient software environment for the programming and configuration of the microcontrollers and connectivity components that cover many application areas: devices for IoT applications, connected home appliances and smart home appliances, IT equipment, consumer electronics, cloud security and connected vehicles, as well as credit and debit cards, electronic passports and national identity cards. With our technologies in the areas of computing, connectivity and security, we are contributing significantly towards ensuring that current and future connected systems are reliably protected, since communication and data security go hand in hand.

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Increasing digitalization unlocks new opportunities but increases the risks of hacker attacks or the violation of privacy if suitable countermeasures are not taken. With our expanded product portfolio and prefabricated solution components, we have strengthened our position, and we confirm our strategy, which is to support our customers in the best way we can by providing easy-to-use solutions for system integration and ensuring a short time-to-market.

In addition to its role as an independent business unit, the Connected Secure Systems segment fulfills a second important function within the Group. As a competence center, it helps the other three segments to integrate security, microcontrollers, connectivity and software as functions in their system solutions and thus to create additional potential differentiation between them and their competitors.

Strategic focus

The digital transformation is penetrating more and more areas of daily life. Digitalization is a key aspect of many applications. As a result of the acquisition of Cypress, we were able to expand our product portfolio and our competence portfolio in this area to include microcontrollers and connectivity solutions. IoT in particular offers us new opportunities for growth. Starting with consumer IoT, we will also continue to expand our IoT industrial applications. It is precisely these applications that require greater integration of security solutions into the design of intelligent devices, connected vehicles, companies and Industry 4.0 factories. The security aspect will continue to be imperative to provide defense against attacks – whether these involve theft of intellectual property or private data, fraud or manipulation.

One of the main reasons for the acquisition of Cypress was to strengthen our competencies and expand our portfolio in the area of microcontrollers (MCUs). Cypress' microcontroller business was brought together with Infineon's XMC™ family under one roof. This structure is helping us to combine forces and derive mutual benefit from the experience, knowhow, methods and tools brought to the table by both former parts of the business. Cypress' PSoC™ family of microcontrollers have traditionally had a greater presence in consumer and IoT applications. The strength of the XMC™ family of microcontrollers, on the other hand, lies in industrial applications such as motor drives, automation and communication, power conversion and LED lighting. Combining the two enables us to benefit from the synergies generated. Working together with other segments, we offer our customers tailored system solutions. In line with our strategic approach "Product to System", we incorporate security functions for example into special microcontrollers. We are thus expanding our portfolio, which has until now consisted of specialized security ICs, to include microcontrollers enhanced with security functions. This enables us to adapt even more specifically to the level of security desired by the customer. These are new features that differentiate us from our competitors and therefore provide us with growth opportunities.

Our product range now also includes hardware and software for connectivity solutions, developed by Cypress specifically for IoT applications. The portfolio comprises components for Wi-Fi, Bluetooth and BLE transmission standards. Together with industrial microcontrollers, these can be included in complete solutions not only for customers in the Connected Secure Systems segment, but also for customers in the Industrial Power Control and Power & Sensor Systems segments. To do so, products in the Industrial Power Control and Power & Sensor Systems segments are assembled in a manner specific to the application and combined using software components to create a complete solution in a compact form factor.

Cypress has had years of experience in software development and system knowhow, and it is precisely this that enables us to develop reference designs even faster for easy-to-use applications. This approach is important, because in the future there will be more and more customers whose products are acquiring IoT capabilities for the first time (i.e., they are “connected”), yet whose expertise does not lie in connecting their products to the internet. We want to be able to offer these customers turnkey reference designs that are tailor-made for their specific projects. As far as possible, we provide all the necessary semiconductor components and the software required to control our components. We therefore offer our customers ModusToolbox™, a software and development environment that is intuitive to use. ModusToolbox™ provides a modern software development approach based on an open-source system with prefabricated tools and seamless integration into the applications of third-party suppliers, so that developers can use the tools they wish and therefore easily design products tailored to their application. The application software remains the customer’s responsibility.

We have now expanded our core competence in security, originally acquired in traditional smartcard applications (payment cards and governmental identification documents), to cover the fast-growing area of embedded security applications and we have established ourselves as a provider of security solutions with a chip that functions as a highly reliable anchor for security. Software is becoming an increasingly important element of the solution we provide, right through to the complete product. We offer our customers solutions for secure authentication, encryption and protection against unauthorized access, all the way to complete system solutions for payment transactions or for PC protection.

For example, the SECORA™ pay portfolio comprises easy-to-integrate solutions for contactless payment cards and mobile devices. With SECORA™ Connect, the product family has been expanded to include a solution for coin cell-powered, connected smart wearables, such as smart watches. The solution combines a security module (Secure Element) with a system-in-package NFC antenna, facilitating the integration and management of payment applications for device manufacturers, as well as ticketing and access solutions. The basis for this is the secure digitization of credit or debit cards, referred to as tokenization, in the smartphone or smart watch.

Embedded security applications provide us with the opportunity to advance into new application areas, including for example authenticating devices for IoT applications and connecting vehicles, but also protecting smart factories in industry. Growth in this area is being driven by increasing data exchange. Vehicles, for example, send real-time traffic information to the cloud or receive updates from the manufacturer “over the air”, meaning that the software can be updated quickly and cost-effectively. The senders and recipients of these data, whether these are the vehicle manufacturers or individual systems in the vehicle, are authenticated using cryptographic keys. OPTIGA™ TPM stores this sensitive information in much the same way as if it were in a vault, providing particularly high levels of protection against data-technical and physical attacks. The Trusted Platform Module (TPM) secures all the major communication channels in the car, such as the central gateway, the telematic unit and access to the infotainment system. OPTIGA™ TPM can therefore be regarded as a successful example of our strategic approach “Product to System” and of collaboration across segment boundaries.

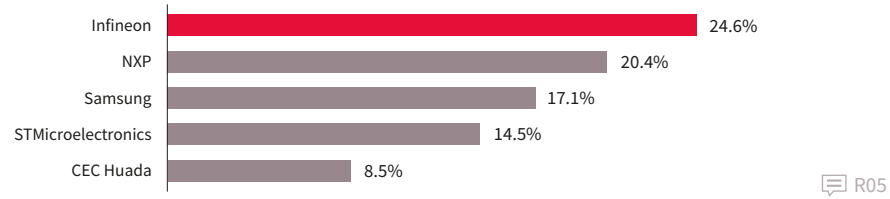
Market position

The world market for security ICs (excluding NFC controllers and NFC embedded Secure Elements) reached US$2.779 billion in the 2020 calendar year, R05. This was a decrease of 7.1 percent compared with the figure for 2019 of US$2.991 billion, C28. Infineon was able to retain its number 1 position, increasing its market share slightly from 24.4 percent in 2019 to 24.6 percent in 2020. The five largest market players together accounted for 85.1 percent of the market (2019: 81.0 percent).

The trends in the various submarkets were very different. The coronavirus pandemic encouraged the trend towards cashless payment. The largest submarket, security ICs for payment cards (US$1.021 billion, down 2.0 percent), was virtually unchanged by this, whereas other submarkets such as governmental identity documents and health care cards (US$388 million, down 12 percent) and security ICs for standard SIM cards (US$500 million, down 16 percent) saw much more significant declines, C29. Of all the submarkets, the fastest growth rate was to be seen in the embedded SIM market (US$221 million, up 45 percent), a market which, though still small, is strategically important for us.

The world market for microcontrollers reached US$17.283 billion in the 2020 calendar year, R01. This was a decrease of 0.9 percent compared with the figure for 2019 of US$17.448 billion. The five largest market players together accounted for 76.2 percent of the market (2019: 71.0 percent), C30. The political tensions between the USA and China, on the one hand, and the production cutbacks in the automotive industry, on the other, had a significant impact on Infineon and thereof on the Cypress business. Infineon lost over 1 percentage point of market share (from 16.0 percent in 2019 to 14.7 percent in 2020), though it remained the third largest manufacturer of microcontrollers.

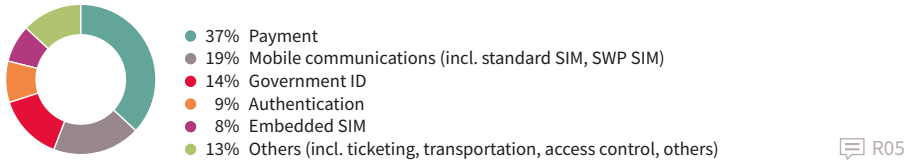
C28 Market share for security ICs (excl. NFC controller; excl. NFC embedded Secure Element) in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

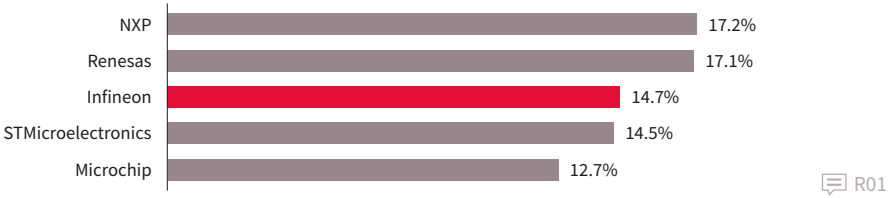
C29 Market share for security ICs (excl. NFC controller; excl. NFC embedded Secure Element) in the 2020 calendar year by application

US$2.779 billion (minus 7.1% compared with 2019)



Comparability limited due to differing reporting period (fiscal year-end) and currency.

C30 Market share for microcontrollers in the 2020 calendar year



Comparability limited due to differing reporting period (fiscal year-end) and currency.

Review of the Connected Secure Systems segment in the 2021 fiscal year

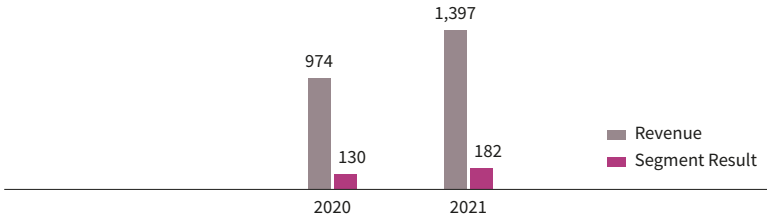
In the Connected Secure Systems segment, Infineon generated revenue in the 2021 fiscal year of €1,397 million. Compared to the previous fiscal year figure of €974 million this corresponds with an increase of 43.4 percent for which a significant contribution to revenue was made by Cypress since 16 April 2020. The segment contributed 13 percent of Infineon's Group revenue.

In the 2021 fiscal year, the Segment Result was €182 million, an increase of 40.0 percent compared with the figure for the previous fiscal year of €130 million. Based on revenue, the Segment Result Margin was 13.0 percent (previous year: 13.3 percent). C31

The increase in revenue was due to an improved product mix and a full year's contribution from the business activities of Cypress. The Segment Result Margin remained largely stable due to increased operating costs. Usually there would have been scope for higher revenue volumes, but scarce foundry capacity meant that we were not able to meet in full the brisk demand for general-purpose microcontrollers and for Wi-Fi and Bluetooth components. In addition, there was the temporary shutdown of our manufacturing facilities in Austin (Texas, USA) caused by a winter storm, which further exacerbated the difficult supply situation.

C31 Revenue and Segment Result of the Connected Secure Systems segment

€ in millions



Demand for connectivity solutions and microcontrollers remained strong. People spending more time at home was one of the contributory factors here. Demand for Wi-Fi and Bluetooth components was driven by an increase in the penetration rate of end devices for wearables and smart home applications and in the automotive sector. Strong demand for microcontrollers was driven by industrial and consumer applications. Of particular note here are HMI applications, wearables and battery-powered applications.

The coronavirus pandemic has fueled the trend towards cashless and contactless payment. The shift from purely contact-based cards to dual-interface cards, accelerated by the pandemic, led to supply bottlenecks due to the high level of demand. We made progress in the area of biometric cards. On the security side, we announced a reference design for the next-generation biometric smart card architecture. This enables fingerprint authentication with low latency, high accuracy and power efficiency. The integration of the fingerprint sensor, and of the Secure Element, power management and communications reduces the complexity of card manufacturing, which shortens the time-to-market and lowers costs.

International travel started to pick up slowly in the second half of the fiscal year. Demand for passports slowly began to stabilize as a result. In many towns and cities around the world, the use of public transport declined due to multiple local lockdowns and to working from home. As a consequence of this, we continued to see weak demand for our transport and ticketing products.

Revenue from embedded SIMs (eSIMs), which are used in vehicles to make automatic emergency calls, increased once again. Demand for eSIMs in industry is also growing stronger, driven in particular by progress with Industry 4.0. manufacturing machinery, tools and other technical devices are increasingly connected and can therefore be monitored or serviced and maintained remotely.

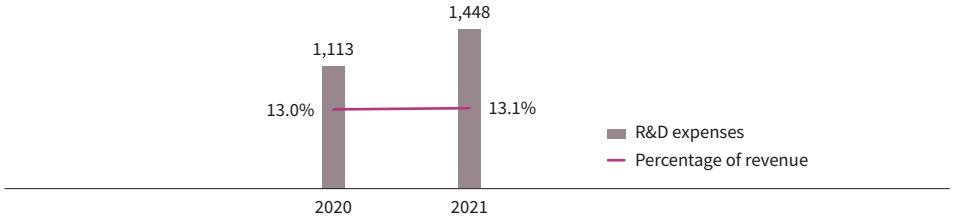
Authentication products are gaining in importance, driven by the trend for working from home. There was a high level of demand in the 2021 fiscal year for a wide range of applications in this field, including printers and battery authentication.

Research and development

Research and development expenses were €1,448 million in the 2021 fiscal year compared with €1,113 million in the previous year. This increase of €335 million or 30 percent was in line with revenue. In the 2021 fiscal year, we invested 13.1 percent of revenue in research and development, compared with 13.0 percent in the previous year. Capitalized development costs in the 2021 fiscal year were €199 million (previous year: €158 million). Amortization of capitalized development costs in the 2021 fiscal year was €69 million (previous year: €56 million). Subsidies and grants received for research and development rose from €108 million in the 2020 fiscal year to €123 million in the 2021 fiscal year.

C32 R&D expenses

€ in millions



At the end of the 2021 fiscal year, we employed 10,372 people (21 percent of Infineon's total workforce) in research and development worldwide. At the end of the 2020 fiscal year, the corresponding figure was 9,262 (20 percent of the work-force). The number of research and development sites was 56 in the 2021 fiscal year (2020: 54 sites) in 20 countries.

Infineon's research and development activities accord with its strategy of securing and strengthening its core business and expanding its business in adjacent areas. Research and development activities therefore concentrate, on the one hand, on continuing improvements to our power semiconductors (with a particular focus on the use of new materials such as SiC and GaN) and, on the other hand, on the digitization of products and systems. The main development fields here are microcontrollers, connectivity solutions and software, and to an increasing extent artificial intelligence in edge computing. The ongoing development and expansion of our sensor range is a key factor in the area of IoT. We address longer-term future-related topics in the fields of quantum computing and post-quantum cryptography.

Patents

Another indication of Infineon's innovative power and long-term competitiveness is the number of our patents. As in the previous fiscal year, we applied for around 1,700 patents worldwide in the 2021 fiscal year. We regularly review and streamline our patent portfolio. At the end of the 2021 fiscal year, the worldwide patent portfolio comprised around 29,500 patents and patent applications (previous year: around 29,000).

Research and development fields at Infineon

The strategic approach "Product to System" (P2S) is of crucial importance here in more than one respect. It helps us to better adapt our components to requirements. We understand new trends early on and can develop innovative approaches to the point that we can suggest new courses of action to our customers, or we can present them with completely new possibilities. Particularly important is the opportunity to offer customers all-in-one solutions. This provides them with benefits in terms of system performance, system costs and development time. This approach also means that we are increasingly focusing on and building more expertise in software and system solutions.

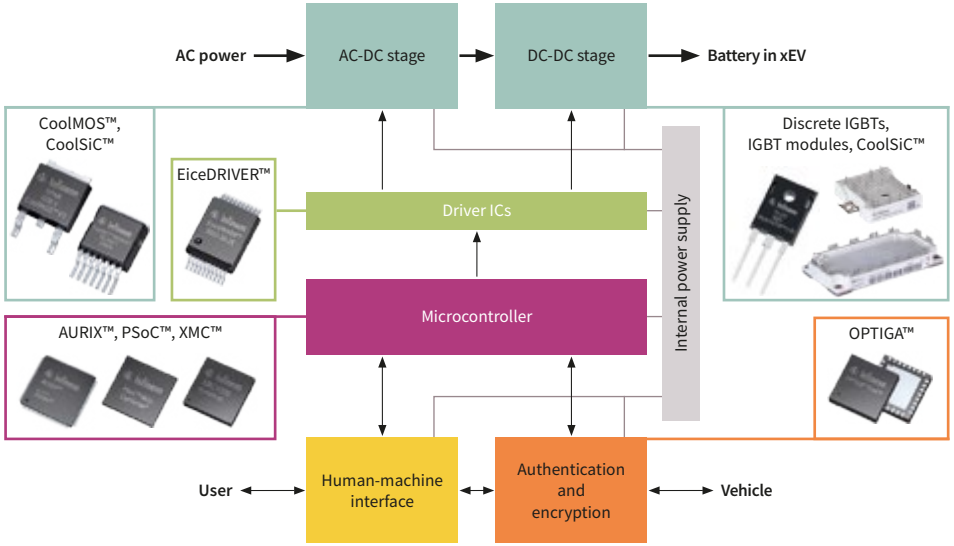
Fast charging stations for electric vehicles illustrate the P2S approach. Infineon supplies the relevant semiconductors in a system solution that includes not only Si-based or SiC-based power semiconductors, but also driver ICs, sensor solutions, communications components, and microcontrollers with integrated security solutions. C33

Based on this broad portfolio and our system understanding at application level, we support customers in a number of ways in the design of a high-performance solution. Our input includes reference designs, simulations, podcasts, blogs and videos.

In this way, the customer can

- increase the power output to shorten the charging time,
- improve the power density of the charging station within specified dimensions,
- increase efficiency through lower switching losses and line losses, and
- reduce product costs per watt.

C33 Infineon owns the key components for xEV charging stations



New materials

Manufacturing technologies and transistor architectures for power semiconductor components based on new materials are a key focus of our research and development activities. SiC, a compound of silicon and carbon, and GaN, a compound of gallium and nitrogen, enable higher power densities and low switching losses, both of which contribute towards improved efficiency of power electronic systems and therefore to reduced losses. Whereas SiC is used especially for voltages exceeding 600 volts, GaN is favored for lower voltages, where it can play to its particular strength, extremely low switching losses. The three materials (SiC, GaN and Si) all complement each other, with each one suitable for particular applications and requirements.

SiC

The market for SiC is growing at an extremely dynamic pace. Demand was initially determined by industrial applications such as photovoltaic inverters, industrial power supplies and the charging infrastructure for electric vehicles, but this is now being surpassed by demand for automotive applications. Specifically, the new solutions are being used for the drive train and onboard chargers.

In the 2017 calendar year, Infineon was one of the first manufacturers to bring a SiC MOSFET with trench technology to market. Trench architecture offers significantly more opportunities for the realization of efficient, robust transistors than technically less demanding planar architecture. It gave Infineon a competitive edge on the development front, which we want to sharpen with the second generation currently in development.

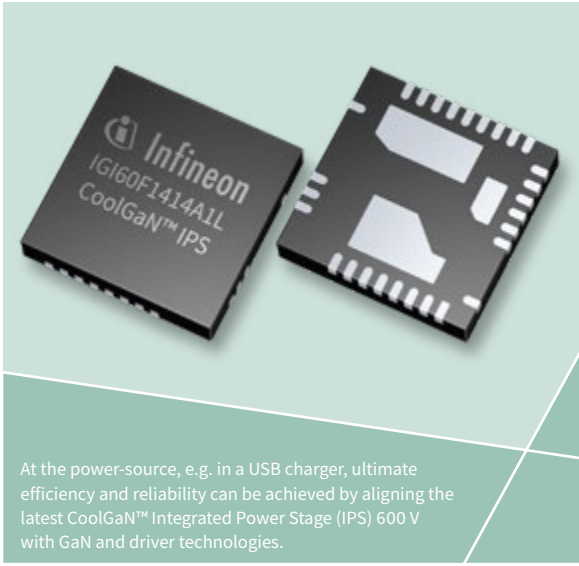
Building on our comprehensive system understanding, we develop new tailor-made solutions with our key customers. We are also expanding our product portfolio to include additional voltage classes. Suitable packages will also be produced, so as to exploit SiC technology to the full.

At the beginning of the 2019 fiscal year, we acquired Siltectra in order to address the high cost of the base material, the SiC wafer. We plan to use Siltectra's Cold Split technology on an industrial scale in the 2022 fiscal year. In the first phase, boule splitting takes place. This technology enables crystalline materials to be split with minimum loss of material compared with conventional sawing techniques, which will make it possible to produce significantly more wafers from one boule. The second phase in the manufacturing is wafer splitting. In this process, the raw wafers we purchase are split in two, effectively doubling our output. Advanced development of the Cold Split technology is taking place in Villach (Austria) and at the Siltectra site in Dresden (Germany).

GaN

Compared to Si-based transistors, GaN-based transistors also have advantages that make them useful in areas such as power supplies and chargers. Devices that are more efficient and much more compact can be built due to lower losses both when switching and when in the on-state. GaN's properties, which are very different from those of Si, make it possible to integrate high-voltage systems on a chip, which represents another step towards more compact solutions. These can be used, for example, in motor control units in robots, where high dynamics and small form factor are important. Another field of application is data centers, which have very high requirements in terms of energy efficiency and power density.

In the 2021 fiscal year, our product portfolio was expanded with the launch of a GaN power semiconductor IC. This IC, which is called CoolGaN™ Integrated Power Stage 600 V, comprises for the first time a driver IC and a switch in one package. The high degree of switch integration means that the advantages of GaN technology can be combined with simple control. With this product, we are primarily addressing applications such as USB PD chargers, adapters, and low to medium-power switch-mode power supplies. We will be expanding our product range in the medium to long term to include discrete and integrated solutions with additional voltage classes in the high- to medium-power range. Moreover, we are expanding our package portfolio.



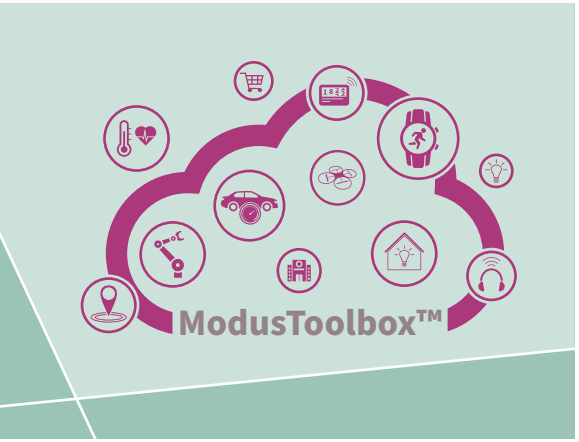
At the power-source, e.g. in a USB charger, ultimate efficiency and reliability can be achieved by aligning the latest CoolGaN™ Integrated Power Stage (IPS) 600 V with GaN and driver technologies.

Microcontrollers

Microcontrollers are key elements of every electronic system. In the automotive sector, the highly successful microcontrollers in the AURIX™ family, with their focus on the powertrain (motor control/inverters/transmission/charging systems), security components and automated driving, have been supplemented by those in Cypress' TRAVEO™ family, with their focus on infotainment and body functions. For industrial applications, Cypress' PSoC™ family has been added to the product range. Both TRAVEO™ and PSoC™ are product families that build on Arm® processor architecture and therefore reach a wide developer community.

Software and system support

Software development is playing an increasingly important role in Infineon's research and development. It is a significant part of our strategic approach "Product to System", which involves presenting the customer with comprehensive and easy-to-use solutions. Traditionally, we develop hardware-near software like firmware or drivers. In addition, for more and more applications, we are now offering application-related program codes. The dynamic IoT market offers great potential. Here especially, aspects that are important to the customer are short development times and little need for modification, combined with a high degree of IT security. This requires not only individual software elements, but also a comprehensive software development environment.



The acquisition of Cypress brought us for the first time a complete ecosystem, including the ModusToolbox™ development environment, software components and an active developer community. The ModusToolbox™ comprises, among other things, reusable firmware, which makes programming Wi-Fi and Bluetooth components, microcontrollers and sensors significantly easier for the engineers. In addition, we have launched the ModusToolbox™ ML. ML stands for machine learning (i.e., artificial intelligence methods).

Developing our own software has other advantages. We can ensure the software and hardware are a perfect match, thus optimizing performance, energy efficiency and data security at the system level. We can generally differentiate our solutions from those of our competitors not only through our hardware, but also through software we have written ourselves and/or programmed algorithms.

Artificial intelligence

Infineon uses artificial intelligence (AI) methods in many areas such as development, production and marketing. In the area of manufacturing, examples include automated visual fault detection and predictive maintenance. Around the world, many teams from different functions are involved with the use of AI in their working environment. Since 2017, Infineon has had local teams of experts who use AI to optimize manufacturing. Our development center in Dresden for AI in our products started up in 2018. In 2020, we set up our Center of Excellence for AI in Munich (Germany) for the global coordination of our AI activities. This was followed in 2021 by our ARISE initiative in Singapore.

With our products and the use of AI, we make completely new applications and forms of human-machine interaction possible. Using our modern sensors, machines acquire spatial hearing or the ability to see in 3D, or the capacity to feel or to analyze gases. These abilities correspond to the human senses, which makes the machines intuitive to operate. Edge AI (artificial intelligence within a device or on the edge between the device and the cloud) opens up the possibility of many new applications. AI in the cloud, which has prevailed until now, is easily scalable but has the disadvantage of high electricity consumption and also requires a reliable data connection.

Infineon develops hardware solutions and software solutions so that AI algorithms can be used in integrated systems. In addition to optimizing the hardware of existing architectures, this also includes specific AI accelerators with extremely low electricity consumption. These are used, for example, in keyword and gesture recognition, object identification and classification, and sensor fusion. The prerequisite for this is an understanding of the algorithms of neural networks so that these can be implemented in special semiconductor components in switching circuits (i.e., in hardware). As a result, an enormous speed advantage can be achieved with reduced electricity consumption compared with a software-based solution. Our aim is to develop complete solutions in the area of sensors, AI accelerators, microcontrollers and software. AI is a key element of our software expertise.

In many areas of digitalization, values-based trustworthy AI offers an opportunity to provide people with support, while at the same time preserving personal freedom. If people's wellbeing and dignity are to remain at the heart of all AI-based applications in the future, ethical guidelines governing the deployment and use of AI will be required. This insight also underlies the new EU Regulation governing AI. The Draft Regulation published in April 2021 includes a risk-based approach that regulates the supply and operation of AI systems. Applications that conflict with the norms and values of the EU will simply be banned. These include, for example, systems that can be used by governments for social scoring activities. High-risk applications have to fulfill specific conditions regarding data protection, transparency and operability. As a company, we endorse a value-based approach that takes ethical aspects into consideration when dealing with AI and, at the same time, makes innovation and development possible. Infineon is also involved in various cross-company initiatives, sometimes politically coordinated, such as Applied.AI and the "Learning Systems" platform launched by the German Federal Ministry of Education and Research (BMBF).

Sensor technologies

Sensors capture the real analog world. The signals measured are first digitized. Then, the digital values are processed, transmitted and stored according to the requirements of the target application. Sensors also play an increasingly important role in operating machines and devices, referred to as human-machine interaction. In the 2021 fiscal year, together with our partner Reality AI, we launched a new sensing solution for the automotive sector onto the market. It combines XENSIV™ MEMS microphones with AURIX™ microcontrollers and Reality AI's Automotive See-With-Sound system. Using machine learning-based algorithms, the system is able to detect emergency vehicles, cars and other road users, even if they cannot be seen by the driver. AI also ensures that the country-specific sirens of emergency vehicles are recognized in all parts of the world.

In the field of intelligent building control, Infineon is offering a new CO_2 sensor. CO_2 is a key parameter for indoor air quality, which directly correlates with the aerosols via which coronavirus, for example, is transmitted. Smart ventilation and warning systems equipped with the XENSIV™ PAS CO2 sensor warn of poor air quality or ensure the supply of fresh air necessary if they are linked to the air conditioning system. The XENSIV™ PAS CO2 measures the CO_2 content in the indoor air extremely accurately on the basis of photoacoustic spectroscopy (PAS). To do so, it uses a highly sensitive acoustic detector optimized for low frequency operation. The PAS principle enables a significant reduction in the form factor of up to 75 percent compared to customary CO_2 sensors.

Due to its small size, the XENSIV™ PAS CO2 can be integrated into ventilation or lighting systems in smart buildings.

Connectivity solutions

Cypress' Wi-Fi and Bluetooth solutions are already well-established in various markets. The current main applications are in consumer products and IoT, including intelligent loudspeakers (smart speakers), activity trackers and printers, as well as in the automotive sector. Customers' needs in many applications are met primarily as a result of our ability to integrate Wi-Fi and Bluetooth technologies on combo chips, as well as the option we can provide of highly integrated dual stream 2x2 Wi-Fi components to fulfill complex system requirements.

Our future developments under the umbrella of the Connected Secure Systems segment are focusing, on the one hand, on the next generation of integrated Wi-Fi, BT and BLE products and, on the other hand, on the incorporation of these new connectivity capabilities into our existing and future range of products and systems in the markets and applications we address.

Innovative memory solutions

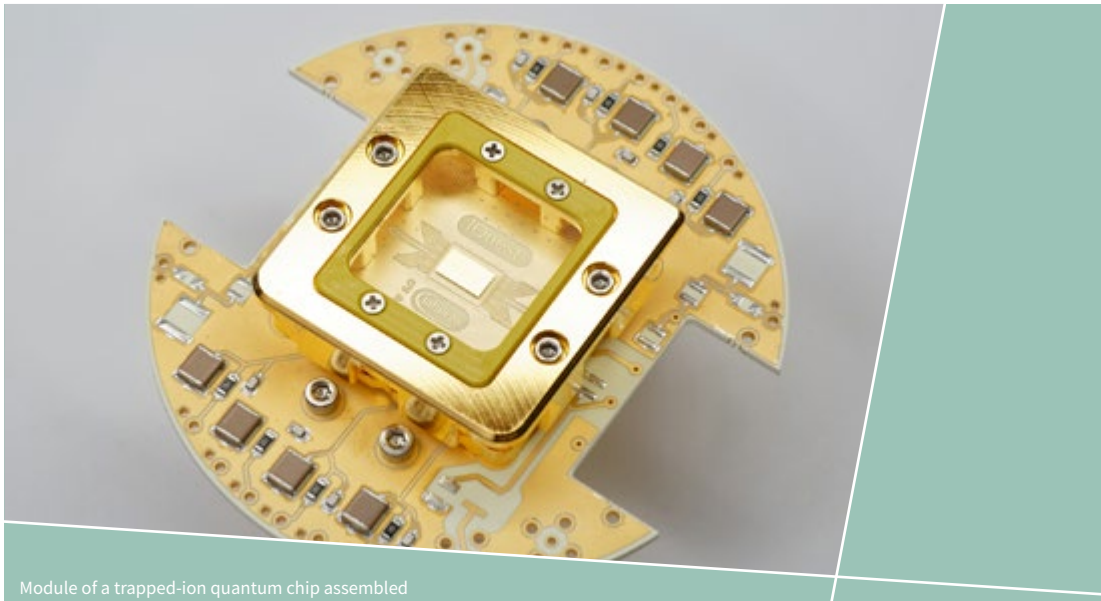
Through its acquisition of Cypress, Infineon acquired additional expertise in various memory technologies. The most important of these for Infineon are NOR Flash memory ICs, which have a wide range of potential applications in the automotive sector, industry and the communications infrastructure. A NOR Flash memory IC is used primarily as program memory and is therefore distinguished from NAND Flash memory, which is used for (multimedia) data. Infineon's NOR Flash memory ICs offer immediate availability in the systems used, a sort of "instant on".

Quantum computers and post-quantum cryptography

The active use and precise manipulation of quantum mechanical effects in a few or individual particles is a basis for innovative components that may be significant for future industrial products. Above all, the field of quantum computing is thought to have disruptive potential, as this new computing architecture will enable the solution of types of problems that have, until now, hardly been accessible. Problems of such complexity occur, for example, in materials research, drug development, weather forecasting and logistics optimization. Infineon is a sought-after partner in this highly innovative field. Above all, in research networks both inside and outside Germany, it contributes its expertise in the planning, design and manufacture of special technologies and/or special components. On 10 June 2021, ten leading German companies presented the Quantum Technology and Application Consortium (QUTAC) to the public. On board with Infineon are BASF, BMW, Boehringer Ingelheim, Bosch, Merck, Munich Re, SAP, Siemens and Volkswagen. Together we will continue to build on the existing foundations of quantum computing in order to move into industrially useful fields of application.

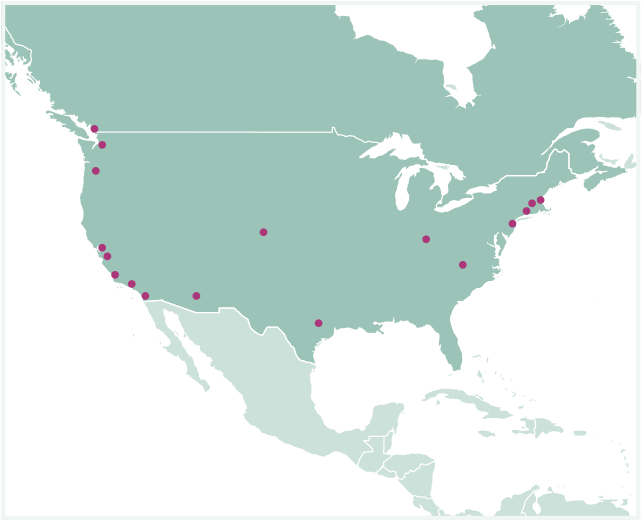
In the 2021 fiscal year, Infineon presented the prototype of an industrially manufactured ion trap quantum chip. The 2x9 ion quantum processor is a pilot designed to show how to implement the industrial manufacturing chain of an ion processor from conception to application. Our manufacturing expertise, combined with strong academic partners at the University of Innsbruck (Austria) and ETH Zurich (Switzerland), is enabling the rapid ongoing development of our first prototypes. In addition, Infineon is driving forward the development of other technological approaches and is developing both superconductive components and spin-based systems in SiGe structures for future quantum computers.

Even if quantum computers are only available in some years' time, this already has practical consequences today. The service life of major systems or products, such as passports, industrial facilities, medical technology and cars, will potentially extend into the era of quantum computers, and these systems and products will still need to be secure at that time. Established encryption technologies could be attacked and broken with quantum computers. For this reason, Infineon is focusing on post-quantum cryptography to start developing solutions now with security chips that will be able to resist the computing power attacks of quantum computers. Infineon sits on a number of committees involved in setting international standards in this field.



Module of a trapped-ion quantum chip assembled in a socket using a compression frame for mechanical fixation.

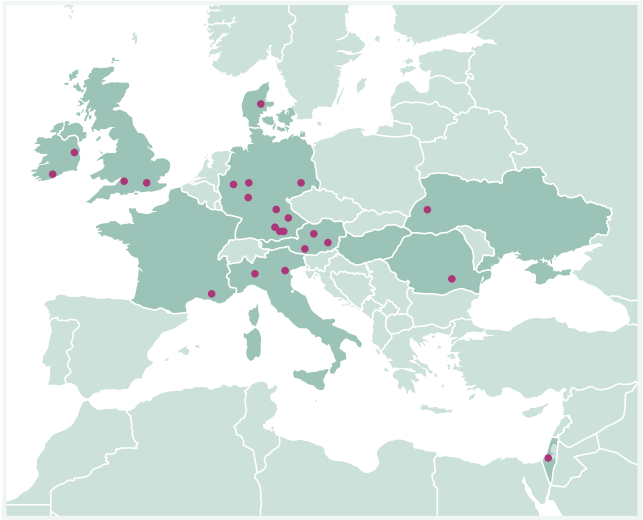
R&D sites



America

Canada
- Richmond, BC

USA
- Andover, MA
- Austin, TX
- Beaverton, OR
- Chandler, AZ
- Colorado Springs, CO
- El Segundo, CA
- Hazlet, NJ
- Irvine, CA
- Leominster, MA
- Lexington, KY
- Lynnwood, WA
- Milpitas, CA
- San Diego, CA
- San José, CA
- Warwick, RI



Europe, Middle East, Africa

Austria
- Graz
- Linz
- Villach

Denmark
- Herlev

France
- Le Puy-Sainte-Réparade

Germany
- Augsburg
- Dresden
- Duisburg
- Erlangen
- Langen
- Martinsried
- Neubiberg
- Regensburg
- Warstein

Ireland
- Cork
- Dublin

Israel
- Netanya

Italy
- Padua
- Pavia

Romania
- Bucharest

UK
- Bristol
- Reigate

Ukraine
- Lviv

Asia-Pacific

India
- Bangalore

Korea
- Seoul

Malaysia
- Ipoh
- Kulim
- Melaka
- Penang

Philippines
- Muntinlupa

Singapore

Greater China

- Chengdu
- Shanghai
- Shenzhen
- Xi'an

Taiwan
- Hsinchu
- Taipeh

Japan

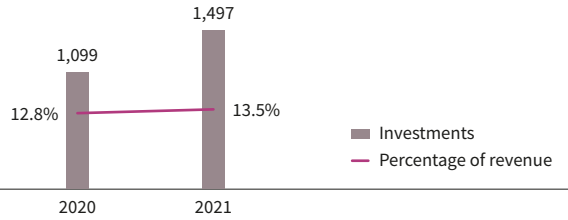
- Nagoya
- Sendai
- Tokyo

Manufacturing

In the 2021 fiscal year, our investments amounted to €1,497 million. This was an increase of €398 million, or 36 percent, compared with the €1,099 million invested in the previous year. This increase is slightly stronger than our revenue increase and a result of a strong recovery in demand. Investments as a proportion of revenue increased from 12.8 percent in the 2020 fiscal year to 13.5 percent in the 2021 fiscal year. Of the total investments, €1,268 million related to property, plant and equipment (previous year: €915 million) and €229 million to other intangible assets, including capitalized development costs (previous year: €184 million).

C34 Investments[1]

€ in millions



1 Property, plant and equipment and other intangible assets.

By far the largest share of investments in property, plant and equipment was dedicated to manufacturing. Of this, the larger part was invested in frontend operations and the smaller part in backend operations.

As of 30 September 2021, there were 33,699 people employed in manufacturing-related functions (previous year: 31,292 employees). The increase reflects the capacity expansion and higher plant utilization rate. We reduced the number of manufacturing sites to 20 in 13 countries, compared with 21 manufacturing sites in 13 countries at the end of the 2020 fiscal year.

Manufacturing strategy

In its in-house manufacturing, Infineon focuses on differentiating technologies. In frontend manufacturing, these include, in particular, power semiconductors and sensors, while in backend manufacturing they include the associated modules. We use external manufacturing partners in the frontend phase for CMOS and CMOS-derivative technologies. This applies to technology nodes of 65 nanometers and smaller but also to older generations of power semiconductors. In the backend area, particularly in assembly and testing, we are making increasing use of manufacturing partners for standardized package types.

The relatively high proportion of in-house manufacturing has a number of advantages:

- Our manufacturing sites benefit from economies of scale. Our 300-millimeter thin wafer production enables us to create differentiated products, is cost-effective and ensures a high level of quality.
- We use the opportunities presented by in-house manufacturing to develop new materials to suit the needs of the market, such as SiC and GaN, which involves close collaboration between manufacturing and development.
- Close cooperation between chip design and manufacturing generally enables short development times and a high level of flexibility.
- Infineon is able to control a large part of the supply chain itself.

This final point particularly paid off when the chip shortage started to bite towards the end of 2020 and beginning of 2021. Past investment enabled us to be relatively successful at meeting customers' needs in that very fast-moving market environment.

Certainly, the allocation situation in the fiscal year just ended was particularly difficult for products that we purchase from foundries (frontend). To ensure delivery capability in the future, we therefore concluded several long-term supply contracts with foundries in the course of the 2021 fiscal year.

Start-up of the 300-millimeter factory in Villach

Manufacturing commenced at the new 300-millimeter factory on the Villach site in Austria in the fiscal year just ended, around three months ahead of schedule. At a big opening ceremony attended by many politicians, including the Austrian Chancellor and several secretaries of state, the first finished wafer was presented. Over the coming four to five years, the areas in the clean room will be fitted with production facilities. The total planned investment for the fully equipped buildings and clean room facilities is around €1.6 billion. The development of the Villach site will generate significant economies of scale and revenue potential of around €2 billion per year.

The first finished 300-millimeter wafer manufactured in the new fab is presented by (f.l.t.r): Dr. Sabine Herlitschka (CEO Infineon Austria), Dr. Reinhard Ploss (CEO Infineon) and Jochen Hanebeck (COO Infineon).

With the new 300-millimeter factory on the Villach site in Austria in conjunction with our manufacturing facility in Dresden (Germany), we are establishing the concept of manufacturing control spread over different locations. Villach and Dresden will use the same processes and plants and the same automation and digitalization concepts. As a result, we will achieve greater manufacturing flexibility and shorter development times. Furthermore, shared learning will enable a fast and seamless transfer of technology between sites and have a positive impact on productivity and on the stability of our manufacturing.

Other investment focus areas in manufacturing in the 2021 fiscal year

Capacity for SiC and GaN continues to be expanded on the Villach site. Existing buildings and manufacturing lines can be reused for these compound semiconductors, enabling us to achieve capital-efficient capacity expansion. This makes it possible for the further ramp-up of volume production of our SiC MOSFETs in trench technology and SiC diodes on 150-millimeter SiC wafers.

The Villach site in Austria with the new 300-millimeter chip factory (large building, back left) and the new research and development building (front center).

The 300-millimeter factory in Dresden is continuing to be fitted with production facilities. Investment in our Malaysian frontend site in Kulim is focusing on MEMS microphone technology and our power semiconductors.

In Cegléd (Hungary), the construction of the building for a new module manufacturing facility was completed and “ready for equipment”. Moreover, in February 2020, construction started on the new manufacturing facility at our largest backend site, in Melaka (Malaysia), which will focus on automotive power semiconductors.

The planned sale or closure of the site in Temecula (California, USA) has been postponed to the end of the 2022 fiscal year so that we can respond to current demand as far as possible. The products manufactured there will be transferred to other Infineon sites or outsourced for manufacturing to external partners.

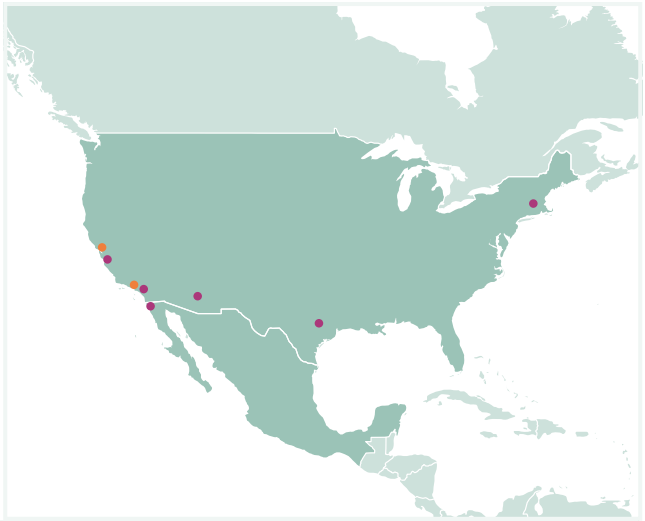
Impact of the coronavirus pandemic, the winter storm in Austin (Texas, USA) and the power cut in Dresden on supply and manufacturing chains

The spread of the coronavirus pandemic is still presenting challenges for our supply and manufacturing chains. In the fiscal year just ended, we had production losses in our backend manufacturing in Malaysia in particular, as a result of flare-ups of coronavirus infections. Thanks to the use of extensive hygiene protocols and the administering of vaccinations to employees, as well as our classification as a system-relevant industry, we were given permission to continue, for the most part, with our manufacturing.

In February 2021, a severe winter storm in Austin resulted in power outages and interruptions to gas and water supplies. Following a pause in manufacturing, production increased over the following months, and the facility was back to full capacity by July.

In September 2021, a 20-minute power cut in Dresden led to an interruption in production. Manufacturing was ramped up again in the following weeks.

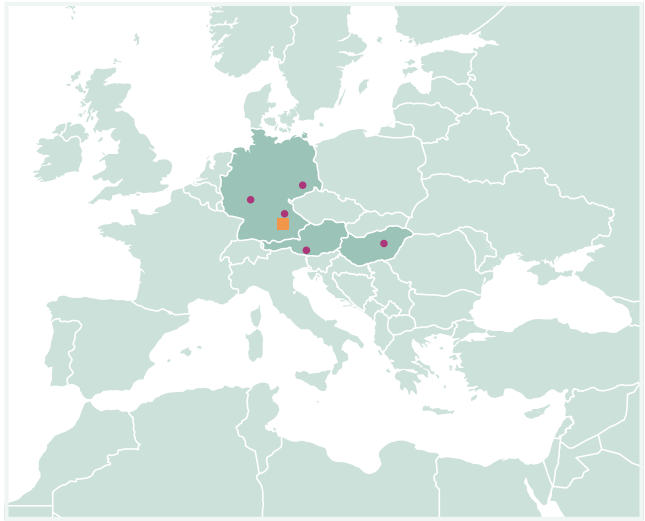
Manufacturing sites



AMERICA

Mexico
- **Tijuana**
  Backend manufacturing

USA
- **El Segundo, CA**
  Regional headquarters
- **Milpitas, CA**
  Regional headquarters
- **Austin, TX**
  Frontend manufacturing
- **Leominster, MA**
  Backend manufacturing
- **Mesa, AZ**
  Frontend manufacturing
- **San José, CA**
  Backend manufacturing
- **Temecula, CA**[2]
  Frontend manufacturing



Europe, Middle East, Africa

Austria
- **Villach**
  Frontend manufacturing

Germany
- **Neubiberg**
  Corporate headquarters
- **Dresden**
  Frontend manufacturing
- **Regensburg**
  Frontend and backend manufacturing
- **Warstein**
  Backend manufacturing

Hungary
- **Cegléd**
  Backend manufacturing

Asia-Pacific

Singapore
- Regional headquarters; Backend manufacturing (test only)

Indonesia
- **Batam**
  Backend manufacturing

Korea
- **Cheonan**
  Backend manufacturing

Malaysia
- **Kulim**
  Frontend manufacturing
- **Melaka**
  Backend manufacturing
- **Penang**[1]
  Frontend manufacturing

Philippines
- **Cavite**
  Backend manufacturing

Thailand
- **Bangkok**
  Backend manufacturing

Greater China

- **Shanghai**
  Regional headquarters
- **Wuxi**
  Backend manufacturing

Japan

- **Tokyo**
  Regional headquarters

■ Corporate headquarters ● Regional headquarters ● Frontend and backend manufacturing

For definition frontend/backend manufacturing p. 51

1 Penang is assigned to the Austin site. The Known Good Die (KGD) test takes place in Penang.
2 The site in Temecula will be closed in the 2022 fiscal year.

Internal management system

The internal management system at Infineon is designed to help implement Group strategy, p. 35 ff., and the related long-term financial targets, p. 45 f. Accordingly, performance indicators are used that enable profitable growth and efficient employment of capital to be measured.

Overall, the achievement of our long-term financial targets will lead to a sustainable increase in the value of the Company by generating a permanent premium on the cost of capital.

In this context, growth, profitability and investments are all interdependent. Profitability is the prerequisite for being able to finance operations internally, which, put another way, means opening up potential opportunities for growth. Growth, in turn, requires continual investment in research and development as well as in manufacturing capacities. Growing at a commensurate rate enables Infineon to achieve leading market positions and generate economies of scale that contribute to greater profitability. Employing financial resources efficiently is a critical factor in achieving these goals.

Infineon deploys a comprehensive controlling system to manage its business with respect to the strategic targets it has set itself. The system involves the use of financial and operating performance indicators. Information for controlling purposes is derived from annual long-term planning, quarterly outlooks, actual monthly data and information available on a weekly basis, such as the volume of orders received. This knowledge enables management to base its decisions on sound information with respect to the current situation and future expected financial and operational developments. Sustainable business practices and the consideration of forward-thinking qualitative factors are important for Infineon's long-term success. As an enterprise very much aware of its responsibilities towards society, Infineon also takes account of non-financial factors, mainly in the field of environment and regarding diversity of employees. [See the report "Sustainability at Infineon" on our website www.infineon.com/csr_reporting] Although these factors are not used to manage business performance, they nevertheless help Infineon achieve its financial targets.

As part of the process of managing business performance, management also attaches great importance to ensuring that Infineon acts in strict compliance with all relevant legal requirements and, of equal importance, that its internal Corporate Governance Standards are complied with (see the chapter "Corporate Governance", p. 128 ff.).

Performance indicators

Principal performance indicators

In order to measure its success in implementing its strategies, Infineon uses the following three principal performance indicators:

- **Segment Result** and Segment Result Margin
- **Free Cash Flow** from continuing operations and
- **Return on Capital Employed (RoCE)**

The three performance indicators described above are also the cornerstones of the system for variable remuneration. Most of the variable salary components pertaining to employees and management are directly linked to these performance indicators.

Segment Result

Segment Result is the key figure of the Group for measuring operating performance (for an analysis of the development of Segment Result of Infineon and the individual segments in the 2021 fiscal year, see the chapters "The segments", p. 58 ff., and "2021 fiscal year", p. 56). Expressed as a percentage of revenue (Segment Result Margin), it measures the profitability of revenue and shows how well operations are being managed. The activities of Infineon's segments are managed on the basis of Segment Result. Responsibility for optimizing Segment Result within the framework of Group strategy (as approved by the Management Board) rests with the management teams of the relevant segments, acting, however, in close coordination with the Management Board.

Segment Result is defined as follows:

	Operating profit, adjusted for:
	Net of certain reversal of impairments and impairments (in particular on goodwill)
	Impact on earnings of restructuring and closures, net
	Share-based payment
	Acquisition-related depreciation/amortization and other expense
	Other expenses
	Impact on earnings of sales of businesses, or interests in subsidiaries
	Net of other income and expense
=	**Segment Result**

Free Cash Flow

Free Cash Flow measures the ability to generate sufficient cash flows to finance day-to-day operations and fund required investments out of the ongoing business. It is Infineon's stated target to sustainably generate positive Free Cash Flow. The consistent generation of Free Cash Flow is of growing importance in view of the significantly increased debt following the acquisition of Cypress (for an explanation of the development of Free Cash Flow during the 2021 fiscal year, see the chapter "Review of liquidity", p. 106 f.). Free Cash Flow is managed by Infineon at Group level only and not at segment level.

The main factors influencing Free Cash Flow are a positive earnings trend combined with effective management of inventories, trade accounts receivable and payable, and capital expenditures.

Free Cash Flow at Infineon is defined as follows:

	Net cash provided by (used in) operating activities from continuing operations
+	Net cash provided by (used in) investing activities from continuing operations
+	Cash flows from the purchase and sale of financial investments
=	**Free Cash Flow**

Return on Capital Employed (RoCE)

The performance indicator RoCE measures the return on capital and shows the correlation between profitability and the capital resources required to run the business (for the mathematical derivation and development of the RoCE in the 2021 fiscal year, see the chapter "Review of financial condition", p. 105). RoCE describes how efficiently a company uses its resources and serves as an instrument for value-based corporate management. It is also analyzed by Infineon at Group level only and not at segment level.

RoCE is defined as follows:

	Operating profit, adjusted for:
	Financial result excluding interest result
	Share of profit (loss) of associates and joint ventures accounted for using the equity method
	Income tax
=	**Operating profit from continuing operations after tax ①**

	Assets
–	Cash and cash equivalents
–	Financial investments
–	Assets classified as held for sale
–	Total current liabilities
+	Short-term financial debt and current maturities of long-term financial debt
+	Liabilities classified as held for sale
=	**Capital employed ②**

	RoCE ①/②

Selected supplementary performance indicators

The principal performance indicators are supplemented by the following additional performance indicators.

Growth and profitability indicators

Since the three principal performance indicators and especially Segment Result positively correlate with revenue growth, the latter is not used as a principal performance indicator in its own right but is covered by the three above-stated performance indicators indirectly.

In order to analyze the operating profitability in detail, the result and cost block components of the Segment Result are considered. These are the gross profit, research and development costs, selling, general and administrative expenses, as well as their relation to revenue.

These indicators are analyzed as well at Group level as at segment level (for the development of these indicators in the 2021 fiscal year, see the chapter "Review of results of operations", p. 99 ff.).

Liquidity performance indicators

A rolling cash flow forecast helps ensure that Infineon has appropriate levels of liquidity at its disposal and an optimal capital structure. Liquidity is managed at Group level, not at segment level, using the following performance indicators:

- **Gross cash position:** Cash and cash equivalents plus financial investments.
- **Net cash position:** Gross cash position less short-term and long-term financial debt.
- **Investments:** The total amount invested in property, plant and equipment and other intangible assets, including capitalized development costs.

For an analysis of changes in these performance indicators during the 2021 fiscal year, see the chapter "Review of liquidity". p. 106 f.

Non-financial performance indicators

The non-financial performance indicators at Infineon include CO_2 emissions and indicators from the area of diversity.

Already at the 2020 Annual General Meeting, Infineon announced that it wanted to become CO_2 neutral by 2030. By 2025, Infineon would like to reduce its CO_2 emissions by 70 percent compared to the 2019 calendar year.

These goals are also reflected in the remuneration of the Management Board (see the chapter "Remuneration report", p. 132 ff.).

Actual and target values for performance indicators

The chapter "Outlook", p. 109, contains a table comparing the actual values achieved in the 2021 fiscal year for principal and selected supplementary performance indicators with the values forecasted as well as the expectations for the 2022 fiscal year.

Sustainability at Infineon

Sustainability activities are described in the separate report “Sustainability at Infineon”.

In accordance with the stipulations of the German CSR Directive Implementation Act, Infineon Technologies AG is required to publish a non-financial report at both Company and Group level for the 2021 fiscal year. This report is published jointly for Infineon Technologies AG and the Group as a summarized separate non-financial report within the sustainability report. The information required by law is marked accordingly to distinguish it from the voluntary reporting according to GRI standards. The entire report “Sustainability at Infineon”, including the chapters of the Non-Financial Report, have been subjected to a limited assurance audit by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (Germany), and has been certified without restrictions. In addition, selected indicators were subjected to a reasonable assurance audit and certified without restrictions.

The separate report “Sustainability at Infineon”, including the summarized Non-Financial Report, is available on Infineon’s website at
www.infineon.com/csr_reporting.

The Infineon share

Basic information on shares

Share types	Ordinary registered shares in the form of shares or American Depositary Shares (ADS) with a notional value of €2 each (ADS : shares = 1 : 1)
Share capital	€2,611,842,274 (as of 30 September 2021), €2,611,842,274 (as of 30 September 2020)
Shares issued[1]	1,305,921,137 (as of 30 September 2021), 1,305,921,137 (as of 30 September 2020)
Own shares	4,545,602 shares (as of 30 September 2021), 5,251,391 shares (as of 30 September 2020)
ISIN WKN	DE0006231004 623100
Ticker symbol	IFX (share), IFNNY (ADS)
Bloomberg Nasdaq IR Insight	IFX GY (Xetra trading system), IFNNY US IFX-XE, IFNNY-PK
Listings	Shares: Frankfurt Stock Exchange (FSE)
Market capitalization[2]	€46,231 million (as of 30 September 2021)
Daily average shares traded on Xetra	4,884,416 (in the 2021 fiscal year)
Trading in the USA	ADS, over-the-counter trading on the OTC market (OTCQX)
Market capitalization[2]	US$53,539 million (as of 30 September 2021)
Daily average ADS traded	180,128 (in the 2021 fiscal year)
Index membership (selected)	DAX 40 TecDAX EURO STOXX 50 Dow Jones STOXX Europe 600 Dow Jones Euro STOXX TMI Technology Hardware & Equipment Dow Jones Germany Titans 30 MSCI Germany S&P-Europe-350 Dow Jones Sustainability World Index

1 The number of shares issued includes own shares.
2 Own shares were not taken into consideration for calculation of market capitalization.

A full overview of other major indices in which the Infineon share is represented can be found on Infineon's website at www.infineon.com/cms/en/about-infineon/investor/infineon-share/#5.

Basic information on bonds and other financing instruments

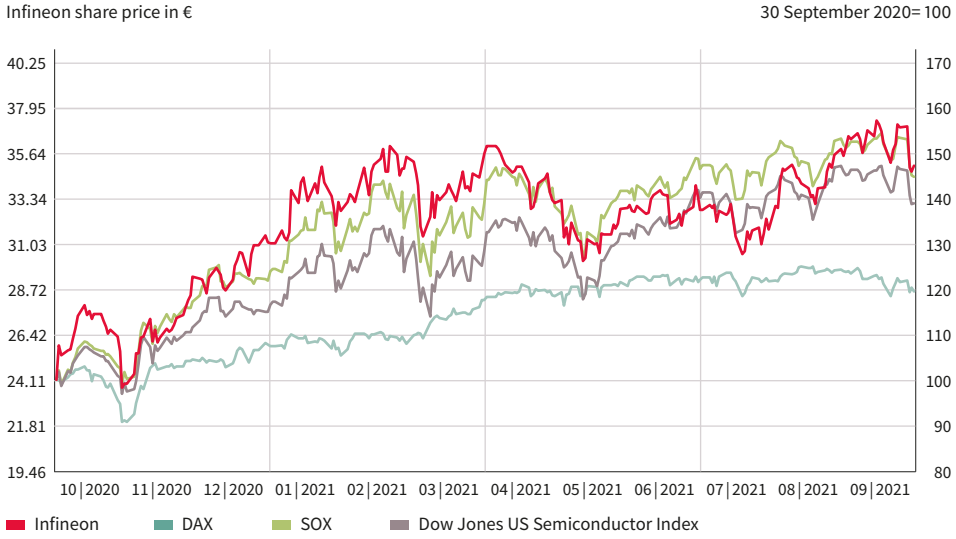
1.500% Bond from 10 March 2015	€500 million	due on 10 March 2022, ISIN: XS1191116174
0.750% Bond from 24 June 2020	€750 million	due on 24 June 2023, ISIN: XS2194282948
1.125% Bond from 24 June 2020	€750 million	due on 24 June 2026, ISIN: XS2194283672
1.625% Bond from 24 June 2020	€750 million	due on 24 June 2029, ISIN: XS2194283839
2.000% Bond from 24 June 2020	€650 million	due on 24 June 2032, ISIN: XS2194192527
2.875% Hybrid Bond from 1 October 2019	€600 million	first reset date 1 January 2025, ISIN: XS2056730323
3.625% Hybrid Bond from 1 October 2019	€600 million	first reset date 1 January 2028, ISIN: XS2056730679
US Private Placement from 5 April 2016	US$350 million	due on 5 April 2024
US Private Placement from 5 April 2016	US$350 million	due on 5 April 2026
US Private Placement from 5 April 2016	US$235 million	due on 5 April 2028
US Private Placement from 16 June 2021	US$350 million	due on 16 June 2027
US Private Placement from 16 June 2021	US$350 million	due on 16 June 2029
US Private Placement from 16 June 2021	US$350 million	due on 16 June 2031
US Private Placement from 16 June 2021	US$250 million	due on 16 June 2033
Term loan from 3 June 2019	US$1,110 million	due on 3 June 2024
4.500% Convertible Bond from 23 June 2016	US$216 million	due on 15 January 2022, ISIN: US232806AM17
Rating of S&P Global Ratings		since 11 February 2021: "BBB–" Outlook: "positive"

Share price development

The Infineon share finished the 2021 fiscal year at a closing price of €35.53, up 47 percent on the €24.12 recorded one year earlier.

The coronavirus pandemic caused a sharp decline in share prices on global stock markets at the beginning of the 2020 calendar year. The share price then began to recover in mid-March 2020 and continued to increase during the 2021 fiscal year. Thus the share price rose more or less steadily between October 2020 and September 2021.

C35 Development of the Infineon Technologies AG share compared to Germany's DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index for the 2021 fiscal year (daily closing prices)



The low for the 2021 fiscal year was recorded right away at the end of October 2020. At €23.69, the share price at that stage was only marginally lower than the €24.12 quoted at the beginning of the fiscal year. The high for the fiscal year of €37.92 was recorded in mid-September 2021, shortly before the end of the fiscal year. With a price increase of 47 percent, the Infineon share significantly outperformed the DAX, which improved by 20 percent over the same period. The US benchmark indices were also unable to match Infineon's performance. The Dow Jones US Semiconductor Index rose by 39 percent over the twelve-month period and the Philadelphia Semiconductor Index (SOX) was up by 45 percent.

Driven by the share's strong performance, Infineon's market capitalization grew from €31,366 million at 30 September 2020 to €46,231 million at the end of the 2021 fiscal year.

Trading volumes and stock indices

Measured in units, the average daily trading volume of the Infineon share on Xetra during the 2021 fiscal year was 4.9 million shares. Compared with the previous year's figure of 7.7 million shares, the figure represents a decrease of 36 percent. On the other hand, due to the significant rise in the Infineon share price, the average daily trading volume measured in euros increased by 11 percent from €143.5 million in the previous year to €158.0 million in the 2021 fiscal year.

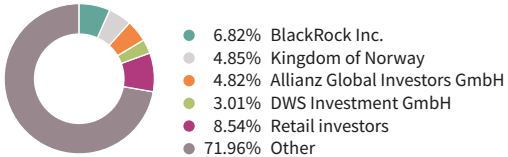
In the USA, the Infineon share is traded in the form of American Depositary Shares ("ADS") on the OTCQX International over-the-counter market under the ticker symbol "IFNNY". About 180,000 ADS were traded daily on this market in the 2021 fiscal year (previous year: approximately 235,000 daily). The number of ADS outstanding decreased from 39.2 million as of 30 September 2020 to 33.0 million at the end of the 2021 fiscal year.

Infineon has been listed in the EURO STOXX 50 index since 22 March 2021. On 20 September 2021, the size of the German stock exchange index (DAX) was increased from 30 to 40 stocks. At the same time, the rules determining the DAX ranking list were also changed. With effect from September 2021, only market capitalization is taken into account for these purposes, whereas trading volume no longer plays a role. Measured by market capitalization, Infineon ranked 11th in September 2021, moving up two places year-on-year. As in the previous year, Infineon achieved the 3rd position in the TecDAX at the end of the 2021 fiscal year in terms of market capitalization.

Shareholder structure

As of 30 September 2021, similar to the previous year, four shareholders each held more than three percent of the Infineon shares issued. The share capital held by retail shareholders amounted to 8.54 percent at the end of the 2021 fiscal year, compared with 8.82 percent one year earlier.

C36 Shareholder structure as of the end of the 2021 fiscal year



Dividend

Our dividend policy is aimed at letting shareholders adequately participate in Infineon's economic development and, in general, at paying out at least an unchanged dividend even in the event of stagnating or declining earnings. However, due to the negative economic impact of the coronavirus pandemic, the risks that existed at the time of the payout, and in order to maintain sufficient financial flexibility, a dividend of €0.22 was paid for the 2020 fiscal year, i.e., €0.05 lower than the amount distributed for the 2019 fiscal year. Due to Infineon's good economic performance in the 2022 fiscal year and the positive outlook for the current fiscal year, the dividend is now to be increased again by €0.05. Accordingly, a proposal is planned to be put forward at the Annual General Meeting in February 2022 to distribute a dividend of €0.27 per share for the 2021 fiscal year. The number of shares issued totaled 1,305,921,137 as of 30 September 2021. The figure includes 4,545,602 shares owned by the Company that are not entitled to a dividend. The total dividend amount would therefore increase to €351 million, compared with €286 million one year earlier.

Interested parties may participate in telephone conferences via a webcast broadcast in the Investor Relations section of the Infineon website.
www.infineon.com/investor

Retail investors can contact us by email (investor.relations@infineon.com)
and by telephone (+49 89 234-26655).

Group performance

Review of results of operations

The consolidated statement of profit or loss

€ in millions, except earnings per share	2021	2020
Revenue	11,060	8,567
Gross profit	**4,260**	**2,776**
Research and development expenses	(1,448)	(1,113)
Selling, general and administrative expenses	(1,354)	(1,042)
Other operating income and expenses, net	12	(40)
Operating profit	**1,470**	**581**
Net financial result (financial income and expenses, net)	(160)	(148)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	9	(9)
Income tax	(144)	(52)
Profit (loss) from continuing operations	**1,175**	**372**
Profit (loss) from discontinued operations, net of income taxes	(6)	(4)
Profit (loss) for the period	**1,169**	**368**
Basic earnings per share (in euro)	0.87	0.26
Diluted earnings per share (in euro)	0.87	0.26
Adjusted earnings per share (in euro) – diluted	1.20	0.64

Strong business performance and first full-year inclusion of Cypress drive revenue growth

Revenue grew by €2,493 million or 29 percent to €11,060 million in the 2021 fiscal year (2020: €8,567 million). The increase was mainly attributable to favorable volume and pricing factors in light of continued high demand for semiconductors in conjunction with the related expansion of manufacturing capacities. On the other hand, Cypress contributed to Group revenue for a full fiscal year for the first time, whereas in the previous fiscal year Cypress' revenue was only included for the period from April to September. Pandemic-related constraints, for example, on manufacturing capacity in Melaka (Malaysia) and on contract manufacturers, and the aftermath of the winter storm in Austin (Texas, USA) had an offsetting effect.

Automotive remained Infineon's highest-selling segment. Based on segment revenue of €4,841 million (2020: €3,521 million), it contributed 44 percent of Infineon's total revenue. The 37 percent year-on-year increase in revenue was primarily due to the recovery in the automotive sector and the twelve-month revenue contribution from Cypress.

Revenue generated by the Industrial Power Control segment totaled €1,542 million and was therefore 10 percent above the previous year's figure of €1,406 million. The segment contributed 14 percent to Group revenue.

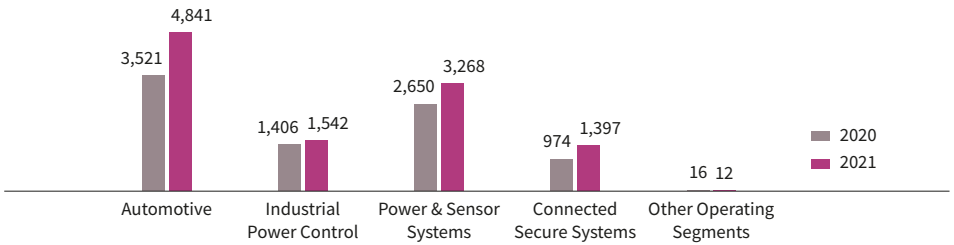
The Power & Sensor Systems segment recorded revenue of €3,268 million (2020: €2,650 million), corresponding to a 23 percent growth rate and a 29 percent contribution to Group revenue. The main reason for the sharp rise was the ever-increasing demand for semiconductors in a wide range of applications. Growth was also driven by the first-time consolidation of Cypress' USB components business for a full fiscal year.

The Connected Secure Systems segment recorded revenue of €1,397 million in the 2021 fiscal year (2020: €974 million), with the twelve-month Cypress revenue figure making a substantial contribution to the year-on-year growth of 43 percent besides an improved product mix. The segment contributed 13 percent to Group revenue.

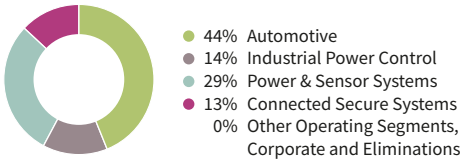
Further details on the performance of the segments can be found in the chapter "The segments". p. 58 ff.

C37 Revenue by segment

€ in millions



C38 Revenue by segment in the 2021 fiscal year



Negative impact of currency developments on revenue growth

The majority of **revenue** was generated in **foreign currencies** in the 2021 fiscal year, with revenue denominated in US dollars accounting for the largest share. The average euro/US dollar exchange rate changed from around 1.12 in the previous fiscal year to 1.19 in the 2021 fiscal year, giving rise to negative currency effects.

Regional distribution of revenue largely unchanged year-on-year

€ in millions, except percentages	2021		2020	
Europe, Middle East, Africa	2,773	25%	2,322	27%
therein: Germany	1,278	12%	1,056	12%
Asia-Pacific (excluding Japan, Greater China)	1,744	16%	1,291	15%
Greater China[1]	4,195	38%	3,174	37%
therein: Mainland China, Hong Kong	3,178	29%	2,472	29%
Japan	1,094	10%	765	9%
Americas	1,254	11%	1,015	12%
therein: USA	1,027	9%	845	10%
Total	**11,060**	**100%**	**8,567**	**100%**

1 Greater China comprises Mainland China, Hong Kong and Taiwan.

The distribution of revenue by region remained more or less unchanged compared to the 2020 fiscal year. As in the previous year, Greater China was the largest region in revenue terms, accounting for 38 percent of total revenue generated in the 2021 fiscal year worldwide, followed by the Europe, Middle East, Africa region with 25 percent.

China (comprising Mainland China and Hong Kong) accounted for €3,178 million, or 29 percent of Infineon's global revenue, and therefore had the largest share at the individual country level, followed by Germany with €1,278 million or 12 percent.

Gross margin significantly improved

Gross profit (revenue less cost of goods sold) amounted to €4,260 million, 53 percent up on the €2,776 million recorded one year earlier. The **gross margin** improved accordingly from 32.4 percent in the 2020 fiscal year to 38.5 percent in the 2021 fiscal year.

At €6,800 million, the **cost of goods sold** during the fiscal year under report was €1,009 million or 17 percent higher than the previous year's figure of €5,791 million. The increase was therefore less pronounced than that of revenue. Factors contributing to this strong earnings performance included lower idle costs compared to one year earlier and favorable revenue-related pricing effects. Conversely, the pandemic-related restrictions on manufacturing in Melaka (Malaysia) worked in the opposite direction. Cost of goods sold also include expenses in connection with the shutdown of the fabrication plant in Austin (Texas, USA), which was ordered by the relevant authorities following a severe winter storm that resulted in prolonged power outages in the region.

Cost of goods sold also includes expenses arising in connection with the acquisition of Cypress and, to a lesser extent, with the acquisition of International Rectifier (in the 2015 fiscal year) totaling €295 million (2020: €288 million). This amount comprised the income statement impact of amortization and depreciation of fair value adjustments recognized in conjunction with the respective purchase price allocations as well as €17 million (2020: €28 million) of other acquisition-related expenses. The figure reported for the previous fiscal year also included expenses arising on the consumption of inventories measured at their fair value in conjunction with the acquisition of Cypress.

€ in millions, except percentages	2021	2020
Cost of goods sold	6,800	5,791
Change year-on-year	17%	15%
Percentage of revenue	61.5%	67.6%
Gross profit	4,260	2,776
Percentage of revenue (gross margin)	38.5%	32.4%

Operating expenses stable as percentage of revenue

Operating expenses (research and development expenses, selling, general and administrative expenses) increased by €647 million to €2,802 million year-on-year (2020: €2,155 million), corresponding to 25.3 percent of revenue (2020: 25.2 percent).

Research and development expenses

€ in millions, except percentages	2021	2020
Research and development expenses, gross	1,770	1,379
Minus:		
Grants received	(123)	(108)
Capitalized development costs	(199)	(158)
Research and development expenses	1,448	1,113
Change year-on-year	30%	18%
Percentage of revenue	13.1%	13.0%

Research and development expenses amounted to €1,448 million in the 2021 fiscal year, an increase of €335 million or 30 percent compared to the previous year's figure of €1,113 million. The principal reasons for the higher figure were the inclusion of Cypress for the full twelve-month period compared to the previous year, a further increase in research and development activities, and the recruitment of additional staff. In this context, the number of people employed in research and development functions rose by 12 percent to 10,372 employees (30 September 2020: 9,262 employees). Moreover, acquisition-related expenses amounting to €15 million were included in research and development expenses (2020: €18 million).

As a percentage of revenue, research and development expenses amounted to 13.1 percent in the 2021 fiscal year, roughly at the same level as one year earlier (13.0 percent).

The main research and development activities undertaken during the 2021 fiscal year are described in more detail in the chapter "Research and development". p. 81 ff.

Selling, general and administrative expenses

€ in millions, except percentages	2021	2020
Selling, general and administrative expenses	1,354	1,042
Change year-on-year	30%	20%
Percentage of revenue	12.2%	12.2%

Selling, general and administrative expenses increased by €312 million or 30 percent to €1,354 million year-on-year. The figure also includes the twelve-month contribution from Cypress, higher earnings effects from purchase price allocations and acquisition-related expenses for the acquisition of Cypress and International Rectifier totaling €219 million (2020: €161 million). As a percentage of revenue, selling, general and administrative expenses amounted to 12.2 percent in the 2021 fiscal year and were therefore at the same level as one year earlier (2020: 12.2 percent).

Increase in net amount of other operating income and expenses

The **net amount of other operating income and expenses** improved to a positive amount of €12 million (2020: negative €40 million). Other operating income fell by €12 million, whereby it should be noted that the previous year's figure included one-off income of €20 million arising on the sale of non-current assets. Other operating expenses went down by €64 million, mainly due to the €31 million decrease in acquisition-related expenses to €14 million (2020: €45 million).

Slight deterioration in financial result

The **financial result** deteriorated from a negative amount of €148 million in the previous year to negative €160 million. Of this, negative €150 million relates to net interest result. Further details are provided in note 3 to the Consolidated Financial Statements. p. 172

Effective tax rate down to 10.9 percent

The **income tax expense** for the 2021 fiscal year increased to €144 million (2020: €52 million), mainly due to the higher level of pre-tax income. Based on profit from continuing operations before income taxes of €1,319 million (2020: €424 million), the effective tax rate for the reporting period was 10.9 percent (2020: 12.3 percent).

As in the previous fiscal year, the income tax expense for the 2021 fiscal year was affected by foreign tax rates, non-deductible expenses, tax-exempt income, tax credits and changes in valuation allowances on deferred tax assets.

Further details regarding income tax expense are provided in note 5 to the Consolidated Financial Statements. p. 173 ff.

Profit for the period and earnings per share up on previous year

After deducting income taxes and the loss from discontinued operations, Infineon recorded profit for the period of €1,169 million for the 2021 fiscal year (2020: €368 million).

The higher **profit for the period** resulted in a corresponding increase in **earnings per share.**

Both basic and diluted earnings per share amounted to €0.87 (2020: €0.26) for the 2021 fiscal year.

The calculation of earnings per share in accordance with IFRS is presented in detail in note 7 to the Consolidated Financial Statements. p. 176 f.

Increase in adjusted earnings per share

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular Cypress and International Rectifier), by one-time expenses recorded within the financial result in conjunction with the acquisition of Cypress and other exceptional items. To enable better

comparability of operating performance over time, Infineon computes the **adjusted earnings per share (diluted).** Adjusted profit (loss) for the period and adjusted earnings per share (diluted) should not be seen as a replacement or superior performance indicator, but rather as additional information to the profit (loss) for the period and earnings per share (diluted) determined in accordance with IFRS.

Adjusted earnings per share (diluted) increased from €0.64 to €1.20 per share and were calculated as follows:

€ in millions (unless otherwise stated)	2021	2020
Profit (loss) from continuing operations – diluted	**1,175**	**372**
Compensation of hybrid capital investors[1]	(26)	(35)
Profit (loss) from continuing operations, attributable to shareholders of Infineon Technologies AG – diluted	**1,149**	**337**
Plus/minus:		
Impairments (reversal of impairments) (in particular on goodwill)	(1)	(11)
Impact on earnings of restructuring and closures, net	–	20
Share-based payment	27	14
Acquisition-related depreciation/amortization and other expenses	544	540
Losses (gains) on sales of businesses, or interests in subsidiaries, net	1	(1)
Other income and expense, net	31	27
Acquisition-related expenses within financial result	7	49
Tax effects on adjustments	(131)	(126)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(64)	(35)
Adjusted profit (loss) for the period from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**1,563**	**814**
Weighted-average number of shares outstanding (in millions) – diluted	1,304	1,266
Adjusted earnings per share (in euro) – diluted[2]	**1.20**	**0.64**

1 Including the cumulative tax effect.
2 The calculation of the adjusted earnings per share is based on unrounded figures.

Review of financial condition

€ in millions, except percentages	30 September 2021	30 September 2020	Change year-on-year
Current assets	8,252	7,179	15%
Non-current assets	15,082	14,820	2%
Total assets	**23,334**	**21,999**	**6%**
Current liabilities	4,443	3,450	29%
Non-current liabilities	7,490	8,330	(10%)
Total liabilities	**11,933**	**11,780**	**1%**
Total equity	**11,401**	**10,219**	**12%**
Statement of Financial Position ratios:			
Return on assets[1]	5.0%	1.7%	
Equity ratio[2]	48.9%	46.5%	
Return on equity[3]	10.3%	3.6%	
Debt-to-equity ratio[4]	57.8%	68.8%	
Inventory intensity[5]	9.3%	9.3%	
RoCE[6]	8.4%	3.0%	

1 Return on assets = Profit (loss) for the period/Total assets
2 Equity ratio = Total equity/Total assets
3 Return on equity = Profit (loss) for the period/Total equity
4 Debt-to-equity ratio = (Long-term and short-term financial debt)/Total equity
5 Inventory intensity = Inventories (net)/Total assets
6 Calculation see following section about RoCE in this chapter, p. 104 f.

Significant increase in current assets mostly due to gross cash position

Current assets went up by €1,073 million to stand at €8,252 million as of 30 September 2021, compared to €7,179 million one year earlier. The increase resulted mainly from the gross cash position, which improved by €695 million to €3,922 million (30 September 2020: €3,227 million). For comments on the change of the gross cash position,

see the chapter “Review of liquidity”, p. 107 Trade receivables also increased by €287 million due to the significant rise in revenue. Inventories went up by €129 million to keep pace with continued high demand at this especially unfinished goods.

Slight increase in non-current assets mainly due to investments in property, plant and equipment

Non-current assets increased by €262 million to stand at €15,082 million at the end of the reporting period (30 September 2020: €14,820 million). The increase was primarily due to the higher level of property, plant and equipment, which went up by €333 million to €4,443 million compared to €4,110 million as of 30 September 2020, with additions exceeding depreciation. Investments related primarily to the manufacturing sites in Villach (Austria), Dresden and Regensburg (both Germany), Kulim and Melaka (both Malaysia), Singapore and Cegléd (Hungary). Goodwill increased by €65 million to €5,962 million due to currency factors. Besides this, deferred tax assets increased by €68 million and right-of-use assets by €50 million. By contrast, other intangible assets decreased by €272 million to €3,349 million, mainly due to the amortization of technologies acquired in the course of the acquisition of Cypress.

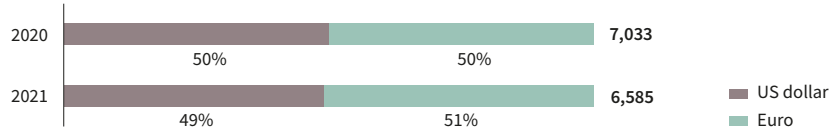
Liabilities slightly higher

Total liabilities stood at €11,933 million as of 30 September 2021 and were therefore €153 million higher than one year earlier (30 September 2020: €11,780 million). Trade payables increased by €409 million from €1,160 million to stand at €1,569 million at the end of the reporting period due to high utilization of production, on the one hand, and even more to higher investments. Provisions went up by €385 million to €1,134 million, as the recognition of the performance-related employee remuneration for the reporting period exceeded the payments made for the previous year.

At the same time, gross financial debt decreased by €448 million to €6,585 million (30 September 2020: €7,033 million), partly due to the early repayment of €310 million of financial debt raised in connection with the acquisition of Cypress. Information on the composition and maturities of gross financial debt is provided in note 15 to the Consolidated Financial Statements. p. 184 f.

C39 Financial debt by currencies

€ in millions



Pensions and similar commitments decreased by €122 million, primarily due to an actuarial gain of €128 million after tax arising on the measurement of net pension obligations and as a consequence of interest rate and credit spread developments on financial markets during the fiscal year just ended (see note 18 to the Consolidated Financial Statements, p. 187 ff.).

Shareholders’ equity up mainly due to profit for the period

Equity increased by €1,182 million to stand at €11,401 million at the end of the reporting period (30 September 2020: €10,219 million), mostly due to the profit for the period for the 2021 fiscal year amounting to €1,169 million. Actuarial gains arising on the measurement of pensions and similar commitments totaling €128 million after tax recognized through other comprehensive income also had a positive impact on equity. Positive currency effects amounting to €90 million, which were recognized in other reserves, also contributed to the higher figure. These increases in equity were offset mainly by the dividend of €286 million paid out for the 2020 fiscal year.

The equity ratio as of 30 September 2021, based on total assets amounting to €23,334 million, was 48.9 percent (30 September 2020: 46.5 percent, based on total assets amounting to €21,999 million).

RoCE significantly improved due to higher operating profit

In the 2021 fiscal year, operating profit from continuing operations after tax increased sharply by €852 million to €1,325 million (2020: €473 million).

The higher level of operating profit was mainly due to the significant revenue growth in connection with the resulting good utilization (see the chapter "Review of results of operations", p. 99 f.).

At €15,793 million, however, capital employed was almost identical to one year earlier (30 September 2020: €15,827 million).

As a result, the **Return on Capital Employed (RoCE)** rose sharply from 3.0 percent to 8.4 percent.

RoCE for the 2021 and 2020 fiscal years is calculated as follows:

€ in millions, except percentage	2021	2020
Operating profit	**1,470**	**581**
Plus/minus:		
Financial result excluding interest result[1]	(10)	(47)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	9	(9)
Income tax	(144)	(52)
Operating profit from continuing operations after tax ①	**1,325**	**473**
Assets	**23,334**	**21,999**
Plus/minus:		
Cash and cash equivalents	(1,749)	(1,851)
Financial investments	(2,173)	(1,376)
Assets classified as held for sale	(9)	–
Total current liabilities	(4,443)	(3,450)
Short-term financial debt and current maturities of long-term financial debt	833	505
Capital employed ②	**15,793**	**15,827**
RoCE ①/②	**8.4%**	**3.0%**

1 The financial result for the 2021 and 2020 fiscal year amounted to negative €160 million and negative €148 million, respectively, and included negative €150 million and negative €101 million, respectively, of net interest result.

Review of liquidity

Cash flow

€ in millions	2021	2020
Net cash provided by operating activities from continuing operations	3,063	1,817
Net cash used in investing activities from continuing operations	(2,284)	(7,172)
Net cash used in (provided by) financing activities from continuing operations	(885)	6,274
Net change in cash and cash equivalents from discontinued operations	2	(6)
Cash-relevant change in cash and cash equivalents	**(104)**	**913**
Effect of foreign exchange rate changes on cash and cash equivalents	2	(83)
Change in cash and cash equivalents	**(102)**	**830**

Sharp increase in net cash provided by operating activities from continuing operations

Net cash provided by operating activities from continuing operations in the 2021 fiscal year amounted to €3,063 million, an increase of €1,246 million compared to the previous fiscal year's figure of €1,817 million. The main reason for the higher figure was the improvement of €1,197 million in profit from continuing operations before depreciation, amortization, impairment losses, interest and tax, which rose in total to €2,994 million. The increase in trade payables and provisions exceeded the higher amount tied up in trade receivables and inventories, contributing a net amount of €379 million to the improvement in cash provided by operating activities from continuing operations. Cash outflows for income taxes and interest had an offsetting effect totaling €325 million.

In the 2020 fiscal year, **net cash provided by operating activities from continuing operations** totaled €1,817 million. Taking profit from continuing operations before depreciation, amortization, impairment losses, interest and taxes amounting to €1,797 million as the starting point, changes in inventories, trade receivables and trade payables totaling €99 million were the main items with a positive impact on net cash provided by operating activities from continuing operations. Net cash outflows

for interest and taxes totaled €180 million. Changes in provisions, other non-cash income/expense and gains on the disposal of property, plant and equipment accounted for the remainder.

Net cash used in investing activities from continuing operations dominated by investments in property, plant and equipment

Net cash used in investing activities from continuing operations totaled €2,284 million in the 2021 fiscal year, including €1,268 million invested in property, plant and equipment and €229 million in intangible and other assets (see the chapter "Review of financial condition", p. 104). Furthermore, a net cash outflow of €795 million arose in conjunction with the purchase and sale of financial investments deemed to be part of the gross cash position and which are therefore not included in Free Cash Flow (see below the chapter "Free Cash Flow").

In the 2020 fiscal year, **net cash used in investing activities from continuing operations** totaled €7,172 million, including net cash outflows of €7,433 million for the acquisition of Cypress. The net amount arising on purchases and sales of financial investments resulted in a net cash inflow of €1,372 million. In addition, €915 million was invested in property, plant and equipment and €184 million in intangible and other assets.

Repayment of financial debt and payment of dividend result in net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations totaled €885 million in the 2021 fiscal year. This included net outflows of €486 million for the repayment of financial debt (see the chapter "Review of financial condition", p. 104, and note 15 to the Consolidated Financial Statements, p. 184 f.). The payment of the dividend for the 2020 fiscal year amounting to €286 million, payments for leasing liabilities amounting to €76 million and cash outflows to hybrid capital investors amounting to €39 million also had the effect of reducing cash and cash equivalents.

In the 2020 fiscal year, **net cash provided by financing activities from continuing operations** totaled €6,274 million. This included net cash inflows of €4,443 million relating to new financial debt, net proceeds of €1,040 million from the share capital increase executed in May 2020 and net proceeds of €1,184 million from the issuance of a hybrid bond in two tranches in October 2019. An offsetting effect resulted from the payment of the dividend for the 2019 fiscal year amounting to €336 million and payments to hybrid capital investors amounting to €20 million.

Free Cash Flow

Infineon reports the Free Cash Flow figure, defined as net cash provided by and/or used in operating activities and net cash provided by and/or used in investing activities, both from continuing operations, after adjusting for cash flows related to the purchase and sale of financial investments. Free Cash Flow serves as an additional performance indicator, since Infineon holds part of its liquidity in the form of financial investments. This does not mean that the Free Cash Flow calculated in this way is available to cover other disbursements, since dividends, debt-servicing obligations and other fixed disbursements are not deducted. Free Cash Flow should not be seen as a replacement or superior performance indicator, but rather as an additional useful item of information over and above the disclosure of the cash flow reported in the Consolidated Statement of Cash Flows, and as a supplementary disclosure to other liquidity performance indicators and other performance indicators derived from the IFRS figures. Free Cash Flow only includes amounts from continuing operations and is derived as follows from the Consolidated Statement of Cash Flows:

€ in millions	2021	2020
Net cash provided by operating activities from continuing operations	3,063	1,817
Net cash used in investing activities from continuing operations	(2,284)	(7,172)
Purchases of (proceeds from sales of) financial investments, net	795	(1,372)
Free Cash Flow	**1,574**	**(6,727)**

Significant increase in Free Cash Flow
Free Cash Flow in the 2021 fiscal year amounted to €1,574 million, with net cash provided by operating activities from continuing operations amounting to €3,063 million easily exceeding investments in property, plant and equipment and other intangible and other assets totaling €1,497 million.

Free Cash Flow in the previous fiscal year was a negative amount of €6,727 million, influenced primarily by the net payment (i.e., net of cash and cash equivalents acquired) amounting to €7,433 million used to acquire Cypress as well as by other cash outflows in connection with the acquisition totaling €205 million. Excluding cash used in conjunction with the acquisition of Cypress, Free Cash Flow in the 2020 fiscal year would have been a positive amount of €911 million. Investments in property, plant and equipment as well as in intangible assets and other assets resulted in cash outflows totaling €1,099 million.

Gross cash position and net cash position

The following table reconciles the gross cash position and the net cash position (i.e., after deduction of financial debt). Since some liquid funds are held in the form of financial investments, which, for IFRS purposes, are not considered to be cash and cash equivalents, Infineon reports on its gross and net cash positions in order to provide investors with a better understanding of its overall liquidity situation. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	30 September 2021	30 September 2020
Cash and cash equivalents	1,749	1,851
Financial investments	2,173	1,376
Gross cash position	**3,922**	**3,227**
Minus:		
Short-term financial debt and current portion of long-term financial debt	833	505
Long-term financial debt	5,752	6,528
Gross financial debt	**6,585**	**7,033**
Net cash position	**(2,663)**	**(3,806)**

The gross cash position as of 30 September 2021 increased by €695 million to €3,922 million, with most of the increase reflecting the high Free Cash Flow amounting to €1,574 million. An offsetting effect resulted from net repayments of financial debt amounting to €486 million, the dividend payment for the 2020 fiscal year amounting to €286 million and payments for leasing liabilities amounting to €76 million.

The net cash position, which is defined as the gross cash position less short-term and long-term financial debt, improved accordingly by €1,143 million to stand at a negative amount of €2,663 million at the end of the reporting period (30 September 2020: negative €3,806 million).

Taking into account the financial resources available to Infineon – including internal liquidity on hand, net cash that will be generated, and currently available credit facilities amounting to €69 million (2020: €69 million, see note 15 to the Consolidated Financial Statements, p. 185) – Infineon assumes that it will be able to cover those capital requirements for the 2022 fiscal year that are currently expected. These include the repayment of financial debt. Forecasted capital requirements also include other financial obligations, such as orders already placed for initiated or planned investments in property, plant and equipment (see note 22 to the Consolidated Financial Statements, p. 197). Investments planned for the 2022 fiscal year are discussed in the chapter “Outlook”. p. 109 ff.

Infineon is party to two financing agreements that contain a number of standard covenants, including a debt coverage ratio that provides for a certain relationship between the size of debt (adjusted) and earnings (adjusted) (see note 20 to the Consolidated Financial Statements, p. 195).

Principles and structure of Infineon’s treasury

The Infineon treasury’s stated objective is to ensure financial flexibility based on a solid capital structure. Its primary goal is to ensure that sufficient cash funds are available to finance operating activities and planned investments throughout all phases of the business cycle. We aim to achieve a gross liquidity level of €1 billion, plus at least 10 percent of revenue.

As a general rule, debt should only constitute a modest proportion of the financing mix to ensure that sufficient headroom is available at all times. The key objective is to maintain an investment grade rating. Infineon is currently rated by S&P Global Ratings as "BBB–" with positive outlook. The originally medium-term objective of Infineon to reduce its debt level to or below the maximum target value of twice the gross financial debt to EBITDA after the closing of the Cypress transaction is expected to be achieved already in the 2022 fiscal year. For further information on the nature, maturity, currency and interest rate structure of gross financial debt, see note 15 to the Consolidated Financial Statements, p. 184 f.

The treasury principles referred to are in place regarding all issues relating to liquidity and financing, such as banking policies and strategies, execution of financing agreements, liquidity and investment management worldwide, currency and interest rate risk management and the handling of external and intragroup cash flows.

In accordance with our treasury principles, we follow a centralized approach in which the Group Finance & Treasury department is responsible for all major tasks and processes worldwide relating to financing and treasury matters.

In the context of centralized liquidity management and where permitted by law and economically feasible, cash pooling structures are in place in order to ensure the best possible allocation of liquidity within the Group and reduce external financing requirements. Liquidity accumulated at Group level is invested centrally by the Group Finance & Treasury department based on a conservative approach to investments, in which preservation of capital is prioritized over return maximization. The Group Finance & Treasury department is also responsible for managing currency and interest rate risks and for the execution of the commodity price hedging. We employ the following derivative financial instruments in our continuous operations for hedging purposes: forward foreign currency contracts to reduce the impact of exchange rate exposures (to the extent foreign currency cash flows are not offset within the Group) and commodity swaps to reduce price risks for expected purchases of gold. Derivative financial instruments are not used for trading or speculation purposes. Further information regarding derivative financial instruments and the management of financial risks is provided in note 26, p. 203 ff., and note 27 to the Consolidated Financial Statements, p. 211 ff.

Furthermore, to the extent permitted by law, all financing activities and credit lines worldwide are arranged, structured and managed either directly or indirectly by the Group Finance & Treasury department in accordance with stipulated treasury principles.

A Treasury Committee is in place to deliberate on current financial market developments and their potential impact on Infineon and coordinate key liquidity, hedging, and financing issues. The Committee, which meets on a quarterly basis, comprises the CFO and representatives from the Finance & Treasury, Accounting and Financial Reporting, Controlling, and Tax departments.

Following the acquisition of Cypress, the financing and treasury activities of Cypress are being successively integrated into Infineon's core structures. Significant further progress was made in this respect during the 2021 fiscal year.

Report on outlook, risk and opportunity

Outlook

Actual and target values for performance indicators

The following table and subsequent comments compare the actual and forecast values of Infineon's key performance indicators for the 2021 fiscal year and show the outlook for the 2022 fiscal year.

€ in millions, except percentages	Actuals FY 2020	Outlook for FY 2021[1]	Actuals FY 2021	Outlook for FY 2022
Principal performance indicators				
Segment Result Margin	13.7%	Above 18% (at a revenue level of €11 billion)	18.7%	Around 21% (at a revenue level of €12.7 billion)
Free Cash Flow from continuing operations	(6,727)	Around €1.5 billion	1,574	Around €1 billion
RoCE	3.0%	Around 7.5%	8.4%	Minimum 10%
Selected supplementary performance indicators				
Revenue respectively change in revenue compared to previous year	8,567	Revenue increase to around €11 billion	11,060	Revenue increase to around €12.7 billion plus or minus €500 million
Investments	1,099	Around €1.6 billion	1,497	Around €2.4 billion
Gross cash position	3,227	In the range of €2.9 billion to €3.6 billion and therefore within the target range of €1 billion plus at least 10% of revenue	3,922	Around €4 billion and therefore within the target range of €1 billion plus at least 10% of revenue

1 The forecast presented here corresponds to the forecast last finalized in the third quarter of the 2021 fiscal year.

Comparison of original outlook and actual figures for the 2021 fiscal year

Revenue for the 2021 fiscal year was originally forecast in November 2020 at an amount of €10.5 billion, plus or minus 5 percent. In light of the positive business performance, the outlook was raised at a number of points over the following quarters to an expected revenue of around €11 billion. The actual amount of revenue generated in the 2021 fiscal year was €11,060 million. This figure was in line with the most recent outlook dated 3 August 2021 and slightly above the range stated in the original outlook from November 2020.

In conjunction with the adjustments to the revenue forecast, the expected Segment Result Margin was also adjusted in each quarter. Originally, a Segment Result Margin of 16.5 percent was forecast for the 2021 fiscal year. After initially raising the outlook to 17.5 percent with the publication of first-quarter figures of the 2021 fiscal year and subsequently to around 18 percent with the publication of second-quarter figures, the most recent outlook, published in August 2021, forecast the Segment Result Margin at above 18 percent. In the final analysis, this outlook was achieved with an actual Segment Result Margin of 18.7 percent.

Free Cash Flow was originally expected to exceed €700 million. Here, too, the outlook was raised in stages. Initially, the outlook was raised in February 2021 and predicted to exceed €800 million. In August 2021, Free Cash Flow was anticipated to come in at around €1.5 billion. Free Cash Flow generated in the 2021 fiscal year ultimately amounted to €1,574 million and was therefore in line with the forecast.

A Return on Capital Employed (RoCE) of about 6 percent was originally forecast in November 2020 for the 2021 fiscal year. With the publication of the figures for the first half of the 2021 fiscal year, this forecast was raised to 7.5 percent. The actual RoCE for the 2021 fiscal year came in at 8.4 percent, a significant improvement on that reported for the 2020 fiscal year, mainly due to the good operating profit from continuing operations.

In February 2021, in light of rising revenue expectations, the forecast for investments for the 2021 fiscal year was increased to around €1.6 billion. The original intention had been to invest between €1.4 billion and €1.5 billion. At €1.5 billion, investments were below the most recent outlook, but at the upper end of the original outlook from November 2020.

Explanatory comments to the outlook for the 2022 fiscal year

The following outlook is based on current business developments and internal forecasts.

Assumed euro/US dollar exchange rate

As a globally operating organization, Infineon generates revenue not only in euros, but also in foreign currencies, predominantly US dollars. It also incurs expenses in US dollars and, to some extent, in currencies correlated to the US dollar, such as the Singapore dollar, the Malaysian ringgit and the Chinese renminbi. The impact of non-euro-denominated revenue and expenses does not always balance out. For this reason, fluctuations in exchange rates, particularly between the euro and the US dollar, influence the amounts reported for revenue and earnings. A stronger US dollar against the euro has a positive effect, whereas a weaker US dollar against the euro has an adverse effect on revenue and earnings. Excluding the effect of currency hedging instruments, the impact of a deviation of 1 US cent in the actual exchange rate of the US dollar against the euro compared to the forecast rate would amount to a change in Segment Result of approximately €5 million per quarter or approximately €20 million per fiscal year compared to the forecast value. These figures are calculated on the assumption that the exchange rates of currencies correlated with the US dollar – in which costs arise for Infineon – change in line with the euro/US dollar exchange rate. In terms of revenue, the impact of exchange rates is limited primarily to the euro/US dollar rate, where a deviation of 1 US cent in the actual exchange rate compared to the forecast rate would continue to have an impact on revenue of approximately €15 million per quarter or approximately €60 million per fiscal year. Planning for the 2022 fiscal year is based on an assumed average exchange rate of US$1.20 to the euro.

Growth prospects for the global economy and the semiconductor market

The world economy contracted by 3.5 percent in the 2020 calendar year as a consequence of the coronavirus pandemic. A strong recovery is expected in the 2021 calendar year, with experts at the International Monetary Fund (IMF) projecting growth of 4.8 percent back in October 2020. In view of the improved growth prospects over the course of the 2021 calendar year, the IMF revised its projection upwards to 5.7 percent in October 2021, R11. The rapid development and approval of effective vaccines to combat the coronavirus as well as extensive stimulus measures by many governments have contributed to the stronger recovery. However, vaccination rates remain low in some emerging and developing countries, posing a risk to the scale of the upturn going forward. Should further outbreaks or mutations of the coronavirus occur, they could result in value chain disruptions with negative consequences for the further growth of the world economy. The current shortage of certain raw materials and components caused by supply difficulties, as well as a variety of geopolitical conflicts, also pose additional risks.

The recovery of the world economy in the 2021 calendar year, after a slump in the previous year, combined with the ongoing trend towards digitalization and electrification, have driven up demand for semiconductors quite significantly in the 2021 calendar year. Market analysts at Omdia expect Infineon's reference market (i.e., the semiconductor market excluding DRAM and NAND flash memory chips and microprocessors) to grow by 18 percent in US dollar terms in the 2021 calendar year, R09. Despite the pandemic and the resulting lockdowns, this market grew by 8 percent in the previous year, driven by the sharp hike in demand for data and telecommunications servers, computers and other electronic and electrical devices. In particular, demand for semiconductor chips in the automotive sector has risen sharply during the 2021 calendar year. Given the high capacity utilization rate at semiconductor fabrication plants for the aforementioned product groups, supply bottlenecks have arisen that cannot be remedied in the short term. For the 2022 calendar year, market analysts at Omdia expect the world economy to continue recovering and the Infineon reference market to grow at a rate of 5 percent, R09.

Revenue forecasted to grow to €12.7 billion plus or minus €500 million
Based on the forecasts for the growth of the world economy and the semiconductor market segments relevant for Infineon described above and an assumed average exchange rate of US$1.20 to the euro, Infineon forecasts that revenue will grow in the 2022 fiscal year to €12.7 billion plus or minus €500 million. Automotive and Connected Secure Systems segment revenue is expected to increase at a higher percentage rate than Group revenue overall. The revenue growth rate in the Power & Sensor Systems segment is forecast to be at a similar level to that of the Group. Industrial Power Control segment revenue is expected to increase by a mid-to-high single-digit percentage.

Segment Result Margin of about 21 percent expected
If the middle of the range for the revenue forecast is reached, the Segment Result Margin is expected to be around 21 percent in the 2022 fiscal year.

Free Cash Flow from continuing operations
For the 2022 fiscal year, Infineon forecasts Free Cash Flow of around €1 billion.

RoCE
For the 2022 fiscal year, Return on Capital Employed (RoCE) is forecast to reach minimum 10 percent.

Gross cash position
The gross cash position is expected to finish the 2022 fiscal year at a level of around €4 billion. The original medium-term target of reducing debt to or below the maximum target value of twice gross financial debt to EBITDA following the closing of the Cypress transaction is expected to be achieved as early as the 2022 fiscal year.

Investments and depreciation/amortization
Investments (defined by Infineon as the sum of investments in property, plant and equipment, investments in other intangible assets and capitalized development costs) are planned at around €2.4 billion for the 2022 fiscal year. The main focus is on expanding frontend manufacturing capacities that will enable Infineon to continue meeting the expected growth in demand in the medium term. Further investments in frontend facilities will be used to implement structural measures, optimize product quality, increase the degree of automation and promote innovation. A significant amount is also planned for investments at backend facilities, albeit at a much lower level than for frontend facilities. The majority of investment in buildings will be used to expand Infineon's frontend locations.

In the 2021 fiscal year, investments totaled €1,497 million, comprising €1,268 million for property, plant and equipment and €229 million for capitalized development costs and other intangible assets. In the 2022 fiscal year, investments in capitalized development costs and other intangible assets are expected to be at about the same level than in the 2021 fiscal year.

Depreciation and amortization are predicted to be between €1.6 billion and €1.7 billion. Approximately €400 million of that amount relates to depreciation and amortization resulting from purchase price allocations, mainly in connection with the acquisition of Cypress and, to a lesser degree, the acquisition of International Rectifier.

Overall statement on the expected development

Based on forecasts for the development of the global economy and the semiconductor market in the 2022 calendar year, Infineon expects Group revenue to grow to €12.7 billion plus or minus €500 million. The Segment Result Margin is forecast to come in at the middle of the range for the revenue forecast at around 21 percent of revenue. Investments are expected to be in the region of €2.4 billion. Depreciation and amortization are expected to total between €1.6 billion and €1.7 billion. Free Cash Flow from continuing operations should reach around €1 billion. The Return on Capital Employed (RoCE) is forecast to reach minimum 10 percent.

Risk and opportunity report

Risk policy: Underlying principles of our risk and opportunity management

Effective risk and opportunity management is central to all of our business activities and supports the implementation of our strategic goals and growth drivers. Infineon's risk and opportunity profile is still characterized by periods of rapid growth, followed by periods of significant market decline, a substantial need for capital investment in order to achieve and sustain our market position and an extraordinarily rapid pace of technological change. Gaining a leading edge through technological innovation also has a legal dimension. Against this background, Infineon's risk policy is aimed firstly at taking advantage of identified opportunities as quickly as possible in a way most appropriate to growing the enterprise value, and secondly at pro-actively mitigating risks – particularly those capable of posing a threat to Infineon's going-concern status – by adopting appropriate countermeasures. Risk management at Infineon is therefore closely linked to corporate planning and the implementation of our business strategies. Ultimate responsibility for risk management lies with the Infineon Management Board.

Coordinated risk management and control system elements are in place that enable us to pursue our stated risk policy in practice. Alongside the "Risk and Opportunity Management System" and the "Internal Control System with respect to financial reporting processes" described below, these elements also includes the related forecasting, management and internal reporting processes as well as the Compliance Management System.

Risk and Opportunity Management System

Infineon's centralized risk management system is based on a Group-wide, management-oriented Enterprise Risk Management (ERM) approach, which aims to cover all relevant risks and opportunities. The approach is based on the "Enterprise Risk Management – Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The objective of the system is the early identification, assessment and management of risks and opportunities that could have a significant influence on Infineon's ability to achieve its strategic, operational, financial, legal and compliance targets. We therefore define risk/opportunity as the occurrence of future uncertainties that could result in either a negative or a positive variance from plan. We incorporate all relevant organizational units within the Group in this analysis, thus covering all segments, significant central functions and regions.

Responsibility for processes and systems relating to risk and opportunity management rests with the Risk Management and Internal Control System (ICS) function within the Group Finance department as well as with designated Risk Officers working at segment, corporate function and regional levels. Responsibility for the identification, measurement, management and reporting of risks and opportunities lies with the management of the organizational unit concerned.

In organizational terms, the Risk and Opportunity Management System is structured in a closed-loop, multiple-stage process, which stipulates the manner and criteria to be applied to identify, measure, manage and report on risks and opportunities and defines how the system is to be monitored as a whole. Major components of the system are a quarterly analysis of risks and opportunities, reporting by all consolidated entities, an analysis of the overall situation at segment, regional and Group level, reporting to the Management Board on the risks and opportunities situation as well as major management measures undertaken. The Management Board, in turn, reports regularly to the Supervisory Board's Investment, Finance and Audit Committee. Where necessary, standard processes are supplemented by the ad-hoc reporting of any major risks identified between regular reporting dates.

Risks and opportunities are measured cumulatively over the multi-year planning horizon on a net basis, i.e., after taking into account any existing risk mitigation or hedging measures. The time periods and the measurement categories used are closely linked to our short- and medium-term business planning and entrepreneurial targets.

All relevant risks and opportunities are assessed uniformly across the Group in quantitative and/or qualitative terms, based on the factors **degree of impact** on segment

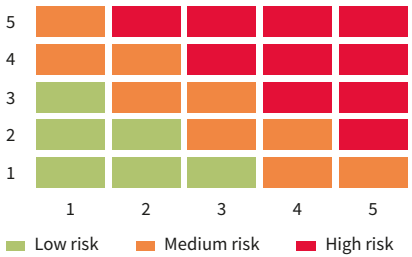
result and/or business objectives, reputation, compliance, on the one hand, and **likelihood of occurrence,** on the other.

The scales used to measure these two factors (degree of impact and likelihood of occurrence, measured cumulatively over the multi-year planning horizon) and the resulting risk assessment matrix are depicted in chart C40.

Based on the potential degree of impact as well as the estimated probability of occurrence, a risk is classified as “high”, “medium” or “low”.

All risks and opportunities reported for Infineon are reviewed for possible cumulative effects and analyzed using an Infineon-specific categorization model. Risk and opportunity analysis and new developments in risk management culture are supplemented by interdisciplinary workshops held at segment, corporate and regional levels. Important information relevant for Infineon’s Risk and Opportunity Management System is available to all employees via our intranet system, including access to ERM tools and ERM guidelines containing job descriptions for all functions involved in the process as well as all information necessary for reporting purposes.

C40 Risk assessment matrix



Degree of impact on Segment Result		
1	< €60 million	Marginal
2	> €60 million	Minor
3	> €100 million	Moderate
4	> €250 million	Significant
5	> €500 million	Major

Likelihood of occurrence

Likelihood of occurrence		
1	< 10%	Unlikely
2	< 40%	Possible
3	< 60%	Likely
4	< 90%	Probable
5	> 90%	Certain

Risk and Opportunity Managers are designated at appropriate hierarchical levels to manage and monitor identified risks and opportunities. They are responsible for formally determining a set of appropriate strategies (in the case of risk avoidance, mitigation, transfer to other parties or acceptance). Working closely with corporate functions and individual managers, the Risk and Opportunity Managers are also responsible for defining and monitoring measures aimed at implementing the adopted management strategy. In order for our system to operate successfully, it is essential that risks and opportunities are managed and monitored pro-actively and with a great deal of commitment.

Compliance with the ERM approach is monitored by the corporate function responsible for risk management and ICS using procedures incorporated in business processes. Group Internal Audit also performs tests for compliance with legal requirements and Infineon guidelines and, where appropriate, rules relating to risk and opportunity management and recommends corrective measures.

The Supervisory Board’s Investment, Finance and Audit Committee oversees the effectiveness of the Risk Management System. As part of the statutory audit, the external Group auditor also examines our early warning system pursuant to section 91, paragraph 2, of the German Stock Corporation Act to ascertain its suitability to detect risks that could pose a threat to Infineon’s going-concern status and reports thereon annually to the Chief Financial Officer (CFO) and the Investment, Finance and Audit Committee of the Supervisory Board.

Internal Control System with respect to the financial reporting process

The principal focus of the Internal Control System (ICS) is on the financial reporting process, with the aim of monitoring the proper maintenance and effectiveness of accounting systems and financial reporting. The primary objective of the ICS is to minimize the risk of misstatement in Infineon’s internal and external reporting and to ensure with a reasonable amount of certainty that the Consolidated Financial Statements comply with all relevant regulations. Appropriate controls must therefore be in place throughout the organization to ensure compliance. Clear lines of responsibility are assigned to each of the processes.

The ICS is based on the “Internal Control – Integrated Framework” developed by the “Committee of Sponsoring Organizations of the Treadway Commission (COSO)” and is an integral part of the accounting process in all relevant legal entities and corporate functions.

The system monitors compliance with stated principles and stipulated procedures based on preventive and detective controls. Among other things, we regularly check that:

- Group-wide financial reporting, measurement and accounting guidelines are continually updated and adhered to;
- intragroup transactions are fully accounted for and properly eliminated;
- issues relevant for financial reporting and disclosures in connection with agreements entered into are recognized and appropriately presented;
- processes and controls are in place to explicitly guarantee the completeness and correctness of the year-end financial statements and financial reporting; and
- processes are in place for the segregation of duties and for the dual control principle in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems.

Assessment of effectiveness

We systematically assess the effectiveness of the ICS with regard to the corporate accounting process. An annual risk analysis is initially performed, and the defined controls are revised, as and when required. The assessment involves identifying and updating significant risks relating to accounting and financial reporting in the relevant legal entities and corporate functions. The controls defined for identifying risks are documented in accordance with Group-wide guidelines. Regular random tests are performed to assess the effectiveness of these controls. The tests constitute the basis for assessing the appropriateness of design and the effectiveness of the controls. The results are documented and reported in a global IT system. Any deficiencies identified are remedied, with due consideration given to their potential impact.

Furthermore, in a Representation Letter, all legal entities, segments and relevant corporate functions confirm that all business transactions, all assets and liabilities and all income and expense items have been recognized in the financial statements.

At the end of the annual cycle, the material legal entities review and confirm the effectiveness of the ICS with regard to the accounting and financial reporting process. The Management Board and the Investment, Finance and Audit Committee of the Supervisory Board are regularly informed about any significant control deficiencies and the effectiveness of the internal controls.

Both the Risk and Opportunity Management System and the Internal Control System are continuously developed and expanded to ensure compliance with internal and external requirements. Regular improvements made to these systems contribute to the continuous monitoring of the relevant risk areas, including the responsible organizational units.

Cypress’ ICS is being continuously integrated into the Group’s ICS in conjunction with the merger of legal entities and processes.

Significant risks

In the following section, we describe risks that could have a significant or material adverse impact on the Segment Result and/or business objectives, reputation, or compliance, and which have therefore been allocated to the risk classes “high” or “medium”. Unless otherwise stated, the risks described apply to all segments. Depending on the potential degree of impact and the estimated likelihood of occurrence, the risk class is shown in parentheses for each risk (e.g., “RC: high”).

Strategic risks

Unsettled political and economic climate (RC: high)
As a globally operating company, our business is highly dependent on global economic developments. A worldwide economic downturn – particularly in the markets we serve – may result in us not achieving our forecasted revenue and contribution to earnings. Risks can also arise due to political and social changes, in particular when those changes occur in countries in which we manufacture and/or sell our products.

Trade and customs disputes as well as trade restrictions, for instance between the USA and China, could constrain global trade, thereby dampening global economic growth. Such developments can be triggered by political tensions and/or trade conflicts between individual countries or regions, which – as a result of short-term and sometimes unforeseeable decisions – could have a significant impact on Infineon's revenue and earnings.

Our relative dependence on the Chinese market in relation to the total group revenue of business remains essentially unchanged. This includes the risk of a decline in external demand from a Chinese perspective and hence a decline in manufacturing capacity utilization levels in China. There is also a risk that an increased volume of previously imported semiconductors will be manufactured in China and that a greater volume of those made in that country will be exported.

The government debt situation has worsened considerably as a result of the economic stimulus programs launched to mitigate the consequences of the coronavirus pandemic. Regardless of our assessment of potential scenarios and outcomes within this complex set of risks, these developments could have an adverse impact on Infineon's business operations, financial condition, liquidity, cash flows and earnings.

Cyclical market and sector development (RC: high)
The worldwide semiconductor market is dependent on global economic growth and hence subject to fluctuations. Our target markets are exposed to the risk of short-term market fluctuations. As a result, our own forecasts of future business developments are subject to a high degree of uncertainty. It is possible, for instance, that future market downturns will follow another pattern, for example, an L-shape with longer periods of flat growth. The absence of market growth or its decline would make it considerably more difficult to attain our own growth targets. In the event that we are unprepared for market fluctuations, or our response to any such fluctuations turns out to be inappropriate, this could have a sustained materially adverse impact on Infineon's operations, financial condition, liquidity, cash flows and earnings.

Increased market competition and commoditization of products (RC: high)
The rapid pace of technological change in the market also results in a greater replaceability of products. Due to the resulting aggressive pricing policies, we may be unable to achieve our long-term strategic goals of gaining and/or maintaining market share and of product pricing. Moreover, accelerating M&A (Merger & Acquisition) activity within the semiconductor industry could result in even tougher competition. Potential benefits for competitors in this market include improved cost structures and more effective sales channels. Overall, this situation could have an adverse impact on Infineon's earnings.

Risks arising from the coronavirus pandemic (RC: medium)
In the 2020 fiscal year, the rapid spread of the coronavirus pandemic led to a significant deterioration in global economic conditions and also had an adverse effect on Infineon's operations and earnings. By the second half of the 2020 calendar year, the global economy had recovered unexpectedly quickly, leading to a massive increase in demand for semiconductors and significantly mitigating the impact of the coronavirus pandemic in the 2021 fiscal year. However, the pandemic continued to disrupt manufacturing output in certain countries, affecting not only Infineon's sites, but also those of its international suppliers and customers, which continues to negatively impact the availability of raw materials and components as well as Infineon's revenue. These risks could be exacerbated if the coronavirus pandemic were to flare up again. The coronavirus pandemic and indeed any other pandemic, epidemic or outbreak of infectious disease could have a materially adverse effect on the business operations, earnings, liquidity and cash flows of the Group.

Operational risks

Dependence on individual suppliers (RC: high)
We cooperate with numerous suppliers who provide us with materials and services or manage parts of our supply chain. We do not always have alternative sources for some of these suppliers and therefore depend on their ability to deliver products and services of the required quality. The unexpectedly high demand for semiconductor products in the 2021 fiscal year – particularly for the automotive market, renewable energy applications, data centers, the expansion of mobile communications infrastructure, many aspects of digitalization and the electronics used at work and in homes in general – continues to cause supply problems, particularly for our contract manufacturers. The situation has not only led to delays in supplying our customers, but also resulted in an actual loss of revenue during the period under report. At the same time, we are currently confronted with price increases from suppliers and there is a risk that it will not be possible to fully pass on these increases to our customers. Cypress' business operations, in particular, rely heavily on independent contract manufacturers and subcontractors to manufacture its products, including wafer fabrication, assembly, packaging and testing. Any failure of one or more of these suppliers to meet their obligations to Infineon could have an adverse impact on Infineon's business operations, liquidity and earnings.

Data and IT systems security (RC: high)
The reliability and security of Infineon's IT systems are of crucial importance. At the same time, the world has seen a general rise in the level of threats to data security. This applies to the deployment of IT systems to support business processes, on the one hand, and internal and external communications, on the other. Despite the array of precautionary measures put in place, any major disruption to these systems could result in risks relating to the confidentiality, availability and reliability of data and systems used in development, manufacturing, selling or administration functions, which, in turn, could have an adverse impact on our reputation, competitiveness and operations.

Potential cyber-attacks on IT systems used in manufacturing processes, present risks that could result in production downtime and supply bottlenecks. In addition, cyber-attacks with industrial espionage intent and any related potential loss of intellectual property or patents pose risks that could jeopardize our investment in research and development and impair our long-term competitiveness.

Increasingly dynamic markets (RC: high)
The accelerating pace of events in the markets in which we operate, increased demands for flexibility by our customers, and short-term changes in order volumes could result in rising costs due to the underutilization of manufacturing capacities, higher inventory levels and unfulfilled commitments to suppliers.

Thus, despite the fact that manufacturing processes and sites have become even more flexible, fluctuations in capacity utilization levels and purchase commitments, coupled with idle costs at manufacturing sites, nevertheless pose risks related to our cost position. These risks could possibly jeopardize our ability to achieve growth and profitability targets that are based on cycle averages.

This situation is exacerbated by the fact that some of our products are highly dependent on the degree of success achieved by individual customers in their own markets. Furthermore, there is a risk of losing future business and design wins if we are unable to deliver volumes over and above our contractual obligations if called upon by customers to do so. These factors could have an adverse impact on Infineon's liquidity and earnings.

Dependence on the success of specific customers may also grow if they account for an above-average share of Infineon's revenue and earnings. This situation could be driven by the exceptionally strong performance of a particular customer, resulting, for instance, from exceptional demand for its products or from consolidation trends, in particular those affecting our first- and second-tier customers.

Product quality trends (RC: medium)
Product quality assurance is a key success factor for our business. Potential quality risks – for example due to high capacity utilization levels – can affect yield fluctuations and hence our ability to supply customers. Shortfalls in product quality can lead

to product recalls at our customers and related potential costs for liability claims. In addition, quality risks could also damage Infineon's reputation and thus have a significant adverse impact on future earnings.

Product development delays (RC: medium)
The ever-increasing complexity of technologies and products, shorter development cycles and higher customer expectations can cause a great deal of tension in the field of product development. Buffer times built into processes to compensate for potential delays are reduced accordingly. In the event of being unable to execute our development plans at the desired quality levels, the outcome could be development delays and increased development costs, which could have an adverse impact on Infineon's operations, financial condition, liquidity, cash flows and earnings.

Manufacturing cost trends – raw materials prices, cost of materials and process costs (RC: medium)
Our medium- and long-term forecasts are based on expected manufacturing cost trends. In this context, measures aimed at optimizing manufacturing costs for raw materials and supplies, energy, labor and automation, as well as for bought-in services from external business partners, may not be feasible to the extent envisaged.

Moreover, our dependence on various components (such as wafer substrates) and raw materials (such as gold and copper) used in manufacturing, as well as our energy requirements expose us to substantial price risks. We are also dependent on supplies of the so-called rare earths required for selected manufacturing processes in conjunction with production process integration. At the time of writing, financial instruments are in place to hedge our price risk exposure for gold wire during the 2022 fiscal year, based on the planned volume requirements. The prices of raw materials and energy have recently been subject to significant fluctuation and there is no reason to assume the situation will change in the near future. If we are unable to offset cost rises or pass them on to customers via price adjustments, it could have an adverse impact on earnings.

Determining and adjusting manufacturing volumes (RC: medium)
Frontend and backend manufacturing processes need to be optimally synchronized to enable Infineon to develop competitive, high-quality products designed to provide customized technological solutions. In view of the rapid pace of technological change and increasingly stringent customer requirements, coordination processes need to become increasingly sophisticated. Failure to continue making progress in this area could result in quality problems, product development or market maturity delays as well as higher research and development expenses and hence adversely impact Infineon's earnings.

One risk that semiconductor companies operating in-house manufacturing facilities typically face is that of delays in the ramping up of production volumes at new manufacturing sites or in the transfer of technology. One good example is in the Automotive segment, where customers' product approval and testing processes can be conducted over an extended period of time, thus influencing our global manufacturing strategy as well as short- and medium-term capacity utilization. Failure to anticipate these changes in the manufacturing process in good time could result in capacity shortages and hence lower revenue, on the one hand, as well as costs incurred due to underutilization, on the other.

Dependence on individual manufacturing sites (RC: medium)
Our South-East Asian manufacturing sites are of critical importance for our production. If, for example, political upheavals, natural disasters or pandemic outbreaks in the region were to restrict or completely obstruct our ability to manufacture at these sites on the planned scale or to export products manufactured at those sites, it would have an adverse impact on our financial condition, liquidity and earnings. Our current manufacturing capacities in this region are, to a large extent, not insured against political risks such as the expropriation of assets. The transfer of manufacturing capacities from these sites would, therefore, not only involve a great deal of time and technical effort, but Infineon would also be required to bear the necessary cost of investment.

Need for qualified staff (RC: medium)
One of the key factors in our success is the availability of sufficient numbers of qualified employees at all times. There is, however, a general risk of losing qualified staff or not being able to recruit, train and retain adequately qualified people within the business. A lack of technical or management staff could, among other things, restrict future growth and hence adversely impact Infineon's liquidity and earnings.

Financial risks

Currency risks (RC: medium)
Our involvement and participation in various regional markets around the world creates cash flows in a number of currencies other than the euro – primarily in US dollars. A significant share of revenue, on the one hand, and of operating costs and investments, on the other, is denominated in US dollars and correlated currencies. For the most part, Infineon generates a US dollar surplus from these transactions. The integration of Cypress has increased this surplus.

Specified currencies are hedged Group-wide by means of derivative financial instruments. These hedges are based on forecasts of future cash flows, the occurrence of which is uncertain. Under these circumstances, exchange rate fluctuations could – despite hedging measures – also have an adverse impact on earnings.

Risk of default by banking and financing partners (RC: medium)
The relatively high level of our holdings of liquid funds (gross cash position) exposes us to the potential risk of a default by one or more of the banking and financing partners with whom we do business. We mitigate this risk – which could still arise despite various state-insured deposit protection mechanisms – by a combination of risk avoidance analyses and risk-spreading measures. The failure of these measures could have a materially adverse impact on Infineon's financial condition and liquidity situation.

Further information regarding the management of financial risks is provided in note 27 to the Consolidated Financial Statements. p. 211 ff.

Legal and compliance risks

Qimonda insolvency (RC: medium)
The insolvency proceedings relating to Qimonda and the resulting actions of the insolvency administrator expose Infineon to potential risks, which are described in detail in note 23 to the Consolidated Financial Statements. p. 198 f.

Provisions are recognized in connection with these matters as of 30 September 2021. The provisions reflect the amount of those liabilities that management believes are probable and can be estimated with reasonable accuracy as of that date. There can be no assurance that these provisions will be sufficient to cover all liabilities that may be incurred in conjunction with the insolvency proceedings relating to Qimonda.

Intellectual property rights and patents (RC: medium)
As with many other companies in the semiconductor industry, from time to time allegations are made against us that we have infringed other parties' protected rights. Regardless of the prospects of success of such claims, substantial legal defense costs can arise.

Whilst we often benefit from cross-licensing arrangements with major competitors, no such opportunities exist to safeguard against risks of this nature in the case of companies specializing in the exploitation of patent rights.

We cannot rule out that patent infringement claims will be upheld in a court of law, thus resulting in significant claims for damages or restrictions in selling the products concerned. Any such outcome could, in turn, have an adverse impact on Infineon's financial condition, liquidity and earnings.

Further information regarding litigation and government inquiries is provided in note 23 to the Consolidated Financial Statements. p. 198 ff.

Impact of our global operations (RC: medium)
Our global business strategy requires the maintenance of research and development locations and manufacturing sites throughout the world. The location of such facilities is determined by market entry hurdles, technology and cost factors. Risks could,

therefore, arise if adverse economic and geopolitical crises were to affect our regional markets and if country-specific legislation and regulations were to influence investment activities and the ability to trade freely. Differing practices in the way tax, judicial and administrative regulations are interpreted could also have a negative impact on operations. We could also be exposed to the risk of fines, sanctions and reputational damage.

Asian markets are particularly important to our long-term growth strategy. Our operations in China are influenced by a legal system that may be subject to change. One example is the fact that local regulations could make it mandatory to enter into partnerships with local companies. These circumstances could lead, on the one hand, to Infineon's intellectual property no longer being sufficiently protected and, on the other, to intellectual property developed by Infineon in China not being freely transferable to other countries and locations, thus impairing Infineon's financial condition and earnings.

Acquisitions and cooperation arrangements (RC: medium)
In order to develop or expand our business, we may seek to acquire other businesses or enter into various forms of cooperation arrangements. In the case of acquisitions, there is a risk that these activities prove to be unsuccessful, particularly regarding the integration of people and products in existing business structures. These issues could adversely impact our financial condition and earnings performance.

In the case of acquisitions or portfolio decisions, there is a risk of non-compliance with antitrust regulations due to lack of knowledge or failure to make the people involved in such transactions adequately aware of the issues. This could result in high levels of cost (e.g., significant time spent by management, assignment of attorneys) and fines. Infineon's reputation could also suffer under these circumstances.

Tax, fair trade and capital market regulations can all entail additional risks. In order to mitigate these risks, we rely upon the advice of both in-house and external experts and provide suitable training to our employees.

Non-achievement of strategic or operational targets and risks relating to the integration of Cypress (RC: medium)
The strategic and operational targets we have set with respect to the acquisition and integration of Cypress are based on assumptions and estimates that may subsequently prove to be incorrect. These include the financial and operational performance of Cypress and the synergy and innovation potential of the two companies as well as future economic developments and market changes.

In the event of unexpected difficulties in terms of integration, the weaker-than-forecast growth of Cypress-related business or other unforeseen deviations in business development could potentially force us to recognize an impairment loss on non-current assets and/or on goodwill arising from the acquisition of Cypress.

In particular, the possible loss of key employees could also have a negative impact. As a prerequisite for the successful integration and implementation of a joint strategy, we need talented managers and employees from both Infineon and Cypress. If, for instance, we are unable to retain employees due to potential uncertainties regarding jobs, locations or corporate culture, the benefits of integration and the ability to exploit the respective strengths of the two companies may be impaired.

Measures to implement our risk management strategy

At a strategic risk level, we endeavor to mitigate the typical risks that arise in the semiconductor sector due to economic and demand fluctuations and the risks related to Infineon's operations, financial condition, liquidity and earnings by closely monitoring changes in early warning indicators as well as by developing specific response strategies appropriate to the current position within the economic cycle. This can be done, for instance, by rigorously adjusting capacities and inventory levels at an early stage, initiating cost-saving measures and making flexible use of external manufacturing capacities at both frontend and backend facilities.

At an operational level, we have adopted various quality management strategies aimed at avoiding quality risks (such as “Zero Defects” and “Six Sigma”) in order to prevent or solve problems and to improve our business processes. Our Group-wide quality management system has been certified on a worldwide basis in accordance with ISO 9001 and ISO/TS 16949 for a number of years and also encompasses supplier development. Our processes and initiatives to ensure continuous quality improvement in corporate procedures are aimed at identifying and eliminating the causes of quality-related problems at an early stage.

A structured project management system is in place to handle development projects, including those of a customer-specific nature. Clear project milestones and verification procedures required to be carried out during a project, as well as clearly defined limits of authority, help us identify potential project risks at an early stage and counter these risks with specific measures.

We seek to minimize procurement-related risks through appropriate purchasing strategies and techniques, including constant product and cost analysis (“Best Cost Country Sourcing” and “Focus-on-Value”). These programs include cross-functional teams of experts who are responsible for standardizing purchasing processes with respect to materials and technical equipment.

In order to take the growing importance of Infineon’s ecosystem partners into account, a partner risk evaluation system for Go2Market and IP/R&D partners has been developed and integrated. This partner risk assessment focuses on the dependency of Infineon from its ecosystem partners. As a result, the high risk ecosystem partners throughout the group are now identified, continuously assessed and corrective risk mitigation measures are implemented to avoid an adverse impact on the Segment Result and/or business objectives, reputation, compliance.

In response to the general increase in threats to data security and the high degree of professionalism meanwhile applied in the area of cybercrime, we have initiated an information security program to further improve protection against hacking attacks and related risks to our IT systems, networks, products, solutions and services. Information security is achieved primarily with the aid of Infineon’s systematically applied global Information Security Management System (ISMS), the prime objectives of which are to identify and measure all potential IT risks and to ensure that effective processes and tools are in place to minimize and avoid risk. The ISMS covers all areas of Infineon’s business and is certified in line with the globally recognized ISO/IEC 27001 standard. All relevant risk areas are continuously monitored and optimized in conjunction with regular internal and external audits.

We minimize legal risks relating to intellectual property rights and patents by pursuing a well-defined patent strategy, including thorough patent research and the selective development and registration of Infineon patents, as well as precautionary protective measures in the form of agreements with major competitors. However, no such opportunities exist to safeguard against risks of this nature in the case of companies that specialize in exploiting patent rights.

We have implemented a Group-wide Compliance Management System (CMS) with the aim of managing Compliance-related risks in a systematic, comprehensive and sustainable manner. We are continuously enhancing the seven elements of our CMS to prevent, detect and respond to Compliance-related incidents. The Corporate Compliance Officer reports to the Chief Financial Officer and, on a quarterly basis, to the Management Board and to the Investment, Finance and Audit Committee of the Supervisory Board. At entities or sites formerly operated by Cypress, we have appointed Compliance Contacts, who are responsible for the implementation of the CMS at the entities or sites.

In certain cases, insurance policies have been taken out to protect against potential claims and liability risks, with the aim of avoiding or at least minimizing any adverse impact on Infineon’s financial condition and liquidity.

Overall statement by Group management on the risk situation

The overall risk assessment is based on a consolidated view of all significant individual risks. The risk situation as a whole remains essentially unchanged from the previous year. We are not currently aware of any individual risks capable of jeopardizing Infineon's going-concern status.

Opportunities

The principal opportunities are described in the following section. The list is not exhaustive and represents only a cross-section of the opportunities available. Our assessment of these opportunities is subject to continuous change, reflecting the fact that our business, our markets and the technologies we deploy are continuously subject to new developments, bringing with them fresh opportunities, causing others to become less relevant or otherwise changing the significance of an opportunity from our perspective. Depending on the potential degree of impact and the estimated probability of occurrence, each of these opportunities is assigned to an "opportunity class" (OC) in the same way that risks are allocated to a risk class. These classifications are shown in parentheses (e.g., "OC: medium").

High demand for semiconductors allows price increases (OC: high)

The worldwide high demand for semiconductor products is predicted to continue in the 2022 fiscal year and gives us the opportunity to increase our sales prices. This may have a positive impact on Infineon's business operations, liquidity and earnings.

Opportunities arising in connection with the acquisition and integration of Cypress (OC: medium)

The products and technologies of Infineon and Cypress complement one another in an outstanding manner. The previous focus on power semiconductors, sensors and microcontrollers for automotive and security applications has now been broadened to include connectivity-related products, multi-purpose microcontrollers for industrial and IoT applications together with the related software, as well as memories for specialty applications ("grow in scope").

The resulting comprehensive portfolio enables Infineon to offer complete system solutions that are needed to link the real with the digital world. The key to success is ensuring secure connectivity for energy-efficient devices. Advances in functional integration mean that a whole host of relevant applications are currently in an early phase of growth.

We are pushing ahead with our strategic approach "Product to System" in order to strengthen and expand core business by growing in both related and new fields. To cite two examples, firstly, the combination of Infineon's security expertise with Cypress' connectivity knowhow will accelerate entry into new IoT applications in the industrial segment. Secondly, in the field of automotive semiconductors, the expanded portfolio of microcontrollers and NOR flash memories offers great potential, especially in light of their growing importance for driver assistance systems and new electronic architectures in vehicles.

Quite apart from their product portfolios, the two companies also complement each other in further aspects. We also see an excellent match in terms of geographical focus and sales channels, with Infineon gaining wider market access through Cypress, particularly in Japan, as well as via distributors. Infineon will also be adding to its research and development presence in Silicon Valley. On account of its product portfolio, the manufacturing strategy of Cypress focuses to a much greater extent on contract manufacturing. The combination of the two companies will help our business diversify, make it more robust and enable us to generate additional synergies.

New technologies and materials (OC: medium)

We are constantly striving to develop new technologies, products and solutions and to improve on existing ones, both separately and in collaboration with customers. We therefore continually invest in research and development relating to the use of new technologies and materials. Those in current use may well lose their predominance in the foreseeable future, such as Si, which is reaching its physical limits in some applications.

We see numerous opportunities for working with new materials, such as those associated with SiC or GaN, to develop more powerful and/or lower-cost products. These materials could well have a positive influence on our ability to attain our strategic growth and profitability targets.

Strategic approach "Product to System" (OC: medium)
With the strategic approach "Product to System" we seek to identify additional benefits for our customers at a system level from within our broad portfolio of technologies and products. This strategy enables us to exploit further revenue growth potential and thereby achieve our growth and margin targets. This approach also enables us to reduce customers' development costs and shorten the lead times required to bring their products to market.

Support for change in energy policies and consideration of climate change issues (OC: medium)
Population growth and increasing industrialization in all parts of the world are resulting in an ever-greater global demand for energy. Electric power is becoming the most important energy carrier of the 21st century and renewables are playing a key role in reducing carbon emissions. The long-term objective is to achieve global decarbonization by the end of the century, as resolved at the Climate Change Conference held in Paris (France) in December 2015. As part of its Green Deal concept, the European Union intends to become carbon-neutral by 2050.

Infineon's semiconductors enable electric power to be generated from renewable energy sources. They offer efficiency gains at all stages of the energy industry's value chain, whether in generation, transmission or, above all, in the use of electric power. They form the basis for the intelligent and efficient use of electric power, for instance, in industrial applications, power supplies for computers, consumer electronics and vehicles.

Digitalization (OC: medium)
The trend towards digitalization offers substantial business potential for Infineon. This is partially reflected in the optimization of internal processes, such as for our interconnected manufacturing capabilities on a global scale. At the same time, our portfolio of sensors, microcontrollers, power semiconductors, security controllers and specific software puts us in an excellent position to exploit growing market potential. Our strategic approach "Product to System" makes us ideally placed to penetrate and develop the markets involved. Good examples already visible today include automated driving, voice and gesture control for devices and machines, the advancing development of the IoT and big data.

Ability to meet supply requirements with available capacities (OC: medium)
Our in-house manufacturing capacities, together with those of our external partners, provide us with a degree of flexibility to meet demand. In particular, the further expansion of 300-millimeter production in Dresden (Germany), the second manufacturing module in Kulim (Malaysia), and the recent start of production of a second, fully automated 300-millimeter factory at the Villach site (Austria) will strengthen our ability to meet the growing demand for power semiconductors.

Market access and activities in China (OC: medium)
Infineon generates more revenue in China than in any other country. Accordingly, developments and growth opportunities in China are of the utmost importance to the Group and relate to the following markets that we serve:

China is the world's largest automotive market, with growth rates still at a high level. In particular, the rapid growth in the production of plug-in hybrid and all-electric vehicles means that China has been the world's largest market for electromobility for a number of years. For this reason, during the 2018 fiscal year, Infineon and SAIC Motor (China's largest car manufacturer) established SIAPM, a joint venture that offers power semiconductor solutions for electric vehicles. Volume production has already commenced. The joint venture strengthens our position in China, whilst also offering additional potential for Infineon's global business going forward.

China is the world's largest market for trains and, with CRRC (an Infineon customer), the country is home to the world's largest train manufacturer by far. The continued expansion of China's rail network and the growing volume of international infrastructure projects both represent growing business opportunities for Infineon.

At the G20 summit held in Hangzhou (People's Republic of China) in September 2016, China ratified the Paris Agreement, thereby giving its formal commitment to reducing carbon emissions. As a consequence, the importance of expanding renewable energy sources in China increased enormously. Our presence in this market, alongside our collaboration with leading companies in the wind and solar power sectors, will create further opportunities for long-term growth.

Our success in positioning Infineon in China as an integral part of Chinese industry (and hence of Chinese society) could well open up a multitude of new opportunities that is highly likely to have a positive impact on the growth and profitability of our business.

Further growth of semiconductor content in vehicles (OC: medium)
We expect semiconductor content per vehicle to continue growing. The primary driving force behind this trend is the rising demand for electromobility, active safety features and driver assistance systems.

We are also convinced that current global carbon emissions targets cannot be achieved without further electrification. The need for increased efforts in this field is relevant not only for electromobility (i.e., hybrid, plug-in hybrid and all-electric vehicles), but also for power units in vehicles with combustion engines. IT security within the vehicle is also further gaining in importance. Our expertise in the field of security controllers makes us extremely well positioned to exploit opportunities in this area.

Growth from mobile applications (OC: medium)
The ongoing trend towards increased mobility is also reflected in the unbroken high demand for smartphones and tablets. We benefit from this development in two ways. Firstly, through the components we supply for mobile devices (MEMS microphones, TVS diodes, GPS signal amplifiers, CMOS-RF switches), and secondly, through power semiconductors, which form the key components for energy-efficient chargers (high-voltage and low-voltage power transistors, driver ICs and control ICs).

Security applications (OC: medium)
The trend towards electronic identity documents continues to have a positive impact on Connected Secure Systems segment revenue. Paper-based documents are increasingly being replaced by chip-based versions, due to the higher level of security they offer. New markets are also emerging in conjunction with the IoT and the Industrial Internet ("Industry 4.0"). The authentication of devices is playing an increasingly important role in both of these fields, for which Infineon offers the corresponding security chips.

Liquidity position (OC: medium)
Our current liquidity position, which we describe in the chapter "Review of liquidity", p. 105 ff., enables us to obtain and, if necessary, make use of favorable refinancing conditions.

Overall statement on Infineon's financial condition

Signs of an economic recovery following the outbreak of the coronavirus pandemic began to appear about one year ago. These indications quickly gathered steam across many markets and geographies, soon leading to a stronger-than-expected economic rebound and an unprecedented global chip shortage. Manufacturing capacities became, and continue to be, the limiting factor, even more so as natural disasters and regional Covid spikes caused specific disruptions. In this challenging environment, we rapidly switched our operational mode from managing the under-utilization to handling severe allocation.

And that picture remains valid today: demand is by far outstripping supply. Near-term indicators tell us that the positive momentum in our key markets is intact, whereas, in a few applications with lower relevance for us, we see some normalization. Overall, the speed of growth is determined by the speed by which additional capacity is becoming available.

For the time being, supply constraints remain pervasive, and demand is strong across a large majority of product categories and end markets. Supply is bound to catch up with demand eventually, but we do not see this happening on a broader scale within 2022.

Current issues with allocation have only strengthened our view that we also need to champion our own manufacturing. The most critical bottlenecks arose for products that come from foundries – in some product categories, we are dependent on their supplies, as well. However, we are less dependent on foundries than competitors with fabless business models and, if we look across our entire portfolio, we are more resistant to supply problems. We have continued to develop our collaboration with contract manufacturers and have broadened our supplier base, so that in the future we will be even better equipped to deal with fluctuations in the supply situation.

A significant element of our strategic evolution is the expansion of our own manufacturing landscape. Without a doubt, the most important milestone was the opening of our new 300-millimeter semiconductor manufacturing facility in Villach (Austria) on 17 September 2021. We will operate the new factory, together with our factory in Dresden (Germany), as one unit, based on the One Virtual Fab concept, which gives us more flexibility and greater economies of scale.

We are continuing the process of aligning our product portfolio with the two key trends of the current and the next decade; namely, electrification and digitalization. Both trends and the interplay between them will accelerate structural semiconductor growth. The general market picture and our business situation continue to look very positive. This is reflected in our recent numbers:

Infineon generated **revenue** of €11,060 million in the 2021 fiscal year, an increase of 29 percent compared to the previous year's figure of €8,567 million.

The **Segment Result** totaled €2,072 million for the 2021 fiscal year, 77 percent up on the €1,170 million reported one year earlier. The **Segment Result Margin** rose accordingly, coming in at 18.7 percent compared to 13.7 percent one year earlier.

Investments during the 2021 fiscal year totaled €1,497 million, up €398 million or 36 percent on the previous year's figure of €1,099 million. The increase was slightly more pronounced than revenue growth, reflecting the strong upturn in demand. Investments as a percentage of revenue edged up from 12.8 percent to 13.5 percent year-on-year.

Free Cash Flow from continuing operations in the 2021 fiscal year was a positive amount of €1,574 million (2020: negative €6,727 million) and arose mainly due to the high level of net cash provided by operating activities from continuing operations totaling €3,063 million (2020: €1,817 million). The figure reported for the previous fiscal year was influenced primarily by the net payment (i.e., net of cash and cash equivalents acquired) amounting to €7,433 million used to acquire Cypress.

The **Return on Capital Employed (RoCE)** improved from 3.0 percent to 8.4 percent year-on-year, mainly reflecting the sharp rise in **operating profit from continuing operations after tax** from €473 million to €1,325 million compared with one year earlier. **Capital employed** stood at €15,793 million as of 30 September 2021 and was therefore similar to the amount reported one year earlier (30 September 2020: €15,827 million).

Outlook

For around three quarters now, we have been talking about the imbalance between supply and demand, caused by the pandemic, cyclical tailwinds and structural factors. In general terms, a stabilization of this boom phase is occurring at present. In the majority of markets, capacities are tight and inventories are lower-than-healthy. Demand is outstripping supply but not accelerating further from elevated levels. Stock levels in some areas are going slightly up, while staying considerably below long-term averages. Of course, dynamics are different in the various sub-markets; in some, a supply-demand equilibrium will be reached sooner than in others. For our target applications, however, we do not see this happening in the near future. Supply limitations for automotive, industrial, data center, IoT and other areas will persist well into 2022. As a consequence, our outlook for the 2022 fiscal year is determined from the supply side, that is, by the extent by which we can expand capacities, both in-house as well as from external manufacturing partners.

Based on the forecasts for the development of the global economy and the semiconductor market in the 2022 calendar year, the company expects an increase in Group revenue to around €12.7 billion plus or minus €500 million. The Segment Result Margin is forecast to come in at the middle of the range for the revenue forecast at around 21 percent of revenue. Investments are expected to be in the region of €2.4 billion. Depreciation and amortization are expected to total between €1.6 billion and €1.7 billion. Free Cash Flow from continuing operations should reach around €1 billion. The Return on Capital Employed (RoCE) is forecast to reach minimum 10 percent.

Infineon Technologies AG

In addition to reporting on Infineon as a whole, in the following section, we also provide information on the performance of Infineon Technologies AG.

Infineon Technologies AG is the parent company of Infineon and performs the Group's management and corporate functions. It is responsible for key Group-wide functions such as Finance and Accounting, Treasury Management, Investor Relations, Corporate Compliance, Internal Audit, Business Continuity, Business Excellence, Information Technology, Strategy, Mergers and Acquisitions, Legal and Patent Department, Human Resources, strategic and product-oriented research and development activities and also Corporate and Marketing Communication worldwide. Furthermore, it manages supply chain processes throughout the Group. Infineon Technologies AG also has its own manufacturing facilities, located in Regensburg and Warstein (both in Germany).

Unlike the Consolidated Financial Statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS"), Infineon Technologies AG's Separate Financial Statements are prepared in accordance with the provisions of the German Commercial Code ("HGB"). The complete Separate Financial Statements are published separately.

Earnings position

Statement of income of Infineon Technologies AG in accordance with the German Commercial Code (condensed)

€ in millions	2021	2020
Revenue	6,311	5,346
Cost of goods sold	(4,133)	(3,745)
Gross profit	**2,178**	**1,601**
Research and development expenses	(1,203)	(1,091)
Selling expenses	(444)	(370)
General and administrative expenses	(229)	(198)
Other income (expense), net	26	(2)
Result from investments, net	64	270
Interest result	(147)	(141)
Other financial result	36	(216)
Income tax	(42)	(3)
Income after taxes/net profit (previous year: net loss)	**239**	**(150)**
Transfers from retained earnings	114	437
Unappropriated profit at the end of year	**353**	**287**

The unchanged high demand for semiconductor products, which resulted in positive volume and price effects, led to an increase in revenue of Infineon Technologies AG of 18 percent to €6,311 million (2020: €5,346 million) and an increase in gross profit of 36.0 percent year-on-year to €2,178 million (2020: €1,601 million). The gross profit margin amounted to 34.5 percent in the 2021 fiscal year (2020: 29.9 percent). This development led to an increase in functional costs of €217 million to €1,876 million in the 2021 fiscal year (2020: €1,659 million), amounting to 29.7 percent of revenue (2020: 31.0 percent). Infineon Technologies AG reports net profit of €239 million for the 2021 fiscal year after a net loss of €150 million for the 2020 fiscal year. Besides an increase in gross profit, a decrease in financial expenses related to the acquisition of Cypress was recorded. This was offset by a declining income from investments and an increase of expenses by function. After transferring a total of €114 million from retained earnings, unappropriated profit amounted to €353 million.

Net assets and financial position

Statement of financial position of Infineon Technologies AG in accordance with the German Commercial Code (condensed)

€ in millions	30 September 2021	30 September 2020
Intangible assets, property, plant and equipment	592	692
Financial assets	12,446	12,266
Non-current assets	**13,038**	**12,958**
Inventories	1,257	1,207
Receivables and other assets	1,872	1,659
Cash and cash equivalents, marketable securities	3,656	2,587
Current assets	**6,785**	**5,453**
Prepaid expenses	**121**	**116**
Active difference resulting from offsetting	**2**	**2**
Total assets	**19,946**	**18,529**
Share capital	2,603	2,601
Capital reserves	3,525	3,515
Retained earnings	3,007	3,116
Unappropriated profit	353	287
Shareholders' equity	**9,488**	**9,519**
Special reserve with an equity portion	**–**	**1**
Provisions for pensions and similar commitments	321	304
Other provisions	808	725
Provisions	**1,129**	**1,029**
Bonds	4,634	4,634
Loans payable to banks	2	–
Advance payments received	1	–
Trade payables	378	341
Liabilities to affiliated companies	3,430	2,125
Other liabilities	883	878
Liabilities	**9,328**	**7,978**
Deferred income	**1**	**2**
Total liabilities and shareholders' equity	**19,946**	**18,529**

Total assets increased by 7.6 percent from €18,529 million as of 30 September 2020 to €19,946 million as of 30 September 2021. Non-current assets went up by €80 million year-on-year due to capital contributions at the level of affiliated companies while intangible assets and property, plant and equipment decreased. Current assets increased by €1,332 million, mainly due to an increase of cash and cash equivalents and marketable securities by €1,069 million to €3,656 million at the end of the reporting period (30 September 2020: €2,587 million). Cash and cash equivalents and marketable securities accounted for 53.9 percent of current assets. Receivables and other assets increased in total by €213 million due to the higher volume of business.

The decrease in equity (€31 million) was mainly due to the dividend paid out for the 2020 fiscal year amounting to €286 million and, with an offsetting effect, the net profit for the 2021 fiscal year amounting to €239 million.

Provisions for pensions and similar commitments increased by a total of €17 million, mainly due to the reduction in the average market interest rate for the past ten years used to measure obligations. The positive development of the fair value of the plan assets had an offsetting effect. Other provisions increased by a total of €83 million, relating mainly to provisions for obligations to employees amounting to €315 million (2020: €171 million) while provisions for unrealized fair value measurement losses on interest rate hedging contracts could be derecognized (2020: €66 million). Liabilities went up by €1,350 million from €7,978 million at the end of the 2020 fiscal year to €9,328 million as of 30 September 2021. The increase resulted from the higher amount of payables to affiliated companies, mainly in connection with intragroup financing management.

At the end of the reporting period, the equity ratio stood at 47.6 percent, compared to 51.4 percent one year earlier.

For information on Infineon's own shares, please see the comments relating to section 160, paragraph 1, no. 2 of the German Stock Corporation Act (AktG) provided in the Separate Financial Statements of Infineon Technologies AG.
https://www.infineon.com/cms/en/about-infineon/investor/reporting/financial-statements-hgb/

Dividend

In accordance with the German Stock Corporation Act (AktG), the amount of the dividend available for distribution to shareholders is based on the level of unappropriated profit (Bilanzgewinn) recorded by the ultimate parent, as determined in accordance with the German Commercial Code (HGB).

Infineon Technologies AG reported unappropriated profit of €353 million in its financial statements for the fiscal year ended 30 September 2021. With regard to the 2021 fiscal year, a proposal will be made to pay a dividend of €0.27 per dividend-entitled share out of the unappropriated profit of Infineon Technologies AG, amounting to €353 million. The disbursement of the proposed dividend is subject to approval by the shareholders.

The Company paid a dividend of €0.22 per share (€286 million in total) for the 2020 fiscal year.

For information regarding Infineon's long-term dividend policy, see "Dividend" in the chapter "The Infineon share". p. 98 ff.

Expected developments, together with associated material risks and opportunities

The expected developments, together with the associated material risks and opportunities of Infineon Technologies AG, are very similar to those of the Group as a whole. Moreover, it is assumed that the result from investments will play a major role in Infineon Technologies AG's earnings performance. As a general rule, Infineon Technologies AG participates in the risks of its subsidiaries and equity investments on the basis of the relevant shareholding. As the parent company, Infineon Technologies AG is integrated into Infineon's overall risk management system and internal control system. For more information on this topic, together with the associated material risks and opportunities of Infineon Technologies AG, see the chapter "Risk and opportunity report". p. 112 ff.

Most transactions within Infineon involving derivative financial instruments are handled by Infineon Technologies AG. The comments provided in "Principles and structure of Infineon's treasury" within the chapter "Review of liquidity", p. 107 f., regarding the nature and scope of transactions involving derivative financial instruments and hedged risks also apply to Infineon Technologies AG. Reference is also made to the Notes to the Separate Financial Statements of Infineon Technologies AG.
https://www.infineon.com/cms/en/about-infineon/investor/reporting/financial-statements-hgb/

Corporate Governance

Information pursuant to section 289a, paragraph 1, and section 315a, paragraph 1, of the German Commercial Code (HGB)

Structure of the subscribed capital

The share capital of Infineon Technologies AG stood at €2,611,842,274 as of 30 September 2021. This sum is divided into 1,305,921,137 no par value registered shares, each of which represents a notional portion of the share capital of €2 per share. Each share carries one vote and gives an equal right to the profit of the Company based on the profit appropriation resolved by shareholders at the Annual General Meeting.

The Company held 4,545,602 of the above-mentioned issued shares as own shares as of 30 September 2021 (30 September 2020: 5,251,391 shares). Own shares held by the Company on the date of the Annual General Meeting do not carry a vote and are not entitled to participate in profit.

Restrictions on voting rights or the transfer of shares

Restrictions on the voting rights of shares may, in particular, arise as a result of the regulations of the German Stock Corporation Act (Aktiengesetz – "AktG"). For example, pursuant to section 136 AktG shareholders are prohibited from voting under certain circumstances and, pursuant to section 71b AktG, Infineon Technologies AG has no voting rights from its own shares. Furthermore, non-compliance with the notification requirements pursuant to section 33, paragraphs 1 or 2 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG") and to section 38, paragraph 1 as well as section 39, paragraph 1, WpHG can, pursuant to section 44 WpHG, have the effect that certain rights (including the right to vote) may, at least temporarily, not exist. We are not aware of any contractual restrictions on voting rights or the transfer of shares.

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

Direct or indirect shareholdings exceeding 10 percent of the voting rights

Section 33, paragraph 1, WpHG requires each shareholder whose voting rights reach, exceed or, after exceeding, fall below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights of a listed corporation to notify such corporation and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") immediately. As of 30 September 2021, we have not been notified of any direct or indirect shareholdings reaching or exceeding 10 percent of the voting rights. The shareholdings notified to us as of 30 September 2021 are presented in the Notes to the Separate Financial Statements of Infineon Technologies AG under the information pursuant to section 160, paragraph 1, No. 8 AktG.

Shares with special rights that confer control rights

No shares conferring special control rights have been issued.

Nature of control over voting rights when employees participate in the Company's capital and do not exercise their control rights directly

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

Statutory regulations and Articles of Association provisions governing the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Section 5, paragraph 1, of the Articles of Association stipulates that the Management Board of Infineon Technologies AG is required to consist of at least two members. With effect from 15 April 2021, the Management Board comprises five members (previously four members). Management Board members are appointed and dismissed by the Supervisory Board pursuant to section 84, paragraph 1, AktG. As Infineon Technologies AG falls within the scope of the German Co-Determination Act (Mitbestimmungsgesetz – "MitbestG"), the appointment or dismissal of Management Board members requires a two-thirds majority of the votes of the Supervisory Board members (section 31, paragraph 2, MitbestG). If the required majority is not achieved at the first ballot, the appointment may be approved on a recommendation of the Mediation Committee at a second ballot by a simple majority of the votes of the Supervisory Board members (section 31, paragraph 3, MitbestG). If the required majority is still not achieved, a third ballot is held in which the Chairman of the Supervisory Board has two votes (section 31, paragraph 4, MitbestG).

If the Management Board does not have the required number of members, in urgent cases, the local court ("Amtsgericht" of Munich) makes the necessary appointment upon petition of a party concerned pursuant to section 85, paragraph 1, AktG.

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

Pursuant to section 179, paragraph 1, AktG, responsibility for amending the Articles of Association rests with the Annual General Meeting. However, section 10, paragraph 4, of the Articles of Association gives the Supervisory Board the authority to amend the Articles of Association insofar as any such amendment relates merely to the

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

Powers of the Management Board, in particular with respect to the issuing or buying back of shares

The power of the Management Board to issue shares derives from section 4 of the Articles of Association, in conjunction with applicable legal provisions. Further information relating to the Company's existing Authorized and Conditional Capital can be found in note 19 to the Consolidated Financial Statements. p. 192 f.

Authorization to issue convertible bonds and/or bonds with warrants

The Annual General Meeting held on 20 February 2020 authorized the Management Board, in the period through 19 February 2025, either once or in partial amounts, to issue convertible bonds and/or bonds with warrants (referred to collectively as "bonds") of an aggregate nominal amount of up to €4,000,000,000, to guarantee such bonds issued by subordinated Group companies of the Company and to grant bond creditors and/or bondholders conversion or option rights to up to 130,000,000 no par value registered Company shares, representing a notional portion of the share capital of up to €260,000,000 in accordance with the relevant terms of the bonds. With the approval of the Supervisory Board, the Management Board is authorized to exclude the right of shareholders to subscribe to the bonds

- if the issue price is not substantially lower than the bonds' theoretical market value as determined in accordance with accepted valuation methods, in particular those based on financial mathematics. However, this right of exclusion only applies insofar as the aggregate value of the shares to be issued to service the conversion or option rights established on this basis does not exceed 10 percent of the share capital, neither at the time the resolution concerning this authorization was passed by the Annual General Meeting, at the time of this authorization becoming effective, nor at the time it is exercised;

- in order to exclude fractional amounts resulting from a given subscription ratio from the subscription rights of the shareholders to the bonds, or insofar as any such action is necessary in order to grant holders of conversion or option rights arising from bonds that have already been or will in future be issued by the Company or its subordinated Group companies subscription rights to that extent to which they would be entitled after exercising their rights, or after the fulfillment of any conversion or option obligations; and

- insofar as bonds are issued in return for a capital contribution in kind, provided that the value of any such capital contribution in kind is appropriate in relation to the market value of the bonds.

Even if the dilution protection regulations are applied, the conversion or option price must equal at least 80 percent of the arithmetic mean of the closing prices of the Company's share in Xetra trading on the Frankfurt Stock Exchange (or comparable successor system). Further details – including the conditions under which the conversion or option price may be reduced – are set out in the authorization.

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

Authorization to acquire own shares

A resolution passed by the Annual General Meeting on 22 February 2018 authorizes Infineon Technologies AG, in the period through 21 February 2023, to acquire its own shares, within the statutory boundaries, in an aggregate amount not exceeding 10 percent of the share capital at the time the resolution was passed or – if the latter amount is lower – of the share capital in existence at the time the authorization is exercised. The Company may not use the authorization for the purposes of trading in its own shares. The Management Board decides whether own shares are acquired

through the stock exchange, by means of a public offer to purchase addressed to all shareholders, a public invitation to submit offers for sale, or via a bank or other entity that meets the requirements of section 186, paragraph 5 sentence 1, AktG. The authorization includes differentiating requirements – in particular with regard to the permissible purchase price – for each method of acquisition.

Infineon shares acquired or being acquired on the basis of this or an earlier authorization may – if not sold either via the stock exchange or by means of a public offer to purchase addressed to all shareholders – be used for all legally admissible purposes. The shares may also be canceled or offered to third parties in conjunction with business combinations or the acquisition of companies, parts of companies or participations in companies. Subject to the approval of the Supervisory Board, under specified circumstances the shares may also be sold to third parties in return for cash payment (including by means other than through the stock exchange or through an offer to all shareholders), used to meet the Company's obligations under convertible bonds and bonds with warrants and stock option plans, offered for sale or granted as a remuneration component to members of corporate bodies and employees within the Group, and/or used to repay securities-backed loans. The subscription right of shareholders is excluded in all of the above cases (except when the shares are canceled). In addition, the subscription rights of shareholders are excluded in respect of fractional amounts in instances in which the shares are sold through a public offer addressed to all shareholders.

According to a resolution passed by the Annual General Meeting on 22 February 2018, the acquisition of Infineon Technologies AG shares may also be effected using equity derivatives. The total number of shares that can be acquired using derivatives may not exceed 5 percent of the Company's share capital, determined either at the time of this authorization becoming effective or at the time of its exercise through the use of the derivatives. The shares acquired through the exercise of this authorization are to be counted toward the acquisition threshold for the shares acquired in accordance with the authorization to acquire own shares as described above. The authorization stipulates other restrictions when derivatives are deployed, including their execution, term, servicing and acquisition price.

If own shares are acquired using derivatives in accordance with the requirements stipulated in the authorization, any right of the shareholders to conclude such derivative transactions with the Company will be excluded in analogous application of section 186, paragraph 3, sentence 4, AktG. Shareholders have no right to conclude derivative transactions with the Company.

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

The use of own shares acquired through derivatives is governed by the same rules as those applicable for the direct acquisition of own shares.

Significant agreements that are subject to the condition of a change of control as a result of a takeover bid and compensation agreements with Management Board members or employees in the event of a takeover bid

Various financing agreements with lending banks and capital market creditors contain defined change-of-control clauses that give creditors the right to demand early repayment. These clauses reflect standard market practice.

Furthermore, certain patent cross-licensing agreements, development agreements, subsidy agreements and approvals, supply contracts, joint venture agreements and license agreements contain customary change-of-control clauses, which, in the event of a change of control at Infineon Technologies AG, make the continuation of the agreement dependent on the consent of the contracting party, grant special rights to the contracting party that may be unfavorable for Infineon, or even entitle the contracting party to terminate the agreement.

If a Management Board member leaves their position in connection with a defined change of control, that member is entitled to continued payment of the relevant annual remuneration for the entire remaining contract term. In accordance with a special contract termination right granted to Management Board members, the period of continued payment is capped at a maximum of 36 months in the event that the member resigns, or at a minimum of 24 months and a maximum of 36 months in

the event of dismissal/termination of contract by Infineon Technologies AG. All service contracts have since been adapted to the new Management Board remuneration system, so that the maximum period of continued payment has been reduced to 24 months for all Management Board members with effect from 1 October 2021. Further details are contained in the remuneration report.

The change-of-control clauses agreed with Management Board members are intended to provide financial security to those members in the event of a change of control, with a view to preserving their independence in this situation.

The conditions of both the Performance Share Plan and the Restricted Stock Unit Plan, in which Infineon managers and other selected employees worldwide participate, contain rules that are triggered in the event of a defined change of control. For the most part, these rules specify that the vesting periods that are envisaged by the relevant plans are aborted in the event of a change of control. Although Management Board members also participate in the Performance Share Plan, the rules therein relating to a change of control do not apply to Management Board members, given that their service contracts take precedence.

Statement on Corporate Governance pursuant to sections 289f and 315d of the German Commercial Code (HGB)/ Corporate Governance Report

The Statement on Corporate Governance pursuant to sections 289f and 315d of the German Commercial Code (HGB), including the Corporate Governance Report, is publicly available.

www.infineon.com/declaration-on-corporate-governance

Remuneration report

This remuneration report, which forms part of the Combined Management Report, explains the principles of the remuneration system for the Management Board and Supervisory Board of Infineon Technologies AG as well as the level of remuneration paid to the individual Management Board and Supervisory Board members.

In addition to statutory requirements, the remuneration report is based primarily on the German Accounting Standard on Reporting on the Remuneration of Members of Governing Bodies (DRS 17). The remuneration report also contains the model tables recommended by the German Corporate Governance Code (Deutsche Corporate Governance Kodex – "DCGK") in the version dated 7 February 2017 (DCGK 2017). This information is provided despite the fact that the DCGK was revised with effect from 20 March 2020 and accordingly, the recommendation to disclose the model tables no longer applies. For reasons of consistency and transparency, the model tables are to be continued until the changeover to the new remuneration report stipulated in Section 162 of the German Stock Corporation Act and introduced in accordance with the Act Implementing the Second Shareholder Rights Directive (ARUG II). The new report becomes binding for Infineon Technologies AG for the first time for the fiscal year beginning on 1 October 2021.

Management Board remuneration

Remuneration system

Similar to the remuneration paid to individual Management Board members, the Management Board remuneration system is defined and regularly reviewed by the full Supervisory Board on the basis of recommendations made by the Executive Committee.

On 20 November 2020, the Supervisory Board adopted a new Management Board remuneration system based on the recommendation of the Executive Committee. The new system was approved by the Annual General Meeting on 25 February 2021 in accordance with Section 120a of the German Stock Corporation Act and will apply as a general rule for incumbent Management Board members effective 1 October 2021.

However, the amended rules governing the variable remuneration component relating to the Long-Term Incentive (LTI) have been applied taking into account the grant made on 1 April 2021 (and thus retrospectively from 1 October 2020 for the 2021 fiscal year). The rationale for the early implementation of the new LTI rules was, firstly, that the Performance Share Plan (PSP) for employees, which had been designed as an LTI plan, was amended with effect from 1 April 2021, and it was desirable to synchronize that plan with the Management Board's LTI. Secondly, this procedure obviated the need to grant a further tranche of the variable remuneration component relating to the Mid-Term Incentive (MTI) in the 2021 fiscal year, reflecting the fact that the new remuneration system no longer includes an MTI component, the latter having been incorporated in the LTI with a view to strengthening long-term variable remuneration.

The aforementioned amendments to the Management Board remuneration system, which already apply for the 2021 fiscal year, are described in detail in this remuneration report. The other adjustments, which will only be relevant from the 2022 fiscal year, are outlined hereinafter in "Revision of the Management Board remuneration system", p. 147 ff. They are included in full and in detail in the notice of the Annual General Meeting held on 25 February 2021 and also presented on the website of Infineon. https://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/#equity-based-compensation

Appropriateness of Management Board remuneration

In accordance with applicable legal requirements and the recommendations of the DCGK, the remuneration paid to Management Board members is intended to reflect the typical level and structure of management board remuneration at peer companies, 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 remuneration in relation to that of senior management and the workforce as a whole, including changes in the level of remuneration over time. The stated objective is that the remuneration structure should be designed in such a way that it promotes sustainable and long-term business development. The level of remuneration should contribute towards achieving Infineon's business strategies, with a cap in place in the event of exceptional developments. Infineon sets remuneration at a level that is competitive both nationally and internationally, with the aim of inspiring and rewarding dedication and success in a dynamic environment.

To ensure appropriateness, the Supervisory Board performs both horizontal and vertical comparisons at regular intervals.

The horizontal view compares the remuneration of Infineon's Management Board members with that of similar companies. In its most recent review of the appropriateness of Management Board remuneration, the Supervisory Board used a peer group of comparable DAX-listed companies (as of 31 December 2019, but excluding Linde plc and Wirecard AG, as no annual reports were available for these companies at the time of the comparison for 2019), comprising the following:

- Adidas AG
- Allianz SE
- BASF SE
- Bayer AG
- Beiersdorf AG
- BMW AG
- Continental AG
- Daimler AG
- Deutsche Bank AG
- Deutsche Börse AG
- Deutsche Lufthansa AG
- E.ON SE
- Fresenius Medical Care AG & Co. KGaA
- Fresenius SE & Co. KGaA
- HeidelbergCement AG
- Henkel AG & Co. KGaA
- Merck KGaA
- MTU Aero Engines AG
- Münchener Rückversicherungs-Gesellschaft AG
- RWE AG
- SAP SE
- Siemens AG

In addition to the horizontal comparison, a vertical view is also taken, whereby Infineon's internal remuneration structure is assessed by comparing the remuneration of the Management Board with that of senior management (senior executives in Germany and those performing internationally comparable functions) and the workforce as a whole. Apart from the current status, changes in the level of remuneration over time are also considered.

Components of the Management Board remuneration system
As remuneration for their service, all Management Board members receive a target annual income which – based on 100 percent target achievement – comprises approximately 40 percent fixed remuneration and approximately 60 percent variable remuneration components:

- **Fixed remuneration:** Comprises a contractually agreed basic annual salary that is not linked to performance and paid in twelve equal monthly installments.

- **Variable** (= performance-related) **remuneration:** Comprises two components – an annual bonus (short-term incentive – STI) and a long-term variable remuneration component (long-term incentive – LTI).

With the conversion of the current service contracts to the new Management Board remuneration system with effect from 1 October 2021 (i.e., for the 2022 fiscal year) and, in the case of the LTI with effect from 1 October 2020 (i.e., with the grant made on 1 April 2021 for the 2021 fiscal year), the previous multi-year variable bonus (Mid-Term Incentive – MTI) was discontinued. The allocation amount previously awarded for the MTI has now been largely added to the LTI. This change has the effect of increasing the weighting of long-term variable remuneration.

The **short-term incentive ("STI")** is intended to reward performance over the fiscal year just ending, reflecting Infineon's recent progress. Assuming 100 percent target achievement of the variable remuneration components, the STI constitutes approximately 18 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 Management Board members. Underpinning the consistent approach taken to managing the business, the same target indicators – supplemented by the Segment Result Margin – serve as the basis for determining the variable remuneration 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. p. 93. With the conversion of the current service contracts to the new Management Board remuneration system with effect from 1 October 2021 (i.e., for the 2022 fiscal year) all three performance indicators (Free Cash Flow, Return on Capital Employed and Segment Result Margin) are also relevant for the Executive Board.

(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 out only if the levels of target achievement reach at least the 50 percent threshold for both performance indicators (Free Cash Flow and 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 amount of the STI. A cap of 250 percent applies, meaning that the maximum amount that can be paid out is two-and-a-half times the target STI (= 100 percent), regardless of an actual higher level of achievement. Moreover, the Supervisory Board may increase or reduce the amount payable 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 that may be relevant. A lower limit applies in this case, such that the amount payable may not 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 a member's term of office on the Management Board begins or ends during a fiscal year, that member's entitlement to the STI is reduced on a pro rata monthly basis (by one twelfth for each full month missing from the complete STI tranche). A Management Board member 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 Management Board member's service contract is terminated by the Company for good cause.

With regard to the performance indicator Free Cash Flow for the 2021 fiscal year, the Supervisory Board had set a threshold of €347 million (0 percent target achievement), a target of €770 million (100 percent target achievement) and a maximum of €1,232 million (250 percent target achievement).

Free Cash Flow recorded for the 2021 fiscal year amounts to €1,574 million, corresponding to a target achievement level of 250 percent.

With regard to the performance indicator RoCE for the 2021 fiscal year, the Supervisory Board had set a threshold of 3.0 percent (0 percent target achievement), a target of 9.0 percent (100 percent target achievement) and a maximum of 17.5 percent (250 percent target achievement).

When calculating the RoCE relevant for determining the level of target achievement, those factors which cannot be influenced by the relevant decision-makers are adjusted in the earnings figure (operating profit from continuing operations after taxes). This applies in particular to earnings components which are not directly segment-related. The RoCE determined in this way for the 2021 fiscal year came in at 11.7 percent, corresponding to a target achievement level of 138.5 percent.

If both targets (Free Cash Flow and RoCE) end up with the same weighting, the arithmetic (mean) target achievement level for the 2021 fiscal year is 194.2 percent.

Exceptional factors not covered by the definitions of RoCE and Free Cash Flow that have a (positive or negative) impact on target achievement are taken into account by the Supervisory Board as it sees fit for the purposes of determining the target achievement level, provided that such factors are significant and were not already included in the forecast.

From the 2022 fiscal year onwards, the STI will – alongside the aforementioned financial performance criteria and Segment Result Margin – also include a criteria-based modifier that enables the Supervisory Board to assess the Management Board's collective performance and take appropriate account of extraordinary developments that were not adequately reflected in the targets set at an earlier stage. After the end of the respective fiscal year, the Supervisory Board applies a factor of between 0.7 and 1.3 to determine the overall level of target achievement. The collective performance of the Management Board rewards the extent to which the Management Board contributes to the sustainable development of the Company as a whole – in strategic, technical or structural terms. Prior to the beginning of each fiscal year, the Supervisory Board selects the criteria that it has determined are relevant for the fiscal year in question, based on the following categories:

- sustainable strategic, technical or structural development of the business;
- portfolio-related measures, particularly successful mergers and acquisitions as well as corresponding integration measures;
- successful development of new growth markets, improvement of market position;
- optimizations, efficiency improvement programs, restructuring;
- successful completion of key projects;
- improved innovative strength and delivery capabilities;
- progress in Environmental, Social & Governance (ESG) matters.

For the 2022 fiscal year, the Supervisory Board has defined two specific criteria at the recommendation of the Executive Committee:

- Firstly, the performance of the Management Board should be measured in terms of its implementation of the digital transformation strategy.
- Secondly, the development of key technologies and innovations and, in this context, the corresponding market growth for SiC and GaN products, which is strategically vital for Infineon.

The **Mid-Term Incentive ("MTI")** was intended to reward sustained performance by the Management Board that reflected Infineon's medium-term progress. As explained above, the MTI has been discontinued as a remuneration component with effect from 1 October 2020. In concrete terms, this means that no new three-year MTI tranches have been granted since 1 October 2020, i.e., for the 2021 fiscal year. The two MTI tranches allocated for the 2019 and 2020 fiscal years continued to be valid but will not be supplemented with additional annual tranches. Accordingly, after the end of the 2021 fiscal year, the tranche allocated for the 2019 fiscal year was paid out in two annual installments (for the 2019 and 2020 fiscal years). After the end of the 2022 fiscal year, the tranche allocated for the 2020 fiscal year will be paid out with only one annual tranche (for the 2020 fiscal year). 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.

As the previous MTI allocation amount has now been added to the LTI with a four-year performance period, a temporary payout shortfall arises, which will be compensated by temporarily increasing the STI allocation amount for the Management Board members concerned in the 2022, 2023 and 2024 fiscal years. Therefore, a maximum remuneration of €8,200,000 (Chief Executive Officer) and €4,800,000 (ordinary member of the Executive Board) applies to current service contracts for fiscal years 2022, 2023 and 2024.

The **Long-Term Incentive ("LTI")** was adjusted with retrospective effect from 1 October 2020.

The LTI is a Performance Share Plan with a four-year performance period. Assuming 100 percent target achievement of the variable remuneration components, the LTI constitutes approximately 42 percent of target annual income.

The performance period begins on 1 October of the first fiscal year of the performance period and ends on 30 September four years later. During this period, performance is measured on the basis of two criteria, namely a financial performance criterion based on relative Total Shareholder Return (TSR) as compared to a selected sector peer group and a non-financial performance criterion derived from strategic Environmental, Social & Governance (ESG) targets. The TSR and the ESG targets contribute 80 percent and 20 percent to overall target achievement respectively.

The LTI tranche is allocated on 1 April in the first fiscal year of the performance period (allocation date). The vesting period begins on the allocation date. Unlike the performance period, the vesting period ends four years after the allocation date, i.e., on 31 March. In order to determine the number of performance shares to be provisionally awarded on the allocation date, at the beginning of the performance period, the individual allocation amount is divided by the average share price over the last 60 trading days prior to the beginning of the performance period. The extent of target achievement is determined at the end of the four-year performance period. The definitive number of performance shares to be allocated after the end of the vesting period is calculated by multiplying the number of provisionally allocated performance shares by the total target achievement of the two performance criteria applied during the performance period. The definitive allocation of performance shares in an LTI tranche may not result in the Management Board member's gain (before taxes) exceeding 250 percent of the respective LTI allocation amount. Above this cap, any performance shares that could still theoretically be allocated will lapse.

If the service contract of a Management Board member begins and/or ends during the fiscal year, the LTI grant amount for the fiscal year shall be reduced pro rata temporis on a monthly basis (by one twelfth for each missing full month).

Performance criteria and measuring success

TSR

The TSR is defined as Infineon's share price performance over the performance period, including any dividends per share paid during that period (cumulative and notionally reinvested) compared to a pre-defined peer group. The TSR measures the total shareholder return, reflects the overall success of an investment, and is used as an indicator to determine the increase in market or company value. Target achievement for the TSR is based on a comparison with Infineon's main international competitors (sector peer group):

- Analog Devices Inc.
- Broadcom Inc.
- China Electronics Huada Technology Company Ltd.
- Dialog Semiconductor PLC [1]
- Elmos Semiconductor SE
- Fuji Electric CO., LTD.
- GigaDevice Semiconductor (Beijing) Inc.
- Knowles Corp.
- Macronix International Co., Ltd.
- MediaTek Inc.
- Microchip Technology Inc.
- Micron Technology, Inc.
- Mitsubishi Electric Corp.
- Nuvoton Technology Corp.
- NXP Semiconductors N.V.
- Omron Corp.
- ON Semiconductor Corp.
- Power Integrations Inc.
- Qualcomm Technologies, Inc.
- Renesas Electronics Corp.
- Rohm CO., LTD.
- Shanghai Fudan Microelectronics Group Co., Ltd.
- Silicon Laboratories, Inc.
- STMicroelectronics N.V.
- Texas Instruments Inc.
- Toshiba Corp.
- Vishay Intertechnology, Inc.
- Winbond Electronics Corp.
- Wolfspeed, Inc.

1 Dialog Semiconductor PLC was acquired by Renesas Electronics Corporation in August 2021.

Only companies that exist (and remain) as a legally independent entity throughout the performance period are considered part of the peer group. The Supervisory Board may adjust the peer group as it sees fit prior to the beginning of a new performance period.

The target achievement for Infineon's TSR performance criterion is determined using the ranking method. In this context, the TSR is calculated for Infineon and all companies in the sector peer group and ranked according to size. This ranking results in a percentile rank that indicates where Infineon's TSR is positioned.

The TSR target achievement can range between 0 percent and 150 percent. If Infineon's TSR is positioned at the 60th percentile, the target achievement is 100 percent. A position at or below the 25th percentile results in a target achievement of 0 percent, while a position at or above the 75th percentile results in a target achievement of 150 percent. Target achievements between the defined target achievement points are interpolated linearly. The TSR includes all cash dividends paid out during the performance period by all companies in the peer group (including Infineon) and is calculated as follows:

$$\text{TSR} = \frac{\text{(Change in Stock Price + Dividends Paid)}}{\text{Beginning Stock Price}}$$

ESG

ESG targets are defined as non-financial, quantitative and qualitative performance criteria relating to environmental, social and governance (ESG) matters. These include, for example, contributions to global climate protection (such as carbon neutrality by 2030) or the furthering of diversity at Infineon that has a positive impact on innovation, employee commitment and financial performance. Establishing a clear link between ESG targets and Infineon's business and sustainability strategies, on the one hand, and current market requirements, on the other, creates incentives for managing the company on a sustainable basis in the best interest of stakeholders. The ESG targets

are therefore important in that they align the interests of both the Management Board and other stakeholders and contribute to the long-term sustainable success of the Group as a whole.

The specific ESG targets to be used for a particular tranche are determined and definitively resolved by the Supervisory Board prior to the beginning of the performance period. The Supervisory Board defines up to three specific ESG targets, which are weighted equally. At the end of the performance period, target achievement is determined on the basis of a target/actual comparison and, as in the case of the LTI financial performance criterion, can range between 0 percent and 150 percent. The specific ESG targets, target achievement curves and target achievements are disclosed ex post in the remuneration report. The Supervisory Board is entitled to determine further ESG targets and their relative weightings.

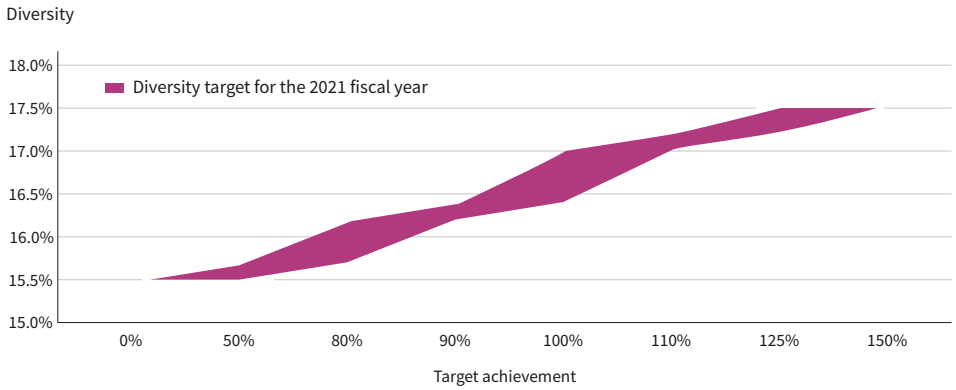
For the LTI tranche allocated on 1 April 2021, the Supervisory Board has defined two ESG targets: one relating to environment and the other to social matters.

The environmental target is to achieve 50 percent carbon neutrality in the 2024 fiscal year. The base period for these purposes is the 2019 calendar year. The target is to be achieved by reducing PFC emissions, energy efficiency measures or development assistance measures linked to decarbonization. The aim is to achieve a total reduction of 100,000 tons of carbon emissions by the end of the 2024 fiscal year. Target achievement can range between 0 percent and 150 percent. If carbon emissions are reduced by less than 25,000 tons, target achievement is 0 percent. If carbon emissions are reduced by 100,000 tons, target achievement is 100 percent. If they are reduced by 150,000 tons or more, target achievement is 150 percent. Target achievements between the defined target achievement points are interpolated linearly. If carbon neutrality is not achieved, the target achievement is 0 percent regardless of the aforementioned linear component. The environmental target contributes 10 percent to the overall target achievement of the LTI.

The Supervisory Board has also defined a further ESG target in the area of social matters. In the light of this diversity target, gender diversity is taken into account, i.e., the proportion of women in management positions as well as other diversity factors. A target range has been defined for the percentage of women in management positions.

The aim is to increase the percentage of women in GG (Global Grade) 13+ positions to within a target range between 18 percent and 20 percent by the 2030 fiscal year. Target achievement for the diversity target can range between 0 percent and 150 percent. A 100 percent target achievement corresponds to an increase of between 1.2 percentage points and 1.8 percentage points at the end of the performance period. The baseline is 15.2 percent as of 30 September 2020. If the proportion of women is increased by up to 0.3 percentage points during the performance period, this results in a target achievement of 0 percent, while an increase in the proportion of women by more than 2.3 percentage points would result in a target achievement of 150 percent. Target achievements between the defined target achievement points are interpolated linearly. The diversity target contributes 10 percent to the overall target achievement of the LTI.

C41 Diversity target



Final allocation
After the final fiscal year of the four-year performance period has ended, the Supervisory Board determines the number of performance shares that will be definitively allocated. The Supervisory Board reserves the right to make a cash settlement rather than actually transferring Infineon shares. The Supervisory Board is required to make the decision prior to the end of the four-year vesting period; otherwise the right to make a cash settlement lapses. If the Supervisory Board decides to settle in cash, the amount to be paid out is calculated by multiplying the number of performance shares definitively allocated by the average share price over the last 60 trading days prior to the end of the four-year performance period. Payment must be made within one month after the end of the vesting period. Here too, the definitive LTI payout amount is limited to 250 percent of the individual allocation amount.

LTI rules prior to the changeover to the new remuneration system
The LTI tranches already allocated prior to the changeover to the new remuneration system will continue to be subject to the old rules described below.

The (virtual) performance shares were allocated as of 1 March for the fiscal year that began on 1 October, initially on a provisional basis. The final allocation and transfer of (real) Infineon shares took place four years later. Performance shares were allocated provisionally on the basis of the contractually agreed "LTI allocation amount" in euros and agreed upon individually in the service contract of each Management Board member. The number of performance shares was 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 Management Board member 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 definitively 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 all or only those that are not performance-related – are met at the end of the holding period, the Management Board member acquires an entitlement against the Company for the transfer of the corresponding number of (real) Infineon shares. Any performance shares that do not achieve the target are forfeited. The value of the performance shares definitively granted to the Management Board member per LTI tranche at the end of the holding period may not exceed 250 percent of the relevant LTI allocation amount; any performance shares above this amount lapse (cap).

Based on its own best judgment, the Supervisory Board has the option to grant a special bonus, such as for exceptional 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 remuneration of the Management Board member concerned. Under the new Management Board remuneration system, the option to grant a special bonus has been removed without replacement.

Management Board remuneration in the 2021 fiscal year in accordance with German Accounting Standard 17 (DRS 17)

Total remuneration

Total remuneration to Management Board members in accordance with DRS 17 and benefits to individual Management Board members – also presented in accordance with DRS 17 – are shown in the table below.

Management Board members did not receive any loans from Infineon or benefits from third parties in the 2021 and 2020 fiscal years, whether promised or actually paid, for their board activities at Infineon.

Fringe benefits

In accordance with their service contracts, Management Board members 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. Any taxes arising on the fringe benefit related to private usage are borne by the individual Management Board members themselves.

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

	Dr. Reinhard Ploss Chief Executive Officer		**Dr. Sven Schneider** Chief Financial Officer		**Dr. Helmut Gassel** Management Board member		**Jochen Hanebeck** Management Board member		**Constanze Hufenbecher** Management Board member since 15 April 2021[3]		**Total** Management Board	
in €	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Fixed remuneration												
Basic annual salary	1,240,000	1,240,000	825,000	825,000	750,000	750,000	750,000	750,000	346,591	–	3,911,591	3,565,000
Fringe benefits	35,238	37,211	55,337	55,750	32,188	70,893	28,329	34,476	34,140	–	185,232	198,330
Total fixed remuneration	**1,275,238**	**1,277,211**	**880,337**	**880,750**	**782,188**	**820,893**	**778,329**	**784,476**	**380,731**	**–**	**4,096,823**	**3,763,330**
Variable remuneration												
Single-year variable remuneration (STI)	1,068,100	477,950	728,250	325,875	660,280	295,460	660,280	295,460	302,628	–	3,419,538	1,394,745
Multi-year variable remuneration												
Mid-Term Incentive (MTI)[1]												
2020 – 2022 tranche	–	159,317	–	108,625	–	98,487	–	98,487	–	–	–	464,916
2019 – 2021 tranche	–	159,317	–	108,625	–	98,487	–	98,487	–	–	–	464,916
2018 – 2020 tranche	–	159,317	–	–	–	98,487	–	98,487	–	–	–	356,291
Long-Term Incentive (LTI)												
Performance Share Plan[2]	1,767,364	290,050	976,672	264,125	976,672	165,725	976,672	165,725	447,629	–	5,145,009	885,625
Total variable remuneration	**2,835,464**	**1,245,951**	**1,704,922**	**807,250**	**1,636,952**	**756,646**	**1,636,952**	**756,646**	**750,257**	**–**	**8,564,547**	**3,566,493**
Total remuneration	**4,110,702**	**2,523,162**	**2,585,259**	**1,688,000**	**2,419,140**	**1,577,539**	**2,415,281**	**1,541,122**	**1,130,988**	**–**	**12,661,370**	**7,329,823**

1 The values include the annual MTI tranche granted in the respective fiscal year based on the fulfillment of the plan requirements.
2 The figures for the active Management Board members in the 2021 fiscal year were based on a fair market value per performance share amounting to €28.87 (2020: €12.50), which was calculated using a Monte Carlo simulation model.
3 Ms. Hufenbecher is entitled to one twenty-fourth of the individual STI or LTI grant amount for the month of April 2021, and thus to a total of 11 twenty-fourths for the entry fiscal year.

The fringe benefits of Ms. Hufenbecher include a one-time lump sum of €25,000 for the reimbursement of start-up costs.

Other fringe benefits relate mainly to statutory obligations such as the payment of inventor's remuneration or general benefits available to all Infineon employees.

Share-based payment

As described in the section "Management Board remuneration", the contractually agreed LTI is granted to Management Board members by Infineon in the form of performance shares, p. 136. The average price of the Infineon share relevant for the number of performance shares granted for the 2021 fiscal year was €22.82 (2020: €18.10).

A fair market value of €28.87 (2020: €12.50) per performance share granted in the 2021 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 Management Board members in the 2021 fiscal year.

Further details regarding the LTI tranche that vested on 1 October 2021 and the performance shares awarded to Management Board members on 1 April 2021 for the 2021 fiscal year are provided in note 21 to the Consolidated Financial Statements. p. 195 f.

		Performance Share Plan						
		Virtual performance shares outstanding at the beginning of the fiscal year	Virtual performance shares newly granted in the fiscal year	Fair value grant date	Virtual performance shares due in the fiscal year[1]	Virtual performance shares expired in the fiscal year[2]	Virtual performance shares outstanding at the end of the fiscal year	Total expense for share-based payment
Management Board member	Fiscal year	Number	Number	in €	Number	Number	Number	in €
Dr. Reinhard Ploss Chief Executive Officer	**2021**	**91,788**	**61,218**	**1,767,364**	**14,027**	**14,027**	**124,952**	**523,916**
	2020	103,148	23,204	290,050	17,282	17,282	91,788	182,577
Dr. Sven Schneider Chief Financial Officer	**2021**	**21,130**	**33,830**	**976,672**	**–**	**–**	**54,960**	**276,840**
	2020	–	21,130	264,125	–	–	21,130	59,802
Dr. Helmut Gassel Management Board member	**2021**	**53,328**	**33,830**	**976,672**	8,455	8,455	**70,248**	**291,991**
	2020	40,070	13,258	165,725	–	–	53,328	104,328
Jochen Hanebeck Management Board member	**2021**	**53,328**	**33,830**	**976,672**	8,455	8,455	**70,248**	**291,991**
	2020	40,070	13,258	165,725	–	–	53,328	104,328
Constanze Hufenbecher Management Board member since 15 April 2021[3]	**2021**	**–**	**15,505**	**447,629**	**–**	**–**	**15,505**	**99,473**
	2020	–	–	–	–	–	–	–
Total	**2021**	**219,574**	**178,213**	**5,145,009**	**30,937**	**30,937**	**335,913**	**1,484,211**
	2020	183,288	70,850	885,625	17,282	17,282	219,574	451,035

1 The share price of the virtual performance shares exercised on 1st October 2020 amounted to €25.50.
2 In the 2021 and 2020 fiscal years, virtual performance shares expired because the performance hurdle had not been met.
3 Despite taking office on 15th April 2021, Ms. Hufenbecher was granted virtual performance shares retroactively as of 1st April 2021. Ms. Hufenbecher is entitled to one twenty-fourth of the individual LTI grant amount for the month of April 2021, and thus to a total of 11 twenty-fourths for the entry fiscal year.

Special bonuses
The Supervisory Board did not award any special bonuses to Management Board members during the 2021 fiscal year.

Other awards and benefits
In the 2009 fiscal year, the Company entered into a restitution agreement with each of the then active Management Board members. Dr. Ploss is the only current Management Board member affected by the agreement. The 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 Management Board members are involved in conjunction with their activities on behalf of the Company. However, the agreements specifically exclude any restitution of costs incurred in conjunction with section 93, paragraph 2, AktG.

Remuneration of the Management Board in the 2021 fiscal year in accordance with DCGK 2017 (voluntary disclosure)

Remuneration granted ("gewährte Zuwendungen")
The following table shows the value of remuneration granted for the 2020 and 2021 fiscal years, including fringe benefits, as well as the minimum and maximum values that can be achieved for the 2021 fiscal year.

Unlike the disclosures in accordance with DRS 17, the STI is disclosed in the following table at the target value (i.e., the value in the event of 100 percent target achievement). In a deviation from DRS 17, the MTI was disclosed 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 percent to 200 percent. In addition, the pension expense, i.e., the service cost in accordance with IAS 19 (see "Commitments to Management Board members upon termination of their Board activities" in this chapter, p. 145 f.), is included in total remuneration.

	Dr. Reinhard Ploss Chief Executive Officer				**Dr. Sven Schneider** Chief Financial Officer				**Dr. Helmut Gassel** Management Board member			
in €	**2021**	2020	**2021 (min.)**	**2021 (max.)**	**2021**	2020	**2021 (min.)**	**2021 (max.)**	**2021**	2020	**2021 (min.)**	**2021 (max.)**
Fixed remuneration												
Basic annual salary	1,240,000	1,240,000	1,240,000	1,240,000	825,000	825,000	825,000	825,000	750,000	750,000	750,000	750,000
Fringe benefits	35,238	37,211	35,238	35,238	55,337	55,750	55,337	55,337	32,188	70,893	32,188	32,188
Total fixed remuneration	**1,275,238**	**1,277,211**	**1,275,238**	**1,275,238**	**880,337**	**880,750**	**880,337**	**880,337**	**782,188**	**820,893**	**782,188**	**782,188**
Variable remuneration												
Single-year variable remuneration (STI)	550,000	550,000	–	1,375,000	375,000	375,000	–	937,500	340,000	340,000	–	850,000
Multi-year variable remuneration												
Mid-Term Incentive (MTI)												
2020 – 2022 tranche	–	550,000	–	–	–	375,000	–	–	–	340,000	–	–
Long-Term Incentive (LTI)												
Performance Share Plan[1]	1,767,364	290,050	–	3,492,500	976,672	264,125	–	1,930,000	976,672	165,725	–	1,930,000
Total variable remuneration	**2,317,364**	**1,390,050**	**–**	**4,867,500**	**1,351,672**	**1,014,125**	**–**	**2,867,500**	**1,316,672**	**845,725**	**–**	**2,780,000**
Pension expense	72,298	368,802	72,298	72,298	278,244	294,037	278,244	278,244	98,884	106,961	98,884	98,884
Total remuneration (DCGK)	**3,664,900**	**3,036,063**	**1,347,536**	**6,215,036**	**2,510,253**	**2,188,912**	**1,158,581**	**4,026,081**	**2,197,744**	**1,773,579**	**881,072**	**3,661,072**

1 The figures of the active Management Board members in the 2021 fiscal year were based on a fair market value per performance share amounting to €28.87 (2020: €12.50), which was calculated using a Monte Carlo simulation.

	Jochen Hanebeck Management Board member				Constanze Hufenbecher Management Board member since 15 April 2021[2]			
in €	2021	2020	2021 (min.)	2021 (max.)	2021	2020	2021 (min.)	2021 (max.)
Fixed remuneration								
Basic annual salary	750,000	750,000	750,000	750,000	346,591	–	346,591	346,591
Fringe benefits	28,329	34,476	28,329	28,329	34,140	–	34,140	34,140
Total fixed remuneration	**778,329**	**784,476**	**778,329**	**778,329**	**380,731**	**–**	**380,731**	**380,731**
Variable remuneration								
Single-year variable remuneration (STI)	340,000	340,000	–	850,000	155,833	–	–	389,583
Multi-year variable remuneration								
Mid-Term Incentive (MTI)								
2020 – 2022 tranche	–	340,000	–	–	–	–	–	–
Long-Term Incentive (LTI)								
Performance Share Plan[1]	976,672	165,725	–	1,930,000	447,629	–	–	884,583
Total variable remuneration	**1,316,672**	**845,725**	**–**	**2,780,000**	**603,462**	**–**	**–**	**1,274,166**
Pension expense	120,148	129,139	120,148	120,148	131,044	–	131,044	131,044
Total remuneration (DCGK)	**2,215,149**	**1,759,340**	**898,477**	**3,678,477**	**1,115,237**	**–**	**511,775**	**1,785,941**

1 The figures of the active Management Board members in the 2021 fiscal year were based on a fair market value per performance share amounting to €28.87 (2020: €12.50), which was calculated using a Monte Carlo simulation.
2 Ms. Hufenbecher is entitled to one twenty-fourth of the individual STI or LTI grant amount for the month of April 2021, and thus to a total of 11 twenty-fourths for the entry fiscal year.

Remuneration received by Management members (“Zufluss”)

Since the remuneration granted to Management Board members for the 2021 fiscal year did not coincide fully with amounts disbursed in a particular fiscal year, a separate table is presented below showing the amounts flowing to (i.e., received by) Management Board members for the 2021 fiscal year (“Zufluss”).

Accordingly, the fixed remuneration and the STI are disclosed as amounts received by Management Board members for the relevant fiscal year. The MTI was disclosed as received by Management Board members in the fiscal year in which the plan term of the relevant MTI tranche ends. However, due to the discontinuation of the MTI, the tranche allocated for the 2019 fiscal year was paid and included two annual installments (for the 2019 and 2020 fiscal years). In addition to the fixed remuneration and the STI granted for the 2021 fiscal year, the Management Board members therefore received the 2019-2021 MTI tranche, reduced by the amount of the tranche for the 2021 fiscal year. Share-based payments are disclosed as received by Management Board members on the basis of the relevant time and value for German tax law purposes. The amount disclosed as received for the pension expense (i.e., the service cost in accordance with IAS 19) corresponds to the amounts granted (see previous table), even though it does not strictly constitute an actual receipt.

The total remuneration received by individual members of the Management Board for the 2021 fiscal year – analyzed by component – is shown in the following table:

	Dr. Reinhard Ploss Chief Executive Officer		**Dr. Sven Schneider** Chief Financial Officer		**Dr. Helmut Gassel** Management Board member		**Jochen Hanebeck** Management Board member		**Constanze Hufenbecher** Management Board member since 15 April 2021[1]	
in €	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Fixed remuneration										
Basic annual salary	1,240,000	1,240,000	825,000	825,000	750,000	750,000	750,000	750,000	346,591	–
Fringe benefits	35,238	37,211	55,337	55,750	32,188	70,893	28,329	34,476	34,140	–
Total fixed remuneration	**1,275,238**	**1,277,211**	**880,337**	**880,750**	**782,188**	**820,893**	**778,329**	**784,476**	**380,731**	**–**
Variable remuneration										
Single-year variable remuneration (STI)	1,068,100	477,950	728,250	325,875	660,280	295,460	660,280	295,460	302,628	–
Multi-year variable remuneration										
Mid-Term Incentive (MTI)										
2019 – 2021 tranche	323,400	–	156,188	–	199,920	–	199,920	–	–	–
2018 – 2020 tranche	–	533,500	–	–	–	329,800	–	329,800	–	–
Long-Term Incentive (LTI)										
Performance Share Plan										
due in the 2021 fiscal year	357,656	–	–	–	215,583	–	215,583	–	–	–
due in the 2020 fiscal year	–	270,905	–	–	–	–	–	–	–	–
Total variable remuneration	**1,749,156**	**1,282,355**	**884,438**	**325,875**	**1,075,783**	**625,260**	**1,075,783**	**625,260**	**302,628**	**–**
Pension expense	72,298	368,802	278,244	294,037	98,884	106,961	120,148	129,139	131,044	–
Total remuneration (DCGK)	**3,096,692**	**2,928,368**	**2,043,019**	**1,500,662**	**1,956,855**	**1,553,114**	**1,974,260**	**1,538,875**	**814,403**	**–**

1 Ms. Hufenbecher is entitled to one twenty-fourth of the individual STI or LTI grant amount for the month of April 2021, and thus to a total of 11 twenty-fourths for the entry fiscal year.

Commitments to Management Board members upon termination of their Board activities

Benefits and pension entitlements in the 2021 fiscal year

Based on the amendment to the Executive Board compensation system in 2010, all Management Board members have received a defined contribution pension commitment that is essentially identical to the Infineon pension plan applicable to all employees. Accordingly, the Company has set up a personal pension account (basic account) for each beneficiary, to which it makes annual pension contributions. 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. 95 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 Management Board member or his or her surviving dependents in twelve annual installments, or, if so requested by the Management Board member, 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 the future.

If the entitlements of Management Board members (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 Management Board members concerned.

The plan rules applicable to Management Board members are as follows:

- 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. Their service contracts 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 Management 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 2021 fiscal year for Dr. Gassel and Mr. Hanebeck amounted to €225,000 in each case.

- The pension contribution made for Ms. Hufenbecher also amounts to 30 percent of the relevant agreed basic annual salary. Due to the entry during the fiscal year, the pension contribution made by the Company for the 2021 fiscal year amounted to €112,500.

- The defined contribution pension commitment 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 2021 fiscal year amounted to €372,000.

- The corresponding contribution for Dr. Schneider also amounts to 30 percent of the relevant agreed basic annual salary. The pension contribution made by the Company for the 2021 fiscal year amounted to €247,500.

The amounts credited to the pension entitlement accounts of Management Board members – 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 arrangements have also ended. Upon request, amounts can also be paid out at an earlier point in time if the service contract arrangements end on or after reaching the age of 60 or, in the case of

commitments made from 2012 onwards, on or after reaching the age of 62. If the beneficiaries elect to have their pension 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 present value of pension and benefit entitlements is particularly dependent on changes in the discount rate that is required to be applied (30 September 2021: 1.25 percent; 30 September 2020: 0.95 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)
Dr. Reinhard Ploss[1] Chief Executive Officer	**2021**	**–**	**372,000**	**2,290,395**	**72,298**
		210,000	**–**	**5,114,761**	**–**
	2020	–	372,000	2,474,927	368,802
		210,000	–	5,279,415	–
Dr. Sven Schneider Chief Financial Officer	**2021**	**–**	**247,500**	**554,907**	**278,244**
	2020	–	247,500	393,029	294,037
Dr. Helmut Gassel Management Board member	**2021**	**–**	**225,000**	**2,414,767**	**98,884**
	2020	–	225,000	2,653,885	106,961
Jochen Hanebeck Management Board member	**2021**	**–**	**225,000**	**2,995,017**	**120,148**
	2020	–	225,000	3,279,840	129,139
Constanze Hufenbecher[2] Management Board member since 15 April 2021	**2021**	**–**	**112,500**	**131,044**	**131,044**
	2020	–	–	–	–
Total	**2021**	**210,000**	**1,182,000**	**13,500,891**	**700,618**
	2020	210,000	1,069,500	14,081,096	898,939

1 The upper line for Dr. Ploss in the 2021 fiscal year respectively 2020 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 in the 2021 fiscal year respectively 2020 shows the pension entitlement and the present value of his fixed-amount pension plan.

2 The service cost for Ms. Hufenbecher takes into account that she was appointed to the Management Board during the year on 15 April 2021, and therefore was not in the office for the entire 2021 fiscal year.

Premature termination of the service contract

The service contracts of Management Board members include a change-of-control clause, which stipulates the terms that apply when the activities of a Management 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 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"). Management Board members have the right to resign and terminate their service contracts within twelve months of the announcement of any such 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 for a maximum of 36 months. If Infineon Technologies AG removes a Management Board member or terminates their service contract within twelve months of the announcement of a change of control, the Management Board members 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 prematurely terminated.

Under the new Management Board remuneration system, the maximum period of continued payment of fixed and variable remuneration is reduced to 24 months in any case. The service contracts of the incumbent Management Board members were adjusted accordingly with effect from 1 October 2021. For Ms. Hufenbecher, on the other hand, the new regulations have already applied since she took office.

Payments to former Management Board members in the 2021 fiscal year

Total remuneration (primarily pension benefits) of €2,609,306.24 (2020: €2,211,263.52) was paid to former Management Board members in the 2021 fiscal year. As of 30 September 2021, accrued pension liabilities for former Management Board members amounted €72,369,256 (2020: €76,593,563).

Revision of the Management Board remuneration system

The Act Implementing the Second Shareholder Rights Directive (ARUG II) came into force on 1 January 2020. Furthermore, the Government Commission on the German Corporate Governance Code adopted a new version of the DCGK, which became effective on 20 March 2020. The Supervisory Board deliberated on this matter at length with the support of an external independent remuneration expert. Based on the preparatory work of the Executive Committee and its recommendation, the Supervisory Board adopted a new Management Board remuneration system at its meeting on 20 November 2020, which was approved by the Annual General Meeting on 25 February 2021 in accordance with section 120a, AktG.

In addition to the changes already relevant for the 2021 fiscal year and described above (i.e., the incorporation of the MTI into the LTI and the new LTI rule), the remaining parts of the new Management Board remuneration system for the incumbent Management Board members apply from 1 October 2021. The main additional changes can be summarized as follows:

- The option of the Supervisory Board to award a "special bonus" amounting to up to 30 percent of the fixed basic remuneration of Management Board members has been removed without replacement.

- In the case of the STI, the existing financial targets RoCE and Free Cash Flow will be supplemented by the addition of a third target, namely the Segment Result Margin (SRM), which already serves as a key performance indicator for Infineon. The SRM was also previously taken into account in the STI target structure applicable to employees.

- The option of the Supervisory Board to reduce or increase the STI payout amounts by up to 30 percent at its discretion has been replaced by a criteria-based STI modifier. Accordingly, the Supervisory Board defines criteria for assessing the collective performance of the Management Board each fiscal year on the basis of a fixed catalog (see also above in the section "Components of the Management Board remuneration system", p. 134 ff.). After the end of the fiscal year, the Supervisory Board can then reduce or increase the target achievement level for the STI by up to 30 percent – depending on the performance of the Management Board and also to take account of any exceptional, unforeseeable developments.

- The Management Board remuneration system now includes Share Ownership Guidelines that require Management Board members to build up a minimum holding of Infineon shares over a period of generally five years and to hold them for up to two years after leaving office. This minimum holding has been set at the equivalent to 150 percent of the fixed basic annual salary for the Chairman and at 100 percent of the basic annual salary for other Management Board members.

- As a final point, a malus and clawback clause has been introduced that allows the Supervisory Board to withhold or reclaim variable remuneration components in certain cases.

The structure of the new Management Board remuneration system can be summarized as follows:

Overview of the various components of the remuneration system

Fixed remuneration	
Basic annual salary	Fixed, non-performance-related remuneration paid in twelve equal monthly installments
Fringe benefits	Primarily a company car with chauffeur (also for private use) and an allowance for health and nursing care insurance as well as various insurance and general employee benefits
Company pension plan	Defined contribution plan that provides an annual pension contribution and capital market-oriented interest

Variable (i.e., performance-related) remuneration	
Short-Term Incentive (STI)	
Performance criteria	› 1/3 Return on Capital Employed (RoCE) as planned › 1/3 Free Cash Flow (FCF) as planned › 1/3 Segment Result Margin (SRM) as planned
Modifier (0.7 to 1.3)	› Collective performance of the Management Board › Extraordinary developments
Performance period	One year
Limitation/cap	250% of the allocation amount
Payment	In cash, after performance period ends
Long-Term Incentive (LTI)	
Plan type	Performance Share Plan
Performance criteria	› 80% relative Total Shareholder Return (TSR) › 20% ESG targets
Performance period	Four years
Waiting period	Four years
Limitation/cap	250% of the allocation amount
Payment	Generally in shares, after waiting period expires

Other contractual elements	
Malus and clawback	Partial or complete reduction or reclamation of variable remuneration components
Share Ownership Guidelines (SOG)	Mandatory personal investment in Infineon shares
Chairman of the Management Board (CEO)	150% of gross annual basic salary
Full member of the Board	100% of gross annual basic salary
Accumulation phase	Generally five years
Maximum remuneration	Maximum remuneration payable to the Management Board capped in accordance with section 87a, paragraph 1, number 1, AktG (including fringe benefits and expenses for company pension plans)
Chairman of the Management Board (CEO)	€7,200,000
Full member of the Board	€4,200,000
Change-of-control clause	In the event of a change of control, right of extraordinary termination within limited period of time and with restricted severance pay regulation

A detailed presentation of the new Management Board remuneration system is available in the notice of the Annual General Meeting held on 25 February 2021 and on the Infineon website. https://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/#equity-based-compensation

Supervisory Board remuneration

On 25 February 2021, the Annual General Meeting resolved amendments to the Articles of Association regarding Supervisory Board remuneration and approved the Supervisory Board remuneration system in accordance with Section 113, AktG. The amendments apply with effect from 1 October 2021. A brief summary of these amendments is provided below. The complete wording of the amendments is available in the notice of the Annual General Meeting held on 25 February 2021 and on the Infineon website. https://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/#equity-based-compensation

Remuneration structure
The remuneration of the members of the Supervisory Board (total remuneration) is governed by section 11 of the Company's Articles of Association and comprises the following:

- A **fixed remuneration (basic remuneration)** of €90,000. This amount applies to each Supervisory Board member and is payable within one month of the end of each fiscal year.

- **Allowances** in recognition of additional work involved in performing certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives an allowance of €90,000, each deputy 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 Supervisory Board member 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 payable to the relevant holder of office within one month of the end of each 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 payable, the relevant remuneration components are disbursed on a pro rata basis, i.e., payment of one twelfth of the relevant annual remuneration component for each (started) month of membership or exercise of function.

Moreover, Supervisory Board members are reimbursed for all expenses incurred in connection with the performance of their Supervisory Board duties as well as for any value-added tax payable by them in this connection. The Company also pays Supervisory Board members any value-added tax incurred on their total remuneration (including meeting attendance fees).

Review of the Supervisory Board remuneration system
In light of the changes brought about by ARUG II, Section 113, paragraph 3, AktG also required the Supervisory Board remuneration system to be submitted for approval at the Annual General Meeting. The Management Board and Supervisory Board came to the conclusion that the current Supervisory Board remuneration system is no longer in line with the market in some respects and therefore proposed changes at the Annual General Meeting held on 25 February 2021, which were adopted accordingly. The main changes compared with the current Supervisory Board remuneration system are as follows:

- Whereas the fixed basic remuneration and the function-based allowances for the Chairman of the Supervisory Board were increased only slightly, the function-based allowances for the committees and the Chairs of the Investment, Finance and Audit Committee and the Strategy and Technology Committee were raised more significantly to a level in line with the market.

- The previous threshold clause, according to which only the highest function-based allowance is paid if more than one function is performed, was deleted. The rationale for the change is that working on several committees involves an additional time commitment, which should be remunerated accordingly. Conversely, the payment of a function-based allowance solely on the condition that at least three committee meetings have taken place during a fiscal year ensures that only relevant additional time commitments are remunerated. In addition, the function-based allowances for work on committees are capped at 100 percent of the fixed basic remuneration. As a result, the remuneration for a Supervisory Board member will in the future be limited to €200,000, that of the Chair of the Supervisory Board to €300,000 and that of his/her deputy to €230,000.

- Furthermore, the attendance fee for extraordinary meetings held in the form of telephone or video conference calls was reduced from €2,000 to €1,000.

Remuneration of the Supervisory Board for the 2021 fiscal year

The total remuneration paid to Supervisory Board members for the 2021 fiscal year (including meeting attendance fees) is presented below. The amounts disclosed do not take into account value-added tax at 19 percent or – in the case of Supervisory Board members resident abroad – withholding tax, solidarity surcharges or any other taxes arising:

Supervisory Board member, in €	Fiscal year	Fixed remuneration	Allowance for specific functions	Meeting attendance fees	Total remuneration
Peter Bauer [1]	**2021**	**–**	**–**	**–**	**–**
	2020	37,500	10,417	6,000	53,917
Xiaoqun Clever [2, 3]	**2021**	**90,000**	**15,000**	**18,000**	**123,000**
	2020	60,000	10,000	8,000	78,000
Johann Dechant	**2021**	**90,000**	**30,000**	**36,000**	**156,000**
	2020	90,000	30,000	38,000	158,000
Dr. Herbert Diess [1]	**2021**	**–**	**–**	**–**	**–**
	2020	37,500	–	4,000	41,500
Dr. Wolfgang Eder [3]	**2021**	**90,000**	**90,000**	**42,000**	**222,000**
	2020	90,000	90,000	30,000	210,000
Dr. Friedrich Eichiner [2, 3]	**2021**	**90,000**	**25,000**	**22,000**	**137,000**
	2020	60,000	16,667	8,000	84,667
Annette Engelfried	**2021**	**90,000**	**15,000**	**30,000**	**135,000**
	2020	90,000	15,000	30,000	135,000
Peter Gruber	**2021**	**90,000**	**15,000**	**18,000**	**123,000**
	2020	90,000	15,000	22,000	127,000
Gerhard Hobbach [1]	**2021**	**–**	**–**	**–**	**–**
	2020	37,500	6,250	6,000	49,750
Hans-Ulrich Holdenried [3]	**2021**	**90,000**	**15,000**	**30,000**	**135,000**
	2020	90,000	15,000	22,000	127,000
Prof. Dr. Renate Köcher [1]	**2021**	**–**	**–**	**–**	**–**
	2020	37,500	–	4,000	41,500
Dr. Susanne Lachenmann	**2021**	**90,000**	**15,000**	**18,000**	**123,000**
	2020	90,000	15,000	20,000	125,000
Géraldine Picaud [3]	**2021**	**90,000**	**–**	**12,000**	**102,000**
	2020	90,000	–	10,000	100,000
Dr. Manfred Puffer [3]	**2021**	**90,000**	**–**	**12,000**	**102,000**
	2020	90,000	–	18,000	108,000
Melanie Riedl [2]	**2021**	**90,000**	**–**	**12,000**	**102,000**
	2020	60,000	–	16,000	76,000
Jürgen Scholz	**2021**	**90,000**	**15,000**	**14,000**	**119,000**
	2020	90,000	15,000	22,000	127,000
Kerstin Schulzendorf	**2021**	**90,000**	**–**	**12,000**	**102,000**
	2020	90,000	–	16,000	106,000
Dr. Ulrich Spiesshofer [2, 3]	**2021**	**90,000**	**25,000**	**18,000**	**133,000**
	2020	60,000	16,667	8,000	84,667
Margret Suckale [2, 3]	**2021**	**90,000**	**2,500**	**26,000**	**118,500**
	2020	60,000	–	10,000	70,000
Dr. Eckart Sünner [1]	**2021**	**–**	**–**	**–**	**–**
	2020	37,500	10,417	8,000	55,917
Diana Vitale	**2021**	**90,000**	**15,000**	**30,000**	**135,000**
	2020	90,000	10,000	28,000	128,000
Total	**2021**	**1,440,000**	**277,500**	**350,000**	**2,067,500**
	2020	1,477,500	275,418	334,000	2,086,918

1 Joined as Supervisory Board member until 20 February 2020. The remuneration for the 2020 fiscal year therefore was awarded on a pro rata basis.
2 Joined as Supervisory Board member since 20 February 2020. The remuneration for the 2020 fiscal year therefore was awarded on a pro rata basis.
3 The shareholder representatives on the Supervisory Board have waived their entitlement to attendance fees for certain meetings. The Company will donate the attendance fee saved to a charitable institution.

Supervisory Board members did not receive any loans from Infineon in either the 2021 or 2020 fiscal year.

List of references

R01 Based on or includes research from Omdia: *Annual 2001 – 2020 Semiconductor Market Share Competitive Landscaping Tool – Q2 2021.* August 2021.

R02 Strategy Analytics: *Automotive Semiconductor Vendor Market Shares*. April 2021.

R03 Based on or includes research from Omdia: *Power Semiconductor Market Share Database 2020.* September 2021.

R04 Based on or includes research from Omdia: *MEMS Microphones Dice Market Shares 2021.* July 2021.

R05 ABI Research: *Smart Card and Embedded Security IC Technologies.* September 2021.

R06 Based on or includes content supplied by IHS Markit, Automotive Group: *Alternative Propulsion Forecast.* August 2021; Strategy Analytics: *Automotive Semiconductor Demand Forecast 2019 – 2028.* July 2021; Infineon. [1]

R07 Strategy Analytics: *Automated Driving Semiconductor Market Estimate.* August 2021; Infineon. [1]

R08 World Semiconductor Trade Statistics (WSTS): *Semiconductor Industry Blue Book History.* October 2021.

R09 Based on or includes research from Omdia: *Application Market Forecast Tool Q3 2021 Update.* September 2021.

R10 Based on or includes research from Omdia: *OEM Semiconductor Spend Tracker – World + Regions – H1 2021.* August 2021.

R11 International Monetary Fund: *World Economic Outlook.* October 2021.

1 Not part of the audited combined Management Report.

Neubiberg, 25 November 2021

Management Board

Dr. Reinhard Ploss

Dr. Sven Schneider

Dr. Helmut Gassel

Jochen Hanebeck

Constanze Hufenbecher