

Combined Management Report

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This report combines the Group Management Report of Infineon ("Infineon" or "the Group", "the company") – 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 on the basis of 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 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 has not been checked either.

Business model



Overview

With around 56,200 employees worldwide, Infineon is a leading global provider of semiconductors. Semiconductors today have two equally crucial roles: connecting the real world with the digital world and helping to achieve a global net zero emissions target. They facilitate decarbonization and digitalization through sustainable mobility, efficient



energy management and intelligent IoT solutions. Infineon develops, manufactures and markets a large number of semiconductors and semiconductor-based solutions, focusing on key markets in the automotive, industrial and consumer sectors. Its products range from standard components to special components for digital, analog and mixed-signal applications, all the way to customer-specific solutions, together with the appropriate software.

Our core business includes power semiconductors based on silicon (Si) in the form of IGBTs and MOSFETs. We offer these as part of our extensive product portfolio to all relevant markets. Power semiconductors based on silicon carbide (SiC) and gallium nitride (GaN), known as compound semiconductors, complete our portfolio and are particularly well suited for use in ultra-efficient devices due to their specific material properties. Over the years, we have acquired in-depth knowledge about the use of power semiconductors in all applications and the specific challenges associated with them. By adopting our strategic approach “Product to System”, we combine these power semiconductors with microcontrollers (including software and driver components), so that we can provide perfect solutions for energy conversion systems and facilitate the trend towards decarbonization.

In the area of digitalization, we have a broad portfolio of microcontrollers with hardware-based security, sensors and connectivity products such as Wi-Fi supplemented by software. These are used in the automotive, industrial and consumer sectors and in end applications such as mobile payment and governmental identity documents.

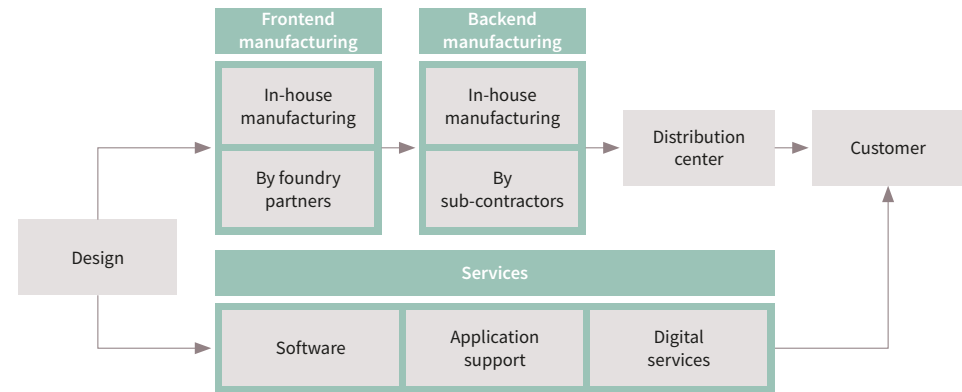
In addition to our established core business, we also service new and adjacent business areas. Links may arise between the different areas, not only in terms of products or technology but also in terms of markets or applications.

Value chain and manufacturing

Infineon covers the main stages of the semiconductor value chain: from the development and design, via frontend and backend manufacturing and marketing, to delivery to customers, see [p. C01](#). Increasingly, it also provides software and other services, such as application-specific support for the implementation of its solutions.



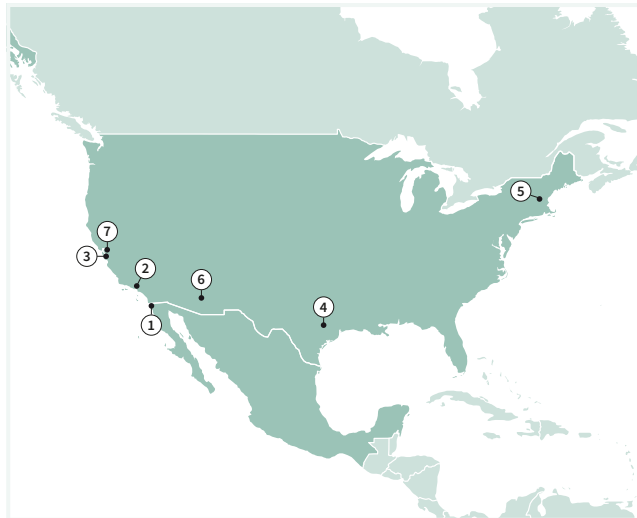
C01 The main stages of the semiconductor value chain



In frontend manufacturing, the wafers are processed. Optical, physical and chemical methods are used to create transistors and their interconnections, thus determining the function of the chip. The wafers are transferred 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. Following the backend manufacturing, the chips are sold to customers via regional distribution centers.

In order to optimize the use of capital and increase flexibility, we use external manufacturing partners in addition to our in-house manufacturing. In frontend manufacturing, this applies primarily to manufacturing processes with little potential for differentiation and, in backend manufacturing, to standardized package types. More information about our manufacturing strategy is given in the chapter “Group strategy”. [p. 29 f.](#)

Headquarters and manufacturing sites



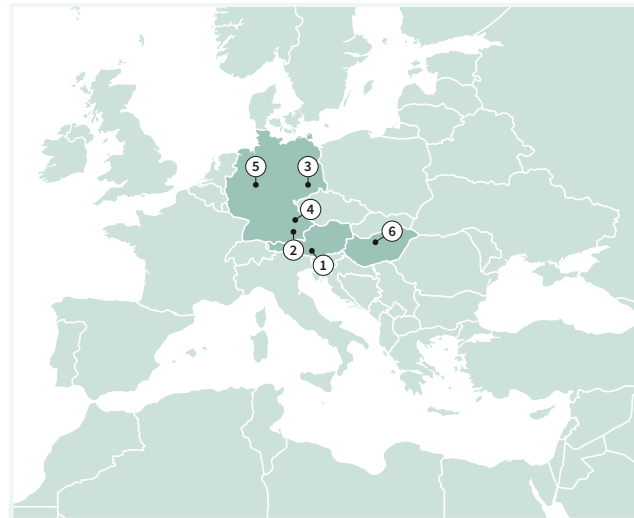
Americas

Mexico

- 1 Tijuana

USA

- 2 El Segundo, CA
- 3 Milpitas, CA
- 4 Austin, TX
- 5 Leominster, MA
- 6 Mesa, AZ
- 7 San José, CA



Europe, Middle East, Africa

Austria

- 1 Villach

Germany

- 2 Neubiberg near Munich
- 3 Dresden
- 4 Regensburg
- 5 Warstein

Hungary

- 6 Cegléd



Asia-Pacific

Indonesia

- 1 Batam

Korea

- 2 Cheonan

Malaysia

- 3 Kulim
- 4 Melaka

Philippines

- 5 Cavite

Singapore

- 6 Singapore

Thailand

- 7 Bangkok

Greater China

Mainland China

- 8 Shanghai
- 9 Wuxi

Japan

- 10 Tokyo

■ Corporate headquarters ■ Regional headquarters ■ Frontend manufacturing ■ Backend manufacturing





For the definition of frontend/backend manufacturing, see chapter “Value chain and manufacturing”, p. 21

The segments

In addition to general areas within the Group, such as manufacturing, research and central administration, Infineon comprises four segments (also known as divisions), each of which derives its focus from its respective target markets and customers. The segments are individually responsible for particular areas that reflect their core competencies. The Automotive segment is responsible for the semiconductor business for automotive electronics. The Industrial Power Control segment concentrates on power semiconductors primarily used in industrial applications and renewable energy, while the Power & Sensor Systems segment addresses not only sensor technologies but also power supplies in general, including those for data centers, communication networks and more consumer-oriented applications. Activities relating to IoT and traditional and new security applications are bundled within the Connected Secure Systems segment. The segments often cooperate with one another to ensure comprehensive coverage of the requirements of the various target markets. As a result, the sales activities of one segment are generally, but not always, confined to its own target market.

Chart [111 C02](#) provides an overview of the core competencies of the individual segments.

C02 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	✓	✓	✓	✓

Please find a detailed presentation of the segments' target applications and product range in the chapter "Applications and product range". [p. 172 ff.](#)



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 data security. Infineon is the world market leader in semiconductor solutions for cars. Our range of products and solutions helps to navigate the transition from internal combustion engines to hybrid or electric drives, enabling an ever-increasing degree of automated driving, electric-electronic (E/E) vehicle architecture, greater connectivity and digitization, and a higher level of data security in vehicles. We also offer our customers innovative solutions in the areas of safety, digital cockpit, infotainment, comfort and lighting technology. In addition to sensors, microcontrollers, software solutions, a reliable power supply, memories for specific applications and power semiconductors based on Si and SiC, our product portfolio also comprises components for human-machine interaction and vehicle connectivity.



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 value chain, comprising the generation, transmission, storage and use of electricity. The product portfolio comprises mainly IGBT power transistors and the driver ICs to control them, as well as power semiconductors based on SiC. We offer 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, major home appliances, traction, electric utility vehicles (such as buses, construction and agricultural vehicles), systems for high-voltage direct current transmission and energy storage, industrial power supplies and the charging infrastructure for electric vehicles.



Power & Sensor Systems

The Power & Sensor Systems segment encompasses a wide 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, data centers, 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. 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 low-noise amplifiers.



Connected Secure Systems

The Connected Secure Systems segment supplies comprehensive systems for a secure, connected world based on reliable, game-changing microcontrollers and wireless connectivity 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. These include 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.

Group strategy

Long-term growth trends

As a leading global provider of semiconductor solutions, Infineon focuses its business activities on two issues that are fundamental to society, and where the Company sees major long-term growth trends: decarbonization and digitalization.

Decarbonization

Decarbonization is a necessity to contain global warming and is therefore the key responsibility of humanity over the next decades. We will need to make drastic changes to the ways in which we generate, transport, store and use energy. To halt global warming, it is imperative that we waive the use of fossil fuels to a great extent and make a consistent transition to renewables. Effecting this transition requires not only the use of wind and solar power but also of systems for the storage and efficient transportation of energy. We believe that one of the key tasks for our Company is to provide semiconductor solutions for more efficient generation, conversion and use of electric energy. With our business operations, we are making a significant contribution to the quality of life of subsequent generations.

Digitalization

Digitalization is another key trend. This involves connectivity between ever smarter devices with an increasing ability to perceive their environment. Such devices make life more pleasant, easier and safer. The possibilities are huge: greater convenience and security in the smart home, more efficiency in manufacturing, higher productivity together with better environmental sustainability in farming, and new services to support older people. Infineon's products in these areas include microcontrollers with software and sensors that make it possible to produce connected and smart IoT devices with increasing performance in both the industrial sector and the consumer sector.

Infineon sees itself as a trailblazer for a climate-neutral and digital future: “**Driving decarbonization and digitalization. Together.**” This applies to large parts of our portfolio. Sensors record mostly analog information from the world around us and transform it into digital data; then microcontrollers process these data and generate control signals; memory ICs enable the microcontrollers to store data and program codes; actuators such as power semiconductors convert the control signals into actions and make the efficient generation and conversion of energy possible; security solutions protect the integrity of devices and data, while connectivity chips transfer these data within the digital world. Software enhances the benefit to customers of our semiconductor solutions, allowing for more flexible adjustment. We thereby establish a link between the real world and the digital world and enable a carbon-neutral future.

Strategic targets

To generate value from decarbonization and digitalization for our customers for the Company and society with our semiconductor solutions, we pursue clear and measurable strategic targets.

Profitable growth

We want to grow in the target markets in which we operate and increase our profitability. Increasing profitability enables us to finance the growth of the Company, protects us from fluctuations in economic trends, and ensures freedom of choice and freedom to operate for our business. Our long-term financial targets reflect this aspiration and apply over the semiconductor cycle. Shortly after the beginning of the 2023 fiscal year, we revised our target operating model to include significant increases. This reflects Infineon's success over the past few years and, at the same time, is an expression of our increased ambitions, especially with regard to profitability and value creation. We want to create even more value by focusing consistently on the long-term growth trends decarbonization and digitalization and implementing our strategic guidelines (see the chapter “Strategic guidelines”, [p. 28 ff.](#)).

Target 1: Average annual revenue growth of more than 10 percent over the cycle

We hold leading positions in our core markets and have expanded systematically over the years into new and adjacent markets. Our four segments focus on the long-term growth trends decarbonization and digitalization. With our strategic approach “Product to System”, we use our extensive technological and product expertise to provide more comprehensive solutions and thus create more value for our customers. In the areas of electromobility, advanced driver assistance systems (ADAS), renewable energy, data centers and IoT in particular, we expect to achieve above-average growth, resulting in total average revenue growth for the Group over the cycle of more than 10 percent, replacing the previous target of more than 9 percent (“>10%”).

Target 2: Average 25 percent Segment Result Margin over the cycle

A key criterion for sustainable success is profitability, on which we want to focus much more strongly. Infineon can consistently pursue its targets even in weaker market phases by engaging in economic activity that is sustainably profitable. In the meantime we see our profitability target of a Segment Result Margin of 19 percent as too conservative and are therefore setting ourselves a new target of achieving an average Segment Result Margin of 25 percent over the cycle. Achieving our profitability target depends on a number of factors: Our system solutions create higher value, and the focus of our development is on products and solutions that provide our customers with the greatest benefit. In the future, software will play a larger role. Our technology leadership and our strategic approach “Product to System” enable us to reach a higher degree of differentiation. We benefit from economies of scale and cost advantages while continuing to develop our leading market position as well as innovative manufacturing technologies such as that used to produce 300-millimeter thin wafers. At the same time, we make sure that, if we consider our overall portfolio, all our businesses are making an adequate contribution to Infineon’s success. We also aim to ensure that our research and development expenses as well as our selling, general and administrative expenses increase at a slower rate than the rate of growth in our revenue. This is supported by our digitalization strategy.

Target 3: Adjusted Free Cash Flow within a range of 10 to 15 percent of revenue over the cycle

To place greater emphasis on value creation, we are including an explicit Free Cash Flow target in our new target operating model. This replaces the previous investment rate target. Free cash flow, adjusted for large investments in frontend buildings, should fall within a range of 10 to 15 percent of revenue over the cycle. This will be achieved by ensuring our operating cash flow grows at a faster rate in the long term than our investment expenditure.

Capital structure targets

Our capital structure targets link together the concepts of environmental and economic sustainability and ensure that Infineon remains a trusted partner in the long term. An investment grade rating is and remains the key element of Infineon’s conservative financial policy. From this cornerstone, we derive our long-term capital structure targets, which consist of a liquidity target and a leverage target.

Our liquidity target is €1 billion plus at least 10 percent of revenue. The fixed base amount of €1 billion provides a solid liquidity reserve for contingent liabilities and pension liabilities, which are unrelated to revenue. The additional amount of at least 10 percent of revenue means that we always have access to sufficient cash to be able to finance our operating business and our investment throughout all the phases of the semiconductor cycle.

Our leverage target is expressed as an upper limit on gross financial debt of two times EBITDA. Infineon defines EBITDA as earnings from continuing operations before interest, taxes, depreciation and amortization.

Sustainable corporate governance

We are convinced that economic success must go hand in hand with environmental and social commitment. This includes contributing towards more sustainable development in society. With our products, solutions and systems, we are enabling greater efficiency and making an active contribution towards climate protection. Sustainability is of crucial importance both within our Company and in relation to our supply chains. We manage our Company sustainably and are committed to acting responsibly for the benefit of society. Making a contribution towards containing global warming forms part of our mission. We have set ourselves the target of becoming carbon-neutral by the end of the 2030 fiscal year; by 2025, our emissions are to be reduced by 70 percent compared with 2019. This target relates to Infineon's own greenhouse gas footprint and includes not only all direct emissions, but also indirect emissions from electricity and heat. Already by the end of the 2022 fiscal year, our scope 1 and scope 2 emissions were 23.4 percent below the emissions for the base year 2019. The development of intelligent exhaust air abatement systems, the purchase of electricity from renewable sources, and the implementation of energy efficiency schemes have all contributed to this reduction.

Our other sustainability activities are described in the separate report "Sustainability at Infineon". This report, including the summarized separate Non-Financial Report, which is based on the requirements set out in the German CSR Directive Implementation Act, can be downloaded from the internet at www.infineon.com/csr_reporting.

Strategic guidelines

To achieve our strategic targets, we rely on a number of strategic guidelines to ensure sustainable corporate governance and profitable growth.

"Product to System" (P2S) and software

With our approach "Product to System" (P2S), we are fostering our leading positions in the area of **Power Systems and IoT**. P2S helps us to better adapt our solutions and products to customer requirements. We understand new trends early on and can develop innovative approaches together with our customers. As a result, our customers can realize sustainable benefits: e.g., in terms of system performance, system costs and development time.

For this to succeed, we have to understand the environment in which our customers' products are used, how these products are embedded in larger systems, with which other devices the products interact, what requirements they have to fulfill and what function they are intended to perform. We also have to consider which other active and passive components and control concepts they use and what capabilities our customers themselves contribute to the value creation process. Equipped with this knowledge, we can make the most of our competencies. We want to translate the technologically possible into marketable products that provide the greatest possible benefit to our customers. This helps us to continue to develop leading positions in our markets.

In the context of P2S, software is playing an increasingly significant role: In recent years, we have intensified our activities in this area through our own organic growth and strategic partnerships as well as through the acquisition of Cypress. This means that we have at our disposal an entire ecosystem comprising software components

and a development environment, as well as reference designs, product support, blogs, a developer community and online tutorials. An important element of this ecosystem is the ModusToolbox™ development environment. This includes reusable firmware that makes it easier for customers' developers to program microcontrollers and Wi-Fi and Bluetooth components. The next step is to expand AI functionality: ModusToolbox™ Machine Learning with access to algorithms for implementation in microcontrollers. With software, we enable smaller customers in particular to make even better use of our products and thus increase our profitability.

Technology leadership and customer-focused innovation

In accordance with our strategic approach of thinking in application trends, our engineers identify challenges early and together with our customers. This enables us to fulfill the promise of technological leadership. Through close cooperation, we learn to understand applications better. Thus, we can identify future trends at an early stage and develop products that are tailored accordingly. In this way, we can offer our customers either individual components or complete solutions, including the necessary software, depending on their requirements.

We are continuing to enhance our leading technological position and expertise in our core markets through radical and customer-focused innovation. As a result, we are strengthening our core business and identifying long-term growth opportunities in adjacent business areas. As one of the market leaders in the field of power electronics, we began researching new materials such as silicon carbide at an early stage, building up our expertise, and we are constantly broadening our product portfolio in order to generate added value for our customers.

From a technological perspective, compound semiconductors are of particular importance. Whereas most semiconductor components to date have been based on pure silicon, silicon carbide and gallium nitride are two chemical compounds with physical properties and an especially wide band gap that make it possible to produce semi-

conductors with even greater performance. These compounds allow for particularly efficient electric switches in the smallest space; for example, they make efficient charging stations for electric vehicles much more compact, allowing them to be installed in more places. We consider a strong position in compound semiconductors essential to reinforcing our leading position in power semiconductors and power systems.

Value creation through differentiating in-house manufacturing and high quality

We are continuing to expand our in-house manufacturing in areas in which we create added value for the customer and differentiation for Infineon: We manufacture products in-house when doing so means that our customers benefit from lower cost, higher performance or improved availability. This has been the case until now, for example, for power semiconductors and sensors. However, where in-house manufacturing offers no additional customer benefit or opportunity to differentiate ourselves from the competition, we work together with contract manufacturers. This is predominantly the case for highly integrated digital products such as microcontrollers, connectivity components and security ICs, where the differentiation arises mainly from the design and the software. As a result of the current shortage of manufacturing capacity in the standard technologies, we have signed supply agreements with our contract manufacturers, which in some cases are multi-year agreements, to ensure better delivery capability.

Our 300-millimeter thin wafer manufacturing technology for power semiconductors is a clear indication of the value of differentiating in-house manufacturing: As pioneers of this technology, the scale of manufacturing we have now reached allows us to achieve significant economies of scale. Compared with manufacturing on 200-millimeter wafers, we benefit from significantly lower costs and lower capital investment. This has enabled us to maintain our lead: With the factory at the Villach site (Austria), together with our 300-millimeter manufacturing facility in Dresden (Germany), we have established a closely coordinated manufacturing network across the two sites.

In line with our “One Virtual Fab” concept, we are using the same processes, equipment, and automation and digitalization concepts in Villach and in Dresden. This generates economies of scale, but it also benefits the customer, as we have the flexibility to shift production volumes between the sites. We are applying a similar concept in the area of compound semiconductors between our sites in Villach and Kulim (Malaysia). The third module under construction in Kulim is also able to generate synergies with the existing 200-millimeter production infrastructure. Expanding our capacity in line with expected market trends over the cycle has proved very effective and forward-thinking. We are therefore planning to continue to expand our site in Dresden. This will include an additional 300-millimeter module for analog mixed-signal products as well as power semiconductors. These can be used in a wide variety of applications, such as data centers, automotive and IoT. The planned new factory combines the two growth areas decarbonization and digitalization and would meet our customers’ demand in the second half of the decade.

High quality and reliability are key values for our Company and differentiate us from our competitors. Therefore, quality plays a key role in the lifecycle of an Infineon product – from its development and production to its supply and services associated with the product. Infineon is certified worldwide in accordance with the leading quality standards and has an efficient management system.

In addition, clearly defined quality principles provide guidance for our employees. These principles have the overriding aim of honoring the pledges we have made to our customers relating, among other things, to product functionality and reliability. To achieve this, we attach great importance to understanding our customers’ concerns and clearly defining product requirements. Honoring our pledges is an essential guiding principle that is also reflected in the in-house cooperation we see at Infineon.

Tried-and-tested processes, methods and tools, together with continuous improvement programs, form the basis for the high priority we attach in our Company to quality. Our quality departments are embedded in the global organization. Regular events such as Quality Days at our global sites promote a greater awareness of quality, with the result that all Infineon employees are responsible for honoring our quality pledge within their own sphere of responsibility.

Portfolio management and inorganic growth

We conduct regular reviews to ascertain whether our operations, both individually and as part of our overall portfolio, make an appropriate contribution to the success of our Company. This enables us to target the use of our financial resources and, as a result, continue to improve our profitable growth. We consider individual operations from various points of view, such as value creation, market position, significance to the customer and risk assessment. On this basis, we decide the extent to which we will invest in or divest an operation. Growth prospects and profitability are mutually dependent here, with profitability enabling investment and ensuring sustainable innovation and growth as a result.

We will continue to supplement our organic growth in the future with selective acquisitions. These acquisitions will need to fulfill three criteria: a) be strategically beneficial based on the portfolio process, b) be financially advantageous and c) be a good cultural fit. A purchase must strengthen Infineon’s market position in accordance with our strategic focus, usefully complementing our range of competencies. The corporate culture of any potential acquisition must be a good fit with Infineon’s culture or must add valuable elements.

A pioneer of digitalization

An important topic for us is the digital transformation of the Company, which we are driving forward using a strategic roadmap. As a global semiconductor manufacturer, we benefit from the digital transformation in two ways: on the one hand, as a provider and, on the other, as a user of digital solutions. As a provider, we use digitization and efficient platforms to support our customers in the best possible way throughout the customer relationship and development process. We are constantly optimizing and expanding our website offers and web content, and it is important for us that all product-related information and support services are easily accessible.



The accompanying software services and digital services are increasingly being provided using appropriate licensing models via our digital customer interfaces, such as the Infineon Developer Center. A major focus is on scaling up technical support so that, even in fragmented markets, we can provide support to customers during their product choice and design-in. The Infineon Developer Community offers round-the-clock technical support to all customers and continues to expand and improve by learning from customer queries and customer experience. This is a particularly efficient way for us to ensure that customers use our products and, indeed, use them in a more effective and targeted way.

As a user, we also use digitization to optimize our internal processes and make them as efficient and future-proof as possible. So, for example, we connect our sites and manufacturing partners in accordance with Industry 4.0 in a virtual manufacturing network. In sales and marketing, we use applications based on methods for analyzing big data that enable us to provide our customers with targeted, personal and increasingly customized support via our digital platforms. In addition, we evaluate customer behavior and customer requirements in a structured way and incorporate these results into the development of our solutions and products. In manufacturing, we are focusing to a greater extent on a high level of automation and the increasing use of artificial intelligence methods in order to continue to improve our productivity and quality.

To exploit the potential of the digital transformation in the best way possible, we are moving into a phase aimed mainly at scaling up. As part of our digital roadmap, we are focusing on the rapid implementation of projects. When selecting projects, we are guided by the direct value contribution to improving the customer experience through efficiency or productivity gains and by their function as the necessary basis for future digitization initiatives.

Human resources strategy

Our Human resources (HR) strategy is a key component of Infineon's success. It supports us in our efforts to achieve our growth and profitability targets and enables us to successfully navigate our way through varying economic phases and challenges. Our HR understanding is "People create value. HR fosters people engagement". Our overriding objective is to foster our employees' engagement and to take targeted measures to achieve this. When employees are enthusiastic about their job, have the relevant skillsets, and can take advantage of suitable opportunities for continuing professional development, the outcome is a higher level of creativity, productivity and innovation, as well as better results. We use regular pulse checks of our employees worldwide to measure their level of engagement and thus keep our finger on the pulse of their needs, enabling Infineon to make continuous progress.

We consider it our responsibility to contribute to major societal challenges. Decarbonization and digitalization are having an impact not only on our world but also on the future of work. From this, we derive the key action areas of our HR strategy. Our main focus is on

- 1) attracting the best talent in the market and keeping internal talent loyal to the Company,
- 2) continuing to drive the digital transformation forward in HR,
- 3) supporting the introduction of hybrid working where possible,
- 4) continuously evolving leadership development programs, and
- 5) strengthening organizational developments in our own units so we can be well-equipped for further growth.



People are the main focus of our activities, as dedicated, healthy, successful employees are key to maintaining and improving our market-leading position, thereby creating a successful future for us all.

Further information, including detailed statistics, is available in the HR Report 2022 and the 2022 Sustainability Report.

www.infineon.com/hrreport

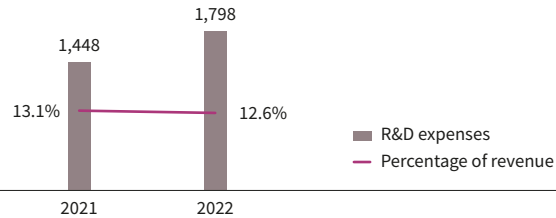
www.infineon.com/csr_reporting

Research and development



C03 R&D expenses

€ in millions



Research and development expenses were €1,798 million in the 2022 fiscal year compared with €1,448 million in the previous year. This increase of €350 million, or 24 percent, was less than the increase in revenue. In the 2022 fiscal year, we invested 12.6 percent of revenue in research and development, compared with 13.1 percent in the previous year. Capitalized development costs in the 2022 fiscal year were €209 million (previous year: €199 million). The amortization of capitalized development costs in the 2022 fiscal year was €94 million (previous year: €69 million). Subsidies and grants received for research and development decreased from €123 million in the 2021 fiscal year to €113 million in the 2022 fiscal year.

At the end of the 2022 fiscal year, we employed 12,005 people (21 percent of Infineon's total workforce) in research and development worldwide. At the end of the 2021 fiscal year, the corresponding figure was also 21 percent of the workforce with 10,372 employees. The number of research and development sites in the 2022 fiscal year was 64 (2021: 56 sites) in 24 countries.

Infineon's research and development activities are in accordance with its strategy of continuing to strengthen its leading technological position through customer-focused innovation. Research and development activities therefore concentrate on the one

hand on continuing to improve our power semiconductors, with a particular focus on the use of new materials such as SiC and GaN. Important development goals are to improve efficiency and increase power density while at the same time achieving greater reliability.

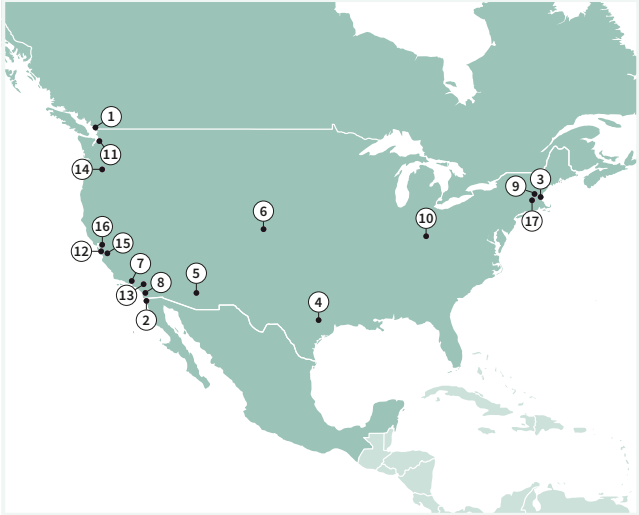
On the other hand, the digitization of products and solutions is an essential prerequisite for the implementation of our P2S strategic approach. The opportunity to offer customers all-in-one solutions is particularly important. This provides them with benefits in terms of system performance, system costs and development time. The main development fields here are microcontrollers, connectivity, security solutions, and software. Software development, in particular, is gaining ever more importance in this context. In the field of edge computing, artificial intelligence methods are increasingly being used. The ongoing development and expansion of our sensor product range is a key factor in the area of IoT. The range includes radar sensors, position sensors, gas sensors and pressure sensors as well as microphones.

We are also addressing longer-term future-related topics in areas such as 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, in the 2022 fiscal year, we applied for around 1,700 patents worldwide. In addition to patent applications and expirations, there were changes in the portfolio due to regular strategic patent portfolio adjustments. Maintenance of the patent portfolio is carried out on a regular basis. This has resulted, along with new patent applications for inventions, in a significant increase in the relevance of the patents, as highlighted by LexisNexis® and Clarivate® in their innovation reports. At the end of the 2022 fiscal year, the worldwide patent portfolio comprised around 29,600 patents and patent applications (previous year: around 29,500).

R&D sites



Americas

Canada

1 Richmond

Mexico

2 Tijuana

USA

- 3 Andover, MA
- 4 Austin, TX
- 5 Chandler, AZ
- 6 Colorado Springs, CO
- 7 El Segundo, CA
- 8 Irvine, CA
- 9 Leominster, MA
- 10 Lexington, KY
- 11 Lynnwood, WA
- 12 Milpitas, CA
- 13 Murrieta, CA
- 14 Portland, OR
- 15 San Diego, CA
- 16 San José, CA
- 17 Warwick, RI



Europe, Middle East, Africa

Austria

- 1 Graz
- 2 Linz
- 3 Villach
- 4 Herlev

Denmark

- 4 Herlev
- 5 Le Puy-Sainte-Réparate

France

- 5 Le Puy-Sainte-Réparate
- 6 Augsburg
- 7 Dresden
- 8 Duisburg
- 9 Erlangen

Germany

- 6 Augsburg
- 7 Dresden
- 8 Duisburg
- 9 Erlangen

Ireland

- 17 Cork
- 18 Dublin

Israel

- 19 Netanya

Italy

- 10 Ilmenau
- 11 Langen
- 12 Neubiberg near Munich
- 13 Regensburg
- 14 Warstein
- 15 Budapest
- 16 Cegléd

Hungary

- 15 Budapest
- 16 Cegléd

Ireland

- 17 Cork
- 18 Dublin

Israel

- 19 Netanya

Italy

- 20 Padua
- 21 Pavia

Romania

- 22 Braşov
- 23 Bucharest
- 24 Iaşi

Serbia

- 24 Belgrad

UK

- 25 Bristol
- 26 Reigate

Ukraine

- 27 Lviv



Asia-Pacific

India

1 Bangalore

Indonesia

2 Batam

Korea

- 3 Cheonan
- 4 Seoul

Malaysia

- 5 Kulim
- 6 Melaka
- 7 Penang

Philippines

8 Muntinlupa

Singapore

9 Singapore

Greater China

- 10 Chengdu
- 11 Shanghai
- 12 Shenzhen
- 13 Wuxi
- 14 Xi'an

Mainland China

- 10 Chengdu
- 11 Shanghai
- 12 Shenzhen
- 13 Wuxi
- 14 Xi'an

Taiwan

- 15 Hsinchu
- 16 Taipei

Japan

- 17 Nagoya
- 18 Sendai
- 19 Tokyo

Sites >10 employees.

Internal management system

The internal management system at Infineon is designed to help implement Group strategy, [p. 26 ff.](#), and the related long-term financial targets, [p. 26 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, liquidity and investments are all interdependent. Profitability is the prerequisite for being able to finance operations internally, which, in other words, means opening up potential opportunities for growth. Growth, in turn, requires continual investment in research and development as well as 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 with even greater frequency, such as the volume of orders received. This knowledge enables management to base its decisions on sound information about 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 relation to the environment and employee diversity. [See the report "Sustainability at Infineon" on our website www.infineon.com/csr_reporting]

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 that it also complies with its internal corporate governance standards (see the chapter "Corporate Governance", [p. 79 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**, respectively Segment Result Margin,
- › **Free Cash Flow** from continuing operations, and
- › **Return on Capital Employed (RoCE)**.

The three performance indicators set out 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 used by the Group to measure operating performance (for an analysis of the development of the Segment Result of Infineon and of the individual segments in the 2022 fiscal year, see the chapter "2022 fiscal year", [p. 41 ff.](#)). 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 the Segment Result. Responsibility for optimizing the Segment Result within the framework of the 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
Impact on earnings of sales of businesses, or interests in subsidiaries
Net of other income and expenses
= Segment Result

Free Cash Flow

Free Cash Flow measures the ability to generate sufficient cash flows to finance day-to-day operations and to fund required investments out of the ongoing business. It is Infineon's stated target to sustainably generate positive Free Cash Flow (for an explanation of changes in Free Cash Flow during the 2022 fiscal year, see the chapter "Review of liquidity", [p. 55](#)). 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:

Cash flows from operating activities from continuing operations
+ Cash flows from investing activities from continuing operations
+ Purchases of (proceeds from sales of) financial investments, net
= 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 RoCE in the 2022 fiscal year, see the chapter "Review of financial condition", [p. 53](#)). 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 taxes
= 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, 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 performance indicators indirectly.

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

These indicators are analyzed both at Group level and at segment level (for changes in these indicators in the 2022 fiscal year, see the chapter “Review of results of operations”, [p. 48 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 only at Group level, and 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 in other intangible assets, including capitalized development costs.

For an analysis of changes in these performance indicators during the 2022 fiscal year, see the chapter “Review of liquidity”. [p. 54 ff.](#)

Non-financial performance indicators

Non-financial performance indicators at Infineon include CO₂ emissions and indicators relating to diversity.

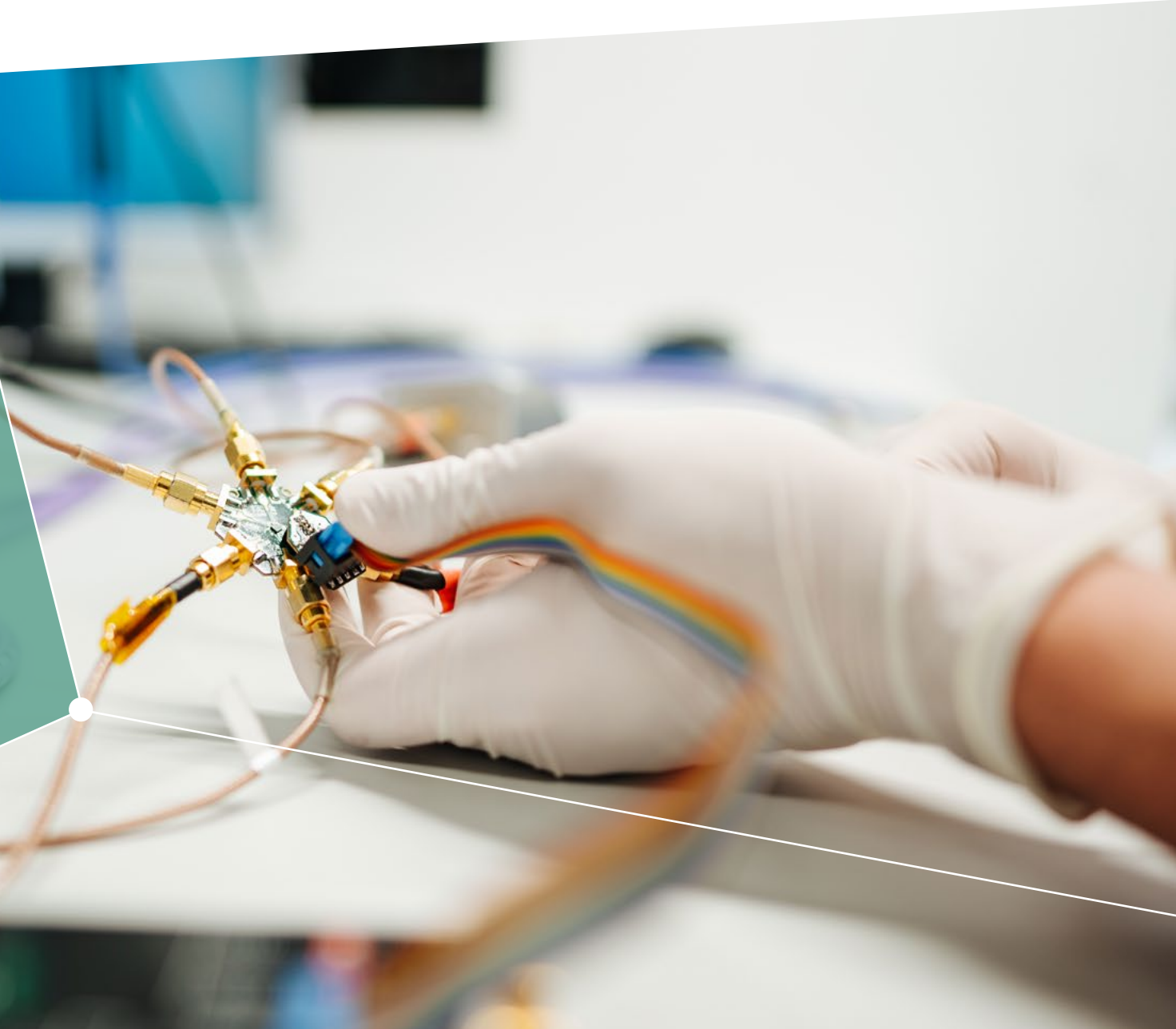
Already at the 2020 Annual General Meeting, Infineon announced that it wanted to become carbon-neutral by 2030. By 2025, Infineon would like to reduce its CO₂ emissions by 70 percent compared to the 2019 calendar year.

The degree of target achievement for these non-financial performance indicators is also reflected in the remuneration of the Management Board (see the chapter “Remuneration Report”, [p. 82](#)).

Actual and target values for performance indicators

The chapter “Outlook”, [p. 61](#), contains a table comparing the actual values achieved in the 2022 fiscal year for principal and selected supplementary performance indicators with the values forecasted and the expectations for the 2023 fiscal year.

Review of the semiconductor industry



Review of the global economy in the 2021 and 2022 calendar year

Following the downturn in the 2020 calendar year related to the coronavirus pandemic, there was a significant recovery in the 2021 calendar year, with growth of 5.8 percent (☒ R01). The rapid development and approval of effective Covid vaccines and the comprehensive measures taken by many governments to support their economies contributed towards the strong recovery.

For the 2022 calendar year, experts at the International Monetary Fund (IMF) expect the global economy to grow at a slower rate of 2.9 percent (☒ R01). Overall, the economic risks have increased significantly in the course of the 2022 calendar year. The war in Ukraine is dampening the outlook. Also, the coronavirus pandemic has not yet been fully overcome. Local lockdowns, such as the pandemic response measures in China, are exacerbating supply bottlenecks. Sharp rises in consumer and producer prices and the resulting significantly higher inflation rates are forcing central banks in the industrialized countries to tighten their monetary policy and raise interest rates faster and more significantly than originally planned. These measures are also having a dampening effect on the economy. At 2.9 percent growth in the 2022 calendar year, however, the global economy would still expand in line with the long-term trend (☒ R01). The growth figures relate to market size, translated into US dollars at market exchange rates.

Review of the semiconductor market in the 2022 fiscal year

Worldwide semiconductor revenue totaled €550.213 billion in the 2022 fiscal year, an increase of 26 percent on the prior-year figure of €437.135 billion. Expressed in US dollars, the increase was 14 percent (☒ R02).

The increase seen in the 2022 fiscal year was based on a broad range of products and solutions that reflect the trends decarbonization and digitalization in particular. Semiconductor content in vehicles increased partly as a result of increasing demand for electric vehicles, comfort features and efficient driver assistance systems. There was also an increasing demand for semiconductors in the renewable energy sector. Further growth drivers included intelligent applications such as smart watches, smart speakers and digital assistants. In the computing market segment, servers for data centers developed the strongest momentum. There was also high demand for smartphones and 5G equipment in the 2022 fiscal year (☒ R03), although it flattened out later on.

Infineon's reference market (i.e., the global market for semiconductors excluding DRAM and NAND flash memory chips and microprocessors) grew by 33 percent, from €276.774 billion in the 2021 fiscal year to €367.357 billion in the 2022 fiscal year. If the figures are expressed in US dollars, the increase was 20 percent (☒ R02).

Market position

Infineon ranked 11th place in the global semiconductor market in the 2021 calendar year with a market share of 2.3 percent. In the Infineon reference market, Infineon ranked seventh place worldwide in the 2021 calendar year with a market share of 3.9 percent. This puts Infineon in 1st place among European semiconductor manufacturers in both markets (☒ R04).

In the first nine months of the 2022 fiscal year, Infineon achieved a market share of 2.3 percent in the global semiconductor market, ranking 12th place. In the Infineon reference market, Infineon achieved a market share of 3.8 percent in the first nine months of the fiscal year, ranking 6th place. Infineon also ranked 1st place among European semiconductor manufacturers in both markets in the first nine months (☒ R04). Data for the full 2022 fiscal year was not yet available at the time this report was prepared.

2022 fiscal year



Group performance

Despite challenging conditions, Infineon was very successful in the 2022 fiscal year, once again achieving significant increases in revenue and profitability compared with the already strong previous fiscal year. In key applications such as automotive, industrial, renewable energy, data centers and IoT, demand for Infineon's products and solutions substantially exceeded supply. The much-cited chip shortage continued, which Infineon was able to counter to some extent by continued expansion of its manufacturing capacity. However, particularly in the case of semiconductors purchased by Infineon from contract manufacturers, supply was not sufficient by the end of the 2022 fiscal year to meet the high level of demand from customers in the core markets of Infineon. In contrast, demand began to weaken in the second half of the year in the areas of computing, consumer products and smartphones. Details about the performance of the segments can be found in the chapter "Segment performance". [p. 43 ff.](#)

Group revenue up by 29 percent

Infineon generated Group revenue of €14,218 million in the 2022 fiscal year, a 29 percent increase on the previous year's figure of €11,060 million. Against a backdrop of high demand for semiconductors and an increase in available manufacturing capacity, more than half of the revenue growth was the result of higher volumes. Factors contributing to the increase in frontend manufacturing capacity include the new chip factory for power electronics on 300-millimeter thin wafers on the Villach site (Austria), opened in September 2021, and the continual expansion of capacity in Dresden (Germany) and in Kulim (Malaysia). Other factors which had a positive impact on revenue were price rises, product mix improvements and exchange rate effects, mainly as a result of the strong US dollar.

Segment Result Margin of 23.8 percent achieved

Despite the increase in procurement prices for raw materials, preliminary products and energy, Infineon was able to achieve a 63 percent increase in its Segment Result, from €2,072 million in the 2021 fiscal year to €3,378 million in the 2022 fiscal year. This was not only due to higher volumes but also to price, product mix and exchange

rate effects. The impact of higher procurement prices and adverse exchange rate effects on cost of goods sold was more than offset by the impact of higher sales prices and positive exchange rate effects on revenue. Other factors contributing to the improvement in the Segment Result were synergies arising from the integration of Cypress and positive one-off effects such as insurance settlements.

Moreover, both revenue and the Segment Result in the 2021 fiscal year were adversely affected by pandemic-related restrictions on manufacturing, such as in Melaka (Malaysia) and at contract manufacturers, and by the shutdown of the fabrication plant in Austin (Texas, USA) due to a winter storm.

The Segment Result Margin of 23.8 percent was accordingly significantly higher than the figure for the previous fiscal year of 18.7 percent.

Details about Infineon's two other principal performance indicators, Free Cash Flow and RoCE, and about its other performance indicators can be found in the chapters "Review of results of operations", [p. 48 ff.](#), "Review of financial condition", [p. 52 f.](#), and "Review of liquidity", [p. 54 ff.](#)





Segment performance





Review of the Automotive segment in the 2022 fiscal year

In the Automotive segment, Infineon generated revenue in the 2022 fiscal year of €6,516 million, an increase of 35 percent compared with the figure for the previous fiscal year of €4,841 million. The segment contributed 45 percent of Infineon's Group revenue.

Electromobility, driver assistance systems and, above all, the trend towards higher levels of electronic equipment in vehicles continued to be the main drivers behind our growth in the 2022 fiscal year. Electromobility benefited not only from purchase incentive schemes but also from the increasing availability of charging stations, the wider range of models being produced by almost all vehicle manufacturers and a change in attitude in society towards sustainable technologies. Positive exchange rate effects as well as higher prices also contributed to revenue growth.

We were able to win additional contracts worldwide for SiC, both in the power train and in onboard chargers. We therefore anticipate achieving significant increases in revenue in this area over the next few years.

Another reason for the increase in revenue was the improving supply situation at our manufacturing partners. In the last two years, products in consumer, computing and communication segments (such as consumer electronics and home-office equipment) benefited from the Covid crisis. Falling demand for these products enabled contract manufacturers to allocate newly available manufacturing space to other customers. The automotive industry and thus our AURIX™, TRAVEO™ and PSoC™ microcontroller families were also able to benefit from this development. However, we were still not able to meet the demand from our customers. We assume that the situation for microcontrollers will remain fraught until well into the 2023 fiscal year.

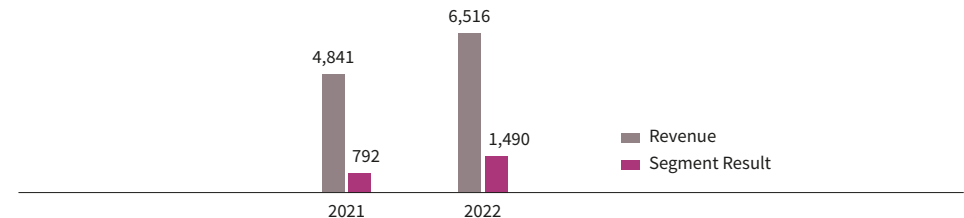
On the other hand, the 2022 fiscal year was adversely affected by shortages and/or the lack of availability of products as a result of pandemic-related suspensions of deliveries in China, which had a negative impact on global vehicle production, especially in the first half of the 2022 calendar year.

The Segment Result in the 2022 fiscal year was €1,490 million, an increase of 88 percent compared with the Segment Result for the previous fiscal year of €792 million. Based on revenue, the Segment Result Margin was 22.9 percent (previous year: 16.4 percent), see [III C04](#).

The increase in the Segment Result Margin was due to the higher level of revenue, improvements in the product mix and a further reduction in underutilization costs compared with the prior year. Furthermore, positive currency effects contributed to the increase of the Segment Result Margin.

C04 Revenue and Segment Result of the Automotive segment

€ in millions





Review of the Industrial Power Control segment in the 2022 fiscal year

In the Industrial Power Control segment, Infineon generated revenue in the 2022 fiscal year of €1,790 million, an increase of 16 percent compared with the figure for the previous fiscal year of €1,542 million. The revenue growth was the result of higher volumes as well as positive price and exchange rate effects. The segment contributed 13 percent to Infineon's Group revenue.

Revenue in the segment's largest field of application, automation and electric drives, benefited from increased demand in the area of factories and automation due to supply chain bottlenecks in many industry sectors.

Demand in the area of renewable energy remained high. The generation of clean energy is an essential prerequisite for the achievement of global carbon emission targets. Thanks to its strong market position in the area of renewable energy, Infineon was able to benefit directly from this megatrend.

There was an 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.

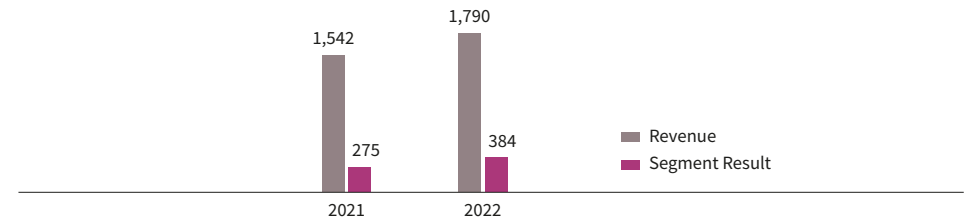
The energy infrastructure business comprises the transmission, distribution and storage of energy, as well as the charging infrastructure for electromobility. This last area enjoyed particularly strong demand. As the proportion of renewable energy in the energy mix continues to grow, so too does the importance of storage solutions to stabilize the grids.

In home appliances, the trend towards inverterized motor control systems continued. As a result of energy efficiency regulations, demand for inverterized home appliances, especially air conditioning units and washing machines, remained high.

Revenue in the transportation sector fell once again. As a result of the coronavirus pandemic, the expansion of transport capacity was postponed in many regions. New business areas such as the electrification of buses, trucks and farm machinery were unable to fully compensate for the decline in trains.

In the 2022 fiscal year, the Segment Result was €384 million, an increase of 40 percent compared with the figure for the previous fiscal year of €275 million. As a result of the increase in revenue and positive price and exchange rate effects, the Segment Result Margin improved from 17.8 percent in the 2021 fiscal year to 21.5 percent in the 2022 fiscal year, see [IIL C05](#).

C05 Revenue and Segment Result of the Industrial Power Control segment
€ in millions





Review of the Power & Sensor Systems segment in the 2022 fiscal year

In the Power & Sensor Systems segment, Infineon generated revenue in the 2022 fiscal year of €4,070 million, an increase of 25 percent compared with the figure for the previous fiscal year of €3,268 million, [↑ C06](#). Good demand for semiconductors used in servers, data centers and in industrial applications was the reason for the growth in revenue. Other contributory factors were positive exchange rate effects and higher prices. The segment contributed 29 percent of Infineon's Group revenue.

Ever-increasing demand for semiconductors in a variety of applications was the reason for the significant growth in revenue. In particular, strong upward demand trends were seen in the area of servers and data centers as well as in telecommunications infrastructure. The rise in data volumes to be transmitted continued unabated. Structural growth in cloud computing also persisted in the 2022 fiscal year, resulting in the building of additional data centers and the ongoing expansion of server capacity. Not only has there been a steady increase in the number of servers installed, but the number and value of semiconductors required in a server have also risen as a result of the trend towards greater use of artificial intelligence and machine learning. The continuing expansion of the 5G cellular infrastructure in many countries is also linked to the constant increase in the volume of data generated and is another reason for the revenue growth seen in the 2022 fiscal year.

There was consolidation in the consumer goods market, which was due to weakening retail spending when compared with elevated revenue in the prior year as a result of the coronavirus pandemic. In the case of smartphones, games consoles, PCs, laptops and television sets, demand returned to normal levels and sales were rather lower than in the prior year. Demand for battery-powered consumer applications was also slightly weaker. In contrast, demand for battery-powered industrial end products continued to rise. Moreover, customers for chargers, adapters and power supplies showed significantly increased interest in Infineon products based on the new material GaN.

Demand for industrial applications saw very positive trends. Worth highlighting in particular are products associated with renewable energy, such as roof-top solar systems, charging stations and onboard chargers for electric vehicles. Other industrial application areas with increased demand were LED lighting systems, smart building technology and medical devices.

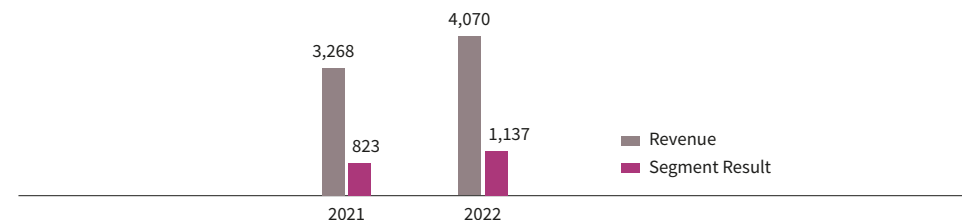
In the area of sensor technologies, there was a slight increase in revenue from radar sensors. Interesting new application areas include smart TVs, smart home and security applications. This is where 60-gigahertz radar sensors are mainly used. After strong growth in prior years, demand for MEMS microphones normalized and there was a slight decline in revenue.

The successful introduction of new products such as antenna tuners had a positive impact on revenue in the area of radio frequency. Revenue from RF antenna switches also made a good contribution to growth. In addition, in the 2022 fiscal year, we generated our first significant revenue from GaN-based RF power transistors for energy-efficient use in 5G base stations.

As a result of the positive revenue trends, increases were seen once again for the Segment Result and Segment Result Margin. Favorable trends in exchange rates and higher prices also had a positive impact. The Segment Result improved in the 2022 fiscal year to €1,137 million, an increase of 38 percent compared with the prior-year figure of €823 million. The Segment Result Margin rose to 27.9 percent, from 25.2 percent in the 2021 fiscal year, see [↑ C06](#).

C06 Revenue and Segment Result of the Power & Sensor Systems segment

€ in millions





Review of the Connected Secure Systems segment in the 2022 fiscal year

In the Connected Secure Systems segment, Infineon generated revenue in the 2022 fiscal year of €1,822 million, an increase of 30 percent compared with the figure for the previous fiscal year of €1,397 million. The segment contributed 13 percent of Infineon's Group revenue.

The growth in revenue was driven by exchange rate effects, higher prices, the product mix, and volume growth in dedicated applications. Due to restricted capacity at contract manufacturers the buoyant demand for multi-purpose microcontrollers, Wi-Fi and Bluetooth components, solutions for payment cards and governmental identification documents could not be fully met. Without these capacity constraints, revenue would have been significantly higher.

Demand for connectivity solutions and microcontrollers remained strong due to the increasing digitalization of applications in the context of the IoT. Demand for Wi-Fi and Bluetooth components was driven primarily by an increase in the penetration rate of end devices, especially in the area of industrial and consumer applications.

The trend towards cashless and contactless payment is continuing. Supply chain bottlenecks remained here too, with the result that demand could not be fully satisfied.

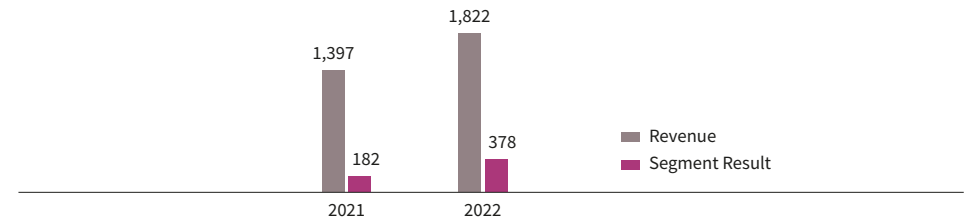
As the pandemic situation began to stabilize, international travel continued to increase. Demand for governmental identification documents rose accordingly, leading to a strong recovery in this area.

There was an increase in revenue from embedded SIMs (eSIMs), which are used in vehicles with an automatic emergency call function as well as in the industrial sector. Progress with Industry 4.0 applications is also leading to growing demand for eSIMs. Manufacturing machinery, tools and other technical devices are becoming more and more connected and can therefore be monitored, serviced and maintained remotely.

Authentication products are gaining in importance. Device manufacturers increasingly see consumer protection as a key element of a positive customer experience. As a result, revenue grew slightly in this application area.

Given the growth in revenue, both the Segment Result and Segment Result Margin were higher than in the 2021 fiscal year. Exchange rate effects and higher prices also had a positive impact. The Segment Result in the 2022 fiscal year was €378 million, an increase of 108 percent compared with the prior-year figure of €182 million. Based on revenue, the Segment Result Margin was 20.7 percent (previous year: 13.0 percent), see [III C07](#).

C07 Revenue and Segment Result of the Connected Secure Systems segment
€ in millions



Review of results of operations

Consolidated Statement of Profit or Loss

€ in millions, except earnings per share	2022	2021
Revenue	14,218	11,060
Gross profit	6,131	4,260
Research and development expenses	(1,798)	(1,448)
Selling, general and administrative expenses	(1,565)	(1,354)
Other operating income and expenses, net	77	12
Operating profit	2,845	1,470
Net financial result (financial income and expenses, net)	(161)	(160)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	39	9
Income tax	(537)	(144)
Profit (loss) from continuing operations	2,186	1,175
Profit (loss) from discontinued operations, net of income taxes	(7)	(6)
Profit (loss) for the period	2,179	1,169
Basic earnings per share (in euro)	1.65	0.87
Diluted earnings per share (in euro)	1.65	0.87
Adjusted earnings per share (in euro) – diluted	1.97	1.20

High demand and positive price and exchange rate effects have resulted in an increase in revenue

Revenue grew by €3,158 million or 29 percent in the 2022 fiscal year to €14,218 million (previous year: €11,060 million). Against a backdrop of high demand for semiconductors and the increase in available manufacturing capacity, more than half of the revenue growth was the result of higher volumes. Factors contributing to the increase in front-end manufacturing capacity included the new chip factory for power electronics on 300-millimeter thin wafers on the Villach site in Austria opened in September 2021 and the continual expansion of capacity in Dresden (Germany) as well as in Kulim (Malaysia).

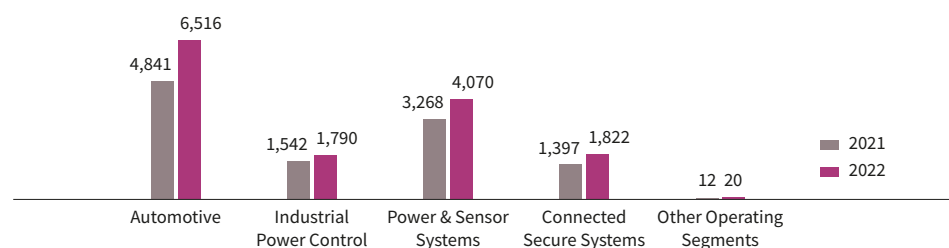
The growth in revenue was caused not only by price increases and product mix improvements, but also by positive exchange rate effects. A significant portion of revenue in the 2022 fiscal year was earned in foreign currencies, primarily in the US dollar. The average euro/US dollar exchange rate was 1.19 in the 2021 fiscal year and 1.08 in the 2022 fiscal year.

Moreover, revenue in the 2021 fiscal year was adversely affected by pandemic-related restrictions on manufacturing in Melaka (Malaysia) and at contract manufacturers, as well as by the shutdown of the fabrication plant in Austin (Texas, USA) due to a winter storm.

Revenue by segment is disclosed below:

C08 Revenue by segment

€ in millions



Details on the performance of the segments can be found in the chapter “Segment performance”. [p. 43 ff.](#)

Regional distribution of revenue largely unchanged year-on-year

€ in millions, except percentages

	2022		2021	
	Value	Percentage	Value	Percentage
Europe, Middle East, Africa	3,399	24%	2,773	25%
therein: Germany	1,594	11%	1,278	12%
Asia-Pacific (excluding Japan, Greater China)	2,343	16%	1,744	16%
Greater China ¹	5,204	37%	4,195	38%
therein: Mainland China, Hong Kong	4,063	29%	3,178	29%
Japan	1,415	10%	1,094	10%
Americas	1,857	13%	1,254	11%
therein: USA	1,564	11%	1,027	9%
Total	14,218	100%	11,060	100%

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

Disproportionately low increase in cost of goods sold, significant improvement in gross margin

€ in millions, except percentages

	2022	2021
Cost of goods sold	8,087	6,800
Change year-on-year	19%	17%
Percentage of revenue	56.9%	61.5%
Gross profit	6,131	4,260
Percentage of revenue (gross margin)	43.1%	38.5%

At €8,087 million, cost of goods sold during the reporting year was €1,287 million or 19 percent higher than the previous year's figure of €6,800 million. The increase in the cost of goods sold was less than the increase in revenue. The impact of higher procurement prices for raw materials, preliminary products and energy and adverse exchange rate effects on cost of goods sold was more than offset by the impact of higher sales prices, product mix effects and positive exchange rate effects on revenue.

Cost of goods sold also includes expenses incurred mainly in connection with the acquisition of Cypress of €288 million (previous year: €295 million). These include the amortization of fair value adjustments of €278 million (previous year: €278 million) identified in the course of purchase price allocations and other acquisition-related expenses of €10 million (previous year: €17 million).

Gross profit (revenue less cost of goods sold) in the 2022 fiscal year was €6,131 million, 44 percent higher than the prior-year figure of €4,260 million. The gross margin improved accordingly from 38.5 percent in the 2021 fiscal year to 43.1 percent in the 2022 fiscal year.

Operating expenses have fallen as a percentage of revenue

Operating expenses (research and development expenses, and selling, general and administrative expenses) rose at a lower rate than revenue by €561 million in the 2022 fiscal year to €3,363 million (previous year: €2,802 million), corresponding to 23.7 percent of revenue (previous year: 25.3 percent).

Research and development expenses

€ in millions, except percentages	2022	2021
Research and development expenses, gross	2,120	1,770
Minus:		
Grants received	(113)	(123)
Capitalized development costs	(209)	(199)
Research and development expenses	1,798	1,448
Change year-on-year	24%	30%
Percentage of revenue	12.6%	13.1%

Research and development expenses increased by €350 million or 24 percent, from €1,448 million in the 2021 fiscal year to €1,798 million in the 2022 fiscal year. The increase reflects the higher volume of business and results mainly from the intensification of research and development activities and the higher headcount in this area. A total of 12,005 people were employed in research and development as of 30 September 2022, an increase of 16 percent over the figure for 30 September 2021 of 10,372.

Expressed as a percentage of revenue, research and development expenses comprised 12.6 percent of revenue in the 2022 fiscal year, which was lower than the prior-year figure of 13.1 percent.

Selling, general and administrative expenses

€ in millions, except percentages	2022	2021
Selling, general and administrative expenses	1,565	1,354
Change year-on-year	16%	30%
Percentage of revenue	11.0%	12.2%

Selling, general and administrative expenses increased by €211 million or 16 percent compared with the previous fiscal year to €1,565 million. Expressed as a percentage of revenue, selling, general and administrative expenses comprised 11.0 percent of revenue in the 2022 fiscal year, which was lower than the prior-year figure of 12.2 percent. This was due not only to the positive trend in revenue but also to other synergies arising from the integration of Cypress. In addition, the impact on earnings of the purchase price allocations and acquisition-related expenses fell by €42 million to €177 million (previous year: €219 million).

Increase in net amount of other operating income and expenses

The net amount of other operating income and expenses improved in the course of the 2022 fiscal year to €77 million (previous year: €12 million). This includes income from insurance settlements and the release of provisions in a double-digit million euro amount.

Financial result virtually unchanged

The financial result, a net loss of €161 million, was virtually unchanged from the prior-year figure of a net loss of €160 million. Further information is provided in note 3 to the Consolidated Financial Statements. [p. 104](#)

Effective tax rate increased to 19.7 percent

The income tax expense in the 2022 fiscal year increased to €537 million (previous year: €144 million). Based on the profit from continuing operations before income taxes of €2,723 million (previous year: €1,319 million), the tax rate for the reporting year was 19.7 percent (previous year: 10.9 percent). The increase in the tax rate resulted from the sharp rise in profit, particularly in the high-tax countries of Germany, Austria and the USA.

Further details regarding the income tax expense are provided in note 5 to the Consolidated Financial Statements. [□ p. 105 ff.](#)

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

After deducting income taxes and adjusting for the profit/loss from discontinued operations, Infineon recorded a profit for the period of €2,179 million in the 2022 fiscal year (previous year: €1,169 million).

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

Both basic and diluted earnings per share stood at €1.65 for the 2022 fiscal year (previous year: €0.87).

The calculation of earnings per share in accordance with IFRS is presented in detail in note 7 to the Consolidated Financial Statements. [□ p. 108 f.](#)

Increase in adjusted earnings per share

Earnings per share in accordance with IFRS is influenced by amounts relating to purchase price allocations for acquisitions (in particular Cypress), and other exceptional items. To enable better comparability of operating performance over time, Infineon

calculates 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 as superior performance indicators, 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 €1.20 in the 2021 fiscal year to €1.97 per share in the 2022 fiscal year and is calculated as follows:

€ in millions (unless otherwise stated)	2022	2021
Profit (loss) from continuing operations – diluted	2,186	1,175
Compensation of hybrid capital investors ¹	(29)	(26)
Profit (loss) from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	2,157	1,149
Plus/minus:		
Impairments (reversal of impairments) (in particular on goodwill)	(6)	(1)
Impact on earnings of restructuring and closures, net	–	–
Share-based payment	62	27
Acquisition-related depreciation/amortization and other expenses	484	544
Losses (gains) on sales of businesses, or interests in subsidiaries, net	–	1
Other income and expenses, net	(7)	31
Acquisition-related expenses within financial result	4	7
Tax effect on adjustments	(116)	(131)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(15)	(64)
Adjusted profit (loss) for the period from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	2,563	1,563
Weighted-average number of shares outstanding (in millions) – diluted	1,304	1,304
Adjusted earnings per share (in euro) – diluted²	1.97	1.20

¹ Including the cumulative tax effect.

² The calculation of the adjusted earnings per share is based on unrounded figures.

Review of financial condition

Increase of business volume results in a rise in inventories and trade receivables

Inventories, and in particular work in progress, increased by €900 million to €3,081 million as of 30 September 2022. In line with the growth in revenue, trade receivables also increased by €404 million to €1,887 million.

€ in millions	30 September 2022	30 September 2021
ASSETS		
Cash and cash equivalents and financial investments	3,717	3,922
Trade receivables	1,887	1,483
Inventories	3,081	2,181
Property, plant and equipment	5,545	4,443
Goodwill	7,083	5,962
Other intangible assets	3,483	3,349
Remaining current and non-current assets	2,116	1,994
Total assets	26,912	23,334
LIABILITIES AND EQUITY		
Trade payables	2,260	1,569
Other current liabilities	1,161	872
Financial debt	5,662	6,585
Pensions and similar commitments	297	617
Remaining current and non-current liabilities	2,588	2,290
Equity	14,944	11,401
Total liabilities and equity	26,912	23,334

Currency-related increase in goodwill and other intangible assets

Goodwill increased by €1,121 million to €7,083 million as of 30 September 2022. The increase was almost solely as a result of exchange rate effects, due in particular to the strong US dollar. Other intangible assets also rose mainly as a result of exchange rate effects, by €134 million to €3,483 million.

Increase in property, plant and equipment as a result of investments

Property, plant and equipment increased by €1,102 million to €5,545 million as of 30 September 2022. Additions of €2,061 million significantly exceeded depreciation of €1,050 million. Further information about investments made in the 2022 fiscal year can be found in the chapter “Review of liquidity”. [p. 54 ff.](#)

Increase in liabilities

The increase in trade payables of €691 million to €2,260 million resulted mainly from the increase in business volume. Other current liabilities also rose by €289 million. The main reason for this was the increase in reimbursement obligations to customers, which have increased by €198 million, partly as a result of exchange rate effects.

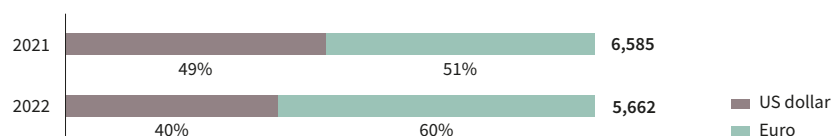
Repayments result in a reduction in financial debt

Financial debt decreased by €923 million to €5,662 million, mainly as a result of several repayments made during the 2022 fiscal year as well as a bond issuance, the proceeds of which were used to refinance euro-denominated capital market obligations, resulting in a net reduction of €1,393 million in total. Repayments included the voluntary early redemption of the last outstanding term loan raised in connection with the acquisition of Cypress as well as a convertible bond which was acquired in the course of the acquisition of Cypress. The reductions in financial debt were offset by exchange rate effects of €461 million arising from financial debt denominated in US dollars.

More detailed information on financial debt is provided in note 15 to the Consolidated Financial Statements. [□ p. 116 f.](#)

C09 Financial debt by currency

€ in millions



Pension commitments lower as a result of higher interest rates

Provisions for pensions and similar commitments decreased in the 2022 fiscal year by €320 million. The main reason for this was the measurement of net pension obligations at a higher discount rate, due to interest rate and credit margin developments in the financial markets in the past twelve months (see note 18 to the Consolidated Financial Statements, [□ p. 119 ff.](#)). This resulted in an actuarial gain of €310 million after tax.

Equity up mainly due to profit for the period and exchange rate effects

Equity increased by €3,543 million to €14,944 million as of 30 September 2022. The main contributory factor was the profit for the period of €2,179 million. Other factors with a positive impact on equity were exchange rate effects recognized in other comprehensive income of €1,369 million and actuarial gains arising on the measurement of pensions and similar commitments of €310 million after tax. These increases in equity were offset by the dividend of €351 million paid out for the 2021 fiscal year.

The equity ratio as of 30 September 2022, based on total assets of €26,912 million, was 55.5 percent (30 September 2021: 48.9 percent).

Improvement in RoCE due to higher operating profit

In the 2022 fiscal year, operating profit from continuing operations after tax increased significantly by €992 million to €2,317 million (previous year: €1,325 million) and therefore at a faster rate than capital employed. Volume, price and currency effects contributed to the increase in operating profit (see the chapter “Review of results of operations”, [□ p. 48 ff.](#)). Capital employed rose by €2,566 million to €18,359 million as of 30 September 2022.

As a result, Return on Capital Employed (RoCE) increased from 8.4 percent to 12.6 percent.

RoCE for the 2022 and 2021 fiscal years is calculated as follows:

€ in millions, except percentage	2022	2021
Operating profit	2,845	1,470
Plus/minus:		
Financial result excluding interest result ¹	(30)	(10)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	39	9
Income tax	(537)	(144)
Operating profit from continuing operations after tax ①	2,317	1,325
Assets	26,912	23,334
Plus/minus:		
Cash and cash equivalents	(1,438)	(1,749)
Financial investments	(2,279)	(2,173)
Assets classified as held for sale	-	(9)
Total current liabilities	(5,588)	(4,443)
Short-term financial debt and current maturities of long-term financial debt	752	833
Capital employed ②	18,359	15,793
RoCE ①/②	12.6%	8.4%

¹ The financial result for the 2022 and 2021 fiscal years amounted to negative €161 million and negative €160 million, respectively, and included negative €131 million and negative €150 million, respectively, of net interest result.

Review of liquidity

Cash flow

€ in millions	2022	2021
Cash flow from operating activities from continuing operations	3,986	3,063
Cash flow from investing activities	(2,441)	(2,284)
Cash flow from financing activities	(1,869)	(885)
Net change in cash and cash equivalents from discontinued operations	(6)	2
Cash-relevant change in cash and cash equivalents	(330)	(104)
Effect of foreign exchange rate changes on cash and cash equivalents	19	2
Change in cash and cash equivalents	(311)	(102)

The €923 million increase in cash flows from operating activities from continuing operations to €3,986 million was primarily the result of the significant improvement of €1,010 million in profit from continuing operations. This was offset by the development of working capital. Here, the positive effect from the increase in trade payables was more than offset by the increase in inventories and higher trade receivables.

Cash outflows from investing activities rose by €157 million compared with the previous fiscal year to €2,441 million. The higher figure in the 2022 fiscal year was mainly due to an increase of €785 million in purchases of property, plant and equipment. Set against this was a reduction of €692 million in net cash outflows from purchases and sales of financial investments.

The main focus of Infineon's investing activities in the 2022 fiscal year was on the expansion of its frontend manufacturing facilities in Villach (Austria) and Dresden (Germany). It is also extending its frontend manufacturing site in Kulim (Malaysia), where it will invest a total of more than €2 billion in a third module (Kulim 3). When operating at full capacity, Kulim 3 will create 900 skilled jobs and enable the generation of around €2 billion of additional annual revenue, with products based on the compound semiconductors SiC and GaN. Construction work started in June 2022 and it is expected the new factory will be ready to be equipped in the summer of 2024. The first wafers should be coming off the production line in the second half of the 2024 calendar year.

Investments as a proportion of revenue increased from 13.5 percent in the 2021 fiscal year to 16.2 percent in the 2022 fiscal year. This reflects the continuing expansion of capacity in frontend manufacturing, in order to continue to meet the expected growth in demand from our customers in the medium term (see the chapter "Outlook", [p. 61 ff.](#)).

The net result of proceeds from and repayment of financial debt in the 2022 fiscal year was a net cash outflow of €1,393 million (previous year: net cash outflow of €486 million). Combined with the increase of €65 million in the dividend payment, this resulted on an increase in the net cash outflows from financing activities by €984 million to €1,869 million.

More information about financial debt is provided in note 15 to the Consolidated Financial Statements. [p. 116 f.](#)

Increase in Free Cash Flow

Infineon reports the Free Cash Flow figure, defined as cash flows from operating activities and cash flows from investing activities, both from continuing operations, after adjusting for cash flows from 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, as dividends, debt-servicing obligations and other fixed disbursements have not been deducted. Free Cash Flow should not be seen as a replacement or as a superior performance indicator, but rather as a useful item of information in addition to 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 determined in accordance with IFRS. Free Cash Flow only includes amounts from continuing operations and is derived as follows from the Consolidated Statement of Cash Flows:

€ in millions	2022	2021
Cash flow from operating activities ¹	3,986	3,063
Cash flow from investing activities ¹	(2,441)	(2,284)
Purchases of (proceeds from sales of) financial investments, net	103	795
Free Cash Flow	1,648	1,574

¹ From continuing operations.

Gross cash position and net cash position

The following table shows the gross cash position and the net cash position. Since some liquid funds are held in the form of financial investments which for IFRS purposes are not classified as 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 2022	30 September 2021
Cash and cash equivalents	1,438	1,749
Financial investments	2,279	2,173
Gross cash position	3,717	3,922
Minus:		
Short-term financial debt and current portion of long-term financial debt	752	833
Long-term financial debt	4,910	5,752
Gross financial debt	5,662	6,585
Net cash position	(1,945)	(2,663)

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 €80 million (2021: €69 million, see note 15 to the Consolidated Financial Statements, [p. 117](#)), – Infineon assumes that it will be able to cover those capital requirements for the 2023 fiscal year that are currently expected. These include the repayment of financial debt on its due date. Forecast 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. 129 f.](#)). Investments planned for the 2023 fiscal year are discussed in the chapter “Outlook”. [p. 61 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. 126](#)).

Principles and structure of Infineon's treasury

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. Since S&P Global Ratings upgraded Infineon in February 2022, the Company has been rated "BBB" with a stable outlook. Infineon's original medium-term objective of reducing its debt level after the closing of the Cypress transaction to or below the maximum target value of twice the gross financial debt to EBITDA has already been achieved 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. 116 f.](#)

The abovementioned treasury principles cover all liquidity and financing topics, such as banking policy and strategy, execution of financing agreements, global liquidity and investment management, currency, interest rate and commodity price risk management and the handling of external and intragroup cash flows.

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

In the context of centralized liquidity management and, as far as permitted by law and economically reasonable, cash pooling structures are in place in order to ensure the best possible allocation of liquidity within the Group and reduce external financing demand. 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 executing commodity price hedging. For hedging purposes, we employ the following derivative financial instruments in our continuous operations: forward foreign currency contracts to reduce the impact of exchange rate exposure (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. 136 ff.](#), and note 27 to the Consolidated Financial Statements, [p. 143 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 our treasury principles.

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

Following the acquisition of Cypress, the financing and treasury activities of Cypress are being gradually integrated into Infineon's core structures. Most of this integration was completed in the course of the 2022 fiscal year.

Infineon on the capital market

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 2022), €2,611,842,274 (as of 30 September 2021)
Shares issued ¹	1,305,921,137 (as of 30 September 2022), 1,305,921,137 (as of 30 September 2021)
Own shares	3,689,901 (as of 30 September 2022), 4,545,602 (as of 30 September 2021)
ISIN	DE0006231004
WKN	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	€29.574 billion (based on closing price of €22.71 as of 30 September 2022)
Daily average shares traded on Xetra	4,717,059 (in the 2022 fiscal year)
Trading in the USA	ADS, over-the-counter trading on the OTC market (OTCQX International)
Market capitalization ²	US\$28.597 billion (based on closing price of US\$21.96 as of 30 September 2022)
Daily average ADS traded	256,404 (in the 2022 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 Calculation of market capitalization: ("shares issued" – "own shares") x share price.

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

0.750% Bond from 24 June 2020	€750 million	due on 24 June 2023, ISIN: XS2194282948
0.625% Bond from 17 February 2022	€500 million	due on 17 February 2025, ISIN: XS2443921056
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 call date 1 January 2025, ISIN: XS2056730323
3.625% Hybrid Bond from 1 October 2019	€600 million	first call 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
Rating of S&P Global Ratings		since 1 February 2022: "BBB", Outlook: "stable"

Share price performance

The closing price for Infineon shares at the end of the 2022 fiscal year was €22.71. This was down 36 percent on the closing price at the end of the 2021 fiscal year of €35.53.

C10 Development of the Infineon share compared to Germany's DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index for the 2022 fiscal year (daily closing prices)

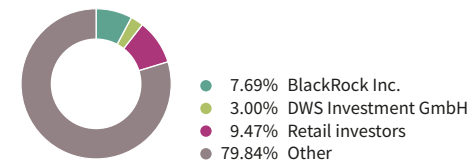


Initially, in the first quarter of the 2022 fiscal year, Infineon continued its share price increase from the previous fiscal year, culminating in the share price high for the current fiscal year of €43.46 on 18 November 2021. From the end of the 2021 calendar year, the increasingly more difficult stock market environment led to declines in the price not only of Infineon shares but also in the benchmark indices. The price of Infineon shares decreased by 36 percent in the 2022 fiscal year. The US benchmark indices Philadelphia Semiconductor Index (SOX) and Dow Jones US Semiconductor Index both lost 29 percent of their value. The smallest decline was to be seen in the German stock market index, the DAX, which fell by only 21 percent. The year low for Infineon shares in the 2022 fiscal year was €21.07 on 5 July 2022. With a closing price of €22.71, Infineon's market capitalization as of 30 September 2022 was €29,574 million, compared with €46,231 million at the end of the 2021 fiscal year when the share price was €35.53.

Shareholder structure

As of 30 September 2022, two shareholders each held more than 3 percent of the Infineon shares issued. The share capital held by retail investors rose to 9.47 percent at the end of the 2022 fiscal year, compared with 8.54 percent at the end of the 2021 fiscal year.

C11 Shareholder structure as of the end of the 2022 fiscal year

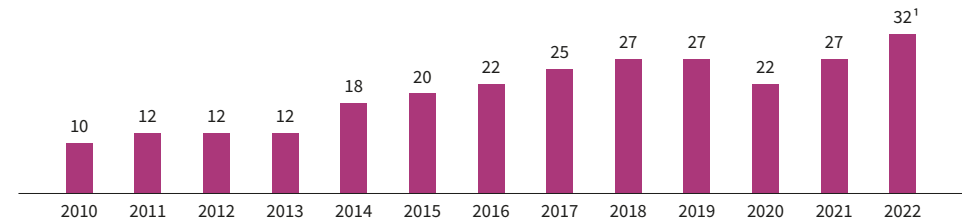


Dividend

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. After the dividend payout for the 2021 fiscal year was increased by €0.05 compared with the prior year to €0.27, the plan is to put forward a proposal at the Annual General Meeting in February 2023 for another increase of €0.05 in the dividend. The reason for this was the Company's even better business performance in the 2022 fiscal year. If the planned proposal is approved at the Annual General Meeting, the dividend for the 2022 fiscal year would rise to €0.32 per share. The number of shares issued totaled 1,305,921,137 as of 30 September 2022. This figure included 3,689,901 shares owned by the Company that are not entitled to a dividend. The total amount to be distributed to shareholders is therefore anticipated to rise to €417 million, compared with €351 million one year earlier.

C12 Dividend per share for the 2010 to 2022 fiscal years

in € cents



¹ Proposal to the Annual General Meeting to be held on 16 February 2023.

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).

Overall statement on Infineon's financial condition

Our macroeconomic and geopolitical environment is currently severely impacted by a number of factors. The war in Ukraine is causing not only unspeakable human suffering but also shortages and rising prices for energy and key raw materials. High rates of inflation are depressing demand and making central banks adopt more restrictive monetary policies. Climate change is having a noticeable impact, with increasingly extreme weather events. The coronavirus pandemic is still with us and is continuing to impose restrictions on global supply chains. All these factors are having an adverse impact on economic growth. Other important issues include geopolitical tensions and uncertainties, not least as a result of intense technological competition in the world's leading regions.

Despite the challenging conditions, Infineon was very successful in the 2022 fiscal year, in particular because of structurally increasing demand for semiconductors. This is also reflected in our current figures, see the chapters "Group performance", [p. 41 f.](#), "Review of results of operations", [p. 48 ff.](#), "Review of financial condition", [p. 52 f.](#), and "Review of liquidity", [p. 54 ff.](#)

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 2022 fiscal year (FY) and show the outlook for the 2023 fiscal year.

€ in millions, except percentages	Actuals FY 2021	Outlook for FY 2022 ¹	Actuals FY 2022	Outlook for FY 2023
Principal performance indicators				
Segment Result Margin	18.7%	More than 23% (at a revenue level of around €14 billion)	23.8%	Around 24% (at a revenue level of €15.5 billion)
Free Cash Flow from continuing operations	1,574	Around €1.4 billion	1,648	Around €0.8 billion
RoCE	8.4%	Around 11%	12.6%	Around 12%
Selected supplementary performance indicators				
Revenue respectively change in revenue compared to previous year	11,060	Revenue increase to around €14 billion	14,218	Revenue increase to around €15.5 billion plus or minus €500 million
Investments	1,497	Around €2.4 billion	2,310	Around €3.0 billion
Gross cash position	3,922	In the range of €4 billion and therefore within the target range of €1 billion plus at least 10% of revenue	3,717	In the range of €3 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 second respectively third quarter of the 2022 fiscal year.

Comparison of original outlook with actual figures for the 2022 fiscal year

Revenue for the 2022 fiscal year was originally forecast in November 2021 to be €12.7 billion, plus or minus €500 million. In light of Infineon's positive business performance, this outlook was raised incrementally in the following quarters to an expected revenue of around €14 billion. The actual amount of revenue generated in the 2022 fiscal year was €14,218 million. This figure was slightly above the final forecast on 3 August 2022 and significantly above the original forecast in November 2021. This was due to good demand and price increases. Positive exchange rate effects also contributed to the increase in revenue.

In conjunction with the adjustments to the revenue forecast, the expected Segment Result Margin was also increased during the period. Originally, a Segment Result Margin of around 21 percent was forecast for the 2022 fiscal year. The most recent forecast was more than 23 percent. In line with the increase in revenue, the actual figure was 23.8 percent.

Free Cash Flow was originally expected to reach around €1 billion. As a result of the steady adjustments to the revenue forecasts, adjustments were made on a regular basis to the expected figure for Free Cash Flow. The most recent forecast for Free Cash Flow of around €1.4 billion was made in August 2022. Here too, the increase in revenue had a positive impact, and Infineon therefore generated Free Cash Flow of €1,648 million in the 2022 fiscal year.

The actual figure for Return on Capital Employed (RoCE) in the 2022 fiscal year was 12.6 percent, exceeding both the original forecast made in November 2021 of "at least 10 percent" and the increased forecast at the end of the first half of the 2022 fiscal year of "around 11 percent" as a result of the good operating profit from continuing operations.

The actual figure for investments in the 2022 fiscal year of €2.3 billion was slightly below the forecast for investments of around €2.4 billion.

Explanatory comments on the outlook for the 2023 fiscal year

Assumed euro/US dollar exchange rate

As a globally operating organization, Infineon generates revenue not only in euros, but also in foreign currencies, predominantly in US dollars. It also incurs expenses in US dollars and, to some extent, in currencies correlated with 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. Due to the higher level of revenue and the stronger US dollar, the level of effects has now increased compared with previous years. 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 around €10 million per quarter or around €40 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 around €25 million per quarter or around €100 million per fiscal year. Planning for the 2023 fiscal year is based on an assumed exchange rate of US\$1.00 to the euro.

Growth prospects for the global economy and the semiconductor market

High inflation, the tightening of monetary policy, the war in the Ukraine and the ongoing coronavirus pandemic are having an adverse impact on the development of the global economy. Given these factors, the experts at the International Monetary Fund expect the global economy to grow by 2.9 percent for the 2022 calendar year, followed by 2.1 percent in the 2023 calendar year in their forecast dated 11 October 2022 (☞ R01).¹ Steep price increases have resulted in various central banks tightening their monetary policy. The zero-Covid strategy of the Chinese government is repeatedly leading to economic activity being restricted by lockdowns, and Europe finds itself in the middle of an energy crisis with an uncertain outcome. Downside risks for the global economy are currently relatively high.

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 12 percent in US dollar terms in the 2022 calendar year (☞ R03). Demand for semiconductors for automotive applications is expected to grow at a faster rate, whereas revenue from semiconductors in the consumer market segment is forecast to be somewhat lower than in the 2021 calendar year.

The experts at Omdia expect the Infineon reference market to grow by 4 percent in the 2023 calendar year (☞ R03). The trends of decarbonization and digitalization are still intact and continuing to drive demand for semiconductors, especially in the automotive, industrial and renewable energy sectors. However, should there be a stronger economic downturn, even these sectors of the semiconductor industry will probably be unable to entirely avoid a downward trend in the short term, although the long-term structural growth drivers will remain.

¹ The growth figures relate to market size, translated at market exchange rates into US dollars.

Outlook for the 2023 fiscal year

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

Revenue forecast to grow to €15.5 billion plus or minus €500 million

Based on the forecasts for the growth of the global economy and the semiconductor market segments relevant for Infineon described above and an assumed exchange rate of US\$1.00 to the euro, Infineon forecasts that Group revenue will grow in the 2023 fiscal year to €15.5 billion, plus or minus €500 million. This is equivalent to a 9 percent increase in revenue compared with the prior year. Revenue growth for the Automotive segment is expected to be above Group average. In Industrial Power Control and Connected Secure Systems, revenue is likely to grow at around the average rate for the Group. Revenue generated by Power & Sensor Systems is forecast to grow below Group average.

Segment Result Margin of around 24 percent of revenue expected

If the middle of the range for the revenue forecast is reached, the Segment Result Margin is expected to be around 24 percent in the 2023 fiscal year.

Free Cash Flow from continuing operations

For the 2023 fiscal year, Infineon forecasts Free Cash Flow of around €0.8 billion.

RoCE

For the 2023 fiscal year, Return on Capital Employed (RoCE) is forecasted to reach about 12 percent.

Gross cash position

The gross cash position at the end of the 2023 fiscal year is expected to be around €3 billion.

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 €3.0 billion for the 2023 fiscal year. The main focus is on the construction of the third fabrication facility at the Kulim site (Malaysia), which is designed to manufacture compound semiconductors, the new factory planned in Dresden (Germany), and the continuing expansion of frontend manufacturing capacity especially in Dresden and Villach (Austria), so that we can continue to meet the expected growth in demand from our customers 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 of investment is also planned in order to expand capacity and implement structural measures at backend facilities, albeit at a much lower level than for frontend facilities.

In the 2022 fiscal year, investments totaled €2,310 million, comprising €2,053 million for property, plant and equipment and €257 million for capitalized development costs and other intangible assets. In the 2023 fiscal year, investments in capitalized development costs and other intangible assets are expected to be at about the same level as in the 2022 fiscal year.

Depreciation and amortization are predicted to be about €1.9 billion. Approximately €450 million relates to depreciation and amortization resulting from purchase price allocations, mainly in connection with the acquisition of Cypress.

Overall statement on expected developments at Infineon

Based on forecasts for the development of the global economy and the semiconductor market in the 2023 calendar year, Infineon expects Group revenue to grow to €15.5 billion, plus or minus €500 million. The Segment Result Margin is forecast, at the middle of the range for the revenue forecast, to be around 24 percent of revenue. Investments are expected to be in the region of €3.0 billion. Depreciation and amortization are expected to total about €1.9 billion. Free Cash Flow from continuing operations should reach around €0.8 billion. Return on Capital Employed (RoCE) is forecast to be about 12 percent.

Risk and opportunity report

Risk policy: Basis of our risk and opportunity management

Effective risk and opportunity management is an important element of our business activities and supports the implementation of our strategy to achieve our strategic goals. Infineon's risk and opportunity situation continues to be characterized by the dynamic market environment in the semiconductor industry, a substantial need for capital investment to achieve and sustain the market position, extraordinarily rapid technological change, decarbonization and digitalization. In this context, competition to gain an innovative edge is also fought out at the legal level, for example, for patents. Against this background, Infineon's risk policy is aimed on the one hand at realizing the opportunities that arise quickly in a way that increases enterprise value, and on the other hand actively mitigating risks – particularly those that might pose 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 strategy. The ultimate responsibility for risk management lies with the Infineon Management Board.

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

Risk and Opportunity Management System

The new IDW Auditing Standard 340 on the audit of the early risk detection system came into force on 1 January 2021. As a result, we have adapted our Risk and Opportunity Management System to the methodology of the new standard. Significant changes made involve implementing a risk-bearing capacity concept based on shareholders' equity and improving risk aggregation by using Monte Carlo simulations. Furthermore, in addition to categorizing risks (classifying risk events into various thematic blocks) and setting threshold levels for risk tolerance, the review period for risk reporting (with regard to the degree of impact of the risks and opportunities) was amended. The new review period is now divided into three time slices (impact in the current fiscal year, the coming fiscal year and a trend statement for years three to five), and not cumulatively for five years as in previous business years. This adjustment of the risk assessment now enables us to calculate the risk-bearing capacity for the individual fiscal years.

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. This approach is based on the "Enterprise Risk Management (ERM) – 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 positive variance from the plan. We incorporate all relevant organizational units of the Group in this analysis, thus covering all segments as well as 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 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 levels, and reporting to the Management Board on the risk and opportunity situation as well as on 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 the regular reporting dates.

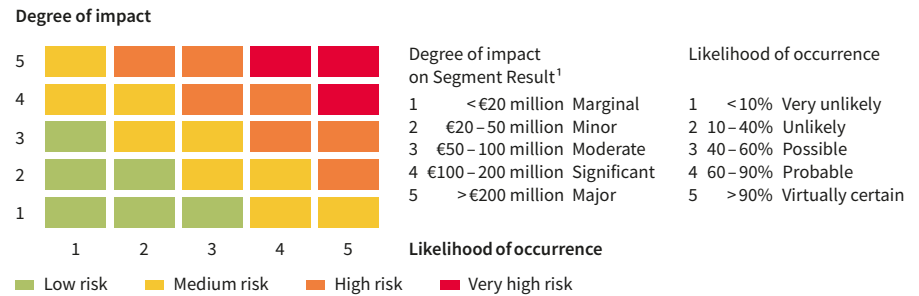
Risks and opportunities are measured on a net basis by taking into account any existing risk mitigation or hedging measures. The time periods and measurement categories used are closely linked to our short-term and medium-term business planning and entrepreneurial targets.

All relevant risks and opportunities are assessed uniformly across the Group in quantitative or qualitative terms based on two factors: **degree of impact** on the Segment Result and/or on business objectives, reputation, compliance and **likelihood of occurrence**.

The scales used to measure these two factors (degree of impact and likelihood of occurrence) and the resulting risk assessment matrix for the presentation of risks for impact years 1 and 2 are depicted in chart **III C13**.

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

C13 Risk assessment matrix



¹ Relating to a planning year.

All risks and opportunities reported for Infineon are reviewed for possible cumulative effects and analyzed using an Infineon-specific categorization model that also takes non-financial risks into account. Interdisciplinary workshops held at segment, corporate and regional levels support our risk and opportunity analysis and enhance our risk and opportunity management culture. Important information relevant for Infineon’s Risk and Opportunity Management System is available to all employees via our intranet system, including access to our ERM guidelines containing job descriptions for all functions involved in the process as well as all the information required for reporting purposes.

Risk and Opportunity Managers are designated at appropriate hierarchy levels to manage and monitor identified risks and opportunities according to their relevance. They are responsible for formally determining a set of appropriate risk and opportunity management strategies (in the case of risks: avoidance, mitigation, transfer or acceptance). Working closely with corporate functions and individual managers responsible for measures, the Risk and Opportunity Manager is also responsible for defining and monitoring the measures aimed at implementing the management strategy. The active and specific management and monitoring of risks and opportunities are critical to the success of our system.

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 certain 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 group audit, the external Group auditor also examines the early risk detection system pursuant to section 91, paragraph 2, of the German Stock Corporation Act (AktG) to ascertain its suitability to detect risks at an early stage that could pose a threat to Infineon's going-concern status in accordance with IDW Auditing Standard 340 and reports thereon annually to the Chief Financial Officer (CFO) and to the Investment, Finance and Audit Committee of the Supervisory Board.

Internal Control System with respect to the financial reporting process

In comparison with the Risk Management System, the principal focus of the Internal Control System (ICS) is on the financial reporting process, with the aim of monitoring the proper maintenance, appropriateness and effectiveness of accounting and financial reporting. The ICS aims to minimize the risk of misstatement in Group accounting and external reporting and to prepare Consolidated Financial Statements that comply with all relevant regulations. Company-wide compliance with legal and internal regulations must be ensured. Clear responsibilities 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 part of the accounting process in all relevant legal entities and corporate functions.

The system monitors compliance with policies and procedures using 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 financial reporting in the Annual and Consolidated Financial Statements; and
- › processes are in place for the segregation of duties and for the four-eye principle in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems.

Assessment of appropriateness and effectiveness

We systematically assess the appropriateness and 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 appropriateness and effectiveness of these controls. The tests constitute the basis for assessing the appropriateness of the design and 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 main legal entities review and confirm the appropriateness and effectiveness of the Internal Control System 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 identified and about the effectiveness of the internal controls in place.

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. Improvements made to these systems contribute to the continuous monitoring of the relevant risk areas, including the responsible organizational units.

The internal control system of Cypress has been integrated into the Group's ICS as part of 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 that have therefore been allocated to the “very high”, “high” or “medium” risk classes. 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

Uncertain political and economic environment (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 could also arise due to political and social changes, particularly when those changes occur in countries in which we manufacture and/or sell our products.

Geopolitical risks have increased significantly in the 2022 fiscal year, especially as a result of the war in Ukraine, which has greatly reduced the predictability of economic development. The war in Ukraine is giving rise to risks and adverse impacts, such as potential interruptions in the supply of natural gas to production sites, price increases and scarcity of energy and raw materials. Any escalation of the conflict beyond Ukraine would further increase the risk of a global economic downturn. Furthermore, rising inflation and increases in interest rates may lead to a significant decline in consumption.

Customs disputes as well as trade restrictions, such as those between the USA and China and the current conflict between Taiwan and China, may constrain global trade, thereby dampening global economic growth. This may 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 the business remains essentially unchanged. This includes the risk of a decline in foreign demand from a Chinese perspective and hence a decline in China's gross domestic product. 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 worldwide has worsened considerably and will continue to do so for a long time to come due to the consequences of the coronavirus pandemic and the impact of the war in Ukraine. Regardless of our assessment of potential scenarios and outcomes within this complex set of risks, these developments may have an adverse impact on Infineon's business, net assets, financial position and earnings situation.

Cyclical market and sector trends (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 trends are subject to strong uncertainty. It is possible, for instance, that future market downturns will follow another pattern, such as an L-shape with longer phases of economic stagnation. The absence of market growth or its decline would make it considerably more difficult to attain our own growth target. If we were unprepared for market fluctuations or our mitigation strategy proved to be inappropriate, this could have a sustained adverse impact on Infineon's business, net assets, financial position and earnings situation.

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) activities 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)

As a result of the global economic recovery in the 2022 fiscal year, which led to very strong demand for semiconductors, the impact of the coronavirus pandemic was considerably less in the 2022 fiscal year than in the previous fiscal year. The pandemic disrupted manufacturing output or supply chains in certain countries, such as China and Malaysia, affecting not only Infineon's sites but also those of its international suppliers and customers. This had and continues to have an impact on the availability of raw materials and components as well as on 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, earnings and financial position of Infineon.

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 delivery capability and quality. Higher-than-expected demand for semiconductor products in the 2022 fiscal year – particularly for the automotive market, renewable energy applications, data centers, the expansion of mobile communications infrastructure, digitalization in many areas, and the electronics used at work and in homes in general – caused supply problems, especially for our contract manufacturers. The situation has not only led to delays in supplying our customers but has also resulted in an actual loss of revenue in the 2022 fiscal year. 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 pass on these increases in full to our customers. In addition, the current conflict between Taiwan and China may affect the supply situation for our Taiwanese partners. Any failure of one or more of these suppliers to meet their obligations to Infineon could have an adverse impact on Infineon's business, financial position 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 rise in threats to data security. This increasingly applies to the use of IT systems to support business processes, as well as to internal and external communications. 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 research and 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 increasingly dynamic markets and customer requirements for flexibility, combined with short-term adjustments to order quantities, 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 our manufacturing processes and sites have become even more flexible, fluctuations in capacity utilization levels or purchase commitments entered into, coupled with idle costs at the manufacturing sites, nevertheless pose risks related to our cost position. These risks could jeopardize our growth and profitability targets over the cycle.

This situation is exacerbated by the fact that some of our products are highly dependent on the degree of commercial 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 above our contractual obligations if called upon by customers to do so. These factors could have an adverse impact on Infineon's financial position 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 consolidation trends, particularly those affecting our first-tier and second-tier customers.

Manufacturing cost trends – raw materials prices, cost of materials and process costs (RC: high)

Our medium-term 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 partners, may not be feasible to the extent envisaged.

Moreover, our dependence on energy supplies for our production and on various components (such as wafer), raw materials (including gold, copper and rare earths) and specialty gases expose us to substantial price and supply risks. In particular, a restriction of or interruption to the supply of natural gas for manufacturing sites in Europe could result in significant disruptions to production. Raw material and energy prices are currently subject to substantial fluctuations due, among others, to inflation. These fluctuations in market prices are expected to persist. In such a situation, if we are unable to offset cost increases or pass them on to customers, it could have an adverse impact on our financial position and earnings.

Product quality trends (RC: medium)

Product quality assurance is a key factor for our business success. Potential quality risks – for example, due to high production capacity utilization – can affect yield fluctuations and hence our delivery reliability. 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 its future business, financial position and earnings.

Product development delays (RC: medium)

The ever-increasing complexity of technologies and products, shorter development cycles and dynamized customer demands 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 we are unable to execute our development plans at the desired quality levels, the outcome could result in delays and increased development costs, which could have an adverse impact on Infineon's business, net assets, financial position and earnings.

Coordination and flexible adjustment of manufacturing (RC: medium)

Frontend and backend manufacturing processes need to be optimally synchronized to enable Infineon to develop and manufacture competitive, high-quality products designed to provide new technological solutions. In view of the rapid pace of technological change and the dynamics of customer requirements, we consider this coordination to be increasingly sophisticated. Failure to continue making progress in this area could result in quality problems, delays in product development or market rollout, as well as higher research and development expenses, and hence adversely impact Infineon's financial position and 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 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 our short-term 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 and therefore an adverse impact on earnings, on the other.

Dependence on individual manufacturing sites (RC: medium)

Our South-East Asian manufacturing sites are of high 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 at the planned scale or to export products manufactured at those sites, it would have an adverse impact on our net assets, financial position and earnings. A transfer of manufacturing capacities from these sites would not only involve a great deal of time and technical effort, but Infineon would also be required to bear all of the necessary cost of investment.

Need for qualified employees (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 of 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 financial position and earnings.

Financial risks

Currency risks (RC: high)

The international orientation of our business activities 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 capital expenditures, 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 adversely impact earnings, despite hedging measures.

Risk of default of banks 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 of 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 net assets and financial position.

Further information regarding the management of financial risks is provided in note 27 to the Consolidated Financial Statements. [p. 143 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. 130 ff.](#)

Provisions are recognized in connection with these matters as of 30 September 2022. 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 upon 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 on selling the products concerned. Any such outcome could, in turn, have an adverse impact on Infineon's net assets, financial position and earnings.

Further information regarding litigation and government inquiries is provided in note 23 to the Consolidated Financial Statements. [p. 130 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 restrict business activities. 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 net assets 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 employees and products in existing business structures. These issues could adversely impact our net assets and earnings.

In the case of acquisitions or portfolio decisions, there is a risk of non-compliance with antitrust or other legal regulations due to a 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 business 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 on an ongoing basis.

Non-achievement of strategic targets and risks relating to the integration of Cypress (RC: medium)

The strategic 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, the synergy and innovation potential of the two companies, future economic developments and market changes.

Measures to implement our risk management strategy

At a strategic risk level, we encounter the economic and demand fluctuations typical of the semiconductor sector business and the associated risks to our business activities, net assets, financial position and earnings by, among other things, continuously monitoring the development of what we consider to be key early warning indicators. Furthermore, we counter them as far as possible with specifically defined mitigation strategies appropriate to the current position in 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.

To avoid quality risks, we have adopted various quality management strategies at the operational level, such as "FMEA" (Failure Mode and Effects Analysis) and "Six Sigma", in order to prevent or solve problems and to continue to improve all our business processes. Our Group-wide quality management system has been certified for a number of years on a worldwide basis in accordance with ISO 9001 and ISO/TS 16949 and encompasses supplier development. Our processes and initiatives to ensure continuous improvement are aimed, among others, 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. To help us identify potential project risks at an early stage and use specific measures to counter these risks, we require projects to have clear project milestones, verification procedures and clearly defined limits of approval authority.

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 for materials and technical equipment. We can reduce the risk of disruption to production caused by interruptions in the supply of natural gas by switching from gas to

alternative energy sources for the operation of cogeneration plants at selected manufacturing sites. In addition, in some cases, we have used derivatives to hedge, for example, price risks with respect to the amount of gold wire and electricity that we expect to require for the 2023 fiscal year.

To take account of the growing importance of Infineon's ecosystem partners, 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 on its ecosystem partners. As a result, the high-risk ecosystem partners throughout the Group are now identified and continuously assessed, and corrective risk mitigation measures are implemented to avoid an adverse impact on the Segment Result and/or on Infineon's business objectives, reputation or compliance.

In response to the general increase in threats to data security and the high degree of professionalism now applied to the area of cyber-crime, we have initiated an information security program to further improve protection against potential 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). With the systematic approach of the management system, we aim 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 accordance 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 possibility for contractual protection exists 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 key 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 the Investment, Finance and Audit Committee of the Supervisory Board. At entities or locations formerly operated by Cypress, we have appointed Compliance Contacts, who are responsible for the implementation of the CMS at these entities or locations.

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 net assets, financial position and earnings.

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 represents only a cross-section of the opportunities available. Our assessment of these opportunities is also 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 estimated likelihood 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").

Decarbonization and acceleration of the energy transition (OC: high)

With a constantly growing world population and increasing industrialization, global demand for energy is rising. Electric power is becoming the most important energy form of the 21st century, while renewables are playing a key role in curbing 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.

To achieve this target, it will be necessary to develop renewable sources of energy at a faster rate than originally envisaged. This should lead to an increase in demand for our products, as Infineon's semiconductors enable electric power to be generated more efficiently from renewable energy sources. Indeed, they offer efficiency gains at all stages of the energy industry's value chain, whether in generation, transmission, storage 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: high)

The trend towards digitalization offers substantial business potential for Infineon. This is reflected, on the one hand, in the optimization of internal processes, such as for our interconnected manufacturing lines on a global scale, as well as in sales and administration. On the other hand, our portfolio of sensors, microcontrollers, power semiconductors, security chips and security solutions, as well as specific software, puts us in an excellent position to successfully exploit growing market potential. Our strategic approach "Product to System" makes us very well prepared to penetrate and develop the markets involved. Good examples already apparent today include automated driving, the smart home, voice and gesture control for devices and machines (such as services supporting the elderly) and the advancing development of the IoT. Additional opportunities are arising from accelerated and/or broader market penetration by digital products. In this context, the issue of "security and data integrity" plays a very important role. We are able to address this issue by offering our customers appropriate security chips and security solutions.

Strategic approach "Product to System" (OC: high)

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 to reduce customers' development costs and shorten the lead times required to bring their products to market and thereby support our growth and margin targets.

Opportunities for synergies arising from the acquisition of Cypress (OC: medium)

The products and technologies of Infineon and Cypress complement one another very well. 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, and memories for specialty applications ("grow in scope").

The result is a comprehensive portfolio for offering complete system solutions that are needed to link the real world 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. Furthermore, the acquisition has broadened Infineon's market access, especially in Japan, as well as with distributors. The combination of the two companies will help our business diversify, make it more robust and enable us to generate additional synergies.

Growth from data centers and mobile applications (OC: medium)

The ongoing trend in the area of Artificial Intelligence (AI) training and Machine Learning (ML) systems is reflected in the high level of demand for solutions that will ensure efficient and effective power management (high-voltage and low-voltage power transistors, driver ICs and control ICs) for data centers. In addition, demand for mobile applications (such as smartphones and tablets) is continuing to rise. One of the areas where Infineon is able to benefit from this development is MEMS microphones and CMOS RF switches.

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 and comfort features and driver assistance systems.

We are 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. Moreover, the trend towards automated and autonomous driving offers great potential for our sensors and microcontrollers.

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

High demand worldwide for semiconductor products and their strategic importance for our customers gives us the opportunity to increase our sales prices. This may have a positive impact on Infineon's business, financial position and earnings.

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 our 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 therefore 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.

Ability to meet supply requirements with available capacity (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) and of the second fully automated 300-millimeter factory at the Villach site (Austria), as well as the third manufacturing module in Kulim (Malaysia) currently under construction, will strengthen our ability to meet the growing demand for power semiconductors.

Liquidity position (OC: medium)

Our current liquidity position, which we describe in detail in the chapter "Review of liquidity", [p. 54 ff.](#), provides us with the financial headroom for organic growth and growth by acquisition and enables us to make use of favorable refinancing conditions, if necessary.

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 great importance to the Group and relate to the following markets we serve:

China is the world's largest automotive market, and its growth potential remains high. In particular, high rates of growth for electric-powered vehicles make China one of the largest markets for electromobility. SIAPM, the joint venture formed by Infineon with SAIC Motor (China's largest car manufacturer), which offers power semiconductor solutions for electric vehicles, is strengthening our position in China.

With China's ratification of the Paris Climate Agreement in 2016 and with China's last two five-year plans, climate protection has become more important for China. 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.

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 production-oriented research and development activities and 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), the Separate Financial Statements of Infineon Technologies AG are prepared in accordance with the provisions of the German Commercial Code (HGB). The complete Separate Financial Statements are published separately.

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Earnings position

Continuing high demand for semiconductor products (which had an impact on both volume and price), combined with exchange rate effects, led to an increase in revenue for Infineon Technologies AG of 26 percent to €7,920 million (2021: €6,311 million). Gross profit rose accordingly by 48.7 percent to €3,238 million (2021: €2,178 million). The gross margin was 40.9 percent in the 2022 fiscal year (2021: 34.5 percent). Operating expenses (research and development expenses, selling, general and administrative

expenses) increased in the 2022 fiscal year by €351 million to €2,227 million (2021: €1,876 million), thus comprising 28.1 percent of revenue (2021: 29.7 percent). There were also increases in other expenses, interest expenses and tax expenses. This development is primarily attributable to higher interest expense from the measurement of pension provisions and to higher foreign exchange losses. The increase in foreign exchange losses is mainly due to the development of the US dollar exchange rate. The net profit of Infineon Technologies AG in the 2022 fiscal year was €646 million, following a net profit of €239 million in the previous fiscal year. After transferring a total of €228 million to retained earnings, unappropriated profit amounted to €418 million.

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

€ in millions	2022	2021
Revenue	7,920	6,311
Cost of goods sold	(4,682)	(4,133)
Gross profit	3,238	2,178
Research and development expenses	(1,394)	(1,203)
Selling expenses	(533)	(444)
General and administrative expenses	(300)	(229)
Other income (expense), net	(119)	26
Result from investments, net	67	64
Interest result	(201)	(147)
Other financial result	(3)	36
Income tax	(109)	(42)
Income after taxes/net profit	646	239
Transfers from retained earnings	-	114
Transfers to retained earnings	(228)	-
Unappropriated profit	418	353

Net assets and financial position

Total assets increased by 4 percent, from €19,946 million as of 30 September 2021 to €20,766 million as of 30 September 2022. Non-current assets rose by €264 million, mainly due to an increase in loans to affiliated companies. Current assets increased by €541 million as a result of the higher volume of business. Receivables and other assets rose by €451 million and inventories by €344 million. Offsetting these increases was the decrease in cash and cash equivalents and marketable securities of €254 million to €3,402 million (30 September 2021: €3,656 million). Cash and cash equivalents and marketable securities accounted for 46 percent of current assets.

The increase in equity of €321 million was mainly due to the net profit for the 2022 fiscal year of €646 million, offset by the dividend paid out for the 2021 fiscal year of €351 million.

Provisions for pensions and similar commitments increased by a total of €79 million. In addition to an increase in the settlement amount, there was a decrease in the value of the plan assets. Other provisions rose by €127 million, mainly due to provisions for obligations to employees of €354 million (30 September 2021: €315 million) and reimbursement obligations to customers of €68 million (30 September 2021: €45 million). Liabilities increased in the 2022 fiscal year by €292 million to €9,620 million, compared with €9,328 million as of 30 September 2021, mainly as a result of the higher volume of business and the related increase in cost of goods sold and operating costs.

At the end of the reporting year, the equity ratio was 47.2 percent, compared with 47.6 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.

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

€ in millions	30 September 2022	30 September 2021
Intangible assets, property, plant and equipment	620	592
Financial assets	12,682	12,446
Non-current assets	13,302	13,038
Inventories	1,601	1,257
Receivables and other assets	2,323	1,872
Cash and cash equivalents, marketable securities	3,402	3,656
Current assets	7,326	6,785
Prepaid expenses	137	121
Active difference resulting from offsetting	1	2
Total assets	20,766	19,946
Share capital	2,605	2,603
Capital reserves	3,545	3,525
Retained earnings	3,241	3,007
Unappropriated profit	418	353
Shareholders' equity	9,809	9,488
Provisions for pensions and similar commitments	400	321
Other provisions	935	808
Provisions	1,335	1,129
Bonds	4,632	4,634
Loans payable to banks	1	2
Advance payments received	-	1
Trade payables	464	378
Liabilities to affiliated companies	3,627	3,430
Other liabilities	896	883
Liabilities	9,620	9,328
Deferred income	2	1
Total liabilities and shareholders' equity	20,766	19,946

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 recorded by the ultimate parent company, as determined in accordance with the provisions of the German Commercial Code (HGB).

The ultimate parent company Infineon Technologies AG, after transfer to other retained earnings, reported unappropriated profit of €418 million in its financial statements for the fiscal year ended 30 September 2022. With regard to the 2022 fiscal year, a proposal will be made to pay a dividend of €417 million respectively €0.32 per dividend-entitled share out of the unappropriated profit of Infineon Technologies AG. The disbursement of the proposed dividend is subject to approval by the shareholders.

The Company paid a dividend of €0.27 per share (€351 million in total) for the 2021 fiscal year.

For information regarding Infineon's long-term dividend policy, see the "Dividend" paragraph in the chapter "Infineon on the capital market". [p. 59](#)

Expected developments and associated significant risks and opportunities

Expected developments at Infineon Technologies AG and the associated significant risks and opportunities are essentially identical to those of the Group as a whole. Moreover, it is assumed that the result from investments will make a major contribution to Infineon Technologies AG's earnings. As a general rule, Infineon Technologies AG participates in the risks of its subsidiaries and equity investments on the basis of the extent of its shareholding. As the parent company of the Group, Infineon Technologies AG is integrated into the Group-wide risk management and internal control systems. For more information on this topic, expected developments and associated significant risks and opportunities, see the chapter "Risk and opportunity report". [p. 64 ff.](#)

Most transactions within the Group 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. 56](#), regarding the nature and scope of transactions involving derivative financial instruments and hedged risks also apply to Infineon Technologies AG. Information on this subject is also provided in the Notes to the Separate Financial Statements of Infineon Technologies AG.

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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 2022. 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 3,689,901 of the abovementioned issued shares as own shares as of 30 September 2022 (30 September 2021: 4,545,602 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 set out in the German Stock Corporation Act (Aktengesetz – “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 on 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 section 38, paragraph 1, or 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 the shares related to the entry in the share register are actually owned by the registered party and, if not, 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 2022, 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 2022 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 the 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 the 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 of the Company, 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. 123 ff.](#)

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 applies only 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; or
- › 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 a 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 authorized 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 permissible 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, finally, 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 affected 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 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 of the Company that are subject to the condition of a change of control as a result of a takeover bid and remuneration 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 remaining contract term up to a maximum period of 24 months. Further details are contained in the Remuneration Report (see the chapter “Remuneration Report”).

The change-of-control clauses agreed to 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)

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

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

Remuneration Report

The Remuneration Report is publicly available.

www.infineon.com/remuneration-report

The references to the Remuneration Report are not audited as part of the audit of the financial statements. The Remuneration Report was subjected to a separate substantive audit by the auditor in accordance with IDW PS 490. This audit also includes the formal audit required by section 162, paragraph 3, of the German Stock Corporation Act (AktG).

R01 International Monetary Fund (IMF): <i>World Economic Outlook</i> . October 2022.	Neubiberg, 21 November 2022		
R02 World Semiconductor Trade Statistics (WSTS): <i>Semiconductor Industry Blue Book History</i> . October 2022.	Management Board		
R03 Based on or includes research from Omdia: <i>Application Market Forecast Tool – 3Q22</i> . September 2022.	Jochen Hanebeck	Constanze Hufenbecher	Dr. Sven Schneider
R04 Based on or includes research from Omdia: <i>Competitive Landscaping Tool CLT Quarterly – 2Q22</i> . August 2022.	Andreas Urschitz	Dr. Rutger Wijburg	