

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.

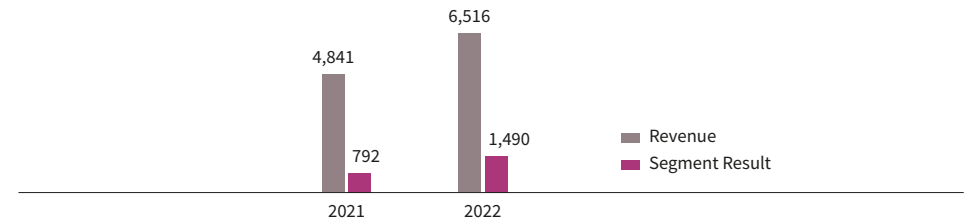
On the other hand, the 2022 fiscal year was adversely affected by shortages and/or the lack of availability of products as a result of pandemic-related suspensions of deliveries in China, which had a negative impact on global vehicle production, especially in the first half of the 2022 calendar year.

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.

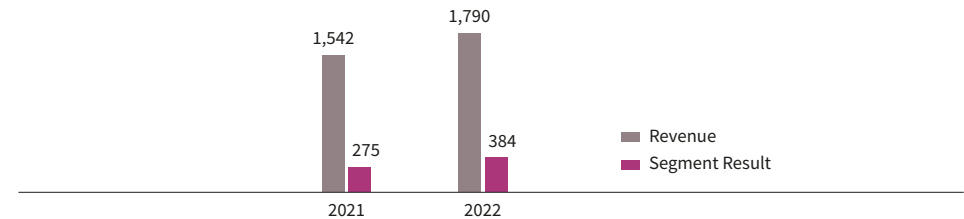
The energy infrastructure business comprises the transmission, distribution and storage of energy, as well as the charging infrastructure for electromobility. This last area enjoyed particularly strong demand. As the proportion of renewable energy in the energy mix continues to grow, so too does the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

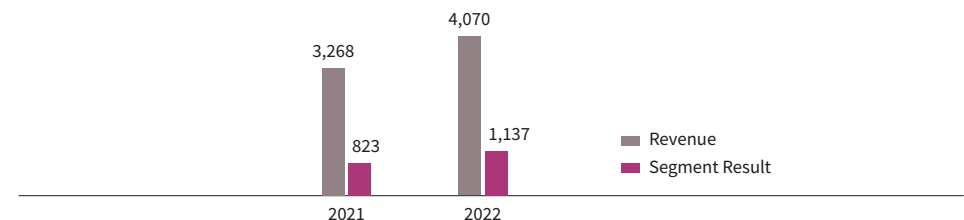
In the area of sensor technologies, there was a slight increase in revenue from radar sensors. Interesting new application areas include smart TVs, smart home and security applications. This is where 60-gigahertz radar sensors are mainly used. After strong growth in prior years, demand for MEMS microphones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

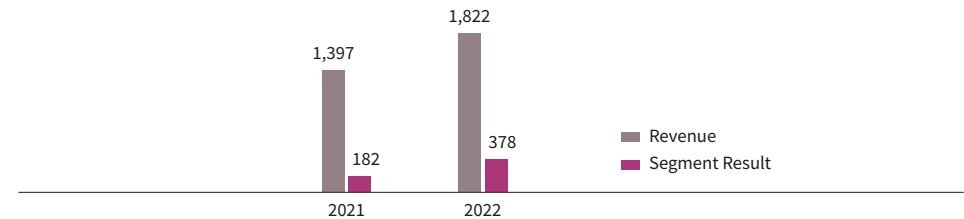
As the pandemic situation began to stabilize, international travel continued to increase. Demand for governmental identification documents rose accordingly, leading to a strong recovery in this area.

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).

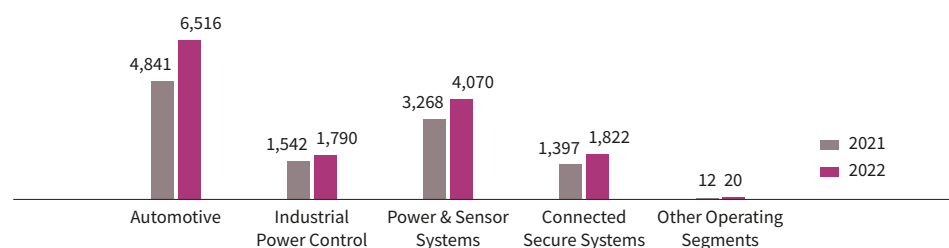
The growth in revenue was caused not only by price increases and product mix improvements, but also by positive exchange rate effects. A significant portion of revenue in the 2022 fiscal year was earned in foreign currencies, primarily in the US dollar. The average euro/US dollar exchange rate was 1.19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

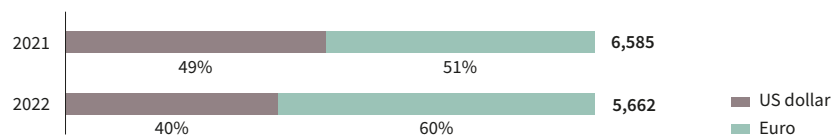
Repayments result in a reduction in financial debt

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.