# Group strategy

In recent years, we have established a stable foundation for success in our target markets. Our strategy is to further strengthen our core business and tap into new growth markets. We have built up and systematically expanded the technical expertise required over many years. Since good ideas do not turn into innovations until they are successful in the market, we have also developed the right concepts for implementing our value-creation strategy. C04

At the heart of our implementation is our strategic approach “Product to System”, through which we focus our entire value chain on achieving success for the customer. This approach is supported by other elements: a broad-based culture of innovation, constant pursuit of technology leadership, a high level of quality awareness, in-house production that differentiates us from our competitors, and a sales and marketing strategy tailored to the various markets. We are therefore able to offer our customers leading products with the highest quality and delivery reliability, enabling us to achieve profitable growth and grow faster than the market. All this promotes our goal of achieving and securing a leading position in the markets and applications we are active in, while successfully addressing issues relating to the future.

Since the end of the 2020 calendar year, the semiconductor industry has experienced an unprecedented global shortage of manufacturing capacity. There were, and in some cases still are, many factors contributing to this shortage. In the December quarter, economic recovery began sooner and faster than expected. In geographical terms, this was the case, especially in China. In terms of industries, the bounce back was strongest in the automotive industry. The digitalization push caused by the coronavirus pandemic led to a surge in demand. Lockdowns in some countries (i.e., Malaysia), extreme climate situations (the winter storm in Texas, water scarcity in Taiwan), accidents (the fire in a semiconductor factory in Japan), disruption to the logistics chain (the tanker accident in the Suez Canal, a shortage of air and sea freight capacity) and, last but not least, ongoing political tensions greatly slowed production. Our strategy of engaging in differentiating in-house production, on the one hand, and outsourcing products based on standard manufacturing technologies to contract manufacturers, on the other, has proved successful. We will continue to adopt this strategy, making adjustments where necessary.

Within these strategic guidelines, the acquisition of Cypress that we completed in the 2020 fiscal year is enabling us to grow faster than we would have done organically. By combining complementary product portfolios, we are strengthening and expanding our core business and can service an even wider range of applications. We also offer our customers comprehensive system solutions and better performance and ensure a faster time to market for their products. These are the ways in which we differentiate ourselves and increase our growth potential.

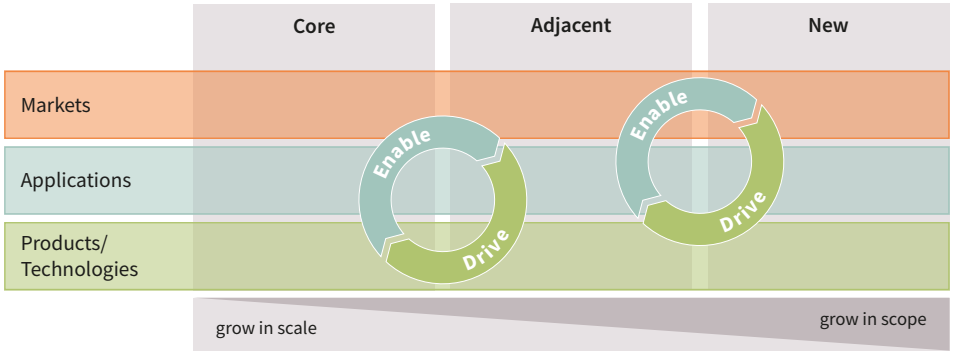
Thinking and acting responsibly over the long term goes beyond our direct business. It is also crucial that, in addition to developing a greater understanding of our customers’ systems, optimizing our products and solutions, and achieving an adequate return in line with our objectives, we incorporate sustainability into the management of our business and engage responsibly with society. Making life greener is part of our mission. Therefore, we have set ourselves the target of becoming carbon-neutral by 2030.

## Strategic guideline: Strengthening our core business and tapping into new growth markets

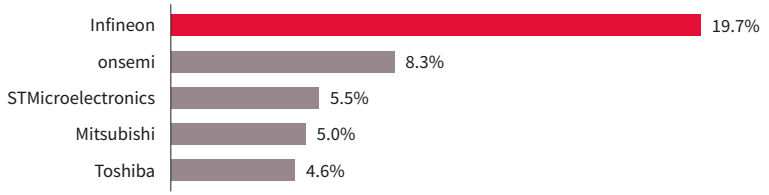
With our strategic focus on the megatrends referred to above, we are ensuring long-term growth for Infineon. We concentrate on markets with strong structural growth, especially on electromobility, the various stages of the electric energy supply chain and the increasing digitalization of all aspects of life. The way we act in the individual markets depends on our competitive position, which we analyze in terms of technologies, products and application understanding. Here we look at three categories: firstly, our core business; secondly, adjacent complementary business; and thirdly, new options for products and applications as well as for markets. C04

Our core business includes all those areas in which we have a full understanding of the applications or where we master the underlying technologies and in which we can therefore offer an extensive differentiating product portfolio. In our core business, we want at least to grow with the market and thereby maintain or even strengthen our leading positions ("grow in scale"). One example is our power semiconductors, which are employed in the generation, transmission, storage and use of electric power.

**C04** Strategic growth model




**C05** Worldwide discrete power semiconductors and modules market share in the 2020 calendar year

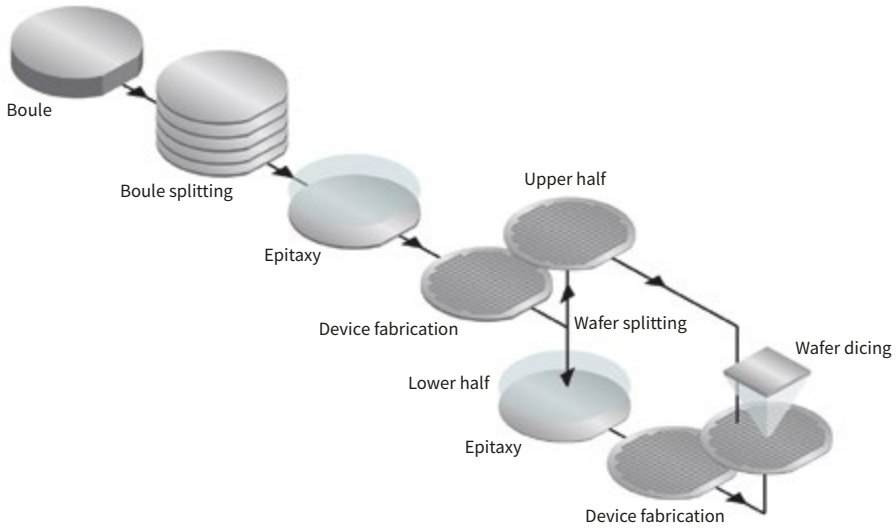



We understand how these systems are used to convert and control electric power, and we supply particularly compact and energy-efficient MOSFETs and IGBTs for this purpose. We are the undisputed global market leader in this area. C05

We began researching new materials for power semiconductors at an early stage. SiC and GaN are particularly well suited for use in power electronics. Here, we are moving towards new levels of performance and efficiency. These components are typically more expensive than Si-based products, but thanks to new system architectures they also offer the customer multidimensional additional benefits, such as a smaller form factor, greater efficiency and lower system costs. Realizing these benefits often goes hand in hand with higher research and development costs for our customers. Therefore, we support the introduction of these new technologies in two ways. On the one hand, we work closely together with our highly innovative customers, while, on the other hand, we provide less technology-oriented customers with appropriate solutions that make the switch easy to implement, for example, compatible control components. Given the increasing relevance of SiC for certain power semiconductor applications, we acquired SiC specialist Siltectra in 2018. The company has developed an innovative method known as Cold Split technology to process crystal efficiently and with minimum loss of material, C06. Infineon will use the Cold Split technology for the efficient separation of SiC boules and to split SiC wafers. That gives us two advantages. Firstly, we can manufacture in a more cost-effective manner, as we use the raw materials more efficiently. Secondly, we achieve a higher

output of SiC components from the raw materials purchased, which increases our security of supply. This is particularly important given the ongoing expansion of renewable energy and the increasing use of SiC in the powertrain of electric vehicles. We have now established all the prerequisites for future success in the growing SiC market: access to high-quality wafers, leading technology at the product level (Trench SiC MOSFET), module expertise and system understanding.

**C06** Siltectra's Cold Split technology allows splitting of SiC boules as well as SiC wafers with minimum loss of material




Accordingly, we offer our customers optimal solutions, and we can show them new ways of being successful. Our high-volume manufacturing means that we can achieve economies of scale, while at the same time, we can provide manufacturing capacity for individual customer projects and grow alongside our customers.

The greatest growth potential is to be found in markets adjacent to our core business that we have not yet addressed at all or in which we have only been partly active. It only takes a moderate amount of effort to adapt existing technologies and products for additional applications, enabling us to increase potential sales. In the application fields where we are already active, we can use our system understanding to increase revenue with a broader portfolio of products and solutions ("grow in scope"). The core mentioned above should therefore not be seen as a static portfolio of activities. Instead, the adjacent business becomes part of our core business in the medium term, the core grows and the boundaries shift, because when we make progress in specific markets in terms of technology, products and application understanding, the classification of these markets changes accordingly. To return to the example of power semiconductors, "Power" is one of our original core competencies, but here too we continue to develop. We are expanding our portfolio so that we can offer our customers an increasing degree of "Intelligence" in addition to power semiconductors. Specifically, this means that we have focused on complementing our range of efficient power transistors with additional components, increasingly using digital solutions. The products required for intelligent control of switches tend to be more complex and higher-end because they incorporate greater functionality. In the context of increasingly complex systems and shorter development times, many customers appreciate this greatly, as it enables them to reduce their development costs and development risk significantly.

Technological progress also paves the way for completely new application areas for which commercialization has not yet started on a wide scale. Sometimes innovations in semiconductor technology provide the momentum for new applications, while

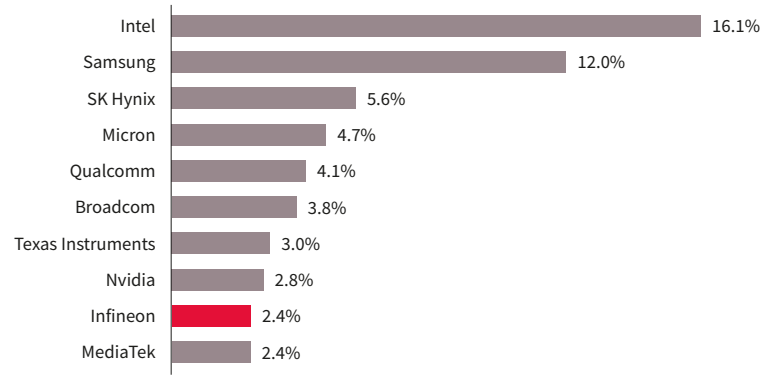
other times groundbreaking concepts on the customer side require the development of suitable semiconductor solutions. By becoming involved in these new business areas at an early stage, we want to secure a good starting position in highly promising future markets. Take the example of smart buildings. Sensors are the sensing organs of a building. They actively perceive their surroundings by “hearing”, “seeing”, “smelling” and “feeling”. With our sensors, we can open up new application fields, such as predictive maintenance of smart buildings. To identify system failures, such as in an air-conditioning system, before they occur, our sensors measure various parameters and data points. These measurements provide information about whether the relevant system is operating properly or whether it might break down soon. The ability to monitor the state of these devices and systems and to predict outages before they actually occur, and to avoid the need to replace devices or systems too early, means that smart buildings offer significant potential for cost savings and greater convenience for their occupants. Intelligent control and monitoring of systems can of course also be used in many other areas, especially in industry.

We will continue to supplement our organic growth in the future with selective acquisitions. These acquisitions will need to fulfill three criteria: a) strategically beneficial across our three growth categories (core business, adjacent business, new options), b) financially advantageous and c) 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 target must be a good fit with Infineon’s culture, or at least add valuable elements.

We applied these very criteria to the acquisition of Cypress, which was a major groundbreaking step in Infineon’s strategic approach. By combining complementary product portfolios, we are strengthening and broadening our core business in power semiconductors and are able to service an even wider range of applications. Our focus on structural growth drivers has been reinforced as a result and the base of our business model widened. Cypress has an extensive portfolio of microcontrollers, software and connectivity components. By combining these with our power semiconductors, sensors and security solutions, we are able to offer our customers even more extensive and forward-looking system solutions. The synthesis of our security expertise and Cypress’ connectivity knowhow is accelerating our entry into new applications in the area of IoT. In the field of automotive semiconductors, the expanded portfolio of microcontrollers and NOR Flash memory ICs offers great potential, especially given their growing importance for driver assistance systems, new electronic architectures and haptic operating elements. The complementary nature of our product ranges means that we can differentiate ourselves even more strongly from the competition in our core applications with our strategic approach “Product to System” and we can thus service adjacent business areas. After the acquisition of Cypress Infineon is among the world’s top-10 semiconductor manufacturers, C07. The advantage of our system solutions to the customer is that the relevant parts come from a single source. They are compatible with each other and rounded off with software solutions. For our customers, this means shorter product development times and an attractive cost-benefit ratio for their products.

**C07** Market share in the total semiconductor market in the 2020 calendar year

US$473.491 billion market size



## Strategic action areas: Factors for successful implementation

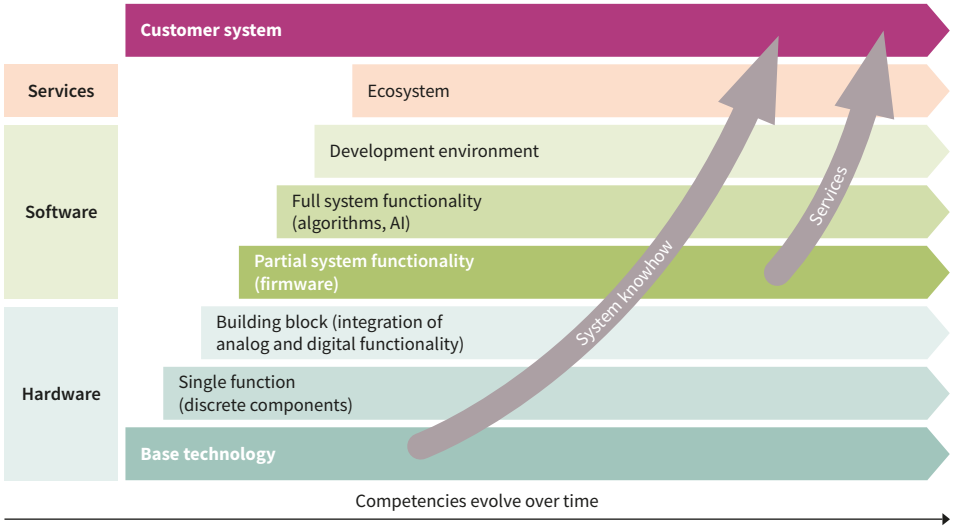
### Our strategic approach “Product to System” shapes our actions

Our strategic approach “Product to System” goes well beyond thinking in terms of technologies and products, C08. This approach was also a key element in developing the strategic guideline on strengthening our core business and tapping into new and adjacent growth markets described above. We want to understand what the markets are demanding and how they are changing. Only then will we be able to understand how we in turn can change the markets ourselves. We therefore look not only at the direct sales opportunities for our products, but also at our customers’ success factors and at trends in the end markets. We want to recognize at an early stage when the foundation of our business is changing. Only then can we take appropriate action in good time, ensure sustainable differentiation in growth applications and increase earnings. 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. Looking at our products in these systems, we have to consider which other active and passive components and control concepts they use and what capabilities our customers 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. Sensor systems, for example, not only capture information about their surroundings, but also interpret and process the data they gather in order to initiate a particular action. Digital control loops in power supplies enable higher energy efficiency at both high and low load levels. Connectivity enables devices to be networked. Security controllers must be capable of distinguishing between authorized and unauthorized access. In all cases, in addition to the hardware components involved, software is also required to a greater or lesser extent. System understanding therefore also means software understanding.

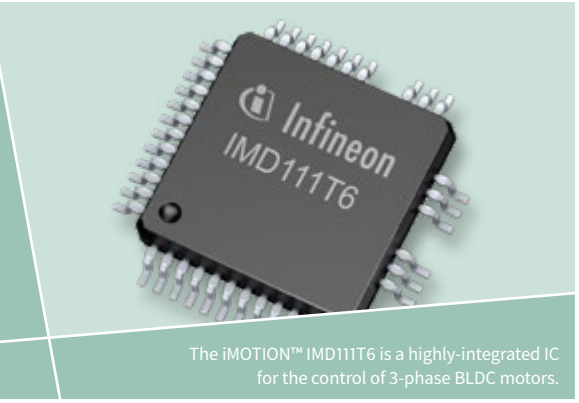
As the range of services provided is increasingly becoming a differentiating factor, we have expanded our range to include an ecosystem. For many small customers without expertise in mounting semiconductor components, an ecosystem offers crucial value added, as it can significantly reduce their development time.

The basic idea is that we continue to expand our competence portfolio, thereby increasing our potential for differentiation and helping shape semiconductor trends. Best of all, however, is always to be one step ahead. Technology knowhow has invariably been the foundation of our business model, whether in the form of discrete components, integrated solutions or products that combine analog and digital functionality. Our broad portfolio ranges from individual components to solutions with basic firmware and driver software. This enables us to provide targeted support

**C08** System knowhow and services are becoming more and more a differentiating factor



to our customers using totally different approaches. Some customers want to differentiate themselves from their competitors by using their own software, purchasing only the necessary hardware from us. We go one step further with automotive microcontrollers and security controllers, which we supply with special firmware that supports the basic functionality of the hardware and cannot be modified. More extensive functions can then be implemented using additional program code. The second generation of our iMOTION™ digital motor control platform was developed, for example, for use in home appliances and comes with a development kit as standard that reflects the priorities of our customers in this market: lower system costs, compact design, reduced development costs, short development time and a high level of reliability. The iMOTION™ components already contain all the algorithms required to control an electric motor. Only a small number of application-specific parameters need to be defined in order to complete the programming. Since we think in terms of systems, we can support all these different approaches and understand how to create added value. To generate even more of it for our digital-age customers, we have expanded the iMOTION™ platform to include security and connectivity components. It is not always the most sophisticated solution that provides the greatest added value for the customer. Sometimes standard components may be the right fit. Nevertheless, system understanding creates a competitive advantage, because it gives us the ability to cooperate with our customers and develop better products.



The iMOTION™ IMD111T6 is a highly-integrated IC for the control of 3-phase BLDC motors.

In recent years, we have intensified our activities in the area of software, not only in strategic partnerships and our own software development, but also as a result of the acquisition of Cypress. The acquisition means that now, for the first time, we have an entire ecosystem comprising software components and a development environment, as well as reference designs, product support, blogs, a developer community and online tutorials. A key element of this successful ecosystem is the ModusToolbox™ development environment. This includes reusable firmware that makes it significantly easier for engineers 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.

In the area of software, we are also making considerable progress, which is benefiting our customers. We are combining our expertise in software with our hardware expertise. The second generation of our successful automotive microcontroller family AURIX™ can, for example, be used for radar signal pre-processing in combination with our radar sensor ICs. We have implemented this digital pre-processing of data in hardware, as this is considerably more effective. However, we were only able to do this because we mastered and integrated the underlying algorithms.

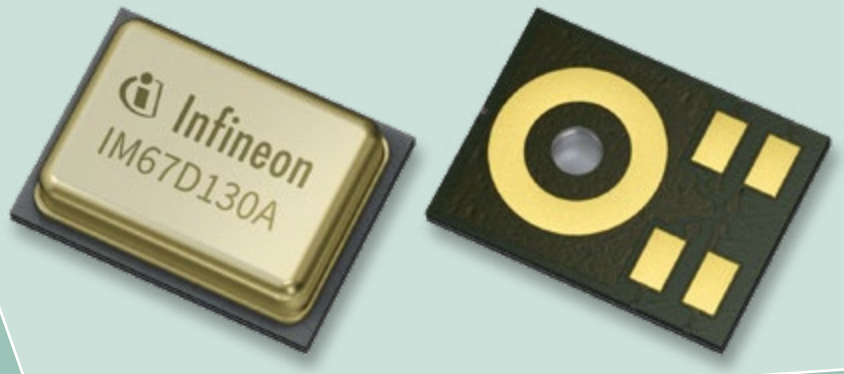
## Technology leadership creates added value for customers

In accordance with our strategic approach of thinking in systems, our engineers anticipate many challenges before our customers are affected by them. This enables us to fulfill the promise of technological leadership. By cooperating closely with our customers, we learn to understand applications better. Thus we can identify future trends at an early stage, then develop products and tailor them accordingly. In this way, we can offer our customers individual components as well as complete system solutions as required.

We systematically use our strong technological position to expand our expertise, strengthen our core business and grow in scope, for example, whenever the requirements of our markets change or when we see long-term growth potential in an adjacent business area. As one of the market leaders in the field of power electronics, we began researching new materials at an early stage, building up our expertise, and we are constantly broadening our product portfolio. In the future, we will also continue to strengthen our expertise in the control of power semiconductors and to broaden our product portfolio. As the number one in MOSFETs and IGBTs, we see interesting opportunities for faster growth in this adjacent area than has been seen to date.

Many years ago, we deliberately blazed new trails in the field of sensor technologies, in the knowledge that capturing environmental data would become massively more important in our target markets. Today we have a comprehensive portfolio of sensors for a wide variety of systems in vehicles, for mobile devices, in consumer electronics and for the IoT. MEMS microphones in particular are experiencing a boom, not only in the field of traditional audio applications. In a vehicle, they support driver assistance systems by warning of approaching emergency vehicles with sirens sounding.

Another example is $CO_2$ sensors for buildings. Here energy efficiency standards require thicker insulation, which tends to lead to poorer air quality in the building. In the 2021 fiscal year, we launched our first $CO_2$ sensor able to detect an increase in carbon concentration. Compared to conventional $CO_2$ sensors, ours has a much smaller form factor, which opens up new areas of application, such as IoT devices and smart home applications to improve indoor air quality like air purifiers, thermostats, weather stations and personal assistants.




The highly sensitive XENSIV™ MEMS microphone IM67D130A allows the capture of distortion-free audio signals even in loud environments, and hence enables the use of sound as a complementary sensor for ADAS.

## Quality leadership keeps customers loyal

Customers choose Infineon because we stand for the highest levels of quality, for reliability and for technological leadership. The satisfaction of our customers attests to the fact that this rigorous approach to quality is successful. By way of example, in the 2021 fiscal year, Infineon was again recognized by several leading manufacturers in the automotive and computer industry, who paid tribute in particular to very good collaboration during periods of chip shortages. We received the Best Collaboration Award from the Chinese subsidiary of automotive supplier Bosch as well as the Best Supplier Award from the Taiwan-based server manufacturer Quanta for brilliant services, strategic collaboration, and logistic fulfillment.

## Strategic differentiation through in-house manufacturing

All our actions are designed to create, on the one hand, added value for the customer and, on the other hand, potential differentiation for us. This also applies to manufacturing. We manufacture in-house when doing so means we can differentiate ourselves from the competition through lower cost or higher performance. Typically, this is the case for power components and sensors. However, when it comes to standard technologies where the intellectual property lies above all in the design or in the software, we work primarily with contract manufacturers. This is predominantly the case for highly-integrated products, such as microcontrollers, connectivity components, security ICs and memory ICs. As a result of the current shortage of manufacturing capacity in the standard technologies – for Infineon this applies mainly to feature sizes of 65 nanometers and 40 nanometers – we have signed supply agreements with our contract manufacturers, which in some cases are multi-year agreements, to ensure better delivery capability.

Our outstanding manufacturing methods and our process and manufacturing expertise give us a strategic advantage in many application areas, such as power electronics and sensor technologies, enabling us to offer differentiating components.

With our 300-millimeter thin wafer manufacturing technology for power semiconductors, we have made a breakthrough. 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 here from lower costs, with equal productivity and a lower capital intensity. We have taken a further step to extend our lead. With the new factory at the Villach (Austria) site, 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 digitization concepts in Villach and in Dresden. This brings cost advantages, but it also benefits the customer, as we can rapidly shift production volumes between the sites. By expanding our manufacturing capacity, especially as a result of the start-up of our new 300-millimeter factory in Villach, we are sending a strong signal to our customers that Infineon is the ideal partner for future growth.

Key aspects of the focus of our manufacturing landscape include not only innovative strength and delivery capability, but also quality and productivity. Our manufacturing strategy (of applying leading manufacturing technologies and process expertise in our in-house manufacturing, while outsourcing in areas with little differentiation) ensures growth, competitiveness and flexibility.

## Innovation drives differentiation

Innovation is one of the fundamental success factors in the semiconductor industry and is the basis on which we differentiate ourselves from the competition. Infineon has shown time and again that our technological and product innovation enables us to grow faster than the market. However, the challenges are becoming greater. In the attractive markets where we are active, competition is increasing, and we require an ever-broader technology portfolio to remain competitive in these markets in all applications. In addition, development costs are increasing disproportionately with each further step, as the technologies approach successive physical limits. This fact underlines the importance of economies of scale and the relationship between technology leadership and size. Previous formulas for success fall short under these conditions and have to be either expanded or replaced.

This is why innovation and system thinking ideally complement one another. We consider what the key factors are and how we can combine several innovative steps, which may sometimes appear rather small, to form a greater whole that will in turn provide an additional and noticeable benefit to the customer. Our commitment to innovation today covers all areas of our company: logistics, operations, technology, products, system solutions and cooperation with our customers. We focus on different aspects, depending on market demands. Within the company, the focus is on innovation in our business activities and on continuous improvement, with the aim of becoming leaner and faster. The key to success is collaboration across organizational boundaries and the resultant creation of a working environment that helps us expand our innovative expertise. In parallel with a structured innovation process, we have successfully established new concepts that do not take a hierarchical approach but are based on the initiative of our employees and therefore provide the necessary freedom to act.

The digital transformation plays a crucial role here. 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 to service our customers in the best possible way using efficient platforms. An important aspect here is the digitization of technical support, which we continuously drive forward. Technical support is essential to build and maintain customer relationships in fragmented markets. We enable customers to have direct access to the information they require in order to

solve potential problems efficiently, simply and independently. As a user, on the other hand, we also use digitization to optimize our internal processes and to make them as efficient as possible. So, for example, we connect our sites and organize our global supply chains in accordance with Industry 4.0 in a virtual manufacturing network. In sales and marketing, we are using new methods for analyzing big data to improve our cross-segment sales opportunities and, as a result, we can provide more targeted solutions for our customers' needs. With initiatives such as these, we are building our digital expertise and becoming even more competitive. We are taking an exploratory approach to make the best use of the potential of the digital transformation. This way, we gather experience based on specific use cases and work towards solutions in an iterative process.

IoT and big data are constantly bringing new players to the electronics marketplace, and they call for a strong partnership across a variety of competence areas. In this dynamic environment, joint innovation is the key to corporate success. One example is our Silicon Valley Innovation Center, a start-up center for innovations. It provides a platform on site for investigating new ideas and for fast learning. We also operate co-innovation spaces, the first of which we opened in Singapore. With our experience and expertise, we support the typical skill set of start-ups trying out new technologies and applications and bringing some of them to market. This way, both sides benefit. This approach also lets us accelerate our own innovation processes and penetrate further into new and adjacent markets. One example of this is our collaboration with a start-up that enables new utilization concepts in its product with gesture control and audio transmission through the finger bones: i.e., structure-borne sound. A large number of different Infineon components are used in this application.

### Flexible marketing approaches enable Infineon to adapt to rapidly changing markets

To reach more customers, we will be even more flexible in the future, and we will develop new approaches. Historically, Infineon has grown through close collaboration with key customers. With these customers, we have successfully defined products that then enabled us to penetrate the wider market. We reach many of our smaller customers through distributors. We intend to take even greater advantage of the huge potential of the distribution channel with standardized but configurable products for the wider market. We have made good progress here in recent years, because we have focused on continuous targeted adjustment of the product portfolio and close partnership with distributors.

Digitalization is providing a boost to potential applications. More and more devices can be upgraded to include new functions through connection to the internet. We acquired the components and expertise needed here through our acquisition of Cypress. Next, we want to provide our solutions to existing customers and, in particular, new customers who want to make their products smart and to help them upgrade their products quickly and without encountering obstacles. For most of these new customers, semiconductor technology is only a means to an end. They have neither the ability nor the desire to deal with it themselves. The challenge is to offer this very varied clientele the service they expect using the available resources as effectively as possible.

For these customers, we offer easy-to-use solutions using, for example, optimized product combinations, reference designs and basic software. Here, in particular, our system understanding makes a difference.

At the same time, we engage in networks consisting of distributors, development service providers and manufacturing service providers. These networks enable smaller companies and start-ups to come together to develop and manufacture electronics for new functions or new end devices. Applying this broad-based sales strategy, we want to maximize revenue from existing technologies, while at the same time increasing the return on our investment in research and development.

### Sustainable growth: optimized manufacturing processes, efficient products and binding carbon emissions targets

To be successful in the long term, economic success must go hand in hand with environmental and social commitment. Our “making more from less” approach has shaped our actions for a long time. A key factor in arriving at greater sustainability and solving climate challenges is technologies that achieve more with fewer resources and save emissions at the same time. By fully adopting this approach, also in its manufacturing, Infineon consumes 17 percent less water and 44 percent less electricity and produces 67 percent less waste in its frontend factories than the global average of semiconductor companies represented on the World Semiconductor Council. We work constantly on avoiding direct emissions and on continuing to reduce the energy requirements of our facilities and processes.

Through good resource management, our products and solutions make an active contribution to climate protection. During their service life, they contribute to savings of around 72.45 million tons of carbon equivalents. We know, however, that we can do even more. We have been working for years on reducing our carbon emissions and have set ourselves binding carbon reduction targets. Thus we will become carbon-neutral by 2030; by 2025 emissions are to be reduced by 70 percent compared to 2019. This target relates to Infineon’s own footprint for greenhouse gases and includes not only direct emissions, but also indirect emissions from electricity and heat. Our primary focus here is on continuing to improve energy efficiency and on reducing carbon in our factories. We will achieve the greatest impact from PFC exhaust air abatement,

in which we have invested for years, and we will continue to increase this where it is beneficial and adapt it to different production conditions. In addition, we will gradually be switching our electricity supplies to renewable sources of energy. At our European sites we have already switched to 100 percent green electricity. At our sites, energy teams who are responsible for the implementation of efficiency measures also play a key role. The ongoing transition to state-of-the-art 300-millimeter process technology and the promotion of Industry 4.0 enable us to achieve further significant savings. We also expect the introduction of an in-house carbon prize to act as an incentive for efficiency improvement measures: Energy-efficient projects are becoming more economical. Moreover, we are promoting electromobility by expanding the charging infrastructure at our sites. We will offset the small remaining part of our emissions with certificates that combine development support and carbon avoidance.

## Long-term financial targets underline our growth ambitions

In the coming years, structural trends will drive our growth, in particular, electromobility, automated driving, renewable energy, manufacturing automation, mobile phone standard 5G, data centers, IoT and a steadily increasing number of battery-powered devices. Thanks to our leading technologies, our understanding of applications and systems, and our differentiating expertise in manufacturing, we have achieved an outstanding position in these markets. We want to take advantage of the resulting opportunities and continue to grow at a faster rate than the markets in which we operate, gradually increasing our profitability. To do so, we consistently invest. Our long-term financial targets reflect this aspiration. They apply over the cycle and are based on a stable macroeconomic environment.


### Target 1: Average annual revenue growth of more than 9 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 aforementioned trends. Our strategic approach “Product to System” has gained even greater impetus due to our integration of Cypress’ product portfolio. As a result, we use our extensive technological and product expertise to develop better solutions and thus create significant added value for our customers. We expect to achieve revenue growth in the future of more than 9 percent (“9%+”) over the cycle.

### Target 2: 19 percent Segment Result Margin over the cycle

Growth is only one prerequisite for sustainable success. Another criterion is profitability. When we work profitably on a sustainable basis, it allows us even in weaker market phases, to consistently pursue our development projects. Therefore also our profitability target of achieving a Segment Result Margin of 19 percent applies over the cycle. Reaching this level will be based on a number of factors: Our system solutions create higher value. We thereby focus our development on designs that are of the greatest use to our customers and for which we will be accordingly rewarded. Our technology leadership and our strategic approach “Product to System” enable us to maintain a higher degree of differentiation. The integration of Cypress and the related revenue and cost synergies are also improving our profitability. Furthermore, we rely on the economies of scale and cost advantages generated by innovative manufacturing technologies such as 300-millimeter thin wafer manufacturing. In addition, we strive for a disproportionately low increase in functional costs such as selling, general and administrative expenses.

On the other hand, we are confronted with increased cost for contract manufacturers and materials. Moreover, initial development costs will be incurred, preceding the generation of revenue synergies and the commercialization of new technologies, in particular the materials SiC and GaN. These factors are considered in our target of achieving a Segment Result Margin of 19 percent over the cycle.

**Target 3: Investments totaling 13 percent of revenue over the cycle**
Our planning is geared towards providing the necessary manufacturing capacity for our expected growth. In the area of power semiconductors, one of the factors differentiating Infineon from the competition is that we manufacture our own products. To generate growth in this field, we are planning to expand our 300-millimeter production as well as expanding capacity for SiC and GaN. In the area of microcontrollers, connectivity components and security ICs we will continue in the future to work together primarily with our manufacturing partners. We are therefore able to set our investment rate target at 13 percent of revenue over the cycle. When calculating the investment rate, we do not include step-cost investments in clean rooms or major office buildings.

## Capital structure targets demonstrate our long-term reliability

The sustainable continuation of the company is of great importance from a variety of perspectives. It is important to our customers that we remain a trusted partner and reliable supplier for many years to come. Our debt providers need to be certain that we can repay principal and pay interest over a long period of time, while our shareholders want to achieve an attractive return over the mid to long term. Long-term reliability is something we also want to offer our employees, even well beyond their working lives through retirement benefits. We therefore attach great importance to solid creditworthiness. An investment grade rating is and remains the key element of Infineon's conservative financial policy. From this cornerstone, we derive our medium-term and long-term capital structure targets. On 11 February 2021, S&P confirmed Infineon's investment grade rating of BBB- and raised its outlook to positive.

Infineon's capital structure targets consist of a liquidity target and a leverage target. For liquidity, our gross cash should amount to €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 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 (loss) from continuing operations before interest, taxes and depreciation and amortization. As a result of the acquisition of Cypress, we exceeded this level, but only to the extent compatible with retaining our investment grade rating. The originally medium-term objective of Infineon to reduce its debt level to or below the maximum target value after the closing of the Cypress transaction is expected to be achieved already in the 2022 fiscal year.

We took further steps in the refinancing process in the 2021 fiscal year, focusing on the term loans that were deliberately raised in US dollars as part of the acquisition financing. In April 2021, Infineon signed a private placement of bonds in the United States with a volume of US$1.3 billion in four tranches with maturities of six, eight, ten and twelve years. As a result, the term loan due in 2022 was fully repaid, as were US$745 million of the term loan due in 2023. The transaction was completed in June 2021. Following a further partial redemption of US$365 million in September 2021, only one US$1,110 million term loan due in 2024 remained outstanding at the end of the 2021 fiscal year.