

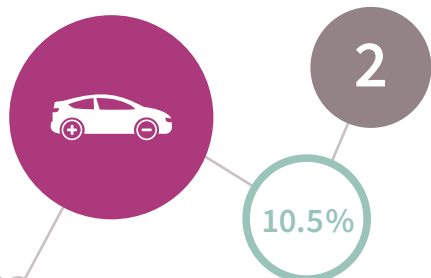
# Systematic integration

Annual Report 2015

# Infineon at a glance

Infineon Technologies AG is a world leader in semiconductor solutions that make life easier, safer and greener. Microelectronics from Infineon is the key to a better future. In the 2015 fiscal year (ending September 30), the company reported sales of about €5.8 billion with some 35,400 employees worldwide. Infineon is listed on the Frankfurt Stock Exchange (ticker symbol: IFX) and in the USA on the over-the-counter market OTCQX International Premier (ticker symbol: IFNNY).

● Segment ● Market position<sup>1</sup> ○ Market share



## Automotive

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### Applications

- › CO<sub>2</sub> reduction
- › Comfort electronics
- › Driver assistance systems
- › Security

### Product range

- › 32-bit automotive microcontrollers for powertrain, safety and driver assistance systems
- › Discrete power semiconductors
- › IGBT modules
- › Industrial microcontrollers
- › Magnetic and pressure sensors
- › Power ICs
- › Radar
- › Transceiver (CAN, LIN, Ethernet, FlexRay)
- › Voltage regulators

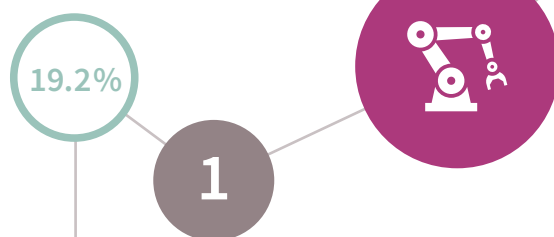
### Key customers<sup>2</sup>

Autoliv / Bosch / BYD / Continental / Delphi / Denso / Hella / Hitachi / Hyundai / Keihin / Lear / Mando / Mitsubishi / Omron / Tesla / Valeo / ZF Friedrichshafen

### Market position<sup>1</sup>

2 with a market share of 10.5%

Source: Strategy Analytics, April 2015



## Industrial Power Control

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### Applications

- › Charger station for electric vehicles
- › Energy transmission and conversion
- › Home appliances
- › Industrial drives
- › Industrial vehicles
- › Renewable energy generation
- › Traction
- › Uninterruptable power supplies

### Product range

- › Bare die business
- › Discrete IGBTs
- › Driver ICs
- › IGBT modules (high-power, medium-power, low-power)
- › IGBT module solutions incl. IGBT stacks

### Key customers<sup>2</sup>

ABB / Alstom / Bombardier / CSR Times / Danfoss / Eaton / Emerson / Fronius / Goldwind / Midea / Rockwell / Schneider Electric / Siemens / Toshiba / Yaskawa / Vestas

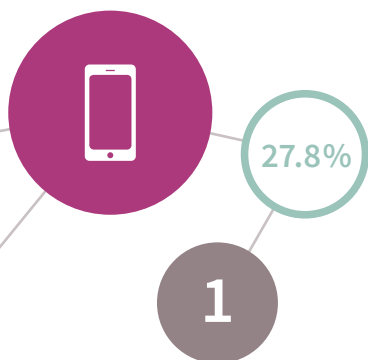
### Market position<sup>1</sup>

1 with a market share of 19.2% for discrete power semiconductors and modules

Source: IHS Inc., September 2015

1 All figures for 2014 calendar year. The market share of the five largest competitors is shown in the "Market position" section of the relevant segment. The figures provided in those sections with respect to changes in market share relate to the 2013 market share figures as calculated in 2015. Due to changes in the way the market is analyzed, these figures may differ from the 2013 market share figures reported in 2014.

2 In alphabetical order. Infineon's major distribution customers are Arrow, Avnet, Jingchuan, Tomen, Weikeng and WPG Holding (SAC).



## Power Management & Multimarket

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### Applications

- › Cellular network infrastructure
- › DC motors
- › HiRel (high-reliability components)
- › LED and conventional lighting systems
- › Mobile devices
- › Power management (adapters, chargers, power supplies)

### Product range

- › Control ICs
- › Customized chips (ASICs)
- › Discrete low-voltage and high-voltage power transistors
- › GPS low-noise amplifier
- › Low-voltage and high-voltage driver ICs
- › MEMS and ASICs for silicon microphones
- › RF antenna switches
- › RF power transistors
- › TVS (transient voltage suppressor) diode

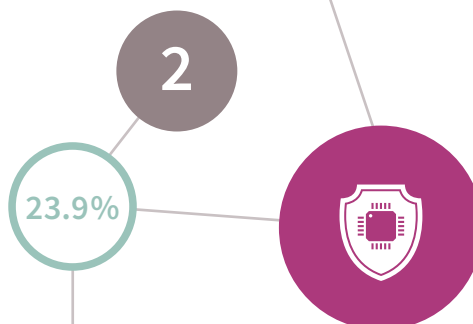
### Key customers<sup>2</sup>

AAC / Airbus / Artesyn / Boeing / Cisco / Dell / Delta / Ericsson / Hewlett Packard Enterprise / Huawei / Lenovo / LG Electronics / Lite-on / muRata / Nokia / Osram / Panasonic / Quanta / Samsung / ZTE

### Market position<sup>1</sup>

**1** with a market share of 27.8%  
for standard MOSFET power transistors

Source: IHS Inc., September 2015



## Chip Card & Security

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### Applications

- › Authentication
- › Automotive
- › Governmental identification documents
- › Healthcare cards
- › Internet of Things
- › Mobile communications
- › Payment systems incl. mobile payment
- › Secure NFC (Near Field Communication) transactions
- › Ticketing, access control
- › Trusted computing

### Product range

- › Contact-based security controllers
- › Contactless security controllers
- › Dual-interface security controllers (contact-based and contactless)

### Key customers<sup>2</sup>

Gemalto / Giesecke & Devrient / Google / HP / Lenovo / Microsoft / Oberthur Technologies / Safran Morpho / Samsung / US Government Publishing Office / Watchdata

### Market position<sup>1</sup>

**2** with a market share of 23.9%  
for microcontroller-based chip card ICs

Source: IHS Inc., July 2015

## Infinion key data

As at and for the fiscal years ended September 30 (under IFRS)<sup>1</sup>

| Fiscal year from October 1 to September 30                           | 2015          |                 | 2014          |                 | 2015/2014   |
|--|---------------|-----------------|---------------|-----------------|-------------|
|  | € in millions | in % of revenue | € in millions | in % of revenue | Change in % |
| <b>Revenue by region</b>   | <b>5,795</b>  |                 | <b>4,320</b>  |                 | <b>34</b>   |
| Europe, Middle East, Africa  | 2,020         | 35              | 1,707         | 39              | 18          |
| Therein: Germany   | 942           | 16              | 859           | 20              | 10          |
| Asia-Pacific (w/o Japan)   | 2,666         | 46              | 1,845         | 43              | 44          |
| Therein: China   | 1,337         | 23              | 868           | 20              | 54          |
| Japan  | 399           | 7               | 284           | 7               | 40          |
| Americas   | 710           | 12              | 484           | 11              | 47          |
| Therein: USA   | 568           | 10              | 367           | 8               | 55          |
| <b>Revenue by Segment</b>  | <b>5,795</b>  |                 | <b>4,320</b>  |                 | <b>34</b>   |
| Automotive   | 2,351         | 41              | 1,965         | 45              | 20          |
| Industrial Power Control   | 971           | 17              | 783           | 18              | 24          |
| Power Management & Multimarket                                       | 1,794         | 31              | 1,061         | 25              | 69          |
| Chip Card & Security   | 666           | 11              | 494           | 11              | 35          |
| Other Operating Segments   | 14            | 0               | 22            | 1               | (36)        |
| Corporate and Eliminations   | (1)           | 0               | (5)           | 0               | 80          |
| <b>Gross profit/Gross margin</b>                                     | <b>2,080</b>  | <b>35.9</b>     | <b>1,647</b>  | <b>38.1</b>     | <b>26</b>   |
| Research and development expenses                                    | (717)         | 12.4            | (550)         | 12.7            | 30          |
| Selling, general and administrative expenses                         | (778)         | 13.4            | (496)         | 11.5            | 57          |
| Operating income   | 555           |                 | 525           |                 | 6           |
| Income from continuing operations                                    | 622           |                 | 488           |                 | 27          |
| Gain (loss) from discontinued operations, net of income taxes        | 12            |                 | 47            |                 | (74)        |
| Net income   | 634           |                 | 535           |                 | 19          |
| Segment Result/Segment Result Margin                                 | 897           | 15.5            | 620           | 14.4            | 45          |
| Property, plant and equipment  | 2,093         |                 | 1,700         |                 | 23          |
| Total assets   | 8,741         |                 | 6,438         |                 | 36          |
| Total equity   | 4,665         |                 | 4,158         |                 | 12          |
| Net cash provided by operating activities from continuing operations | 957           |                 | 988           |                 | (3)         |
| Net cash used in investing activities from continuing operations     | (2,593)       |                 | (272)         |                 | (853)       |
| Net cash used in financing activities from continuing operations     | 1,363         |                 | (179)         |                 | 861         |
| Free cash flow <sup>2</sup>  | (1,654)       |                 | 317           |                 | (622)       |
| Depreciation and amortization  | 760           |                 | 514           |                 | 48          |
| Capital expenditure  | 785           |                 | 668           |                 | 18          |
| Gross cash position <sup>3</sup>                                     | 2,013         |                 | 2,418         |                 | (17)        |
| Net cash position <sup>4</sup>                                       | 220           |                 | 2,232         |                 | (90)        |
| Basic earnings per share in €  | 0.56          |                 | 0.48          |                 | 17          |
| Diluted earnings per share in €                                      | 0.56          |                 | 0.48          |                 | 17          |
| Dividend per share in € <sup>5</sup>                                 | 0.20          |                 | 0.18          |                 | 11          |
| Adjusted earnings per share in € – diluted                           | 0.60          |                 | 0.48          |                 | 25          |
| Equity ratio   | 53.4%         |                 | 64.6%         |                 | (17)        |
| Return on equity <sup>6</sup>  | 13.6%         |                 | 12.9%         |                 | 5           |
| Return on assets <sup>7</sup>  | 7.3%          |                 | 8.3%          |                 | (12)        |
| Inventory intensity <sup>8</sup>                                     | 12.9%         |                 | 11.0%         |                 | 17          |
| Debt-to-equity ratio <sup>9</sup>                                    | 38.4%         |                 | 4.5%          |                 | 753         |
| Debt-to-total-capital ratio <sup>10</sup>                            | 20.5%         |                 | 2.9%          |                 | 607         |
| Return on Capital Employed (RoCE) <sup>11</sup>                      | 12.8%         |                 | 20.3%         |                 | (37)        |
| <b>Employees Infineon as of September 30</b>                         | <b>35,424</b> |                 | <b>29,807</b> |                 | <b>19</b>   |

1 Columns may not add due to rounding.

2 Free cash flow: for definition [G] see glossary, page 287.

3 Gross cash position: for definition [G] see glossary, page 288.

4 Net cash position: for definition [G] see glossary, page 288.

5 A dividend per share of €0.20 for the 2015 fiscal year will be proposed to the Annual General Meeting on February 18, 2016.

6 Return on equity = net income divided by total equity.

7 Return on assets = net income divided by total assets.

8 Inventory intensity = inventories (net) divided by total assets.

9 Debt-to-equity ratio = long-term and short-term debt divided by total equity.

10 Debt-to-total-capital ratio = long-term and short-term debt divided by total assets.

11 Return on Capital Employed (RoCE): for definition [G] see glossary, page 288.

Far-reaching global changes lie ahead of us in the coming decades:

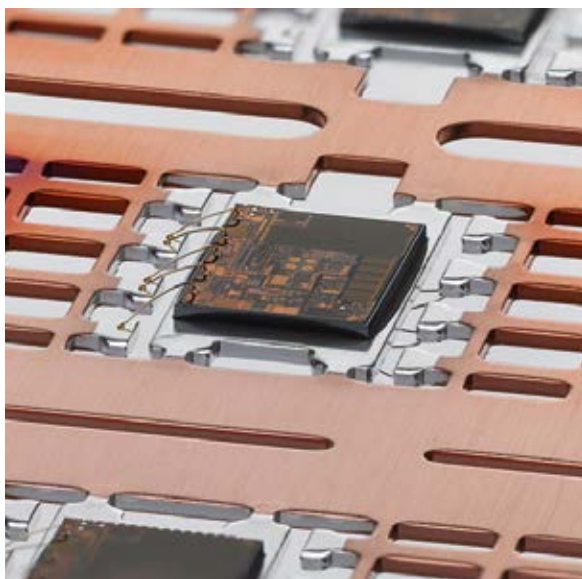
- › The demographic trend
- › The associated demand for resources and
- › Technological changes due to connectivity and digitalization

These changes represent major challenges to society, but also offer exceptional opportunities to promote growth and achieve success.

Infineon's microelectronic technologies are the key to a future worth living – with products that help improve the quality of life and preserve natural resources.

We are fully committed to live up to this high aspiration. The acquisition of International Rectifier has been an important step in the right direction.

## Systematic integration



The title page shows a magnetic field sensor with two sensor chips in a cross section: One chip is above the substrate and one chip is located below. The picture on the left shows the sensor chips assembled on the leadframe as part of an array of hundreds of copies. Of the bottom sensor chip only its bounding wires are visible.

These kinds of dual magnetic field sensors are used in power steering, for example. They measure the angle of rotation of the steering axle and the steering torque, or, in other words, what the driver wishes to do. Each of the sensor chips has an approximate size of 2 by 3 millimeters.

Highly available steering systems are a basic requirement for partially automated driving, a preliminary stage of automated driving. Highly available steering systems have to be built with multiple redundancies.

Read more about this sensor in the chapter “Research and Development” ([P](#) see page 73).

# About this report

**GRI** G4-18, G4-23

## Combined Reporting

This combined report documents Infineon's economic, ecological and social performance during the 2015 fiscal year. In addition to providing a description of financial developments, we also wish to demonstrate how sustainability contributes to Infineon's success and how our activities in this area create value for all our stakeholders.

Infineon's acquisition of 100 percent of the shares of (and related voting rights in) International Rectifier Corporation ("International Rectifier"), based in El Segundo, California (USA), announced on August 20, 2014, was closed on January 13, 2015. This report therefore includes the results, assets, liabilities, and cash flows pertaining to International Rectifier with effect from the date of acquisition. International Rectifier's various lines of business have been fully integrated within Infineon's existing Automotive, Industrial Power Control, and Power Management & Multimarket segments, whereby the largest proportion by far has been allocated to the Power Management & Multimarket segment. The figures presented for prior-year periods have not been adjusted.

**P** see page 92 ff.

**P** see page 108 ff.

Whenever data relating to International Rectifier are included in the chapters "Sustainability at Infineon" and "Our employees", this fact is pointed out explicitly in the relevant chapters.

The reporting period covers the 2015 fiscal year from October 1, 2014 to September 30, 2015. This report is published annually; the previous report was published in November 2014. Unless otherwise stated, the key performance figures and other disclosures contained in this report relate to the 2015 fiscal year.

In order to help readers identify and interpret trends relating to quantitative disclosures, the report includes data for at least the 2015 and 2014 fiscal years.

**GRI** G4-18, G4-23

## Notes to the Consolidated Financial Statements and Combined Management Report

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Combined Management Report has been prepared in accordance with sections 315 and 315a of the German Commercial Code ("HGB") and in accordance with German Accounting Standard ("DRS") 20. Disclosures with respect to the compensation of members of the Management Board are provided in accordance with DRS 17, which sets out the requirements for reporting on the remuneration of members of governing bodies and, in addition, based on the model tables recommended by the German Corporate Governance Code.

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has audited the Consolidated Financial Statements prepared in accordance with IFRS and the Combined Management Report for the fiscal year ended September 30, 2015 and has issued an unqualified audit opinion thereon.



## Sustainability Reporting

The non-financial performance figures contained in this combined report have been prepared on the basis of the G4 Guidelines of the Global Reporting Initiative (“GRI”), having regard to the GRI “Core” option, and are contained in the Combined Management Report.

The information contained in the Annual Report 2015 also serves as “Communication on Progress” for the United Nations Global Compact Initiative (see the section “Business Ethics” in the chapter “Sustainability at Infineon”).

In addition to the statutory audit of the Combined Management Report, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has provided independent assurance (“limited assurance”) on the sustainability performance information in the chapter “Sustainability at Infineon” in accordance with the “International Standard for Assurance Engagements 3000” and the “International Standard on Assurance Engagements 3410”, which constitute the pertinent standards for assuring sustainability information.

The Independent Assurance Report issued by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as well as the explanatory notes to the key performance figures and other disclosures provided in the chapter “Sustainability at Infineon” of the Annual Report 2015 are available on the Infineon website.

## Determining the content of the report

Infineon engages in continuous dialog with its stakeholders. In our materiality analysis, we evaluate the expectations and requirements of our internal and external stakeholders with regard to sustainability in various topics in accordance with the guidelines on sustainability reporting set out in the Global Reporting Initiative GRI 4.

Firstly, we identified Infineon’s most important stakeholders, taking into account the factors “Responsibility”, “Influence”, “Proximity”, “Dependency”, and “Representation” in the “Stakeholder Engagement Manual” drawn up by the organization “AccountAbility” (see the chapter “Sustainability at Infineon”).

In a second step, consideration was given to general as well as sector- and company-specific sustainability standards appropriate for determining the principal factors relevant for assessing Infineon’s sustainability performance.

Relevant topics were then pre-selected, based on our own corporate strategy and stakeholder expectations.

**GRI** GG4–18, G4–23

**P** see GRI G4 Content Index, page 297 ff.

**P** see page 94 f.

@ [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting)

**P** see page 92 ff.

**GRI** G4-25, G4-26, G4-27

In a fourth step, these relevant topics and any potentially related risks or opportunities which could impact the long-term performance of the organization were discussed with our in-house sustainability experts.

**P** see GRI G4 Content Index, page 297 ff.

The results of these discussions and consequently the material topics were presented to and confirmed by the Management Board. These topics are described in this report.

The table below shows the areas of the value-added chain where Infineon actually sees key fields of activity in accordance with the guidelines on sustainability reporting set out in the GRI 4:

**GRI** G4-19, G4-20, G4-21

### Material aspects along the value chain

|                                      | Supply chain | Infineon internal | Product use |
|--------------------------------------|--------------|-------------------|-------------|
| Long-term viability of core business | ●            | ●                 | ●           |
| Responsible manufacturing            |              | ●                 |             |
| Diversity and equal opportunity      | ●            | ●                 | ●           |
| Presence in local markets            | ●            | ●                 | ●           |
| Product sustainable value            |              | ●                 | ●           |
| Business ethics                      | ●            | ●                 | ●           |
| Labor relations                      |              | ●                 |             |

**Long-term viability of core business:** The global megatrends – energy efficiency, mobility and security – continue to offer Infineon enormous growth potential. The competitive race will be won by embracing innovation and achieving the right combination of costs and benefits. This insight opens up a wealth of opportunities to a global player with our innovative strength and technological expertise to exploit its areas of differentiation in the market. Our ability to make the most of these opportunities will enable us to achieve both sustainable and profitable long-term growth.

**P** see page 32 ff.

Effective risk and opportunity management is central to all of our business activities and plays an important role in implementing the strategic targets described in the section “Group strategy” in the chapter “Finances and strategy” – namely achieving sustainable, profitable growth and preserving our financial resources through the efficient employment of capital. Various coordinated risk management and control system elements are in place and enable us to pursue our stated risk strategy in practice, including “Risk and Opportunity Management”, the “Internal Control System with respect to Financial Reporting Processes”, the underlying forecasting, management and internal reporting processes, and the Compliance Management System. Further information on this material topic is provided in the chapters “Risk and opportunity report” and “Finances and strategy”.

**P** see page 149 ff.

**P** see page 27 ff.

**Responsible manufacturing:** Respect for human rights is essential for Infineon as a sustainable company. Our Business Conduct Guidelines reflect our commitment to respect all valid international human rights.

As a participant of the UN Global Compact Initiative, Infineon made a voluntary commitment to abide by the 10 principles included in it. Principles 1 and 2 deal with the topic of human rights.



We also demand that our supply chain uphold these principles. For this reason we have determined a Group-wide approach to this topic with the aim of guaranteeing the required transparency throughout our own supply chain. We expect our suppliers to give a commitment to uphold the values set out in our Principles of Purchasing.

**GRI** G4-19, G4-20, G4-21

A variety of chemicals are required in the manufacturing of semiconductors, several of which are classified as hazardous. At Infineon we guarantee that any hazardous materials used are handled in a highly responsible way.

Efficient resource management is a core component of our integrated management system for environmental protection, occupational health and safety, and energy. The growing scarcity of natural resources is one of today's greatest global challenges. Among other issues, our management system integrates targets and processes designed to ensure environmental sustainability.

The sections "Our responsibility along the supply chain" and "Sustainable use of resources at our manufacturing sites" in the chapter "Sustainability at Infineon" provide additional information on this material topic.

**P** see page 105 ff.

**P** see page 97 ff.

**Diversity and equal opportunity:** "Diversity management" provides the framework for a corporate culture that values the individuality of each staff member and promotes equal opportunities. International customer relationships demand great cultural competence. Qualified job applicants expect an open working environment. As an international company, staff diversity is particularly important to us. The promotion of women to leadership positions is a key aspect of the Infineon's diversity management strategy. A change within the organization supporting the successful career development of female managers is a prerequisite for meeting our targets.

Fostering and achieving an adequate work-life balance is of crucial importance for our employees' professional success and part of our human resources work. As emphasized in our Business Conduct Guidelines, our employees are paid on the basis of work-related criteria, such as job requirements and performance. Men and women are paid equally at Infineon. Further information on this material topic is provided in the section "Encouraging diversity" within the chapter "Our employees".

**P** see page 110 f.

**Presence in local markets:** Every region is unique. Our global strategy requires the maintenance of research and development (R&D) locations and manufacturing sites throughout the world. Risks could therefore arise from adverse economic and geo-political crises in our regional markets, changes in legislation, and policies affecting trade and investment aimed at limiting free trade and varying practices of the regulatory, tax, judicial and administrative bodies in the jurisdictions where we operate. We are continuously expanding our presence in key regions in order to serve our customers better and meet their specific local requirements. Our aim is to obtain an even better understanding of the factors determining customer success in each region.

**GRI** G4-19, G4-20, G4-21

“Local social needs” is one of our four Corporate Citizenship focus areas and relates to the voluntary social commitment of our local entities towards the communities in which we operate. The focus areas as well as the engagement possibilities are set out in our Corporate Citizenship Guidelines.

**P** see pages 52 ff., 32 ff. and 106 f.

Further information is provided in the chapter “The segments” as well as in the section “Group strategy” in the chapter “Finances and strategy” and in the section “Corporate Citizenship” in the chapter “Sustainability at Infineon”.

**Product sustainable value:** We help to make life easier, safer and more environment-friendly – with technologies that do more, consume less and are available to everyone. Microelectronics made by Infineon are the key to attaining better living standards. Our inventiveness and commitment enable us to create added value for customers, staff and investors alike. We understand how technical systems can be made increasingly efficient through the use of semiconductors, with the aim of providing sustainable solutions for today’s world and that of the future, thereby contributing to the ultimate success of our customers.

**P** see page 103 f.

As described in our Infineon IMPRES policy, potential environmental impacts are examined at the earliest possible stage and taken into account when developing both products and processes. This principle applies to all aspects of what we do, whether procurement, development, manufacturing, or the products’ sale. All our activities are based on the compliance with applicable legislation and regulations. For more information see “Product sustainable value” in the chapter “Sustainability at Infineon”.

Semiconductors play a decisive role in reducing energy consumption and have achieved the highest energy efficiency rates to date.

**G** see glossary, page 294

Power semiconductors are often not only crucial for the essential functioning of our customers’ products and systems, they also have a key impact on efficiency, size, weight and costs. The most important energy-saving factor is the ability to boost energy efficiency and thereby minimize consumption. The several hundred million industrial motors and billions of household appliances in use mean enormous saving potential.

**G** see glossary, page 292

Our products also provide solutions for societal challenges: All “things” capable of transferring data and functioning via the internet are covered by the catchword “Internet of Things”. They include machines, robots, vehicles, containers and medical equipment. Not only people but also a wide range of devices communicate with one another via the Internet of Things. These developments are opening up a whole new world of services that will ultimately change people’s everyday lives. Secure storage and transfer of data are therefore becoming essential for many of these billions of interconnected “things”.

**P** see page 103 f.

**P** see page 52 ff.

Further information on this material topic is provided in the section “The Infineon carbon footprint” in the chapter “Sustainability at Infineon” and in the chapter “The segments”.

**Business ethics:** In order to meet our own high business ethics standards and simultaneously interact with our stakeholders as a sustainable and reliable partner, we need to be aware of risks both inside and outside the organization. Infineon Business Conduct Guidelines reflect the principles to be observed when conducting business and serve as an important basis for our daily operations. They apply to all employees worldwide – in dealing with colleagues as well as with customers, shareholders, business partners and the general public.

**GRI** G4-19, G4-20, G4-21

Employees and business partners have the opportunity to report any breaches to the Infineon Management, the Human Resources department and/or the Compliance department using various channels available within the organization. They may also make use of an anonymous whistleblower hotline and/or contact our external ombudsman.

As part of the Compliance Management System, the extent of risks is assessed whenever incidences of corruption are identified and appropriate measures put in place.

Infineon's Corporate Compliance Officer reports directly to the Chief Financial Officer (CFO). The Corporate Compliance Officer coordinates the Compliance Management System, develops the Infineon compliance program based on a risk-oriented approach, draws up and revises guidelines, advises employees, receives complaints and tip-offs, and leads investigations aimed at clarifying any compliance-related cases.

As a participant of the UN Global Compact Initiative, Infineon made a voluntary commitment to abide by the principles included in it and reports about the implemented measures in its "Communication on Progress".

Further information on this material topic is provided in the section "Business ethics" in the chapter "Sustainability at Infineon" as well as in the chapter "Corporate Governance Report".

**P** see page 93 f.

**P** see page 174 ff.

**Labor relations:** We are convinced that effective human resources management is key to our business success and therefore to achieving our growth and profitability targets, given that peak performance is only feasible in the long run with satisfied and successful employees. The three pillars "Leadership excellence", "Promoting talent" and "Our workforce" combine all the activities we undertake on a daily basis to promote the performance and realize the potential of our employees in the best possible way.

In our Business Conduct Guidelines, we set out our commitment to respect internationally valid human rights and work-related standards, including the protection of the personal dignity and privacy of every individual.

Our occupational safety and health management system has been certified in accordance with the OHSAS 18001 standard at all of our main manufacturing sites as well as at our corporate headquarters. The system is designed to ensure that the required measures are taken to minimize any risks identified in the working environment that could endanger our employees.

Further information on this material topic is provided in the section "Responsibility for our employees" within the chapter "Sustainability at Infineon" as well as in the chapter "Our employees".

**P** see page 96 f.

**P** see page 108 ff.

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# Letter to shareholders

Neubiberg, November 2015

*Dear shareholders and business partners,  
dear Infineon colleagues,*

The 2015 fiscal year turned out to be better for Infineon than we had expected. A fact we can be especially proud of is that with the purchase of International Rectifier on January 13, 2015 we successfully closed the largest acquisition in the Company's history. Since then we have made such excellent progress in integrating the two enterprises that we have already achieved our goal of bringing the business of International Rectifier to the Group target of a Segment Result Margin of 15 percent in the fourth quarter of the 2015 fiscal year. Our success in this respect is also clearly shown in our financial key performance indicators for the whole Group: Revenue up by 34 percent and Segment Result up by 45 percent. The integration of International Rectifier diluted the Segment Result Margin to a lesser extent than initially anticipated. For the full fiscal year under report we managed not only to outperform the Segment Result Margin target of about 14 percent set at the beginning of the fiscal year – which did not include International Rectifier –, but also to achieve our over-the-cycle target of 15 percent Segment Result Margin for the whole Group. Admittedly, this was assisted to some extent by tailwind from a strong US dollar. The Infineon share also outperformed relevant benchmark indices such as the DAX and the Philadelphia Semiconductor Index (SOX). The Management Board and Supervisory Board will therefore propose at the Annual General Meeting to be held on February 18, 2016 to raise the dividend from 18 cents to 20 cents per share.

In recent years, we have focused systematically on growth markets that are driven by sustainable modern-day social, economic and ecological trends. We have attained leading market positions in our target markets – including, for instance, in the automotive semiconductor market, where our market share has now passed the 10 percent mark for the first time. Our strategic “Product to System” approach is helping us generate economies of scope on the back of our broad range of technological and product expertise, creating more added value for our customers and improving our margins systematically. We are the “system leader” for automotive semiconductors: No other manufacturer offers such a balanced portfolio of sensors, microcontrollers and power semiconductors. No company comes close to achieving as broad a coverage of essential functions as Infineon. Moreover, we are a leading player in terms of trend-setting applications designed to reduce CO<sub>2</sub> emissions as well as those used in driver assistance systems. Therefore our motto: we make cars cleaner, safer and smarter.

In the field of power semiconductors we have further extended our lead as the world's number one supplier. With a market share of 19 percent, our revenue is now nearly three times that of our closest competitor. One of the key success factors is our extensive portfolio of products and technologies, which enables us to address a greater range of applications than most competitors. Another factor is our manufacturing expertise: Infineon is the only manufacturer using silicon wafers with a diameter of 300 millimeters, rather than the more common 200-millimeter silicon wafers, to manufacture power semiconductors, which allows for significantly more chips per wafer. This manufacturing technology will bring us crucial cost advantages in the future, which we will use to achieve the necessary productivity improvements in the long term. We are also market leader in the functional integration and digitalization of power management, enabling us to further reduce both conversion losses and system size, which in turn allows cutting system costs. We also expect further significant advances in developing next-generation semiconductor materials for power components – silicon carbide (SiC) and gallium nitride (GaN). Based on development results to date and our existing portfolio of patents, we are confident of being ideally positioned for any disruptive change in this area and, equally important, of playing an active role in shaping that change.



**Dr. Reinhard Ploss**  
Chief Executive Officer

Data protection is a growing challenge in the internet era. We are leader for hardware-based security solutions, which create a kind of data vault and can be used in a wide range of applications, including chip-based payment cards, electronic ID, healthcare cards and mobile payment systems. Our know-how in this field goes well beyond traditional security controllers. If needed, we can provide our customers with optimally designed software and complete security solutions in collaboration with our partners – the purest form of “Product to System”

Our products are helping improve the quality of people’s lives in general. Infineon’s solutions to improve energy efficiency are helping reduce emissions caused by the generation, transmission and consumption of electric power. Our mobility solutions help prevent accidents or limit their impact, increase driving comfort significantly and, of course, cut emissions. Our security solutions enable secure communication and secure data exchange in an increasingly connected world. Our semiconductor solutions enable us to link the analog with the digital world. Our aspiration to contribute towards better living standards is set out in our new mission statement: “Part of your life. Part of tomorrow”.

The acquisition of International Rectifier has complemented and strengthened Infineon in many respects. Consequently, after adopting the theme “Systematic Growth” for the 2014 Annual Report, we have prepared this year’s report under the motto of “Systematic Integration”.

### **Systematic integration**

We acquired International Rectifier with the goal to systematically combine the strengths of the two groups. Since closing the transaction on January 13, 2015, we have already come a long way towards achieving that goal. Based on the concept of integration “from the outside in”, our first step was to merge the sales structures of the two businesses, a milestone achieved by the end of March. Providing one face to the customer was a vital step for ensuring that business could continue to run smoothly. We aligned product portfolios and roadmaps systematically and realized that overlaps were less than expected. Consequently the two companies complement each other even more ideally than originally expected.



From the outset, great attention was paid to “cultural integration”, encouraging the various teams to grow together as quickly as possible and to retain key individuals. We have been very successful in this respect: After only a few months, joint teams from Infineon and International Rectifier were in a position to offer customers new, tailor-made solutions. One good example is that of power supplies for server processors, whereby power transistors designed by Infineon are now controlled by a controller IC developed by International Rectifier.

Over time, of course, we will implement many other product ideas by combining our strengths. Putting integration into practice is the best way of convincing customers and employees alike that we are on the right track. Motivated by early success stories arising from joint efforts, we continue to systematically realize synergies.

Our plan to bolster our market access in certain regions, such as China and the USA, is also bearing fruit. We are generating additional economies of scope by combining semiconductor components from Infineon with the wide range of International Rectifier’s packaging solutions, enabling us to exactly meet market demands.

Effective October 1, 2015, International Rectifier has been fully absorbed within the three segments, Automotive, Industrial Power Control, and Power Management & Multimarket.

“Systematic integration” also means remaining fully committed to our 300-millimeter manufacturing technology. In the medium term, this will include transferring some of International Rectifier’s products to our 300-millimeter manufacturing site in Dresden (Germany). It will, of course, take a number of years to optimize the manufacturing landscape, but an initial step – for example transferring thin wafer processing from Singapore to Infineon locations – has been swiftly implemented.

Another important aspect of integrating International Rectifier is to combine all development activities relating to GaN-based power semiconductors. International Rectifier is a global leader in applying GaN layers onto standard silicon wafers. This is a key area of technological expertise paving the way to GaN-based components which are market-proven and competitive.

Obviously, “systematic integration” also means striving for, and actually achieving, a higher enterprise value for Infineon as a result of the acquisition. We originally set out to raise International Rectifier’s margin contribution to at least match Infineon’s target of 15 percent for the Segment Result Margin over the economic cycle by the 2017 fiscal year. This goal has now been achieved much earlier than planned. Over the course of the 2015 fiscal year we continuously increased the margin contribution and already achieved our goal in the fourth quarter.

The acquisition of International Rectifier helped us strengthen our position in key regions. Our foothold in Silicon Valley, where the pace of the digital revolution is ultimately dictated, has become much stronger. The number of employees working for Infineon in the USA has risen from around 550 to around 3,700, who now represent roughly 10 percent of Infineon’s total workforce. Our stronger presence will allow us to participate in the innovations coming out of Silicon Valley and even be in a position to shape them with our technological expertise.

The regional distribution of our business has also shifted considerably, with China being now by far our most important sales market. The percentage of revenue generated in China has risen from 20 percent in the 2014 fiscal year to 23 percent in 2015, whereas our home market Germany – which last year also accounted for 20 percent of Infineon’s revenue – now only accounts for 16 percent. Nevertheless, Germany remains an important center for innovation in automotive and industrial electronics that will continue to play a major role in the development of new products and solutions going forward.

### **Managing sustainably**

Sustainability is one of the key factors driving our success. Ultimately, the demand for solutions that increase energy and resource efficiency is essential for our business. For this very reason, alongside the “systematic integration” of International Rectifier, we work tirelessly on improving the sustainability of our businesses and operations.

We see the objective of sustainability as leaving future generations a world worth living in – a truly great responsibility. Similar to achieving of economic targets, sustainability is absolutely key to the way we operate. To take just one example: Our products and innovations enable savings of approximately 36.5 million tons of CO<sub>2</sub> emissions during their useful lives in end-user products – a net reduction of approximately 35 million tons more than the CO<sub>2</sub> emissions generated during the manufacture of those products. In recognition of our achievements, in the 2015 fiscal year we were listed in the prestigious Dow Jones Sustainability Index for the sixth year in succession.

Striving continuously to increase our profitability is also a vital aspect of sustainability for us. Only through profitability we are able to retain the financial headroom needed to become even more competitive and continue offering products that make our lives easier, safer and greener.

### Recognition of our employees' commitment

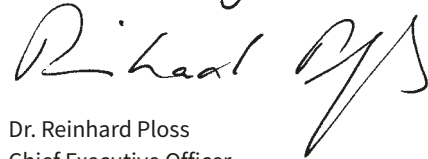
I would like to take this opportunity once again to welcome the about 4,200 new employees who have joined us from International Rectifier. You are now all part of the "Infineon family". We are already working together as one team and looking forward to a lively exchange of views and mutual learning.

Together, we have achieved a lot over the past year, improving both revenue and Segment Result and making good progress with our strategic "Product to System" approach. Moreover, together we have successfully managed the biggest acquisition in our corporate history. I would like to draw particular attention to those Infineon employees, who have taken a great deal of time and effort to welcome and integrate our new colleagues from International Rectifier. The Management Board extends its wholehearted thanks to all of you. We look forward to reaping the rewards of these strategic endeavors in the coming years. In this respect, we know we can continue to rely on the motivation, dedication and skills of our loyal workforce.

### Expectations for the 2016 fiscal year

What lies ahead of us in the 2016 fiscal year? The usual seasonal slowdown and continuing uncertainty about the growth expectations of the Chinese economy are likely to affect business at the beginning of the new fiscal year. Nevertheless, based on an assumed exchange rate of US\$1.10 to the euro – we expect year-on-year revenue growth in the current fiscal year of 13 percent, plus or minus 2 percentage points. We will focus in particular on further increasing profitability. Due to the measures decided and, to a large extent, already implemented for integrating International Rectifier, Infineon's Segment Result Margin is no longer expected to be diluted by the acquisition in the now running 2016 fiscal year. Accordingly, we expect a Segment Result Margin of approximately 16 percent at the mid-point of the forecast revenue range.

We sincerely hope you will continue to accompany us as these developments unfold.

Sincerely,  


Dr. Reinhard Ploss  
Chief Executive Officer

# The Management Board



From left to right: **Arunjai Mittal, Dr. Reinhard Ploss, Dominik Asam**

## Dr. Reinhard Ploss

### Chief Executive Officer (CEO), Labor Director

Doctorate in chemical engineering (Dr.-Ing.);  
Member of the Management Board since June 2007

- » Our semiconductors are the key to a better future. We are addressing the right markets and expanding our lead through systematic integration: A strengthened portfolio and a wider range of system solutions will significantly contribute to our customers' success.«

## Dominik Asam

### Chief Financial Officer (CFO)

Mechanical engineer (Dipl.-Ing.), Master of Business Administration (MBA);  
Member of the Management Board since January 2011

- » We have expanded our leading market position and achieved the financial goals we set when we acquired International Rectifier ahead of time. Infineon has impressively demonstrated how we are successfully continuing on our growth path.«

## Arunjai Mittal

### Member of the Management Board, Regions, Sales, Marketing, Strategy Development and M&A

Studies in electrical engineering at Shivaji University, Kohlapur, India (Dipl.-Ing.);  
Member of the Management Board since January 2012

- » We have deepened our system understanding through strategic acquisitions and partnerships. As a result, we can supply our customers even faster with products tailored to their requirements.«

# Report of the Supervisory Board to the Annual General Meeting

*Ladies and Gentlemen,*

The 2015 fiscal year was dominated by the acquisition of International Rectifier. Following approval of the acquisition by the antitrust authorities and in particular by the shareholders of International Rectifier, the transaction first announced in August 2014 was finally closed in January 2015. The acquisition was an important step for Infineon, as the combination of the two enterprises has now given rise to a powerful entity. The Infineon Group benefits from an expanded product portfolio and a broader regional structure, particularly regarding customers in the USA and Asia. The combination also gives Infineon additional system know-how in the management of electrical energy. Infineon's expertise with power semiconductors and how they are controlled has been enriched and its position as world market leader in this field extended. The integration process has gone well and is now more or less completed. The consolidated figures for the 2015 fiscal year show that we are making excellent progress. On behalf of the Supervisory Board, I once again take this opportunity to extend a warm welcome to all staff from International Rectifier and, equally, to thank everyone involved for the work performed to date.

## **Main activities of the Supervisory Board**

During the year under report, the Supervisory Board conscientiously performed all duties incumbent upon it in accordance with the law, the Company's statutes, and its own terms of reference. It both advised and monitored the Management Board based on the detailed information provided by the Management Board at Supervisory Board and committee meetings on business developments, in particular the market situation, significant transactions, key financial performance indicators and performance trends. In the course of the ensuing deliberations, not only general strategies, but also relevant specific measures were agreed upon by the two boards. The Supervisory Board was always given ample opportunity to thoroughly examine any reports and resolutions proposed by the Management Board. In this context, it undertook measures to assure itself that the governance of Infineon's corporate affairs was lawful, compliant and appropriate.

The Supervisory Board was provided with written quarterly reports on Infineon's business performance, key financial data, risks and opportunities, significant issues, major areas of litigation and other important topics. Between quarterly reports, the Management Board also informed the Supervisory Board in a timely manner of current developments in the form of monthly reports.



**Wolfgang Mayrhuber**  
Chairman of the Supervisory Board

The Chairman of the Supervisory Board, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee were in continual contact with the Management Board. The Chairman of the Supervisory Board was also informed without delay by the Chief Executive Officer of all significant events relevant to the business.

The full Supervisory Board Committee convened for six ordinary meetings during the 2015 fiscal year. At three of these meetings, one member on each occasion was absent and excused. Attendance at the meetings of the full Supervisory Board therefore averaged over 96 percent, while attendance at Supervisory Board committee meetings averaged over 98 percent.

#### **Financial and investment planning and business strategy**

In the previous fiscal year, the Supervisory Board had already approved the acquisition of International Rectifier prior to signature of the contract in August 2014. In the year under report, alongside the regular updates reported by the Management Board on the progress of integration, the focus of attention with respect to the acquisition turned to financing. Among other things, the Supervisory Board consented to the refinancing of the bridging facility, initially entered into to finance the acquisition, by means of the issuance of two corporate bonds (so-called “eurobonds”).

At its meeting held on November 17, 2014, the Supervisory Board approved the financial and investment budget including the overall investment budget and the borrowing limit determined for the 2015 fiscal year, as presented by the Management Board. At the meeting held on May 12, 2015, the Supervisory Board agreed to an increase in total investments for the 2015 fiscal year, in light of the acquisition of International Rectifier.

The Supervisory Board continues to appreciate the importance of focusing one meeting a year exclusively on strategic topics. Therefore, in the meeting held on August 3, 2015, the Board engaged in a detailed discussion on Infineon’s overall strategy, the principal trends in the semiconductor industry, the main areas of growth, Infineon’s positioning and the competitive environment.

### Personnel matters

At an early stage, the Supervisory Board agreed to extend Dr. Ploss's term of office as member of the Management Board, Chief Executive Officer and Labor Relations Director, which had been due to expire on September 30, 2015. Dr. Ploss's term of office has now been extended for a further five-year term that expires on September 30, 2020 and his service contract continued. The resolution relating to the extension was taken at the Supervisory Board meeting held on November 17, 2014.

The "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector" came into force during the year under report. The new law stipulates a gender quota of 30 percent for the supervisory boards of parity-based, co-determined listed corporations such as Infineon Technologies AG. Target quotas were also introduced by the new legislation, requiring the Supervisory Board to set a quota for female participation on the Management Board by the end of the year under report at the latest. The Supervisory Board was also required to stipulate a date no later than June 30, 2017 by which this target quota should be achieved. The Supervisory Board is convinced that the decisive criterion for selecting members of the Management Board must be their professional skills and personal suitability. Consideration must be given to ensuring that the members of the Management Board as a whole possess the knowledge, skills and experience required to exercise the board's duties to the fullest possible extent. The Supervisory Board seeks to ensure appropriate female representation on the Management Board within the framework of these specifications. In order to achieve this aim, the Supervisory Board is of the opinion that greater efforts are required to develop women for Management Board positions. In view of the successful work of the current Management Board team, and taking the agreed terms of service contracts into account, the Supervisory Board sees neither a practical need nor a legal opportunity to increase the percentage of women on the Management Board at this current point in time. A target quota of 0 percent was therefore determined and will remain valid until June 30, 2017.

### Management Board compensation

The Supervisory Board engages an external compensation expert to review the Management Board compensation system and the compensation of individual members of the Management Board on a regular basis. The results contained in the compensation expert's report presented during the 2015 fiscal year were discussed in detail during the Executive Committee meeting held on October 23, 2014 and by the full Supervisory Board on November 17, 2014. The compensation expert reached the conclusion that the compensation system complies with both the legal requirements and the recommendations set out in the German Corporate Governance Code. In particular, the review concluded that the compensation of Infineon's Management Board is commensurate with market conditions and that the variable compensation component is oriented towards the sustainable growth of the enterprise. The Supervisory Board shares the opinion of the compensation expert. The review report also considered the moderate increase in Management Board compensation effective October 1, 2014, resolved by the Supervisory Board at the meeting held on May 6, 2014, and confirmed the appropriateness of the increase.

**P** see page 186

Detailed information concerning Management Board compensation is provided in the Compensation Report.

### Litigation

The Supervisory Board was informed regularly and comprehensively regarding major legal disputes during the 2015 fiscal year and deliberated on them in conjunction with the Management Board. Besides the Company's appeal against the fine imposed by the EU Commission and the consequences of the Commission's decision, matters discussed included the legal disputes with the insolvency administrator of Qimonda AG.



## Corporate governance

### Declaration of Compliance 2015

As in previous years, the Supervisory Board and the Management Board resolved to issue the 2015 Declaration of Compliance with one deviation from the Code's recommendations regarding Supervisory Board compensation. The two boards still consider that the compensation regulation resolved by the Annual General Meeting adequately takes account of Infineon's long-term success. With the exception of the recommendation with respect to Supervisory Board compensation, Infineon has complied with, and continues to comply with, all other recommendations contained in the Code. The most recent Declaration of Compliance was published on the Company's website in November 2015.

@ [www.infineon.com/cms/en/about-infineon/investor/corporate-governance/declaration-of-compliance/](http://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/declaration-of-compliance/)

### Changes to the Supervisory Board's target catalog

The German Corporate Governance Code recommends that the Supervisory Board determine specific targets for its composition. The Supervisory Board revised its existing catalog of targets in resolutions taken on November 17, 2014 and August 4, 2015, partly in response to the requirement to enlarge the Supervisory Board from 12 to 16 members due to the increased size of the workforce. It was also necessary for the target catalog to reflect the new statutory gender quota for supervisory boards as well as changes to the German Corporate Governance Code that became applicable in the year under report. The changes to the Code related primarily to the introduction of recommendations concerning the usual length of appointments to a supervisory board. In this respect, the Supervisory Board was guided by its recognition of the importance of continuous personnel renewal, but that this must always be weighed against the benefits of having continuity on the Company's representative bodies. Stability in the composition of the Supervisory Board promotes a spirit of trust, both within the Supervisory Board itself and with the Management Board. Having given consideration to the above aspects, the Supervisory Board decided that its members should not, as a general rule, be appointed for more than three periods of office.

### Efficiency review for Supervisory Board activities

The Supervisory Board examines the efficiency of its activities annually. Based on the questionnaire tried and tested in past examinations, in summer 2015 members of the Supervisory Board were again requested to provide critical feedback regarding their work and the extent of cooperation between the two boards. The results of this survey were discussed at the Supervisory Board meeting held on August 4, 2015. No noteworthy shortcomings were identified.

### Assessment of potential conflicts of interest

During the year under report, the Supervisory Board consented to Dr. Ploss taking on a mandate in the Supervisory Board of "Haus der Zukunft gGmbH" and to Mr. Mittal taking on a mandate in the Board of Directors of Global Semiconductor Alliance (GSA). Both of these entities are non-profit organizations. In the previous fiscal year, Mr. Mittal received the approval of the Supervisory Board to accept a mandate as member of the Board of Directors of the Singapore Economic Development Board. Mr. Mittal took up this position during the year under report. The exercising of these mandates does not conflict with any of Infineon's interests.

The Company entered into a consultancy agreement with the former CEO, Mr. Bauer, in 2012 when he stood down from the Management Board. In view of his candidacy for the Supervisory Board, the consultancy mandate ended on January 31, 2015.

With the resolution dated May 6, 2014, the Supervisory Board generally approved the continuation of cooperation between the Company and Technische Universität München (Institute for Technical Electronics, headed by Prof. Dr. Schmitt-Landsiedel). At its meeting held on August 4, 2015, the Supervisory Board approved the specific research and development contract subsequently drawn up.

**P** see page 174

Other information relating to corporate governance at Infineon can be found in the Corporate Governance Report issued jointly by the two boards.

### Composition of the Supervisory Board

The Supervisory Board was reconstituted during the year under report, firstly, due to the fact that all mandates for employee and shareholder representatives expired at the end of the 2015 Annual General Meeting, and secondly, to take account of the requirement under co-determination legislation to increase the size of the Supervisory Board from 12 to 16 members.

#### Election of new employee representatives

The following employee representatives were elected at the end of 2014 by delegates elected from the relevant Company locations: Johann Dechant, Annette Engelfried, Peter Gruber, Gerhard Hobbach, Dr. Susanne Lachenmann, Jürgen Scholz, Kerstin Schulzendorf and Diana Vitale. Gerd Schmidt, Wigand Cramer and Reinhard Gottinger are no longer members of the newly constituted Supervisory Board. The Supervisory Board would like to thank the employee representatives who have now left for their constructive and trusted cooperation over the past years and wishes them all the best for the future. Special thanks go to Mr. Schmidt, who had served on the Supervisory Board since the Company's foundation, working for many years with great success in the capacity of Deputy Chairman of the Supervisory Board.

#### Election of new shareholder representatives

The shareholder representatives were elected at the 2015 Annual General Meeting. All members of the Supervisory Board in office at that stage were re-elected as follows: Hans-Ulrich Holdenried, Prof. Dr. Renate Köcher, Wolfgang Mayrhuber, Dr. Manfred Puffer, Prof. Dr. Schmitt-Landsiedel and Dr. Eckart Sünner. Peter Bauer and Dr. Herbert Diess became shareholder representatives for the first time.

The resolution on candidates to be put forward for election at the Annual General Meeting was taken at the meeting held on November 26, 2014. The resolution was prepared by the Nomination Committee, which took a leading role in seeking and selecting potential candidates, a process already commenced during the 2014 fiscal year.

The Supervisory Board explicitly welcomed the fact that all previously serving shareholder representatives wished to stand for re-election, particularly as personnel stability and continuity on the Supervisory Board is seen as an important factor for success in any sector, and all the more so in the rapidly changing semiconductor industry. The Supervisory Board agreed that two excellent candidates for the new mandates had been found in Mr. Bauer and Dr. Diess. In conjunction with the search and selection process, the Nomination Committee focused on opportunities to increase the number of female members on the Supervisory Board. Unfortunately, their intensive efforts failed to bear fruit. Irrespective of this outcome, Infineon exceeds the gender quota stipulated by law (which does not come into force until January 1, 2016 and therefore did not need to be complied with in the elections at the 2015 Annual General Meeting) with a current female quota of 37.5 percent.

### Elections within the Supervisory Board

The constituting meeting of the Supervisory Board took place immediately after the Annual General Meeting on February 12, 2015. At that meeting, Mr. Mayrhuber was re-elected as Chairman of the Supervisory Board and Mr. Dechant elected as Deputy Chairman.

In addition to the statutorily prescribed Mediation Committee, the Supervisory Board once again resolved to form an Executive Committee, an Investment, Finance and Audit Committee, a Strategy and Technology Committee and a Nomination Committee. In keeping with the wishes of the Supervisory Board, all of these committees will be composed on a parity basis, i.e. with equal numbers of shareholder and employee representatives, with the exception of the Nomination Committee. Mr. Mayrhuber remains Chairman of the Supervisory Board, the Mediation Committee and the Executive Committee. He was also elected as Chairman of the Investment, Finance and Audit Committee. Dr. Sünnner will again chair the Strategy and Technology Committee. Prof. Dr. Schmitt-Landsiedel continues to chair the Strategy and Technology Committee.

### Report on the work of the Supervisory Board's Committees

The committees draw up resolutions or prepare topics that are required to be dealt with by the full Supervisory Board. Certain decision-making powers have been delegated to committees, to the extent permitted under German law. The chairpersons of each committee routinely report on committee meetings at the next relevant full Supervisory Board meeting.

#### Nomination and Mediation Committee

After convening once in summer 2014, the Nomination Committee met again during the year under report to discuss the election of shareholder representatives at the 2015 Annual General Meeting as well as the necessary proposals for election to be put forward by the Supervisory Board. The recommendations to the full Supervisory Board regarding the proposals for election were then the subject of a written resolution.

The Mediation Committee did not need to convene.

#### Executive Committee

The Executive Committee held one ordinary and one extraordinary meeting during the year under report, the latter taking place in the form of a telephone conference. In addition, one written resolution was taken.

The ordinary meeting focused on preparing the Supervisory Board's resolution with respect to the appropriateness of Management Board compensation. At this meeting, the committee also drew up resolutions for the full Supervisory Board regarding the measurement of the variable compensation of the members of the Management Board. Important aspects of this work were to determine the degree to which targets for the 2014 fiscal year were achieved and to set new target levels for the 2015 fiscal year.

At the extraordinary meeting, the Executive Committee prepared the Supervisory Board's resolutions on the various corporate governance issues referred to above, most notably specifying a target quota for the membership of women on the Management Board and revising the Supervisory Board's target catalog.

### Investment, Finance and Audit Committee

The Investment, Finance and Audit Committee convened four times during the year under report.

Its activities centered on monitoring the financial reporting process, reviewing the half-year and quarterly financial statements, conducting the preliminary audit of the Separate Financial Statements, Consolidated Financial Statements and Management Report of Infineon Technologies AG and of the Infineon Group, and discussing the audit report with the auditor. Another important task performed by the committee was to examine and discuss Infineon's financial and investment plans and to determine a borrowing limit for the 2015 fiscal year. The committee also considered the effectiveness of the internal control system, internal audit system and risk management system. The committee's members also received reports from the Compliance Officer on a regular basis. The committee was provided with regular updates on significant legal disputes, including the Company's appeal against the fine imposed by the EU Commission as well as the consequences of the Commission's decision. Matters discussed also included the legal disputes with the insolvency administrator of Qimonda AG, which were deliberated upon at length.

Other duties performed by the committee included specifying key areas to be examined by the external auditor, monitoring the auditor's independence and considering the additional services performed by the auditor. The committee prepared the Supervisory Board's proposal to the Annual General Meeting regarding the selection of the auditor to audit the Separate and Consolidated Financial Statements and review the half-year financial statements. It subsequently engaged the auditor to perform these tasks and, furthermore, to review the quarterly financial statements. The relevant fee arrangements were also considered.

The committee (and the full Supervisory Board) gave lengthy consideration to the report drawn up by KPMG on the statutorily prescribed audit regarding compliance with the so-called EMIR Directive, which, among other things, imposes certain duties on entities such as Infineon with regard to derivatives management.

The auditor attended all of the meetings of the Investment, Finance and Audit Committee and reported in detail on its audit activities.

### Strategy and Technology Committee

The Strategy and Technology Committee convened three times during the period under report.

The committee received detailed reports on the "excellence initiatives" in the area of research and development on the one hand and sales and marketing on the other. It also addressed issues relating to the acquisition and integration of International Rectifier. Topics dealt with at these meetings included future manufacturing and location strategies as well as the product and technology portfolio within the Group. The committee also considered a number of technological topics such as the potential offered, and challenges posed, by new semiconductor materials.

### Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements as of September 30, 2015 as well as the Management Report of Infineon Technologies AG and of the Infineon Group, and issued unqualified audit opinions thereupon. KPMG also reviewed the half-year and quarterly financial reports.

The Separate Financial Statements, the Consolidated Financial Statements prepared in accordance with IFRS, the Management Report and the Management Board's proposal for the appropriation of unappropriated profit (all prepared by the Management Board) and the long-form reports of KPMG pertaining to the audits of the Separate Financial Statements, the Consolidated Financial Statements, and the Management Report, were discussed thoroughly with KPMG at the meeting of the Investment, Finance and Audit Committee held on November 11, 2015. At the meeting, the aforementioned committee resolved to propose that the Supervisory Board approve the two sets of financial statements.

The Chairman of the Investment, Finance and Audit Committee reported on the committee's recommendations at the meeting of the Supervisory Board held on November 17, 2015. At the Supervisory Board meeting held on November 24, 2015, the financial statements were examined thoroughly in the presence of the auditor and scrutinized by the Supervisory Board to ensure, in particular, that they were lawful, compliant and adequate.

The scope, key areas and costs of the audit were also reported on at the aforementioned Supervisory Board meeting and the risk management system explained. The Management Report of Infineon Technologies AG and of the Infineon Group was also examined and found to be consistent with legal requirements in the opinion of the Supervisory Board. The Supervisory Board concurs with the statements made in the Management Report regarding Infineon's future development. The Supervisory Board has examined and endorses the Management Board's proposal for the appropriation of unappropriated profit, which provides for a dividend of €0.20 per qualifying share.

In view of the result of the audit, the Supervisory Board has no objections to the financial statements and the audit performed by the auditor. The Supervisory Board therefore concurred with the results of the audit on November 24, 2015 and approved the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements of the Infineon Group. The Separate Financial Statements have therefore been adopted.

The Supervisory Board would like to express its thanks to the Management Board and to the entire staff for their outstanding commitment and excellent achievements during the 2015 fiscal year.

Neubiberg, November 2015  
On behalf of the Supervisory Board



Wolfgang Mayrhuber  
Chairman of the Supervisory Board

# Combined Management Report

## Our Group

This report combines the Group Management Report of the Infineon Group (“Infineon” or “Group”) – comprising Infineon Technologies AG (hereafter also referred to as “the Company”) and its consolidated subsidiaries – and the Management Report of Infineon Technologies AG. It should be read in conjunction with the audited Consolidated Financial Statements, including the notes to the Consolidated Financial Statements (“notes”) included elsewhere in this report. The audited Consolidated Financial Statements have been prepared on the basis of a number of assumptions and accounting policies more fully explained in note 1 (“Basis of the Consolidated Financial

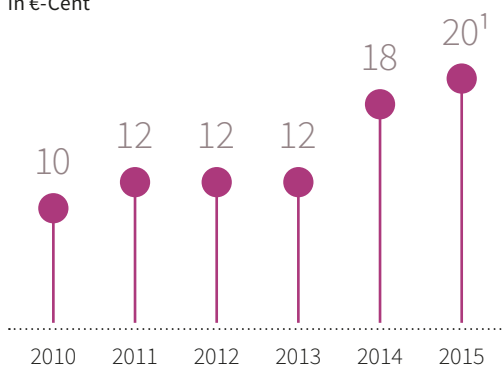
Statements”) and note 2 (“Summary of significant accounting policies”). The Combined Management Report contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group. These statements are based on assumptions and projections based on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected. Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

Combined  
Management Report  
Our Group >

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**G 01**  
Dividend per share for the  
2010 to 2015 fiscal years  
in €-Cent



<sup>1</sup> Proposal to the Annual General Meeting to be held on February 18, 2016.

# Finances and strategy



## Successful 2015 fiscal year

- › Acquisition of International Rectifier closed; substantial progress made with integration
- › Strong revenue growth in all segments; Segment Result Margin better than expected
- › Good performance enables higher dividend

### Infineon closes deal to acquire International Rectifier

Following a 99.5 percent majority vote by the shareholders of International Rectifier in November 2014 and receipt of approval from the responsible authorities in January 2015, the acquisition of International Rectifier was closed on January 13, 2015. Since then, excellent progress has been made in terms of integration. The vast majority of International Rectifier's former business was allocated to the Power Management & Multimarket segment, while smaller parts were also allocated to the Automotive and Industrial Power Control segments.

### Revenue up sharply on the back of organic growth, currency effects and acquisition of International Rectifier, resulting in better-than-expected Segment Result Margin

Infineon generated **revenue** of €5,795 million in the 2015 fiscal year, a 34 percent increase on the previous year's figure of €4,320 million. The sharp rise primarily reflects strong sales performances across all segments. Of particular note is the organic growth of 35 percent achieved by the Chip Card & Security segment. Infineon's strong revenue performance was also influenced by currency factors, most notably the appreciation of the US dollar against the euro (see the chapter "The segments" [P](#) page 52 for further details on the sales performance of the individual segments). The higher revenue was also partly due to the acquisition of International Rectifier, which contributed €682 million to the revenue figure in the 2015 fiscal year.

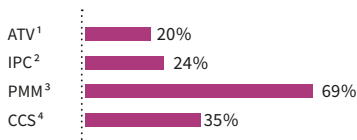
The **Segment Result** for the 2015 fiscal year totaled €897 million, surpassing the previous year's figure of €620 million by 45 percent. The **Segment Result Margin** came in at 15.5 percent (2014: 14.4 percent). Infineon thereby exceeded the target set for the 2015 fiscal year. The Segment Result Margin of International Rectifier's business units increased significantly compared to the three-month period ended December 31, 2014, the last quarter prior to the acquisition.

### Net income and earnings per share up; free cash flow, return on capital employed and cash position down, mainly due to acquisition-related factors; significant capital structure targets nevertheless achieved

Despite the high level of expenses incurred in conjunction with the acquisition of International Rectifier, **net income** increased in the 2015 fiscal year, thanks to the sharp rise in revenue as well as positive tax effects of €209 million (see the chapter "Review of results of operations" [P](#) page 128) and amounted to €634 million in the 2015 fiscal year, an increase of 19 percent compared to the previous year's figure of €535 million.

#### G 02

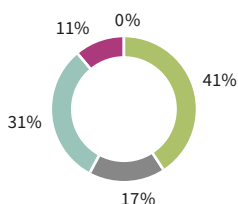
Revenue growth of the individual segments in the 2015 fiscal year compared to the previous year



- 1 Automotive
- 2 Industrial Power Control
- 3 Power Management & Multimarket
- 4 Chip Card & Security

#### G 03

Revenue by segment in the 2015 fiscal year



- Automotive: €2,351 million
- Industrial Power Control: €971 million
- Power Management & Multimarket: €1,794 million
- Chip Card & Security: €666 million
- Other Operating Segments, Corporate and Eliminations: €13 million

**Basic and diluted earnings per share** for the 2015 fiscal year amounted in each case to €0.56 and were therefore 17 percent higher than the previous year's figure of €0.48 (also in each case). **Adjusted earnings per share (diluted)** improved year-on-year from €0.48 to €0.60 (see the chapter "Review of results of operations" for details of the calculation of adjusted earnings per share).

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**Free cash flow from continuing operations** (see the chapter "Internal Management System" for definition) totaled a negative amount of €1,654 million in the 2015 fiscal year, a deterioration of €1,971 million compared to the €317 million generated one year earlier. The sharp reduction mainly related to the purchase of International Rectifier (€1,869 million). Furthermore, free cash flow from continuing operations was reduced by €178 million due to payments to the insolvency administrator for the settlement of the dispute over the continuation of the right to use Qimonda patents less the subsequent proceeds from the sale of the Qimonda patents as well as the payment to the EU Commission for the fine imposed in the chip card antitrust proceedings. Excluding these exceptional items, free cash flow from continuing operations in the 2015 fiscal year totaled €393 million, a year-on-year improvement of 24 percent. Net cash provided by operating activities amounting to €957 million thereby exceeded additions to property, plant and equipment and intangible assets totaling €785 million (2014: €668 million).

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The **Return on Capital Employed (RoCE)** in the 2015 fiscal year amounted to 12.8 percent and was thus well down on the previous year's figure of 20.3 percent. The decrease was mainly due to the acquisition of International Rectifier and the related higher level of capital employed. This effect could not be offset by the income from continuing operations after taxes which increased from €497 million to €664 million in the 2015 fiscal year. (For a definition of, and details relating to, the calculation of RoCE, see the chapters "Internal Management System" and "Review of financial condition".)

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 see page 139

The **gross cash position** (see the chapter "Internal Management System" for definition) totaled €2,013 million as of September 30, 2015, a decrease of 17 percent compared to the previous year's reported figure of €2,418 million. In addition to the negative free cash flow of €1,654 million described above, the gross cash position was also reduced by the dividend payment of €202 million for the 2014 fiscal year and by payments totaling €140 million relating to the Qimonda insolvency reported as net cash used for discontinued operations. The main items working in the opposite direction were net debt raised totaling €1,567 million as well as positive free cash flow from continuing operations (adjusted for exceptional items).

 see page 91

Despite the decrease described above, our capital structure target in terms of the gross cash position – namely maintaining a gross cash position of between 30 and 40 percent of revenue (see note 25 "Capital management" to the Consolidated Financial Statements for the 2015 fiscal year) – was also maintained for the 2015 fiscal year. The actual figure at the end of the reporting period was 35 percent of revenue.

 see page 248

The **net cash position** (see the chapter "Internal Management System" for definition) decreased by 90 percent to stand at €220 million at the end of the 2015 fiscal year (September 30, 2014: €2,232 million). This significant decrease was attributable to the exceptional cash outflows referred to above, in particular the purchase price for International Rectifier. Based on these figures, Infineon's capital structure target in terms of the net cash position (see note 25 "Capital management" to the Consolidated Financial Statements for the 2015 fiscal year) was again achieved.

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**Planned dividend increase of 2 cents**

Our dividend policy is aimed firstly at having our shareholders participate appropriately in growing earnings and secondly to at least keep the dividend at a constant level in times of flat or declining earnings and/or negative free cash flows.

Based on the strong earnings performance in the 2015 fiscal year and Infineon’s positive business outlook, a proposal will be made to the Annual General Meeting to be held on February 18, 2016 to pay a dividend of €0.20 per share, an increase of 2 cents compared to the previous year.

Developments in the semiconductor industry

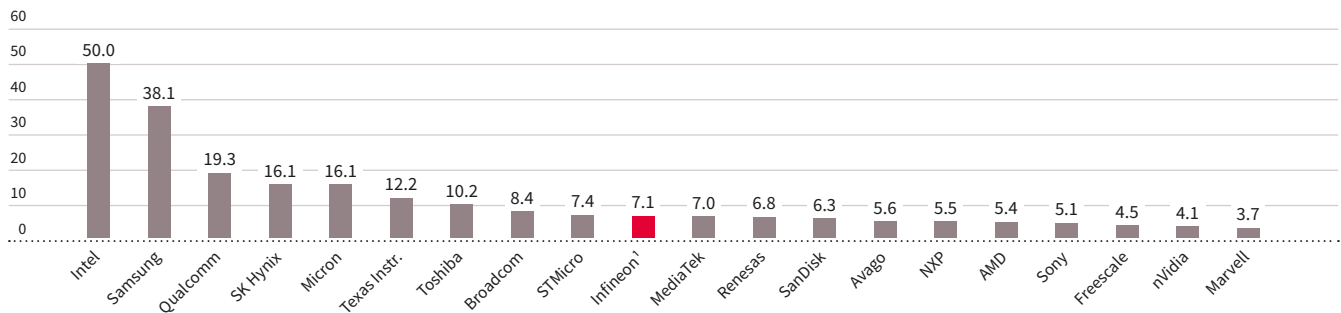
According to the market research firm IHS, semiconductor revenues worldwide totaled US\$355 billion in the 2014 calendar year, up 8.6 percent on the previous year. According to IHS, revenue recorded by Infineon (including International Rectifier) increased by 13.8 percent in the same period from US\$6.212 billion to US\$7.072 billion.

The semiconductor market is highly fragmented. Only the two largest competitors had a market share in excess of 10 percent in the 2014 calendar year, namely Intel and Samsung Electronics, with revenues of US\$49.964 billion (14.1 percent) and US\$38.064 billion (10.7 percent) respectively. Intel is market leader for processors, Samsung Electronics for memory. Infineon does not operate in either of these product categories. Hence, neither of these companies competes directly with Infineon in these two categories. The ten largest companies account for 52 percent of global revenue. The remaining 48 percent is spread over several hundred other semiconductor companies.

**G 04**

Top 20 semiconductor manufacturers for the 2014 calendar year

Revenue in billion US\$



<sup>1</sup> Including revenue of US\$1.135 billion recorded by International Rectifier.

Source: IHS Inc., “2015 Competitive Landscaping Tool”, August 2015. Foundries and subcontractors are not included in this market analysis.

According to IHS, with revenue of US\$7.072 billion, Infineon (including International Rectifier) was ranked 10th in the 2014 calendar year, corresponding to 2.0 percent of the world market.

Infineon's ranking and market share by region (including International Rectifier)

|                             | Position    | Market share            |
|-----------------------------|-------------|-------------------------|
| Europe, Middle East, Africa | # 3         | 6.4%                    |
| Americas                    | # 14        | 1.6%                    |
| Asia-Pacific                | # 14        | 1.5%                    |
| Japan                       | # 18        | 1.2%                    |
| <b>World</b>                | <b># 10</b> | <b>2.0%<sup>1</sup></b> |

<sup>1</sup> Including a market share of 0.3 percent attributable to International Rectifier  
 Source: IHS Inc., "2015 Competitive Landscaping Tool", August 2015

More than half of global semiconductor revenue (53.2 percent) is generated by US companies. Japanese companies account for a further 11.5 percent. Only 8.2 percent of global semiconductor revenue is generated by companies based in Europe. Infineon is Europe's second-largest semiconductor manufacturer, just behind STMicroelectronics.

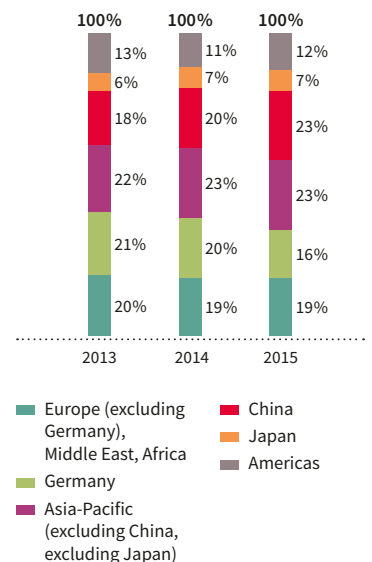
Companies based in the Asia-Pacific region generate 27.1 percent of global semiconductor revenue. Korea is the most important Asian country with 16.5 percent of the worldwide production, followed by Taiwan with 6.5 percent. China (including Hong Kong) only plays a minor role with 2.6 percent.

The picture is very different, however, when it comes to the regional split of semiconductor sales. China has been the largest market for a number of years, accounting for a share of 41.2 percent (US\$146 billion) in the 2014 calendar year. During the same period, 13.3 percent (US\$47 billion) of all semiconductors were sold in Europe.

The growing importance of China is also reflected in the regional spread of Infineon's revenue. China became Infineon's best-selling market for the first time in the 2014 fiscal year. Revenue again increased at an above-average rate in the 2015 fiscal year, partly due to China's comparatively high growth rate, but even more significantly due to the contribution made by International Rectifier. With a figure of €1,337 million, China accounted for 23 percent (2014: 20 percent) of Infineon's revenue. Germany came in well behind in second place with revenue of €942 million, corresponding to a market share of 16 percent (2014: 20 percent).

Industrial structures in China and Germany differ considerably. The German industry is characterized by strong demand from the automotive and industrial electronics sectors, whereas the Chinese market is dominated by electronic manufacturing services, which focus mainly on supplying electronics products, mostly to Western customers. This business model plays a significant role in the fields of durable consumer goods on the one hand and information and telecommunications sector-related products such as servers, PCs, notebooks and cellular phones on the other.

**G 05**  
 Infineon revenue by region





# Group strategy

## Business strategy

While the strategy Infineon pursues in its core markets remains unchanged, the new strategic approach “Product to System” introduced in the 2013 fiscal year is already bearing fruit. Based on this, we devised a new mission statement from an overall perspective. It picks up on the underlying approach previously followed and builds on it in the light of future requirements. Our aspiration is to develop products that make life easier, safer and greener.

### Guiding principles

We design our products with the aim of contributing towards a better life. The requirements for a “better life” may differ considerably and result from the varying conditions that prevail throughout society as well as from the expectations of individuals within it. In developed countries, the self-parking car or the smartphone may represent convenience. In emerging economies, the availability of solar power may lead to an improvement in living conditions. Young people find it easy to use new electronic products, whereas the older generation is often wary of them. For some, the latest trends must be obtainable at an affordable price, while others want technology which assists them in some way and is easy to use. With the help of modern assistance systems, such as applications for electronically controlled lighting and shutters, domestic robots, robotic nurses and driver assistance systems in vehicles, it is possible to retain a great deal of independence in old age.

The key questions we ask in our mission statement are “What is our contribution?” and “How can we achieve success?” In this respect, these questions address fundamental issues, such as megatrends, changes to the competitive environment, innovations, customer expectations and political trends, and explain what we are focusing on. Our aim is to apply our products and our business model to find the best solutions for our customers. Long-term success requires constant reorientation to ensure our products meet customer requirements as effectively as possible or to change markets through innovation. This can only work if we create a framework that allows our staff to develop their full potential and thus ultimately contribute to Infineon’s success.

In the coming decades we will be confronted with serious global changes:

- › The demographic trend
- › The associated demand for resources and
- › Technological changes due to connectivity and digitalization

These changes represent major challenges for society, but also provide us with excellent opportunities to achieve growth and success. Before we address the opportunities, we would like to explain how we aspire to be successful in this rapidly changing world.

### Strategic “Product to System” approach

Today’s success is founded on past decisions. And now, we aspire to shape tomorrow’s success. Achieving this aim entails identifying opportunities, going for them and successfully capitalizing on them. This can be achieved either by continuing to apply the concepts that have brought us success in the past, or by adopting new approaches based on well-proven products or new cutting-edge technologies. With our strategic approach “Product to System”, we are seeking to extract the maximum benefit from our broad portfolio of technologies and products. This strategic approach enables us to put our wide-ranging know-how in product and process technologies to even better use on the market. Thinking in terms of “system” helps us understand the factors that fuel the success of our customers and their markets, and enables us to generate added value as well as identify new market trends at an early stage.



We can advise our customers in their endeavors to tackle challenges and propose solutions that will bring additional success. We reduce development costs for our customers and shorten the time-to-market for their products. “Product to System” is therefore a strategic concept, which we are employing to maximize the opportunities to improve existing products and to identify and subsequently enter markets with completely new products. In the best case, our products can help open up markets that are new even for our customers, thus creating added value for them.

With its broad product portfolio, Infineon is looking at different ways to find solutions that will help bring about the changes described above. These changes are of the utmost relevance and are irreversible. Precisely here lies the economic potential for Infineon. Microelectronics from Infineon are the key to a future worth living – achieved with products that improve the quality of life and help preserve natural resources. We fully intend to live up to this high aspiration.

### Global changes and the associated challenges

The world population continues to grow. According to the World Health Organization’s forecasts, some nine billion people will be living on Earth in 2050. People everywhere are striving to improve their living standards, giving rise to a number of challenges, such as growing industrialization and urbanization, and the need for both a significant increase in productivity and the highly efficient use of our dwindling global resources.

**Industrialization and urbanization:** A consequence of industrialization is that more and more people are moving from rural areas to cities in order to reap the benefits of urban living and working. Today, more than half the world’s population lives in towns and megacities. Each of these metropolitan areas is the growth engine for an entire region as well as a center of productivity. All metropolitan regions are, therefore, confronted with the problem of ever-growing traffic volumes on both road and rail.

Sustainable mobility, both within conurbations (by metro and tram) and between conurbations (by high-speed and interurban trains), is the driving force for expanding public transportation systems. In addition to rail traffic, new concepts for private transportation are a must. The mere development of the road network generally fails to keep pace with the volume of traffic. Traffic density is increasing and so is the time spent in traffic jams as well as the risk of accidents. Easing the strain on drivers in monotonous stop-and-go traffic conditions is a highly desirable aim. Furthermore, 1.2 million people per year die in traffic accidents. It is a concern in all countries to bring about a steady decrease in the number of accident victims.

**Rise of productivity, digitalization and connectivity:** To raise living standards for as many people as possible, it is also necessary to boost productivity, in other words to make “more” out of “less”. This is relevant not only for developed countries, but also for emerging economies, first and foremost China. Unit labor costs – measured in labor costs in relation to productivity – play an important role in terms of an economy’s international competitiveness. Rising wages must be compensated by corresponding productivity advantages in order to guarantee competitiveness. Greater productivity is partly achieved through increased levels of automation. Productivity improvements are not limited to labor costs, but also influence the amount of the materials and energy consumed. These aspects are also particularly important for us.

The digitalization process will largely determine what life, work and manufacturing will be like in the developed regions going forward. In tandem with continually advancing connectivity, further steps toward globalization will be achieved and productivity increases facilitated. Digitalization is also making its mark in industries in countries that previously had a low level of automation and relied on low-cost human labor. Nevertheless, rising wage costs are also forcing these countries to introduce structural changes. Digitalization can boost both productivity and efficiency and bring these countries a few steps further forward in the value-added chain.

The transformation towards more digital data in industry and the connectivity of billions of appliances is a radical change, possibly unequalled since the Industrial Revolution of the 18<sup>th</sup> and 19<sup>th</sup> centuries. The Chinese Government, for example, has adopted the “Made in China 2025” program, in which it has assigned top priority to the digitalization of its economy under its industrial policy. Likewise, Europe, and especially Germany, is pressing ahead with the value-added networks based on the Industrial Internet (Industry 4.0), whereby the aim is to achieve higher productivity through optimum capacity utilization, while keeping the use of resources and inventory levels to a minimum.

Linking the real with the digital world will fundamentally change industrial processes. Semiconductors are the interface between the real and the digital worlds. Without semiconductors, there would be no digitalization. Semiconductors are therefore the most important source of increased productivity and improved quality of life.

The increasing connectivity of the machinery, appliances and IT systems operated by our respective business partners – in short, the “cyber-physical systems” – requires secure data exchange. The Industrial Internet will only succeed if process know-how can be reliably protected from hacking attacks. Secure transmission of product- and manufacturing-related data throughout the supply and value-added chain within an open architecture is therefore of prime importance. The Industrial Internet will then enable new business models that extend across various industrial sectors. Confidence is therefore one of the most important prerequisites for the digitalization of the economy and the digital lifestyle in highly developed countries.

Not only machines, but vehicles too are becoming increasingly connected. They will communicate both directly with one another (car-to-car) and with centralized systems (car-to-infrastructure). Vehicles will be able to contact control systems which, in turn, provide a real-time picture of the current traffic situation. It is therefore possible, for example, to be warned of an accident on the planned route, of a traffic jam just around a bend, or of extreme conditions such as black ice. Above all, however, active traffic management will improve the flow of traffic, which means that more vehicles will be able to move more quickly along the same roads and therefore produce fewer CO<sub>2</sub> emissions, entirely in keeping with our motto “more out of less”.

**Efficient use of global resources:** The pivotal question is how to cope with increasing demand for resources without negatively impacting the climate. The current trend in climate change needs to be curbed or even reversed. Economic activity to date has put the climate and our environment under threat. In the absence of a further reduction in greenhouse gases, most notably of CO<sub>2</sub> emissions, and in the absence of even more efficient vehicles, appliances and machinery going into the future, the constantly growing demand for energy cannot be covered sustainably in either economic or ecological terms. Electricity and its consumption play a key role in this respect. The demand for electricity is continually growing, not only in developed countries, but also an increasing number of households are being connected to the power grid, notably in emerging economies. Furthermore, electricity requirements per household are also rising with better standards of living: first the fridge, then the TV, then the gaming console. In the absence of greater efficiency, the demand for electric power will grow exponentially. Recognizing that the best energy resource is energy-saving, boosting efficiency in the conversion of electric power makes a decisive contribution. Naturally, apart from saving energy, an increasing amount of energy needs to be generated from renewable sources rather than from fossil fuels.

### Solutions

**Energy and resource efficiency:** In contrast to the situation many years ago, technologies are available today that enable electric power to be generated cost-efficiently from renewable sources. The aim is grid parity: If the generation of one kilowatt hour of electricity using a wind turbine or a solar module is no more expensive than through a gas- or coal-fired power plant, subsidies and feed-in tariffs are no longer necessary. Industry will then convert to renewable energy for both ecological and economic reasons. The first wind and solar farms in the USA

 see glossary, page 292

are already reaching grid parity. The next challenge we will then have to face with respect to the efficient use of renewable energy is the intermediate storage of electric energy, since electric power generation may fluctuate significantly during the day and over the year. Here too, power semiconductors will play a crucial part in providing the solution.

**Factory automation and productivity increase:** Approximately two thirds of industrial electric power consumption worldwide is attributable to electric drives. The scope for leveraging savings through improving efficiency is, therefore, quite substantial. One option to reduce the amount of energy consumed by an electric motor is to control its rotational speed electronically, thereby permitting low-loss adjustment of the output power to suit demands. Typical applications here are pumps and fans. Market penetration of electronic motor controls for variable speed drives is, therefore, set to increase.

We are at the dawn of a new, very exciting era of industrial automation, given the recent giant technological strides. Whereas robots have sometimes replaced people only for heavy, monotonous work, they are now becoming more sensitive and can therefore “feel” and carry out assembly work with haptic capabilities that otherwise only humans possess. They are also capable of responding to gestures. Moreover, robots can learn whilst “watching”. A decades-old vision is, therefore, rapidly becoming reality, as practically anyone can use a robot and assign tasks to it. Man and machine will, in future, literally work “hand in hand”. Robots will assist us not only in manufacturing, but also in nearly all aspects of our daily lives – a boon for the quality of life, especially for older people.

**Concepts for private transport:** Sustainable, safe mobility is the aim of private transport going forward. The electrification of both main and auxiliary power units, such as steering, pumps and fans, enables output to be adjusted to suit demand, thereby increasing vehicle efficiency and reducing CO<sub>2</sub> emissions.

For mid-range and premium carmakers, even these optimizations will not be sufficient to achieve emission targets. For this reason, a considerably larger number of vehicles will need to be fitted with a hybrid or purely electric drive system.

Rear-end collisions caused by lack of concentration can be significantly reduced through technical assistance. Automated driving in traffic jams on highways or in stop-and-go conditions in urban areas during peak traffic hours is therefore high up on the wish list of many drivers, as it enables them to make better use of their time.

The best argument in favor of computerized assistance systems is their speed. In traffic, an autonomous braking system reacts to an obstacle considerably faster than a human being, especially if that person is lacking concentration or experience. The long-term objective of automated mobility therefore also contributes towards improving the quality of urban life, with fewer accidents, improved traffic flow and far fewer traffic jams. Enhanced safety therefore also means greater physical comfort due to less traffic noise and lower particulate matter levels. Furthermore, automated driving also enables older people to remain independent for longer. A key point is that improved safety on roads benefits all road users, including cyclists and pedestrians.

Driver-assisted systems will be launched in several stages on account of the more stringent requirements and associated complexity. Today, mass-produced vehicles already feature lane departure warning systems, adaptive cruise control, intelligent braking systems and parking assistance features. These vehicles are therefore partly automated. The next step is a higher degree of automation, in which the car takes control in certain situations up to a certain speed. The final step is full automation, in which mode the car is completely driverless. We can envisage that one day a fully automated car, acting as a driverless taxi, will pick up people and autonomously take them to their desired destination.

### Opportunities, objectives, strategy

The challenges of the future are huge – but so too are the opportunities for Infineon. The pathways described show how we can contribute to tackling these challenges. Our projects and solutions enable our customers to develop appropriate systems and offer them to consumers at affordable prices.

As a profit-making enterprise, we are committed to creating value for our customers – and therefore also for our employees and shareholders. We understand how technical systems are becoming increasingly efficient through the use of semiconductors and providing solutions for the world of today and the future.

Infineon differentiates itself most from the competition by offering many alternatives to solve challenges, first and foremost with market-leading technologies and products that offer added value. This has been the firm basis of our success in recent years.

By adopting the strategic “Product to System” approach, we have taken the next step by looking at challenges from a new perspective, by assessing the factors that determine the success of a customer’s product and its end application. System integration has always been the recipe for success in the world of semiconductors. In the past, we deployed individual transistors, simple ICs, software and sensors. Nowadays, all these components are integrated in a single chip. However, we are looking not only at how to achieve even greater integration, but also at how our customers’ products can become better and cheaper, and at the challenges customers will have to face in the future. And once one system has been integrated, it is, of course, time to think about the integration of an even more complex system.

To achieve success in the semiconductor market and a sustained increase in enterprise value, it is therefore no longer sufficient to differentiate oneself merely in terms of technological leadership. It is also necessary to focus on the right markets and be sufficiently well positioned in these markets to achieve economies of scale.

With our segments, Automotive, Industrial Power Control, Power Management & Multimarket, and Chip Card & Security, we are operating in the most rapidly growing semiconductor target markets, in which we hold leading positions. Further details concerning the growth drivers for our four segments are provided in the next chapter.

Our fundamental aim is to achieve a leading market position in each segment. The associated benefits from economies of scale enable us to make the necessary investments to maintain competitiveness in the long term. Only sufficient expertise in the respective segments places us in a position to develop the right system solutions and provide support for our customers.

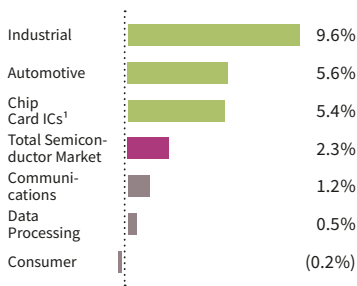
The acquisition of International Rectifier fits perfectly with the strategic principles stated above. The technologies and products offered by International Rectifier largely complement Infineon’s existing portfolio. Combining the research and development activities and technologies of the two organizations will enable us to achieve continued high levels of growth and offer our customers as many new solutions as possible.

To achieve a sustained increase in enterprise value, we naturally focus our attention in particular on continually improving profitability. Our manufacturing strategy plays a key role in achieving this aim. In principle, we only wish to manufacture products ourselves if doing so gives us an advantage in terms of cost or differentiation. Our worldwide unique 300-millimeter thin-wafer manufacturing capability plays a crucial role in this respect.

Our aim is to rely on multiple strengths: technological leadership, differentiating manufacturing technology, applications know-how and system understanding in our relevant target markets. We want to focus on our customers’ success. We also wish to act as an agent of change, or in other words to change existing markets by means of innovation and/or to create new markets.

#### G 06

Compound annual growth rate of the main semiconductor target markets, 2014 to 2019



<sup>1</sup> Source: IHS Inc., “Smart Cards Semiconductors”, August 2015

Source: IHS Inc., “Worldwide Semiconductor Shipment Forecast”, September 2015

 see glossary, page 295

## Financial targets

Based on our Group strategy, we want to achieve three financial targets:

**Target 1:** Achieve a compound annual revenue growth rate of 8 percent.

**Target 2:** Achieve a 15 percent Segment Result Margin over the economic cycle.

**Target 3:** Limit our investment to 13 percent of revenue over the economic cycle.

Infineon introduced an internal control system for implementing its corporate strategy and for achieving its financial targets (see the chapter “Internal Management System”).

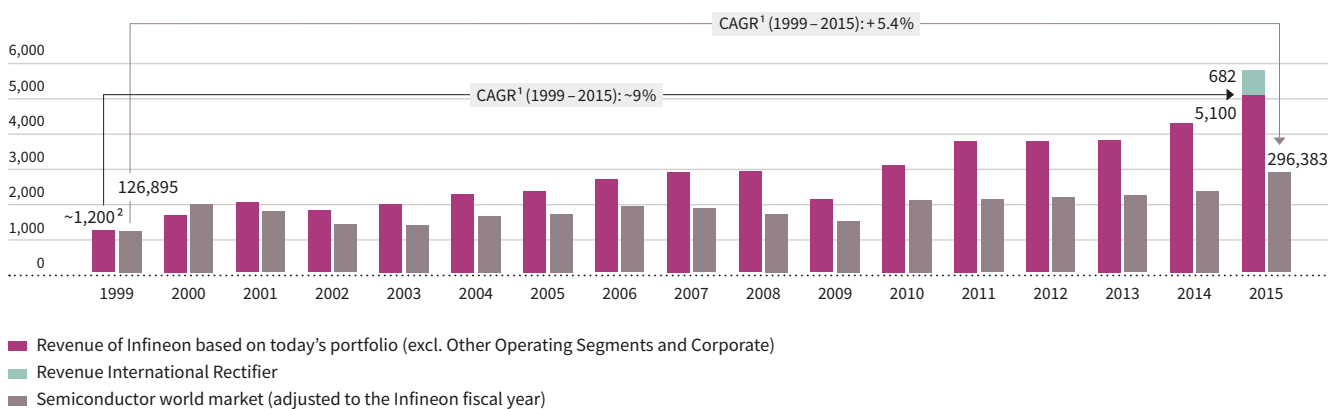
 see page 88 ff.

### Target 1: compound annual revenue growth rate of 8 percent

Infineon achieved a compound annual revenue growth rate – not including the contribution from International Rectifier – of about 9 percent from fiscal year 1999 through 2015 with its current portfolio of products. We continue to operate in the same markets and, with our four segments, continue to focus on the megatrends described above. These focus areas are the source of the continued increase in demand for our products. Furthermore, International Rectifier’s complementary sales and regional strongholds allow us access to new markets. We therefore expect to grow at around 8 percent per annum, essentially in line with our historic growth track record.

#### G 07

Revenue in the fiscal years 1999 to 2015 compared to the global semiconductor market  
 € in millions



1 CAGR = Compound Annual Growth Rate

2 Based on market development assumptions, the 1999 fiscal year's revenue figures for some smaller product categories have been derived from the 2000 fiscal year's revenue figures.

Source: WSTS, November 2015

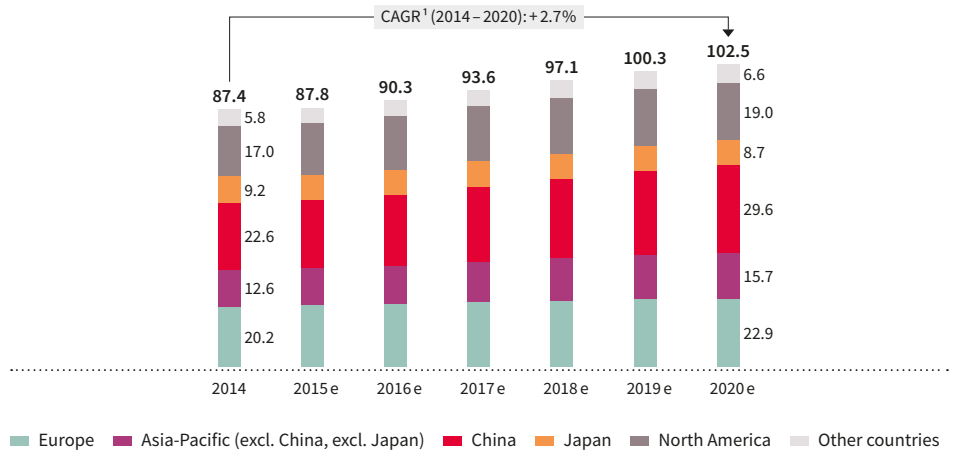
In the following section we describe the main factors driving growth in our four segments in view of the megatrends described in the previous chapter.

**Growth drivers for the Automotive segment**

Growing prosperity usually leads to the desire for greater individual mobility, a fact particularly evident in the emerging economies in Asia and above all in China. The middle classes in India and China each grow by around 10 million people per year. In Africa and Asia, the transition from the bicycle or moped to the car is an expression of growing prosperity among the population. A compound annual revenue growth rate of 2.7 percent has been calculated for automotive production worldwide between 2014 and 2020 (source: IHS Inc.).

**G 08**

Worldwide light vehicle production by region  
 in millions of vehicles



1 CAGR = Compound Annual Growth Rate  
 Source: IHS Inc., "Annual Light Vehicle Production 2007 - 2020", October 2015

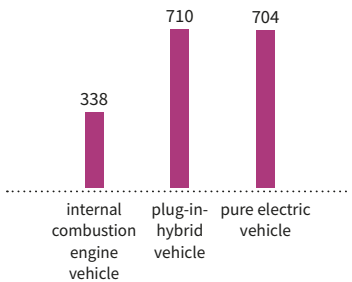
Apart from the total number of vehicles produced, their technical features and therefore the average semiconductor content per vehicle plays an important role in demand for semiconductors. Individual mobility is no longer conceivable without sustainability, i.e. the lowest possible pollution of the environment and the highest possible level of safety for all road users. Together with the growing popularity of vehicle connectivity, a number of trends are emerging that are continually increasing the number of semiconductors used in each car:

**Reduction of CO<sub>2</sub> emissions:** Legislators worldwide have adopted regulatory targets aimed at reducing CO<sub>2</sub> emissions in various regions and countries. For example, a requirement adopted by the European Commission in October 2013 stipulates an average reduction of CO<sub>2</sub> emissions per car fleet from currently 130 grams of CO<sub>2</sub> per kilometer to 95 grams of CO<sub>2</sub> per kilometer by the year 2021. These targets are unlikely to be met solely by improving the efficiency of the conventional combustion engine. In order to meet these targets, the electrical consumers installed in vehicles need to be made more efficient. Hydraulic, mechanical and electromechanical parts need to be replaced with more efficient electronic and therefore semiconductor-based solutions.

Furthermore, it is essential to increase the number of electric and hybrid vehicles on the road, in order to lower the fleet averages of many automobile manufacturers to meet required target levels. Hybrid and electric vehicles require a far greater number of semiconductors than conventional models. Whereas the average vehicle powered by a conventional combustion engine is currently equipped with semiconductors worth around US\$338 (approximately €300), average hybrid and electric vehicles have around US\$700 (approximately €625) worth of semiconductors installed in them respectively. Some three quarters of the additional value of semiconductors consists of power semiconductors. These components are crucial for operating powerful electric motors.

**G 09**

Average semiconductor content of various types of vehicles  
 in US\$



Source: Strategy Analytics, "Automotive Semiconductor Demand Forecast 2013 - 2022", June 2015

Exhaust gas testing procedures under more realistic conditions are currently the subject of intensive general debate. If legislators decide on regulations to introduce new, more realistic testing procedures, it will mean an implicit tightening of CO<sub>2</sub> reduction targets, which would, in turn, additionally drive demand for semiconductors.

**Safety and driver assistance systems:** An encouraging development is generally noticeable throughout the developed economies: The number of traffic fatalities has been steadily decreasing for many years and is now stagnating at a low level. This general trend is mainly thanks to the widespread use of safety systems. However, passive safety systems are gradually reaching the limits of their effectiveness. Firstly, their technical potential is practically exhausted and occupant protection has meanwhile achieved a very high standard. Secondly, passive safety systems have already reached a high degree of market penetration, even in light vehicles.

The next major growth market is that of active safety systems, which are capable of either completely avoiding an accident or at least significantly minimizing its negative consequences through active intervention. Prime examples of active safety systems are pedestrian recognition, adaptive speed control or blind spot detection. Although these functions are mostly only installed in premium-class vehicles at the present time, they are becoming increasingly common in the medium range, too.

Active safety systems are being expanded to create advanced driver assistance systems (ADAS), which are becoming ever more important in road safety because of the considerable help they provide to motorists while driving. For example, they assist in critical situations or even correct a driving error if necessary, thereby reducing the risk of an accident. If a vehicle is capable of semi- or even fully autonomous driving and relieves the driver accordingly, it also improves driving comfort, enabling drivers to make better use of the time saved to work, for entertainment, or simply to relax.

A vehicle fitted with ADAS can also be viewed as a kind of robot, as a computer-controlled machine that reacts extremely quickly and precisely to external influences. The “fail safe” performance of the installed components and subsystems is therefore of utmost importance. They need to be continually available and for that reason the safety-critical components such as sensors, microcontrollers and power semiconductors are designed with multiple redundancy, thus fueling demand for semiconductors. One good example is the magnetic field sensor pictured on the front page of this Annual Report, which in principle contains two sensors that function independently of each other.

**Connectivity, data and IT security:** The era of vehicle connectivity has begun. Whether for internet services, navigation purposes, traffic reports, the automatic recording of toll fees, when updating software at a vehicle service center and particularly for eCall systems, there is a constant exchange of communication between the vehicle itself and a communication network (car-to-infrastructure). Moreover, both semi-autonomous and fully autonomous driving require supportive communication between vehicles (car-to-car).

This connectivity, however, also entails a certain risk, as it offers hackers the opportunity to intervene in data traffic within the vehicle and thus manipulate certain functions. Communication between the various control units, including safety-critical functions such as brakes and steering systems, needs to operate with the utmost safety, protected from unauthorized access. The safety of the vehicle and its occupants on the one hand and IT security on the other hand can no longer be viewed as separate issues. Vehicles are rapidly becoming computer networks on wheels, again generating an increased need for data and IT security.

We predict that by the end of this decade every new car produced will be equipped with augmented data and IT security features. Infineon sees itself ideally positioned to handle this development, as we have a wealth of experience in the fields of data and IT security stemming from the expertise of our Chip Card & Security segment. Based on this know-how, our range of products includes security solutions for both vehicle-integrated microcontrollers and discrete security technology that suit all relevant vehicle applications.



### *Summary for the Automotive segment:*

The number of electronic applications in vehicles is continually growing, due to the fact that around 80 percent of innovations are based on electronics. According to experts, this figure is unlikely to change in the foreseeable future. The total number of technical features per vehicle is increasing perceptibly across all regions. Innovative solutions for security and comfort functions typically begin in premium vehicles and then migrate to the mid-range and compact classes, causing semiconductor content per vehicle to rise. Based on these factors, we expect our business in the field of semiconductors for automotive electronics to grow by an average of around 8 percent per annum.

### *Growth drivers for the Industrial Power Control segment*

The products developed and manufactured by the Industrial Power Control segment have an impact along the entire value-added chain of electric power: generation, transmission and consumption. In the opening section “Business Strategy” of this chapter we demonstrated how energy efficiency contributes towards greater productivity and efficiency in order to meet the global challenges of modern times. It is precisely these factors that are driving growing demand for our power semiconductors.

We generate around one third of segment revenue through long-term infrastructure projects, mostly driven by multi-year government programs that are independent of changing economic conditions. Somewhat less than half of revenue is attributable to the capital goods industry, which is impacted to a much larger extent by macroeconomic conditions. We earn the remainder of our revenue in the consumer goods industry, which is primarily affected by consumer spending.

### *Infrastructure*

**Traction systems:** Sustainable and optimally connected mobility within metropolitan areas as well as between cities is one of the key topics of the 21<sup>st</sup> Century. Fast, reliable public mass transit systems are becoming increasingly decisive factors determining standards of living and competitiveness in many regions and cities worldwide. Our components are deployed in both city and suburban rail systems, trams and metro trains, but also in high-speed trains.

China has meanwhile become one of the largest traction markets in the world, operating high-speed trains, interurban trains and metro systems. We also see an upswing in the market for train systems in other parts of Asia, where there is currently a far greater demand for metro and regional trains than for high-speed trains. Other growth markets are South Africa, South America and the Middle East. With Bombardier Transportation, CSR Times and Siemens, our customer base includes some of the biggest traction manufacturers worldwide.

**Renewable energy:** For both ecological and economic reasons, the growing demand for electric power can no longer be satisfied with fossil fuels to the degree seen in the past. For this reason, Europe, the USA, China and Japan have defined expansion targets for renewable energy with the aim of reducing CO<sub>2</sub> emissions to their various targeted levels over the coming decades. At the G7 summit held in Elmau (Germany) in early June 2015, the seven leading industrialized nations pledged to completely forego the use of oil, gas and coal in the electric power, heating and transportation sectors by the end of the century, with the aim of reducing CO<sub>2</sub> emissions to a net rate of zero in these sectors. By the year 2050 they are scheduled to be 40 to 70 percent lower than in 2010. The plan is to generate electric power exclusively from renewable sources. An all-embracing climate protection alliance is due to be forged at the climate summit to be held by the United Nations in Paris (France) in early December 2015.

Infineon is benefitting from the increasing number of wind farms and photovoltaic power plants, as per gigawatt of electricity generated, these systems require a multiple of the number of power semiconductors otherwise needed for conventional power plants. Unlike coal, gas or nuclear power plants, wind farms and photovoltaic systems do not have turbines that need to perform smoothly to generate a constant 50-hertz alternating current that can be directly fed into the grid. The effort involved in converting the electrical energy is greater.



**Wind:** We expect to see sustainable growth in the field of wind power in the medium and long term. Both China and the USA are promoting this technology. The replacement of older, less efficient wind turbines with more powerful, state-of-the-art versions, known as repowering, is set to continue for a long time to come. Many years ago, the first wind turbines were installed at windy locations and generated around 100 kilowatts of electricity. Now, however, they are being replaced by new models that generate around three megawatts. The volume of power semiconductor content installed increases with turbine output.

In first-time installations too, increasingly large generators are meanwhile being installed, which means a greater number of semiconductors are required per wind turbine. This development is particularly evident in China, where we have been cooperating with the Chinese wind turbine manufacturer Goldwind since 2011. Whereas most turbines used to be installed with a maximum output of 1.5 megawatts, a growing number of new systems now generate two to three megawatts.

**Photovoltaics:** Here we notice that the market has been undergoing structural changes over the last few years. Whereas most of the demand for these products in the past 20 years came from the European market, the focus has meanwhile increasingly shifted to Asia and the USA. Infineon is very well positioned internationally and has cooperated with the world's leading manufacturers of PV inverters for a number of years. We profit to some degree from the growth of Chinese inverter manufacturers, partly due to the expansion of photovoltaic technology in China itself, but also through the export of the inverters to other regions.

#### *Capital goods industry*

**Automation:** Industrial plants are being fitted with a growing number of electric motors. The fundamental driver behind this development is the necessity to raise productivity continually in order to secure a high standard of living for the population. In recent years the trend has led to greater automation in former low-cost regions where higher wages are now being paid. Where low-cost labor used to move the goods and carry out various types of work, robots and machines are now increasingly taking over these tasks. Furthermore, the stronger a company competes on a global basis, the greater the pressure to boost productivity. The next level of automation, and therefore higher productivity, will be achieved with the Industrial Internet (also referred to as "Industry 4.0"), which will not only initiate a further cycle of investment, but also contribute towards creating higher-quality jobs.

Industrial motors are at the heart of manufacturing plants, wherever goods need to be moved or transported. Cranes, conveyor belts, robots and elevators are the typical fields of application. They are also deployed in the field of refrigeration and air conditioning as well as for simply generating compressed air. The strongest industrial electric motors work in sluices, cement mills, trains, in pumps for municipal waterworks, in air compressors for manufacturing technical gases and in compressors for gas pipelines.

In industry alone, around 300 million electric motors are installed around the globe and use around two thirds of all commercially consumed electric power. The leverage for cutting costs is therefore correspondingly large if their effectiveness is improved.

One way of reducing the amount of power an electric motor consumes is to use an electronic control system to regulate speed and thereby adjust performance to suit current needs. The market penetration of speed-regulating motor controls will therefore increase. At the present time, a good 15 percent of electric motors are controlled electronically and the trend is working in our favor, as the implementation of a variable speed drive system requires a large number of the power semiconductors we offer. The number of power semiconductors needed and their value depends on the performance class of the motor.

*Consumer goods industry*

**Large household appliances:** There have been a number of changes in this class of goods recently. To boost the efficiency of their appliances whether due to stricter efficiency regulations or to offer consumers better performance, a growing number of manufacturers are switching to electronically controlled motors. Whereas in the past it was only possible to switch a motor either on or off, motor controls now enable speed to be regulated to follow the current load. Examples of application are the water pumps in washing machines or dishwashers, refrigerator compressors, or ventilators in air conditioning systems.

We benefit in particular from the demand for replacements. For example, around 1.4 billion refrigerators and freezers are currently in use worldwide, consuming around 650,000 gigawatt hours of electric power per year, equivalent to the annual consumption of Germany. If every consumer purchasing a new appliance were to select the most energy-efficient unit from now on, energy consumption could be slashed by more than 30 percent by the year 2030. This illustrative calculation even takes into account the fact that around 60 percent more refrigerators and freezers will to be in use worldwide by 2030

Compact modules with outputs between 100 and 2,000 watts are installed in household appliances. These integrated IGBT modules, known as IPMs (Integrated Power Modules), are the core business of the Korea-based LS Power Semitech Co., Ltd. (LSPS) and a core competence of International Rectifier. The complete takeover of LSPS in the 2015 fiscal year has enabled us to further bolster our presence in the important Korean market which is home to global home appliances champions such as Samsung and LG. Furthermore, the acquisition of International Rectifier with its complementary portfolio of small IPMs opens up new markets for us in Asia, South America and the USA.

Apart from large home appliances, we also serve the market for induction cookers. In close cooperation with our leading customers, primarily in China, we have been developing IGBT power transistors for the specific needs of each application, such as single-field induction cookers and kitchen cookers with multiple cooking fields, for many years.

*Summary for the Industrial Power Control segment:*

The worldwide efforts to reduce CO<sub>2</sub> emissions, firstly through the more efficient use of electric power and secondly through the increased use of renewable sources of energy, will lead to a further rise in demand for power semiconductor components. Moreover, the use of speed-regulated drives delivers significantly added value to functionality, an important aspect, particularly in the field of machine building. We expect our business with semiconductors for industrial electronics to grow by an average of around 9 percent per annum.

*Growth drivers for the Power Management & Multimarket segment*

Our broadly diversified product portfolio in the Power Management & Multimarket segment addresses a wide variety of markets. We have been in the power supply business for decades with our power components. These include power supplies for converting alternating current to direct current (AC-DC conversion) and also DC-DC conversion for medium- and high-performance computers. This field includes high-performance PCs, servers, network computers, telecommunications equipment, gaming consoles and graphic cards. The acquisition of International Rectifier has additionally given Infineon access to the market for high-reliability power components, such as those required in the aerospace industry.

Apart from its power components, Infineon also specializes in components which potentially provide significant differentiation in the fields of mobile devices and cellular network infrastructure. We focus on areas where we can offer our customers significant added value with our high degree of expertise, mostly in technology, but also in terms of application.

**G** see glossary, page 292

**G** see glossary, page 289 and page 290

The target applications in detail:

**AC-DC conversion:** Growth in the field of power supply depends on performance, but even more from growth in the number of devices sold. For several years now, servers have experienced the highest growth in unit numbers and that is likely to remain so for the foreseeable future. Demand is being driven by the creation and expansion of data centers as well as the storage of all kinds of data on the internet. The demand for computing power and storage capacity is being primarily driven by the Internet of Things, the Industrial Internet and social networks. Moreover, we see opportunities to grow in the field of compact adapters for tablets and lightweight notebooks (“portables”). However, we do not expect growth with PCs and notebooks during the next few years.

In addition to growth in unit numbers, the increasing scale of semiconductor content in applications is also helping us grow, driven by demand for smaller, lighter, more efficient devices. Many years ago we made a major step possible with the introduction of our **CoolMOS™** high-voltage power transistors ([G](#) see glossary, page 290). Now, however, a new, innovative leap is emerging in the field of adapters for computers, tablets and televisions with the introduction of new control concepts and the utilization of new types of semiconductor materials.

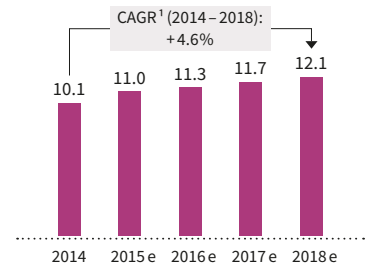
The transition from analog to digitally controlled power supply is a great step forward in terms of boosting efficiency. “Digital Power Management” is the buzzword here – which we call “.dp digital power™ 2.0”. A large part of the intellectual property and know-how, and therefore an increasing contribution to added value, is based on the complex control ICs. We cover the power range between 30 and 300 watts with our “.dp digital power™ 2.0” family of products, thereby addressing markets not only for computers and consumer electronics, but also for LED applications.

True to our strategic approach “Product to System”, we work closely together with our customers – primarily in order to better understand their needs, but also with the aim of seeing potential for innovation that is either unknown to the customer or requires major changes in concept. This approach enables us to identify the best solution in terms of size, costs, efficiency and power density. Infineon is one of the few semiconductor manufacturers that develops and produces control ICs and driver ICs as well as power transistors in its own right. In future, increasingly fine-tuned adjustment between driver ICs and discrete power transistors will be necessary. Future generations of power transistors will display different physical properties, whether through further miniaturization or new semiconductor materials such as gallium nitride (GaN). Driver ICs therefore need to be developed to suit the power transistors if the system as a whole is to achieve maximum efficiency. Together with its special packaging technology for power semiconductors, Infineon produces the entire range under one roof. We regard this fact as a genuine advantage for our customers.

In the field of consumer electronics, we focus on providing our customers with differentiating features, such as flat-screen televisions that are made possible by our extremely compact power supply units, which are still based on silicon components today. They will become even more compact in future through the use of GaN-based components (see paragraph on Gallium nitride in the chapter “Research and development”). GaN-based components enable faster switching with fewer losses, which decisively improves the overall efficiency, but above all result in a significant size reduction, particularly in coils and condensers, which determine the overall dimensions. In keeping with our “Product to System” approach, we have agreed on the first close strategic cooperations in the field of flat-screen televisions.

**G 10**

Expected growth of the server market worldwide  
 in millions of units



<sup>1</sup> CAGR = Compound Annual Growth Rate  
 Source: Gartner, “Forecast: Servers, All Countries”, September 2015

[G](#) see glossary, page 291

[P](#) see page 76 f.

**DC-DC conversion:** In the field of DC-DC conversion, intelligent point-of-load power management is becoming increasingly important. Servers, PCs and communication devices are supplied with higher voltages, which are then reduced to the lower voltage required, directly at the processor. Firstly, it is more practical and secondly, direct supply with a lower voltage is not technically feasible. The outputs range from a few watts to over 100 watts. Here too, we provide solutions for digitally controlled power supply, coupled with leading power components.

The acquisition of International Rectifier has enabled us to enter new markets. Whereas Infineon has concentrated on power supply for high-performance servers to date, now we can also offer solutions for the most powerful graphic cards, telecommunications facilities and gaming consoles.

**DC motors:** Due to the falling prices of lithium batteries and the lower cost of controls for brushless DC motors – which are stronger and more effective than conventional brush-type motors – new product categories are experiencing encouraging growth in unit numbers. Examples are efficient battery-powered homework tools, pedelecs and e-scooters. The latter are a big market, particularly in Asian cities, due to stricter emission regulations. Here too, we are profiting from International Rectifier, which enables us to complete our range of MOSFET power transistors in the low- to medium-voltage categories as well as providing us with established market access and sales channels in Asia.

**High-reliability components:** Ambient conditions are extreme in the aerospace industry and when mining natural resources, which means the electronic components used in these applications need to meet very tough requirements. International Rectifier has occupied a leading position in this small, but very stable market for many years. International Rectifier also has outstanding expertise in the respective packaging technologies. The combination of existing Infineon technologies and the special-purpose packagings provided by International Rectifier are creating viable opportunities. Moreover, market access is complementary, as International Rectifier naturally has a strong position on the North American market, while Infineon traditionally has good access to European customers in this segment.

**Mobile devices:** We serve the market for mobile devices primarily with sensors and radio-frequency components. Our most important product family in the field of sensors is MEMS-based silicon microphones, for which we supply two core components: the MEMS chip (a micro-electromechanical system) with the microphone membrane and the application-specific IC for signal conversion. The latest generation of mobile devices requires more microphones, sometimes in different versions, with a continually improving signal-to-noise ratio. These higher-quality microphones not only represent a differentiating feature for the smartphone manufacturer, they also open up completely new application options. For instance, additional microphones make voice control far easier, even in environments with high levels of background noise. They also provide better quality for phone calls via the internet and pave the way for new applications. In addition, technologically state-of-the-art microphones are meanwhile being installed right next to the camera, to achieve higher audio quality when making video recordings with a smartphone.

Apart from growth in the number of devices sold and the increasing number of microphones per device, we benefit most from the fact that not only smartphones and tablets, but also notebooks are switching to silicon microphones. Moreover, completely new device categories are meanwhile becoming potential targets, such as smartwatches, activity trackers and generally the “things” in the Internet of Things.

The outstanding characteristics of our silicon microphones have enabled us to continually increase market share over the last few years. At 34.3 percent, we are currently number two on the market.

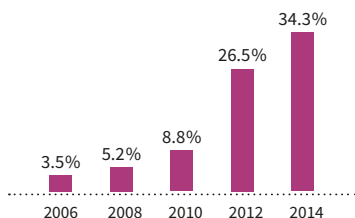
G see glossary, page 290

Battery-powered screwdriver with brushless DC motor



G see glossary, page 293

G 11 Development of Infineon’s market share for silicon microphone ICs from 2006 to 2014



Source: IHS Inc., “MEMS Microphones Data”, April 2014 and October 2015

The functionality of smartphones is being constantly expanded, driving demand for continually new and better sensors. We are currently expanding our product range to include new types of sensor, beginning with the MEMS pressure sensors such as the DPS310 (see “Power Management & Multimarket” in the chapter “The segments”). Further types of sensor that register other physical parameters for use in smartphones are currently being developed. We see enormous growth opportunities in the field of sensor technology for applications such as consumer electronics, automotive electronics and the Internet of Things.

Another of our main focuses for mobile devices is in the field of radio-frequency components for wireless data transmission between cellular networks or satellite and mobile devices. During the transition from one cellular network standard to the next, the signal quality and consequently the RF characteristics of many components need to meet more exacting requirements. For instance, the frequency bands are closer together and need more precise frequency filters, more sensitive signal amplifiers and a greater number of faster antenna switches. For smartphones and tablets we offer radio-frequency CMOS switches for switching between various antennas.

We are currently profiting considerably from the increasing number of Long-Term Evolution (LTE)-capable smartphones. This fourth-generation transmission standard is considerably more complex than the third generation (UMTS). LTE-capable smartphones contain a greater number of more highly integrated RF components than earlier generations.

**Cellular network infrastructure:** The transition to the next cellular network standard is not only affecting the mobile devices but also the cellular network infrastructure. Every time a new standard is introduced, it takes into account the increasing number of cellular users and the exponentially growing data volume. The radio cells are becoming smaller, which means that more network access nodes need to be installed.

Whereas the downlink was the prevailing data direction at the beginning of the internet age, this has changed since the rapid spread of smartphones, the apps that run on them and above all the popularity of social media. The data stream in uplink mode has increased drastically with the uploading of images and videos as well as by message services. This data volume, which is meanwhile practically symmetrical, has also been taken into account in the new cellular network standards.

*Summary for the Power Management & Multimarket segment:*

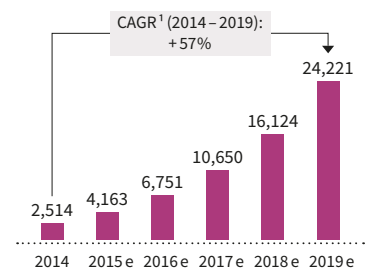
The target markets addressed by the Power Management & Multimarket segment are developing in different ways. We predict more growth in business with mobile devices than with power components. We expect overall business in the Power Management & Multimarket segment to grow by an average of roughly 9 percent per annum.

**Growth drivers for the Chip Card & Security segment**

The classic fields of application in this sector – payment cards and government ID – remain the basis for future growth. Ensuring the integrity of computers against tampering represents a further field of application for our security chips, as is the highly diverse field of authentication for accessories and spare parts. SIM cards for machine-to-machine communication will play an ever-greater role as a consequence of the increasing interconnectivity of devices and promise high growth rates. The Internet of Things, with all its facets, promises further, and in the long term perhaps the greatest opportunities for growth.

**P** see page 62 ff.

**G 12**  
 Development of global mobile data traffic 2014 to 2019  
 in petabytes per month



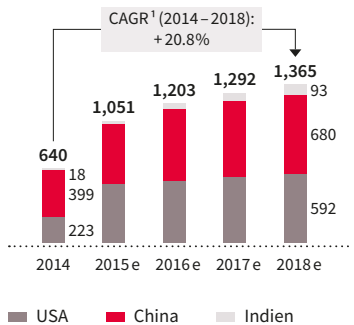
<sup>1</sup> CAGR = Compound Annual Growth Rate  
 Source: Cisco, “Visual Networking Index Forecast”, May 2015

**G** see glossary, page 289

## G13

Expected growth in chip-based payment cards in the USA, China and India

in millions of cards



<sup>1</sup> CAGR = Compound Annual Growth Rate

Source: IHS Inc., "Payment & Banking Cards Report – 2015", October 2015

**Payment cards:** Chip-based cards increase the security of cashless payment systems. Whereas Europe began the process of replacing magnetic strip-based cards with chip-based payment cards some years ago, the conversion process is now under way in the USA and China. These two countries currently offer the greatest market potential in the field of payment. Several billion chip-based payment cards will be shipped to customers over the next few years. For the period from 2015 to 2018 (calendar years), market researchers forecast the delivery of almost 5 billion cards in the USA, China and India.

Our technology enjoys a high level of acceptance, attributable not only to our many years of excellent customer support and relations, but also to our extensive, renewed and customized product portfolio. In recent years, we have secured orders from all the major card manufacturers supplying the US markets. The success of our security technology is reflected in the above-average growth in revenue recorded for our payment business in the 2015 fiscal year compared to the previous fiscal year.

**Mobile payments:** The mobile telephone is now also a wallet. With the development of smartphones, the mobile internet and Near Field Communication (NFC) technology, numerous functions and applications can now be integrated, such as vouchers, tickets, loyalty points and payment services. People are now experiencing a new form of convenience with their mobile phones, such as travelling on public transport using mobile tickets rather than coins or physical tickets, using their smartphones to pay contactlessly while at the same time redeeming coupons and collecting loyalty points or making secure bank payments. As a result, demand is growing for the secure storage and protection of confidential information on mobile phones.

Infineon provides the security chip for this purpose, the so-called Secure Element (SE). The SE can either be built into the smartphone, known as an "embedded SE" (eSE), integrated in the SIM/UICC card or incorporated in a microSD card. Infineon offers a suitable solution for all three alternatives. The chips need to be at least as secure as credit cards.

**SIM cards for machine-to-machine (M2M) communication:** SIM cards for M2M communication promise high growth rates, based on the fact that they are gaining in importance by virtue of the Internet of Things. M2M communication enables the automatic exchange of data from devices to other devices or service centers. Examples of M2M applications include vehicle-to-infrastructure communication, infotainment applications in vehicles, toll systems, smart meters in the energy sector and telematics systems for emergency calls, maintenance and navigation.

**Government ID documents:** Government identification documents include passports, national ID cards, driver's licenses and, in the wider sense, also healthcare cards. Such documents are increasingly equipped with a security chip.

Infineon meanwhile supplies over 70 percent of all government ID projects in Europe. In addition, according to the US Government Printing Office, Infineon is one of the main suppliers of security technology for the USA's electronic passports. It is the largest electronic passport project in the world. Infineon has been supplying the US Government Printing Office since the project began in 2005.

**Authentication:** In order to safeguard electronic systems, it is essential to connect only authorized devices. In view of the growing number of connected devices being used by both businesses and consumers, this aspect is rapidly growing in importance. It is a matter of protecting the connected devices against piracy, data manipulation, hacking and cyber attacks. Security, therefore, needs to be introduced whenever possible at each critical end point.



With the OPTIGA™ product family, Infineon supplies various security chips and security solutions for the authentication of electronic systems, from a complex IT infrastructure with numerous servers and computers to a system consisting of an end device and the appropriate accessories.

Following the introduction of Microsoft Windows® 10, which requires TPM functionality, the discrete TPM security chip is gaining in significance with respect to the operating system. Infineon's TPM security chips not only meet the hardware certification requirements of Microsoft Windows®, they are also recommended by Google for Chrome OS systems and supported by the major open-source operating systems such as Linux. A growing volume of computers with integrated TPM security chips have been sold in recent years. The Trusted Computing Group (TCG) puts the figure of PCs sold with TPM security chips at more than 600 million units to date.

**Internet of Things:** Depending on which market research report one reads, it is expected that between 50 and 100 billion devices will be connected via the internet in the coming 10 to 15 years. The figure includes machines, robots, vehicles, containers and medical equipment, as well as everything that is meanwhile called “smart”: smart grid, smart factory, smart home, smart meter, smart car. The secure storage and transfer of data will be absolutely essential for many of these billions of connected “things”. If security is assured, these developments will open up a whole new world of services which will ultimately change people's everyday lives.

One interesting aspect of the “Internet of Things” is the role it plays in the Industrial Internet. In conjunction with Industrial Internet, production data or signals measured by sensors will be sent to a business partner or cloud computer via either wired or wireless connections. Connecting the supply and value-added chain in this way requires secure communication between business partners, as well as between the machines, devices and IT systems of the business partners involved. The Industrial Internet will only succeed if process know-how can be reliably protected against hacking attacks. Secure transmission of product- and production-related data within an open architecture will, therefore, be at the top of the agenda.

Autonomous driving – including semi-autonomous driving systems already developed – is another manifestation of the Internet of Things. The things in this case are the vehicles that communicate directly with one another. Vehicles will be able to make contact with control systems, which will, in turn, provide a real-time picture of the current traffic situation. The use of web applications in vehicles will therefore increase sharply. The origin and correctness of the data must be proven, otherwise vehicles may be given the wrong commands.

Whether automation technology in production, logistics, traffic guidance systems, building or home automation, the same base technologies are required for all of these applications. In this context, we see good potential in hardware-based security similar to what we offer with our security controllers. This can take the form of an individual component or the incorporation of the relevant function in our automotive or industrial microcontrollers.

**Security as an area of expertise overarching all segments:** Infineon is increasingly leveraging its security know-how to broaden customer access to other areas of the business. Security expertise covering all areas of a business can be a good way of “opening doors” to our customers and may even be the decisive criterion for selecting Infineon as a supplier.

Data requiring protection should be neither manipulated nor stolen. The fact that our leading security expertise is increasingly being called for chip card applications as well as for security-sensitive systems in vehicle and industrial applications can be seen in the following example:

Security module incorporated in AURIX™: Vehicle manufacturers are interested in establishing increased protection to avoid their vehicles being tampered with as well as greater protection for their software and intellectual property relating to the microcontrollers within the vehicle. We have integrated the hardware security module (HSM) in our 32-bit multicore microcontrollers of our AURIX™ family, as a result of which the chip and the software installed on it are protected from unauthorized access and manipulation.

**Summary for the Chip Card & Security segment:**

The classical fields of application in this sector – payment cards and government ID – will continue to have the greatest impact on growth. At the same time, however, the fields of authentication and machine-to-machine communication are gaining in significance. We also expect a growing contribution from the Internet of Things in the coming years. We forecast a compound annual growth rate of 6 to 9 percent for our business with semiconductors for security solutions.

**Summary for target 1 (compound annual revenue growth rate of 8 percent)**

The major changes currently taking place are driving the growth of our four segments in different ways. Our target markets are growth markets that offer significantly greater opportunities for profitable growth than mature markets characterized by predatory competition. Overall, we expect a compound annual growth rate of approximately 8 percent for Infineon.

**Target 2: Segment Result Margin of 15 percent of revenue over the economic cycle**

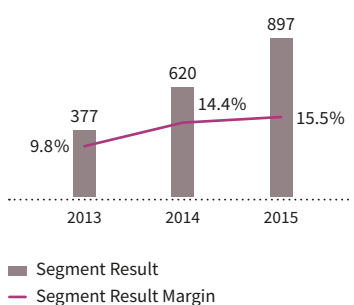
Growth is only one of the prerequisites for attaining success on a sustainable basis – another is profitability. In this respect, the margin achieved by our products is an indicator of the added value they create for our customers. In order to work at viable levels of profitability, this means that we obviously direct our development efforts to the areas which generate the greatest benefits for our customers. Working profitably means putting our innovative strength to the most effective use in the best interests of customers and markets. In addition, we want to be able to maintain our development and sales efforts at the same level, even in more challenging phases of the industry cycle. We will also benefit in this respect from the acquisition of International Rectifier, given that the integration will enable us to generate synergies in manufacturing as well as in development, sales and administration.

For this reason, we are targeting a Segment Result Margin of 15 percent over the industry cycle. We are pleased to report that we were proceeding at a faster pace than originally anticipated to raise International Rectifier's business to the same level of Segment Result Margin as the Group as a whole. The contribution to the margin has already increased steadily during the 2015 fiscal year and our goal has already been reached in the fourth quarter.

In order to achieve our margin target also in future, we will focus to a greater extent on the following aspects:

- › Realizing economies of scale in manufacturing, particularly from our 300-millimeter manufacturing capabilities and our 200-millimeter manufacturing site in Kulim (Malaysia)
- › Realizing economies of scale in research and development and in sales by achieving leading market positions in our target markets and
- › Creating more prominent areas of differentiation on the back of the strategic approach “Product to system”, as well as striving for technological leadership in all relevant sectors.

**G 14**  
Segment Result and Segment Result Margin over the last three years  
€ in millions





Pivotal in achieving these aims is our 300-millimeter thin-wafer manufacturing capability for power semiconductors. As a technology leader, Infineon is the only company in the world so far with operations based on this manufacturing technology: in the manufacturing network located in Villach (Austria) and Dresden (Germany). This technology is contributing in the following ways to helping us achieve our margin target:

1. Reducing the amount of capital employed per chip. Manufacturing capacities can be expanded with lower investment volumes using 300-millimeter technology. Our experience shows that it takes 30 percent less investment on average to build up additional manufacturing capacity to a desired level on a 300-millimeter manufacturing line than it does on a 200-millimeter line. There is also the advantage that less cleanroom space is required, due to the smaller number of machines required. The required investment volume per capacity unit is reduced, thus resulting in lower depreciation expense.
2. Increasing productivity. We expect to achieve a 20 to 30 percent reduction in frontend unit costs when facilities are running at full capacity, thus ensuring long-term competitiveness.

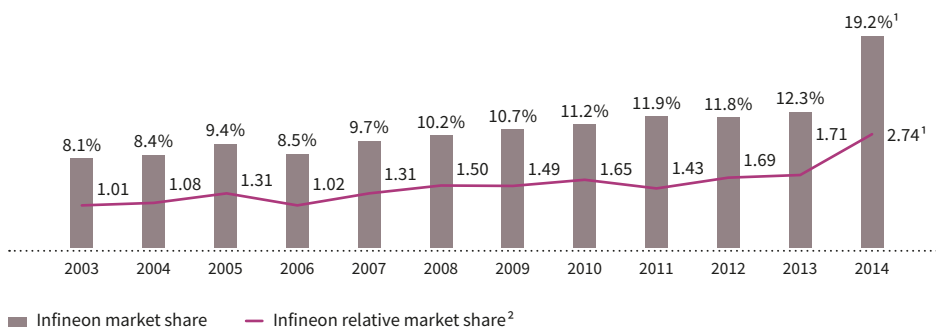
Technological change of this magnitude – in this case the move to larger wafer diameters – only takes place once every 10 to 15 years in the semiconductor industry particularly for power semiconductors. Only the largest providers will be able to achieve the high volumes required to operate such frontend manufacturing facilities at the scale and utilization levels necessary to secure unit cost advantages. As the undisputed market leader in the field of power semiconductors, Infineon is optimally positioned in this respect.

 see glossary, page 295

We benefit from our comprehensive portfolio of power semiconductors that can be manufactured on 300-millimeter wafers: This includes low- and high-voltage MOSFET power devices on the one hand, and IGBT products used in discrete IGBT devices and IGBT modules on the other. We service a whole variety of sales markets in the industrial and automotive electronics sectors with these power semiconductor components. Our broad range of products enables us to manufacture in high volumes. It is for this very reason that we are confident of being able to achieve good utilization levels with the enormous capacities of a 300-millimeter plant within a reasonable time frame.

**G15**

Development of Infineon's market share and relative market share for power semiconductors  
 € in millions



<sup>1</sup> Including International Rectifier

<sup>2</sup> The relative market share is defined as the proportion of market share held by the market leader (in all years presented for Infineon) compared to the market share of the second largest competitor in the relevant year.

Source: IHS Inc., several reports on power semiconductors 2004 to 2015

Over the course of the coming years, we will transfer production of some of International Rectifier's products to Infineon plants, in particular to our 300-millimeter plant in Dresden. The most likely candidates are low-voltage MOSFET as well as IGBT power devices. We will increase utilization levels and therefore achieve lower unit costs at an earlier stage.


Infineon has invested heavily in recent years in manufacturing process technologies and capacities for 300-millimeter thin wafer technology, in research and development for product and process technologies and in sales and marketing structures. These investments provide a solid foundation for us to realize economies of scale and economies of scope in the future, and thus improve profitability. The acquisition of International Rectifier fits perfectly with this strategy. We are, therefore, confident of achieving our target of an average 15 percent Segment Result Margin over the industry cycle.

### Target 3: Investment at 13 percent of revenue

When deciding where to expand our manufacturing capacities, we primarily invest in our own facilities, where this significantly contributes towards differentiating our products from those of the competition. Power semiconductor components, radio frequency components and MEMS-based sensors in particular fall into this category. Where this is not the case, we are outsourcing an increasing volume of wafer processing and component packaging to manufacturing partners.

Capital intensity at Infineon has been determined to date by the use of 200-millimeter technology. The new 300-millimeter thin-wafer technology, however, requires a lower level of investment for comparable units of capacity compared to 200-millimeter manufacturing. The level of investment required to boost production capacities for power semiconductors in order to achieve the targeted growth rate is, therefore, decreasing.

Infineon is in the early stages of a growth curve for products manufactured using standard CMOS-based technologies with 65-nanometer and smaller feature sizes. Since the main differentiating factor for these products lies in the design and less in the process technology, we will no longer use this technology for in-house manufacturing and, instead, outsource the relevant volumes to contract manufacturers. We develop the modifications needed for our products in collaboration with these contract manufacturers, for instance integrated Flash memory (embedded Flash), which will obviate the need in future to invest in frontend manufacturing capacity. In the case of security controllers sold by the Chip Card & Security segment, we have already been able to realize a high proportion of outsourced manufacturing. Further CMOS-based products will follow in the coming years.

 see glossary, page 291

We will also continue to expand cooperation arrangements with contract manufacturers for backend manufacturing, for which there are no major differentiating features from a manufacturing perspective. The proportion of standard packaging manufactured on this basis will also be increased at a swift pace. Consequently, a correspondingly lower level of investment is also to be expected in this area.

 see glossary, page 289

Last but not least, we are improving productivity across all manufacturing processes by achieving better yields. In conjunction with the "Next Level of Productivity" program, we have implemented a series of measures which have significantly increased both current and expected manufacturing productivity.

For a number of years International Rectifier has also pursued a consequent strategy of outsourcing manufacturing, which has resulted in a lower investment ratio. This fact will now also be factored into the overall figures.

Taking all these factors into consideration, including International Rectifier's business units, these various approaches allow us to achieve an average ratio of investments to revenue of 13 percent over the industry cycle.

Investment volumes are structured to enable us to achieve our targeted compound revenue growth rate of 8 percent.

## Sustainable business operations

### **Highly qualified, highly motivated employees and sustainable business operations are the prerequisites for our success**

The fast-moving semiconductor industry is characterized by ever-rising expectations in terms of technology, quality, speed and efficiency and is therefore a very challenging sector. Time and again, the dedication and great reliability of our entire staff have enabled us to successfully master these challenges. Men and women from more than 90 countries all contribute towards making Infineon a successful international company – with their skills, enthusiasm, and courage to question the status quo and forge new paths. We have been shaping the future, day by day, since the first semiconductors were invented.

We are especially pleased that the integration of the new colleagues from International Rectifier has progressed so smoothly and that we have been able to add many new, complementary areas of expertise.

We are well aware that our targets could not be met without the commitment and motivation of our highly qualified staff. In addition to pay commensurate with performance, other key factors are a strong leadership culture, the promotion of talent and a continuous commitment to our employees. You can read how we do this and about the relevant targets we have set in the chapter "Our employees".

 see page 108 ff.

In order to achieve lasting growth with adequate profitability, we also have to run our business on a sustainable basis and ensure that our economic targets are in line with social and ecological requirements. We do this by pursuing responsible business practices and taking the expectations of relevant stakeholders into account. We set great store in the prudent use of natural resources and provide solutions for major societal challenges: the efficient use of energy, environmentally compatible mobility, and security in an interconnected world. In the chapter "Sustainability at Infineon", we have explained in detail why and how sustainability – alongside the attainment of economic targets – is key to the way we run our business and what targets we have set in this area.

 see page 92 ff.



# The segments

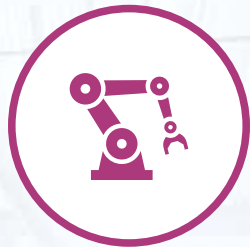






## Automotive

REVENUE ..... €2,351 million  
SEGMENT RESULT ..... €300 million  
SEGMENT RESULT MARGIN ..... 13%



## Industrial Power Control

REVENUE ..... €971 million  
SEGMENT RESULT ..... €122 million  
SEGMENT RESULT MARGIN ..... 13%



## Power Management & Multimarket

REVENUE ..... €1,794 million  
SEGMENT RESULT ..... €352 million  
SEGMENT RESULT MARGIN ..... 20%



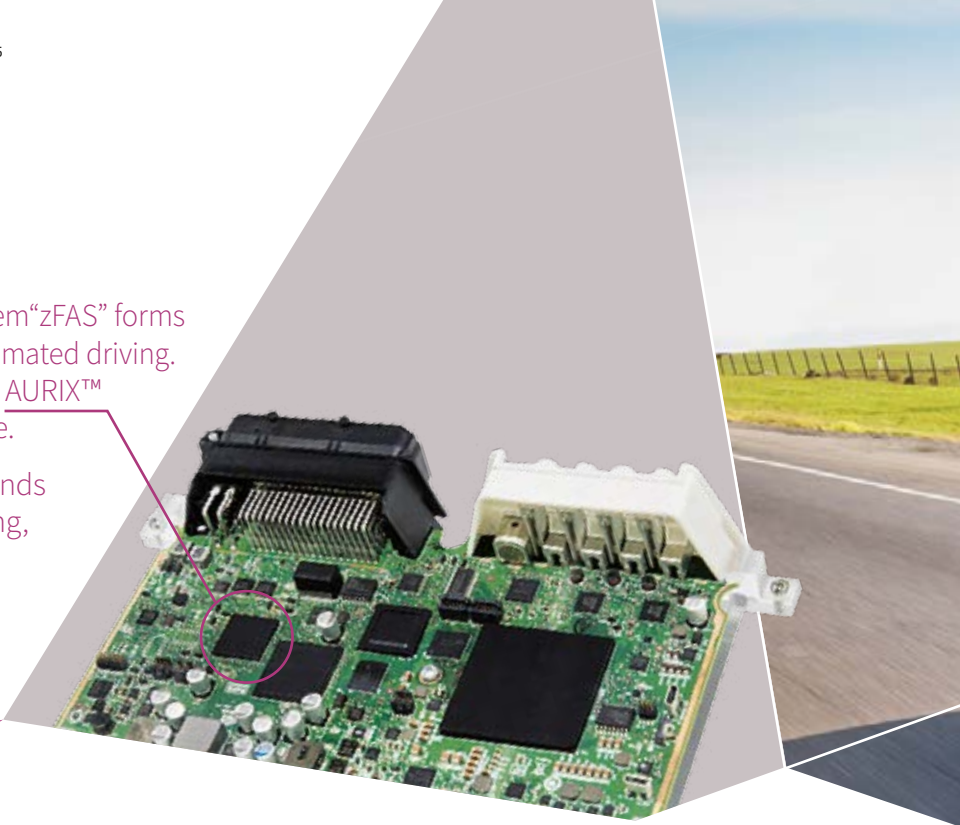
## Chip Card & Security

REVENUE ..... €666 million  
SEGMENT RESULT ..... €121 million  
SEGMENT RESULT MARGIN ..... 18%

**AURIX™: part of Audi’s driver assistance systems**

At Audi, the central driver assistance system “zFAS” forms the core of future control systems for automated driving. A 32-bit multicore microcontroller of our AURIX™ family ensures that the system is reliable.

In its function as primary controller it sends out the commands for the brake, steering, engine and transmission.



**Automotive**

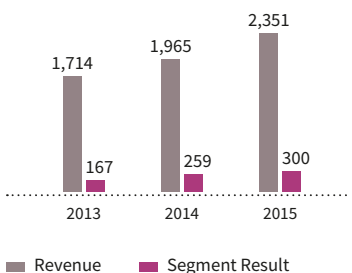
**REVENUE**  
 €2,351 million

- Driver assistance systems, CO<sub>2</sub> reduction and connectivity are the major trends in the automotive sector
- Market share over 10 percent for the first time

**SEGMENT RESULT**  
 €300 million

The Automotive segment in the 2015 fiscal year

**G 16**  
 Revenue and Segment Result of the Automotive segment  
 € in millions



**Revenue**

Infineon recorded revenue of €2,351 million (including International Rectifier’s contribution from January 13, 2015) for the Automotive segment in the 2015 fiscal year, an improvement of 20 percent on the previous year’s figure of €1,965 million. The segment generated 41 percent of Group revenue.

The strong demand already emerging in North America at the beginning of the 2014 fiscal year continued throughout the 2015 fiscal year. The European automotive market grew moderately throughout the 2015 fiscal year, helped by perceptible recovery in Western Europe compared to recent years. The revival was prompted by a gradual economic upturn, pent-up demand for replacements and generally increased willingness to purchase a car.



Vehicles made in Germany, particularly premium brands, were in very high demand across all regions. On the other hand, sales figures fell noticeably in China in the second half of the fiscal year, reflected in the weaker pace of growth towards the end of the fiscal year.

Buoyant demand was sustained for upper-range medium-sized vehicles, and especially for sports utility vehicles (SUVs), equipped with a broad array of additional safety and convenience features. Furthermore, the demand for semiconductor-based solutions to reduce CO<sub>2</sub> emissions and the rising demand for driver assistance systems contributed to the revenue increase. These trends were observed throughout all regions.

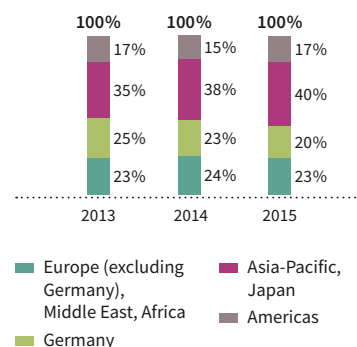
Slight shifts in the regional revenue split resulted from the acquisition of International Rectifier. In view of International Rectifier's comparatively high revenue in the Americas, the most significant change occurred in that region. The share attributable to the Americas rose by 2 percentage points to 17 percent. Due to the strong growth in the Chinese automotive industry, the percentage attributable to Asia-Pacific (including Japan) rose slightly to 40 percent (2014: 38 percent). Germany now accounts for 20 percent of revenue (2014: 23 percent).

### Segment Result

The Segment Result totaled €300 million (including International Rectifier's contribution to the Segment Result from January 13, 2015), 16 percent up on the €259 million recorded one year earlier. The Segment Result Margin amounted to 13 percent of revenue (2014: 13 percent).

The Segment Result followed the expected trend, in line with the increase in revenue. The first-time consolidation of International Rectifier had a slightly dilutive effect on the Segment Result.

**G17**  
Automotive Segment revenue by region



## Business strategy and fields of application

With more than 40 years of experience in automotive electronics, Infineon's product portfolio of sensors, microcontrollers and power semiconductors is one of the largest in the industry. A further distinctive feature is our strategic "Product to System" approach, through which we offer our customers solutions for the fields of application CO<sub>2</sub> reduction, driver assistance systems, security, and comfort electronics.

Going forward, we see three main trends emerging, which will determine the development of automotive technology – and which we strongly support with our products:

**Driver assistance systems:** Active safety systems are currently developing to become advanced driver assistance systems (ADAS). ADAS for semi-automated or fully automated driving essentially consist of, firstly, sensors (for example, radar, interior and external cameras), secondly, a main host computer (the system intelligence, as it were) to analyze the sensor data and calculate the driving strategy, and thirdly, actuators (steering, brakes, engine control and transmission). Infineon provides solutions for all three of these most important areas of automated driving.

Infineon is market leader for radar sensors with its 77/79 gigahertz silicon germanium technology (see the chapter "Research and Development"). For vehicle interiors, Infineon has developed the 3D image sensor REAL3™ for driver monitoring (see the chapter "Research and Development"). For external camera systems, Infineon offers 32-bit microcontrollers with special security concepts.

Host processors form the core of future automated driving control systems. One example is Audi's central driver assistance system, known as "zFAS". A 32-bit AURIX™ multicore microcontroller ensures the reliability of the system. In its function as main controller, in automated driving mode it sends out the commands for the steering, brakes, engine and transmission systems. In addition to controlling actuators, the AURIX™ microcontroller has a further key role as safety anchor in that it safeguards the components not qualified according to automotive industry standards.

Actuators are also safety-critical applications. For this reason, one of the most important requirements of semi-automated or fully automated driving is that, should an error occur, the system nevertheless continues to operate reliably. Infineon fulfills this requirement by additionally offering ISO 26262-certified solutions with redundancy in case of error for these applications.

**CO<sub>2</sub> reduction:** A larger number of electric or hybrid vehicles is essential in order to meet CO<sub>2</sub> reduction regulations. The present solutions – including 48-volt systems for start-stop systems, mild and plug-in hybrid vehicles and fully electric vehicles – convert the DC voltage from the battery to the AC voltage required for the drive motor. Infineon offers a wide range of power semiconductor components for these various systems: MOSFETs, discrete IGBTs, IGBT modules, silicon carbide components and driver ICs.

However, in recent years, significant improvements have also been made for vehicles with combustion engines and this development is far from over. On the one hand, downsizing makes it possible to improve engine performance of smaller-capacity engines and at the same time reduce fuel consumption. A more sophisticated sensor system and more microcontroller computing power are necessary for this purpose. On the other hand, the electrification of aggregates, such as water and gasoline pumps, and the transition from electromechanical and hydraulic power steering systems to electronic power steering are in progress. The electrical power of these units can be electronically controlled to suit the varying load, which boosts efficiency. The increasing market penetration of such applications and the electrification of further aggregates is contributing towards reducing CO<sub>2</sub> emissions.

 see page 74



**Connectivity and security:** In future, a growing number of vehicles will be permanently connected to the internet. This connectivity serves, for example, to upload software updates or to provide the driver with access to specific services. Vehicles will also communicate with one another to an increasing extent. The technologies for the wireless communication coming into use are based on industry standards, making differentiation on a product level virtually impossible.

We see our security know-how as essential for providing added value to our customers. In order to guarantee the functioning of the above-mentioned safety applications in increasingly connected vehicles under the present communication standards, encryption technologies are required. In this respect, we rely on the globally leading security expertise provided by our Chip Card & Security segment and use it in the fields of infotainment, emergency call systems, digital tachographs and vehicle communication. Furthermore, special hardware solutions integrated in microcontrollers help to safeguard the intellectual property of our customers, such as the program code for an engine control system.

### Fields of application

#### CO<sub>2</sub> reduction

- › Alternator control
- › Battery charging control
- › Battery management
- › Control for combustion and electric engines
- › Motor control
- › Start-stop system
- › Transmission control

#### Comfort electronics

- › Air conditioning
- › Door electronics
- › Electronic control units
- › Electronic seat adjustment
- › Hatchback
- › Lighting
- › Power windows
- › Steering
- › Sunroof
- › Suspension
- › Windshield wipers

#### Driver assistance systems

- › ABS
- › Airbag
- › Blind spot detection
- › Electronically controlled chassis suspension
- › Electronic power steering
- › ESC (Electronic Stability Control)
- › Lane departure warning system
- › Radar-based distance warning
- › Tire pressure monitoring system

#### Security

- › Communication (car-to-car, car-to-infrastructure)
- › Digital tachograph
- › Manipulation protection (e.g. tachometer)
- › Original spare parts authentication

## Market position

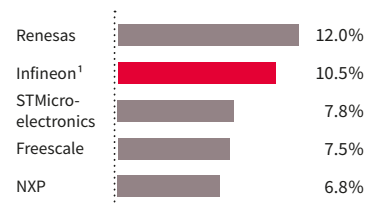
According to analyses performed by the market research firm Strategy Analytics, the world market for automotive semiconductors grew by 9.4 percent, from US\$25.177 billion in the 2013 calendar year to US\$27.537 billion in 2014. At 10.5 percent (including International Rectifier), Infineon's market share exceeded the 10 percent threshold for the first time. The five largest competitors together held 44.6 percent of the market.

With a market volume of US\$9.268 billion, Europe is still by far the most important region for automotive semiconductors worldwide. Infineon remained market leader in Europe with 14.1 percent market share. In Japan, the initiatives launched a few years ago have meanwhile paid off with above-average growth. In this country, which is heavily dominated by local suppliers, Infineon achieved its highest market share so far of 5.2 percent, making it the largest non-Japanese supplier on the market. The fastest growing region was China, where Infineon advanced to third place for the first time with a market share of 8.9 percent. In Korea, Infineon remained market leader by far, with a market share of 14.6 percent.

In terms of market share by product category in the automotive semiconductor market, Infineon remained in second place for sensors, with 11.5 percent of the market, and in third place for microcontrollers with 8.7 percent of the market. Infineon remained the market leader for power semiconductors, increasing its market share to 24.8 percent on the back of organic growth and the acquisition of International Rectifier.

### G 18

World automotive semiconductor market share 2014

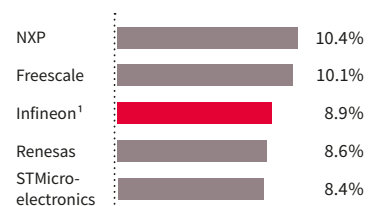


<sup>1</sup> Including International Rectifier

Source: Strategy Analytics, "Automotive Semiconductor Vendor Market Shares", April 2015

### G 19

China automotive semiconductor market share 2014; Infineon in third place for the first time



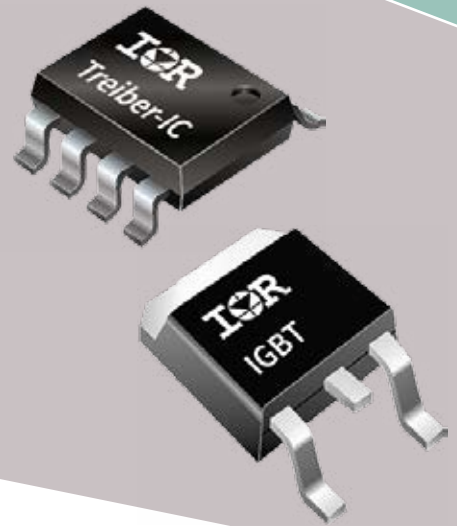
<sup>1</sup> Including International Rectifier

Source: Strategy Analytics, "Automotive Semiconductor Vendor Market Shares", April 2015

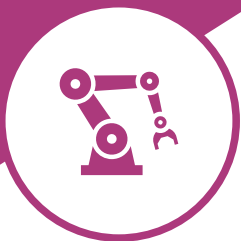
### Driver ICs and power switches for demand-based compressor control

For a long time, the compressor of a refrigerator only had two operating states: “off” and “full speed until reaching the target temperature.”

A motor control unit allows the performance of the compressor to be regulated as needed: high performance if the refrigerator is used frequently and a lower speed at night. This not only saves energy but also extends the lifespan and reduces disruptive noises.



International Rectifier’s Driver IC and discrete IGBTs are part of the compressor’s control unit



## Industrial Power Control

**REVENUE**

€971 million

● Growing importance of home appliance business

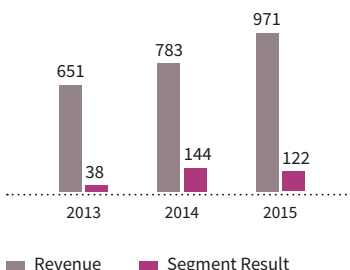
● Digitalization and functional integration the next major topics

**SEGMENT RESULT**

€122 million

### The Industrial Power Control segment in the 2015 fiscal year

**G 20**  
 Revenue and Segment Result of the Industrial Power Control segment  
 € in millions



**Revenue**

Infineon recorded revenue of €971 million (including International Rectifier’s contribution from January 13, 2015) in the Industrial Power Control segment in the 2015 fiscal year, 24 percent up on the previous year’s figure of €783 million. The segment generated 17 percent of Group revenue.

The rise in revenue benefited in particular from the acquisition of International Rectifier. In addition, the Korean subsidiary, LS Power Semitech Co., Ltd. (LSPS) made a full year’s contribution to revenue, compared to only four months in the previous year. Revenue growth was also attributable to favorable currency effects and increased demand in all major fields of application. In particular, business in the fields of home appliances and renewable energies recorded above-average growth.



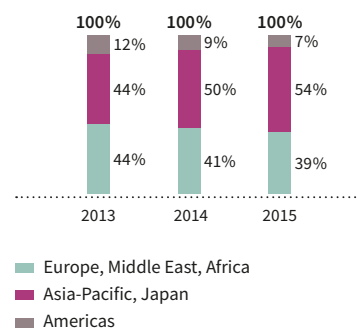
The shift in the regional revenue split towards Asia continued. The Asia-Pacific region (including Japan), accounted for 54 percent in the 2015 fiscal year, compared to 50 percent one year earlier. The larger share is attributable on the one hand to the higher economic growth of China compared to the other regions, and on the other hand to the acquisitions of International Rectifier and LSPS. Europe's share declined as a result from 41 percent the previous year to 39 percent. The share for the Americas region amounted to 7 percent (2014: 9 percent).

### Segment Result

The Segment Result amounted to €122 million (including International Rectifier's contribution to the Segment Result from January 13, 2015), a decrease of 15 percent compared to the previous year's €144 million. The Segment Result Margin amounted to 13 percent of revenue (2014: 18 percent).

The Segment Result was positively impacted by the higher contribution from increased revenue and favorable exchange rate effects. On the other hand, there was a rise in operating expenses, especially for research and development, as well as a shift in demand from very high-end components to standard components, which are subject to greater price pressure.

**G 21**  
 Industrial Power Control segment revenue by region



## Business strategy and fields of application

Electric power needs to be generated, transmitted to the consumer and then converted. Each of these steps has to be carried out as efficiently as possible, using the appropriate high- and maximum-performance IGBT components. The Industrial Power Control segment offers a comprehensive array of products for this purpose, consisting of discrete IGBT devices, IGBT modules, IGBT stacks, as well as driver ICs and driver boards for controlling IGBT modules. These products enable us to cover almost the entire power range from a few hundred watts to several megawatts.

As a result of the acquisition of International Rectifier and the takeover of the remainder of Korean LS Power Semitech Co., Ltd. (LSPS), we have strengthened our position especially in the 100 to 2,000 watt power range. These two acquisitions enable us to benefit in particular from the compact IPMs (Intelligent Power Modules) of both companies and also from International Rectifier's IGBT driver portfolio, which is complementary to Infineon's portfolio.

LSPS has operated first and foremost in Korea. Due to LSPS we increased our access to the Korean market, and especially to major home appliance manufacturers operating internationally namely Samsung and LG. Going forward, we will use our worldwide sales infrastructure to market LSPS products – which are also compact IGBT modules with a power range of up to 5,000 watts – in other countries and regions too.

IGBT power components are to be found in a vast array of applications: for example, in industrial drives, such as pumps, fans and elevators, but also in wind power plants, photovoltaic systems, trains, home appliances, emergency power supplies and robots. In the course of this century, the importance of electricity controlled by semiconductors will continue to grow, especially in the field of electricity generation from renewable sources of energy which are supplanting fossil fuels. Electricity is becoming the most important energy carrier of the 21<sup>st</sup> Century.

Power semiconductors are often not only the determining factor for the functioning of our customers' products and systems, but also have a decisive impact on efficiency, size, weight and cost. In particular, the increase in power density – i.e. the electrical power converted within a certain volume – is the driving force behind the development of IGBT power devices. Together with our customers, we develop solutions for the following market trends:

**Maximum power density:** Compact, lightweight control systems are achievable only with technologically leading products. It is often not feasible to make any further significant improvements by optimizing individual products. Based on our innovations and our understanding of applications, we are taking the decisive step with our strategic "Product to System" approach.

Examples include our technological leadership in the field of IGBT components for fifth-generation technology, with an extended temperature range, silicon carbide (SiC) hybrid modules as well as the highly compact, scalable XHP™ IGBT modules deployed in the three-digit kilowatt to megawatt range.

**Energy efficiency:** The greatest scope for leveraging energy savings lies in improving efficiency in consumption. The savings potential from several hundred million industrial drives and billions of home appliances is vast. As a result of the introduction of new and/or stricter efficiency directives, there is a growing market for products such as industrial variable speed drives or speed-controlled refrigerator compressors.

**Functional integration:** Whereas in the past the development of power modules focused mainly on increasing the ampacity, a new dimension is now coming into play, namely the integration of further functions in addition to the actual power semiconductor components themselves. In future, an ever-growing number of components will be directly integrated in IGBT modules, such as sensors, security ICs, supporting microcontrollers and interfaces.

 see glossary, page 292

The IGBT modules of our new XHP™ family are highly compact and offer maximum scalability combined with a simplified system design. They are used in trains and large industrial drives.



## Fields of application

|  |                        |                                      |                               |                                    |                                       |
|--|------------------------|--------------------------------------|-------------------------------|------------------------------------|---------------------------------------|
| <b>Charging stations for electric vehicles</b> | <b>Home appliances</b> | <b>Industrial drives<sup>1</sup></b> | <b>Industrial vehicles</b>    | <b>Renewable energy generation</b> | <b>Traction</b>                       |
|  | › Air conditioning     | › Automation technology              | › Agricultural vehicles       | › Photovoltaic systems             | › High-speed trains                   |
|  | › Dishwashers          | › Climate technology                 | › Forklifts                   | › Wind turbines                    | › Locomotives                         |
| <b>Energy transmission</b>                     | › Induction cooking    | › Conveyor technology                | › Heavy construction vehicles |                                    | › Metro trains                        |
| › FACTS (Flexible AC Transmission Systems)     | › Microwave ovens      | › Cranes                             | › Hybrid buses                |                                    | › Trams                               |
| › Offshore wind farm HVDC lines                | › Refrigerators        | › Drives                             |                               |                                    | <b>Uninterruptible power supplies</b> |
|  | › Washing machines     | › Elevators                          |                               |                                    |                                       |
|  |                        | › Escalators                         |                               |                                    |                                       |
|  |                        | › Factory automation                 |                               |                                    |                                       |
|  |                        | › Robotics                           |                               |                                    |                                       |
|  |                        | › Rollers                            |                               |                                    |                                       |

<sup>1</sup> Including motors, compressors, pumps and fans

This development allows functionalities to be achieved that would be impossible with externally attached components. Examples for such functionalities include remote maintenance, early identification of failures or authentication (see glossary, page 289) of original parts.

**Digitalization:** The trend toward digitalization of control loops was set in motion years ago with MOSFET-based AC-DC and DC-DC converters. This trend is now also starting for IGBT-based control units, whereby the chain – comprising control IC, IGBT driver and IGBT switch – is digitalized and referred to as “Digital Control Power”. Functional integration and digitalization are the most important steps that have been taken to make drive controls and inverters compatible for the Industrial Internet.

## Market position

### World market for discrete power semiconductors and modules

The world market for power semiconductors – including discrete power semiconductors and modules, but excluding power ICs – continued the upturn that began in mid-2013 during the 2014 calendar year, rising by 6.3 percent from US\$15.282 billion to US\$16.239 billion (source: IHS Inc.). Infineon’s market share (including International Rectifier) amounted to 19.2 percent. Its lead over its nearest competitor in this still highly fragmented market is now 12.2 percentage points. The five largest competitors together held 43.2 percent of the market.

### World market for discrete IGBTs and IGBT modules

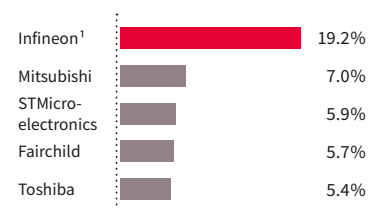
In the 2014 calendar year, the combined world market for discrete IGBTs and IGBT modules clearly outperformed the overall market for power semiconductors and grew by 11.1 percent to US\$4.449 billion (2013: US\$4.003 billion). Infineon’s market share (including International Rectifier) stood at 26.5 percent in 2014. The five largest competitors together held 72.5 percent of the market.

### World market for IPMs

In the 2014 calendar year, the world market for IPMs (Intelligent Power Modules) grew by 10.4 percent to US\$1,260 million (2013: US\$1,141 million). Infineon (including International Rectifier and LS Power Semitech Co., Ltd. (LSPS)) achieved 5<sup>th</sup> place, with a market share of 7.1 percent. The five largest competitors together held 83.2 percent of the market.

#### G 22

World discrete power semiconductors and modules market share 2014



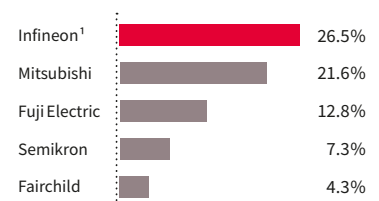
<sup>1</sup> Including International Rectifier.

This market analysis covers not only components of the Industrial Power Control segment, but also components of the Automotive and the Power Management & Multimarket segments.

Source: IHS Inc., “Power Semiconductor Discretes & Modules Report”, September 2015

#### G 23

World IGBT components market share 2014 (discrete IGBTs and IGBT modules)

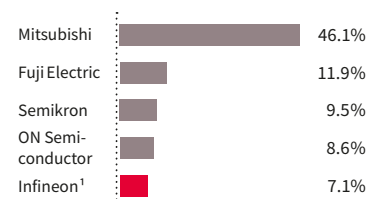


<sup>1</sup> Including International Rectifier

Source: IHS Inc., “Power Semiconductor Discretes & Modules Report”, September 2015

#### G 24

World IPM (Intelligent Power Module) market share 2014



<sup>1</sup> Including International Rectifier and LSPS

Source: IHS Inc., “Power Semiconductor Discretes & Modules Report”, September 2015



### Height measurement with a DPS310 pressure sensor

Infineon expands its portfolio of sensors. Thanks to the highly-accurate digital barometric pressure sensor DPS310, the exact height can be determined with only a few centimeters tolerance. It can be used to determine the floor level in buildings or parking garages. Or the altitude covered when crossing the Alps.



## Power Management & Multimarket

#### REVENUE

€1,794 million

Portfolio and market access strategically improved by means of integration of International Rectifier

MEMS sensor product portfolio expanded

#### SEGMENT RESULT

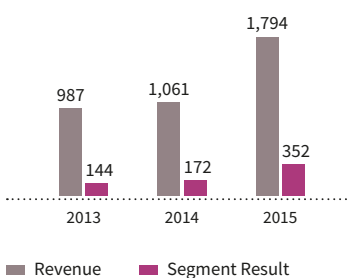
€352 million

### The Power Management & Multimarket segment in the 2015 fiscal year

#### G 25

Revenue and Segment Result of the Power Management & Multimarket segment

€ in millions



#### Revenue

The Power Management & Multimarket segment generated revenue totaling €1,794 million in the 2015 fiscal year (including International Rectifier's contribution from January 13, 2015), 69 percent up on the previous year's figure of €1,061 million. The segment accounted for 31 percent of Infineon's total revenue.

The growth in revenue is essentially due to six factors. First, the acquisition of International Rectifier. Approximately 70 percent of International Rectifier's revenue is attributable to the Power Management & Multimarket segment. Second, we benefited from favorable currency effects. Third, the breakthrough occurred in digital conversion concepts for DC-DC power management in servers, leading to a rise in demand for our controller ICs, driver ICs and low-voltage power MOSFET transistors. Fourth, the worldwide introduction of the fourth generation of cellular network infrastructure (LTE), especially in China, led to revenue growth for our



radio-frequency (RF) power transistors. Fifth, with each new generation of mobile telephony, the semiconductor content in smartphones rises. The increasing number of frequency bands and modulation concepts requires a growing number of RF components. Sixth, as a result of the growing market acceptance of silicon microphones and through gains in market share, our revenue from these products has risen.

Shifts occurred in the regional revenue split as a result of the acquisition of International Rectifier. Due to the comparatively high level of revenue generated in the Americas and the comparatively low revenue generated in Europe, the main changes in this split occurred in these regions. Europe now accounts for only 19 percent of revenue (2014: 22 percent). The percentage attributable to the Americas rose by 4 percentage points to 10 percent. The share attributable to Asia-Pacific (including Japan) remained virtually unchanged at 71 percent (2014: 72 percent). The most significant country in the Asia-Pacific region is China. The high percentage of revenue generated in this market is due to the fact that major contract manufacturers of devices for brand manufacturers (so-called Electronic Manufacturing Services, EMS) are established there. The brand manufacturers which place orders for such projects with Infineon, on the other hand, have their headquarters and product development centers located mostly in the USA or Europe.

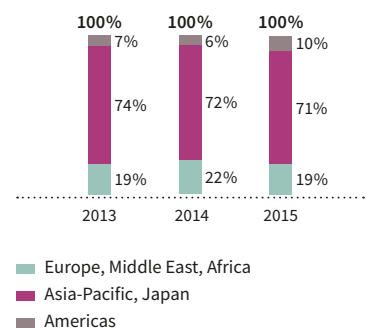
### Segment Result

The Segment Result totaled €352 million (including International Rectifier's contribution to the Segment Result from January 13, 2015), 105 percent up on the figure of €172 million recorded one year earlier. The Segment Result Margin amounted to 20 percent of revenue (2014: 16 percent).

The improvement in the Segment Result was mainly driven by the increase in revenue. Furthermore, favorable currency effects also had a positive impact on the result.

G 26

Power Management & Multimarket segment revenue by region





## Business strategy and fields of application

Power management is one of the keys to the Power Management & Multimarket segment. The power range addressed by the segment spans from 10 watts for a smartphone charger to 3,000 watts for the power supply of a server. (Higher power output is addressed by the Industrial Power Control segment.) Approximately two thirds of segment revenue is attributable to power MOSFETs: low- and medium-voltage OptiMOS™ power transistors, high-voltage CoolMOS™ power transistors, driver ICs and control ICs. Approximately one quarter of revenue is generated by mobile devices (essentially sensors, radio frequency (RF) antenna switches, low-noise amplifiers and diodes). The remainder stems from business in cellular network infrastructure (RF power transistors for base stations).

The factors driving our success in the Power Management & Multimarket segment are our leading core technologies and the ability to offer both differentiated solutions through our strategic approach “Product to System” and through our standard products for the mass market. International Rectifier complements us especially with respect to accessing the mass market. As a further aspect of our strategic approach “Product to System”, we have stepped up relations with our lead customers in recent years, and we operate joint development laboratories with some of them. We offer development support for a series of other customers or carry out full development services on their behalf, enabling us to put our products to optimum use in customer applications and thereby achieve maximum efficiency as well as faster time-to-market.

Through the acquisition of International Rectifier, we have extended our product and packaging portfolio towards low-voltage (up to 40 volts), but above all medium-voltage power transistors (40 to 150 volts). The latter are used in growth areas such as in solutions for DC-DC conversion, power tools, and in electric drives for pedelecs and e-scooters. Through International Rectifier we have also gained access to new direct and distribution customers, especially in the growth markets of Asia.

An additional, entirely new product category resulting from the acquisition is that of components with highest reliability (“HiRel”) for applications such as commercial aviation, aerospace and oil exploration. This business is more or less immune to macroeconomic cycles and seasonal effects.

We develop solutions together with our customers for the following market trends:

**Increase of power density and digital power electronics:** In energy converters there is a clear trend towards higher efficiency and greater compactness. Two factors are relevant with regard to power density: first, more output for the same size (for example, in power supplies for servers) and second, the same output in a smaller form factor (for example, power supplies for flat-screen televisions or chargers and adapters for mobile devices). Control ICs based on digital conversion (also known as “digital power management”) enable these requirements to be met faster and more effectively.

Our solutions are based on highly efficient power transistors and diodes, partly manufactured from innovative materials such as silicon carbide and gallium nitride, driver ICs and control ICs. Furthermore, we provide support for our customers with our excellent application understanding.

**Sensors:** A key aspect of the Internet of Things is the “environmental sensing” of these things and the transmission of measurements to data centers. The trend is towards ever smaller and more accurate sensors and new types of sensor capable of recording further physical parameters. Infineon has been represented on the market with microphones based on its

 see glossary, page 293

 see glossary, page 290

leading MEMS technology for many years. Following on from the barometric pressure sensor, sensors are currently being developed to measure further physical parameters (see also the chapter “Research and Development”). MEMS-based sensors are only a few millimeters in size and deliver considerable energy savings. These sensors are leading to the creation of new product categories, such as smartwatches and activity trackers.

see page 73

**Importance of mobile devices:** Mobile devices are used ever more frequently for internet access and especially media consumption. In addition, the volume of data transmitted via the cellular network infrastructure is growing rapidly. Ever more base stations as network access points and new transmission standards take account of the growing number of users of mobile devices and the increasing volume of data traffic. Each new generation of smartphones calls for more frequency bands to be supported. Furthermore, requirements on RF characteristics increase with each new transmission standard. The complexity of RF components is therefore growing, which calls for more, but also ever higher integrated, RF components.

**Fields of application**

**Cellular network infrastructure**

- › Base stations

**DC motors**

- › DIY appliances (power drills, cordless screwdrivers etc.)
- › Electric bicycles
- › Pedelecs

**HiRel**

- › Commercial aviation
- › Defense technology
- › Oil and gas exploration
- › Space systems
- › Submarine telecommunications cables

**LED and conventional lighting systems**

**Mobile devices**

- › Activity trackers
- › Navigation devices
- › Smartphones
- › Tablets

**Power management for:**

- › Consumer electronics
- › Home appliances
- › IT and telecommunications
- › PCs and notebooks
- › Servers
- › Smartphones
- › Tablets

Market position

**Standard power MOSFET devices**

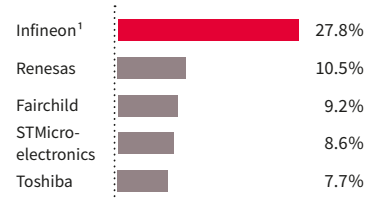
The world market for standard MOSFET power transistors (low-voltage and high-voltage MOSFETs) totaled US\$5.829 billion in the 2014 calendar year, an increase of 7.1 percent compared to the previous year’s figure of US\$5.441 billion (source: IHS Inc.). With a market share of 27.8 percent, Infineon (including International Rectifier) is the clear market leader in this field, 17.3 percentage points ahead of its nearest competitor. The five largest competitors together held 63.8 percent of the market.

**Chips for silicon microphones**

3.283 billion chips for silicon microphones were sold worldwide in the 2014 calendar year (source: IHS Inc.), compared with 2.680 billion chips one year earlier, a growth rate of 22.5 percent. Infineon again succeeded in increasing its sales volume at an above-average rate of 46.2 percent from 770 million chips to 1.126 billion chips, thus adding a further 5.6 percentage points to our market share, which therefore increased from 28.7 percent in 2013 to 34.3 percent in 2014. The five largest competitors together held 95.7 percent of the market.

**G 27**

World standard power MOSFET market share 2014



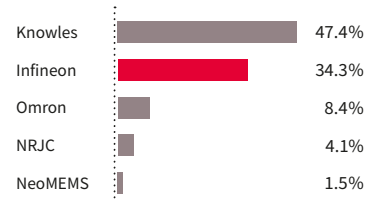
<sup>1</sup> Including International Rectifier.

This market analysis covers not only components of the Power Management & Multimarket segment, but also components of the Automotive segment.

Source: IHS Inc., “Power Semiconductor Discretes & Modules Report”, September 2015

**G 28**

World silicon microphone ICs market share 2014 by units



Source: IHS Inc., “MEMS Microphones Report – 2015”, October 2015

## Security chip in Samsung smartphones

Infineon provides security chips for a large number of mobile devices, thereby safeguarding the security of both confidential data, such as the user's bank details, and security-relevant transactions, such as payments.

The Samsung flagship models Galaxy S6 and Galaxy S6 edge are equipped with our embedded Secure Element (eSE) security chip.



## Chip Card & Security

### REVENUE

€666 million

### SEGMENT RESULT

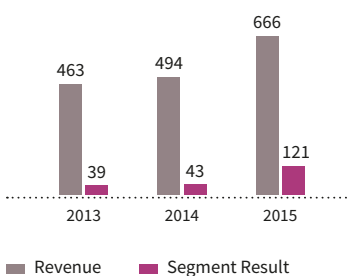
€121 million

- Significant jump in revenue and earnings
- Continued growth in the field of chip-based payment cards and governmental identification documents

## The Chip Card & Security segment in the 2015 fiscal year

### G 29

Revenue and Segment Result of the Chip Card & Security segment  
€ in millions



### Revenue

The Chip Card & Security segment generated revenue totaling €666 million in the 2015 fiscal year, with no contribution coming from the acquisition of International Rectifier. The 35 percent increase over the previous year's figure of €494 million was therefore purely organic growth. The segment generated 11 percent of Group revenue.

Strong revenue growth was recorded in the second quarter of the 2015 fiscal year and remained at the higher level in the following two quarters. Practically all lines of business contributed to revenue growth: high-end SIM cards with mobile payment functionality, government identification as well as authentication solutions. Furthermore, the market launch of Samsung's flagship smartphone models Galaxy S6 and Galaxy S6 edge had a positive impact. Both models



are equipped with our embedded Secure Element (eSE) security chip. At nearly 50 percent, the most significant revenue increase year-on-year was in payment cards business, the decisive factor being the increasing market penetration of chip-based credit cards in the USA and China, where the Chip Card & Security segment had previously established an optimal position.

The trend in the regional revenue split continued, with faster growth in the Asia-Pacific region (including Japan) compared to the other regions, resulting in a further increase in the percentage attributable to this region to 51 percent (2014: 48 percent). There were several reasons for this: firstly, sustained demand for chip-based credit cards in China, secondly, the positive business trend in high-end SIM cards with mobile payment functionality in China, thirdly, the demand for eSE security chips in Korea and China, and, fourthly, new projects in the field of government identification in several Asian countries. Accordingly, Europe's 44 percent share in revenue recorded one year earlier fell to 41 percent. The share of the Americas region remained constant at 8 percent. The two largest projects in the USA are the electronic passport and chip-based credit cards.

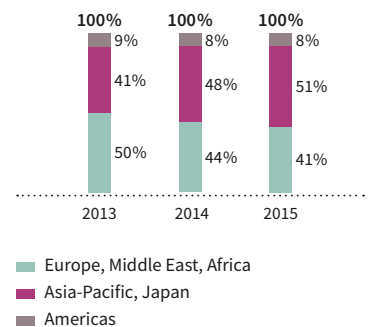
### Segment Result

The Segment Result amounted to €121 million, a jump of 181 percent compared to the previous year's €43 million. The Segment Result Margin amounted to 18 percent of revenue (2014: 9 percent), the highest level ever since the foundation of Infineon.

Alongside favorable exchange rate factors, the sharp rise in revenue and productivity improvements in all product categories contributed to the higher gross profit. Operating expenses rose less rapidly than revenue. As a result of the increasing scope of outsourcing to manufacturing partners, some development expenses for manufacturing technologies were no longer incurred. Our ambitious "shrink strategy" – i.e. the early transfer to 90 nanometer and to 65 nanometer manufacturing technology – is paying off.

G 30

Chip Card & Security segment revenue by region



## Business strategy and fields of application

Nearly 30 years of experience in the largest and most sophisticated security projects in the world has enabled Infineon to become a leader in security solutions. The Chip Card & Security segment's core competencies lie mainly in the fields of tailor-made security, contactless communication and embedded microcontroller solutions (embedded control). We have created innovations in each of the three core competencies: Integrity Guard for security, Coil on Module for contactless communication and SOLID FLASH™ for integrated security controller solutions. With these three technologies and further security solutions, we offer a broad portfolio of semiconductor-based security products for a wide range of chip card and security applications.

“Easy-to-implement” is decisive for the market success of hardware-based security technology. Infineon has therefore developed special competence in the following aspects, which differentiate it from its competitors:

- › Tailored security: we provide the appropriate level of security for the target application
- › Contactless excellence: the demand is for secure, fast transactions; the key points are a high level of security, high data-transmission rates and rapid write-to-memory operations
- › Embedded control: that is the ability to combine memory technologies to the security controllers optimally depending on the specific application

Together with customers, the Chip Card & Security segment is developing solutions relating to the following market trends:

**Internet of Things:** In an increasingly connected world where literally everything is getting connected, the role of security is growing constantly. Security is not an option; it is a must. This increasing need for security is visible not only in the traditional applications like mobile communication, payment or government identification applications. Security is fast becoming a key aspect in existing and emerging applications in the areas of embedded systems and Internet of Things. Increasing frequency of security breaches is generating greater awareness of the need for security. Infineon is well positioned for future developments that are related to the Internet of Things and is already present on the market with security solutions, for example, in the field of connected vehicles.

**Contactless technologies:** Such technologies are becoming increasingly important. Reliable and high-speed processing enhances ease of use for consumers and, with it, acceptance of the contactless use of payment cards and/or multifunctional chip cards. Enterprises and consumers both appreciate the advantages over contact-based systems.

**Chip-based credit cards:** The transition from magnetic-strip-based payment cards to chip-based payment cards is continuing, especially in the key markets USA and China.

**Electronic governmental documents:** The market penetration of chip-based official documents, such as passports, national ID cards and driver's licenses, is increasing steadily. A growing number of countries are converting for the first time or introducing further chip-based documents.

**Safeguarding mobile devices:** Authentication solutions, such as embedded Secure Element or Trusted Platform Modules, are bringing new applications, such as mobile payment or platform integrity, to the mass market.



Alongside major projects in the payment cards and governmental identification documents sectors, we see growth potential increasingly in smaller and regional security projects. We are therefore diversifying our customer portfolio and expanding our sales structures, which have focused more on large-scale customers in the past. We see good potential to gain a growing percentage of smaller regional customers on the one hand and in strengthening the distribution channel on the other. We are also building up our presence in the regions in order to improve our service to locally based customers and better cater to their specific requirements. Our aim is to obtain an even better understanding of the factors that make our customers successful in each of their regions. Often it is not a technically superior product which is required, but rather a solution that offers the best value for money, i.e. it fulfills the specific security requirements for the application at the lowest possible system cost and can be implemented simply and quickly by the customer.

In addition to our traditional, internationally operating card customers and the smaller-scale customers operating more regionally, we are also focusing on globally operating large-scale customers in new markets for embedded control. These customers typically operate in the fields of the internet, the Internet of Things, smartphones or other mobile devices.

Finally, we are extending our range to include software and services in order to satisfy the different requirements of our customers in a broad range of countries. We offer support for certifying security solutions, provide reference designs and offer software closely related to our security controllers (such as firmware, driver software, and hardware-related application software). These services help reduce development costs and minimize our customers' time-to-market.

### Fields of application

#### Authentication

- › Accessories
- › Games consoles
- › Industrial controllers
- › Spare parts

#### Automotive

- › Connected vehicles (e.g. eCall, car-to-car, car-to-infrastructure)
- › Electronic tolls (toll collect)
- › Manipulation protection (e.g. digital tachometer)

#### Governmental identification documents

- › Driver's licenses
- › ID cards
- › Passports

#### Healthcare cards

- #### Internet of Things
- › Connected driving
  - › Industrial Internet (Industry 4.0)
  - › IT
  - › Smart Home

#### Mobile communications

- › Conventional SIM cards
- › High-end SIM cards
- › Machine-to-machine communication

#### Payment systems

- › Credit/debit cards
- › Mobile payments
- › NFC-based contactless payments

#### Secure NFC (Near Field Communication) transactions

#### Ticketing, access control

#### Trusted Computing

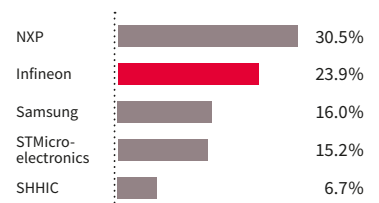
## Market position

In the 2014 calendar year, Infineon held a 23.9 percent share of the world market for microcontroller-based chip card ICs (source: IHS Inc.). This market comprises contact-based and contactless microcontroller-based chip card ICs for applications in SIM cards, payment cards, government ID, access control, transport, and machine-to-machine communication.

This market grew by 4.4 percent from US\$2.52 billion in 2013 to US\$2.63 billion in 2014. With growth well above market average, Infineon increased its market share by 2.6 percentage points. In contrast, all other major market players increased their revenue over the same period by less than the market average, thereby losing market share. The distance to the market leader decreased to 6.6 percentage points (2014: 10.4 percentage points). The five largest competitors together held 92.3 percent of the market.

### G31

World microcontroller-based chip card ICs market share 2014



Source: IHS Inc., "Smart Cards Semiconductors", July 2015

A close-up photograph of a woman with dark hair pulled back, wearing glasses and a light blue lab coat over a white collared shirt. She is looking slightly to the right with a focused expression. The background is a bright, out-of-focus laboratory setting with white equipment and shelves. A white, angular graphic element is overlaid on the bottom left of the image, containing text.

**At Infineon, about  
5,800 people are  
employed in research  
and development at  
32 sites in 13 countries.**

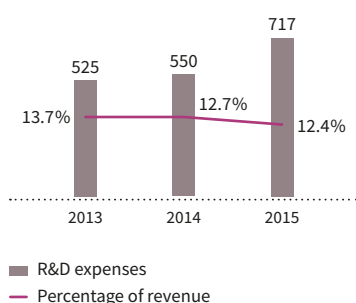


# Research & development



- › Research and development expenses in the 2015 fiscal year increased to €717 million
- › Developer teams from Infineon and International Rectifier merged to form global research network
- › Sensor technology a primary focus of our technology and product development

**G 32**  
R&D expenses  
€ in millions



Research and development expenses (R&D expenses) totaled €717 million in the 2015 fiscal year, compared with €550 million in 2014; an increase of €167 million or 30 percent and therefore slightly disproportionally lower than the revenue increase of 34 percent. The increase in absolute terms primarily results from the integration of International Rectifier. As a percentage of revenue, we spent 12.4 percent on R&D during the 2015 fiscal year, compared with 12.7 percent one year earlier and therefore remain within our desired target corridor of a low- to mid-teens percentage.

At the end of the 2015 fiscal year, 5,778 people (or 16 percent of Infineon's total workforce) were employed in our research and innovation sites worldwide. At the end of the 2014 fiscal year, Infineon employed 4,822 people in that field, 16 percent of the total workforce. Again here, the increase is mainly attributable to the integration of International Rectifier, which brought an additional 11 R&D sites into the network. Infineon now maintains R&D departments at 32 sites in 13 countries (see map at the end of this chapter).

Capitalized development costs totaled €100 million in the 2015 fiscal year (2014: €92 million). Amortization of capitalized development costs totaled €29 million (2014: €25 million). Subsidies and grants for R&D decreased year-on-year from €66 million to €59 million in the 2015 fiscal year.

R&D expenses are not only incurred for the development of new products, but also increasingly for entire platforms and new product families. These include, for example, digital power supply control, technology platforms for low- and high-voltage power switches, power semiconductors based on the new materials silicon carbide and gallium nitride (see the section further below in this chapter) as well as new types of sensor, particularly those based on our magnetic field, radar, and MEMS technologies.

Whereas in the past both research and development were mostly either technology- or component-oriented, the systems in which the components are used are meanwhile playing an increasingly vital role. Innovative system solutions are developed with the aim of improving system functionality. Although the semiconductor components may well cost more than previously, savings and improvements in other areas create added value for the user. In many cases, conventional digital microelectronics are supplemented with non-digital components such as radio-frequency electronics, power electronics, sensor technology, actuators or software.

### Patents

Infineon's innovative strength and long-term competitiveness are also apparent in both the quantity and the quality of our patents. We applied for some 2,200 patents worldwide in the course of the 2015 fiscal year (including International Rectifier as of January 13, 2015), compared with around 2,100 applications one year earlier. Infineon's patent portfolio worldwide comprised approximately 25,000 patents and patent applications at the end of the 2015 fiscal year, compared with around 21,000 patents and applications at the end of the previous year, not including International Rectifier. The figure includes some 2,100 patents and applications that we acquired through the acquisition of International Rectifier.

**G** see glossary, page 294 and page 291

In conjunction with the partial settlement reached with the insolvency administrator of Qimonda AG in September 2014, in October 2014 Infineon acquired, among other things, approximately 8,800 patents and patent applications. In July 2015, these patents and patent applications were practically all sold to Polaris Innovations Limited, based in Ottawa (Canada), and Samsung Electronics Ltd., based in Seoul (Korea).

### Principal research and development activities

Sensor technology is one of the main focuses of our research. Sensors measure the real, analog world. The signals measured are firstly digitized and then processed, transmitted and stored as digital values, in accordance with the requirements of the application. Infineon has almost 40 years of experience in the design and manufacture of sensors and offers the most comprehensive range of pressure and magnetic field sensors for automotive applications. Every day, Infineon supplies over one million of these sensors to the automotive industry and more than three million to smartphone manufacturers. Moreover, Infineon is researching and developing widely varying types of sensors; see the following sections about our activities in this field from the 2015 fiscal year.

Our R&D activities additionally focus on manufacturing technologies and transistor architectures for power semiconductor components based on new materials. In the following sections we will introduce you to the advantages and ranges of application for power semiconductors based on silicon carbide and gallium nitride.

A further focus of our R&D activities is the digitization of controls for power semiconductors. We are currently in the transitional stage between analog and digital controls for power switches. For MOSFET-based controls, the transition already began several years ago and this trend is now starting for IGBT-based controls. Infineon is promoting digitization along the entire chain, which consists of control IC, driver ICs and power switches.

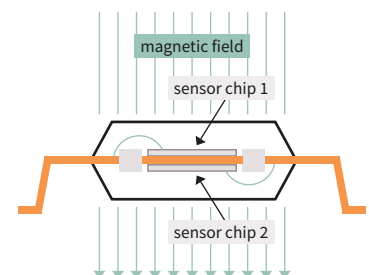
### Sensors: Measuring the environment with widely differing types of sensor

**Magnetic field sensors:** Magnetic field sensors can be used in a highly diverse range of applications. They are used to measure position, speed and torque. According to the requirements of new applications, we are continually launching new types of magnetic field sensor that feature innovations in terms of packaging and configuration.

In October 2014, for example, we presented a new type of package featuring two sensor chips, i.e. two dies, placed on top of each other (see cover picture of this Annual Report). Whereas an electric power steering system had previously required two separate sensors (including one sensor chip each) to reliably and precisely measure the torque of the steering axle, the dual Hall sensor package developed at our Regensburg site now only needs one sensor (including two sensor chips). Using a patented flip-chip process, the chips are now placed on top of each other and therefore occupy the same space as versions designed with only one sensor chip. The innovation saves valuable space and cuts system costs in safety-critical applications, which include not only the power steering system, but also the accelerator and brake pedals as well as the brushless DC motors built into the transmission and clutch systems. Safety-critical applications need to meet stringent requirements in accordance with ISO 26262 standards. Sensor redundancy plays a key role, which was solved with the integration of two sensor chips in the dual Hall sensor package as a particularly low-cost, space-saving solution.

In May 2015, we presented another magnetic field sensor: a 3D magnetic field sensor. One of the most important development goals when designing this sensor was to keep power consumption as low as possible, with the aim of installing it in battery-powered consumer goods and industrial applications. Our 3D magnetic field sensor measures three-dimensional, linear and rotating movements with great precision. Joysticks, control components in household appliances, multi-functional switches and smart meters, for example, all require this type of measurement. The electricity meters are currently fitted with three one-way magnetic sensors in order to detect manipulation by means of large magnets; one one-way magnetic field sensor for each direction of the external magnetic field. Electronic electricity meters can now be made much smaller and also consume far less power, as our 3D magnetic field sensor is capable of replacing all three of the previous sensors. Our family of 3D magnetic sensors will be enlarged.

**G 33**  
 Interior design of the dual Hall sensor. The two sensor chips are placed exactly on top of each other.



Dual Hall sensor as packaged component



By the end of the 2015 calendar year, the industrial version will be followed by a version designed for automotive applications, for use as a gearshift position sensor as well as in the steering column controls to measure the applications located there, such as the indicators, lights, high beam and windshield wiper controls.

**Radar chips:** Our chips for radar-based sensors are used in consumer goods, in vehicle safety applications and in industrial and commercial machinery both individually and as system solutions. Two examples:

- › We have already been successfully selling our 77-gigahertz silicon-germanium radar chips to automotive suppliers for around ten years (see the acknowledgement of Bosch in the chapter "Awards"). These sensor chips are used for measuring distances between 50 and 250 meters. We also offer a 24-gigahertz radar chip to measure short distances.
- › We are currently working on completely new fields of application together with the US technology company Google as part of its "Project Soli" research project, with the aim of developing special-purpose radar sensor solutions for gesture and presence recognition. Google already presented the first application examples at its developer conference in San Francisco (California, USA) in May 2015. Gesture recognition will make it possible, for example, to control various devices through simple gestures. Finger movements in the air will make control knobs and touch-sensitive displays obsolete. Our radar chip employs a 60-gigahertz technology and combines the transceiver and the antenna in one package.

 see page 123

Infineon's 60-gigahertz radar IC for controlling mobile devices via gesture recognition. It is possible to adjust the demonstration wristwatch featured in Google's "Project Soli" research project by "virtually" turning the winder, i.e. without touching the watch itself.



**3D image sensor chips:** The first version of this type of sensor, which measures distances based on the runtime of a beam of infrared light, has meanwhile reached market maturity. In September 2015 at the IAA International Motor Show in Frankfurt (Germany), the German automotive supplier Kostal presented a 3D camera system designed to monitor people while driving, based on our 3D image sensor REAL3™. The camera system is capable of measuring the exact position of the driver's head and measures the blinking of an eye even through glasses or sunglasses. The system is therefore capable of recognizing whether the driver is showing signs of fatigue (such as momentarily nodding off) or is distracted.

The German automotive supplier Kostal has developed a 3D camera for driver monitoring (see picture on right) as a pre-series prototype with integrated image processing, based on Infineon's 3D image sensor chip REAL3™. The camera is capable of measuring the driver's facial contours by means of 49 reference points (see picture on left), even when light conditions are constantly changing. Together with the 3D depth data, the camera recognizes the head position, the direction in which he/she is looking and the closing of the eyelids. The camera is located behind the steering wheel and senses objects at a distance of up to 1.5 meters.



The position of the 49 reference points is determined using the Kostal image recognition software.



Our REAL3™ 3D image sensor also plays an important part in Google's "Tango" research project, which takes a new approach to giving mobile devices the ability to sense and understand their surroundings and to implement a variety of new and innovative applications based on this ability. The merging of sensor and computer technology will make smartphones and tablets capable of measuring space and movement more quickly and realistically. This innovation is therefore set to create a completely new user experience, such as for navigating in closed areas or for highly realistic gaming experiences.

**MEMS-based sensor chips:** In addition to our range of silicon microphone chips, at the Mobile World Congress in Barcelona (Spain) in February 2015 we presented the first barometric pressure sensor for the consumer goods market (see the opening page of “Power Management & Multi-market” in the chapter “The segments”). It is capable of precisely measuring the air pressure, making it possible, for example, to record the altitude covered when crossing the Alps or to navigate within buildings with the help of a smartphone. Moreover, we are researching further types of MEMS-based sensor types that are capable of measuring other physical variables for future use in smartphones.

**G** see glossary, page 293

**P** see page 62 ff.

**“More out of less”: More compact power supplies and motor controls through new materials for power semiconductors**

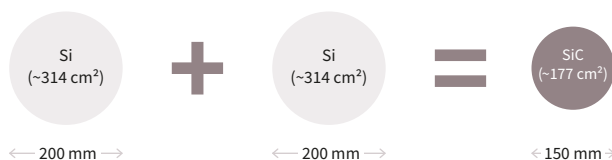
The ideal power transistor needs to be small, sufficiently robust to withstand high temperatures and transient voltage, and exhibit very little electrical resistance when turned on as well as minimal switching losses. It should also be capable of handling high switching frequencies, as this means the passive components used in the circuit (such as capacitors and inductors) can be made even smaller. These factors not only reduce costs for the customer, but also the size and weight of the systems, which, in turn, means savings on expensive raw materials.

In the continuous search for even more efficient power semiconductors for increasingly compact power supplies and controls, particularly silicon carbide (SiC, a combination of silicon and carbon) and gallium nitride (GaN, a combination of gallium and nitrogen) have proven to be the materials of choice. These new semiconductor materials are capable of switching higher voltages and currents than silicon-based components with smaller dimensions, while offering fewer losses.

The ampacity of SiC components, for example, is incomparably higher than that of silicon components. Less than one third of the semiconductor area is required for a given amperage. This is a good example of how to make more out of less.

**G34**

“More out of less”: the ampacity of silicon carbide (SiC) is far higher than that of silicon (Si). One 150-millimeter SiC wafer is able to switch the same amount of current as two 200-millimeter silicon wafers.



Due to their material properties, SiC and GaN components are addressing different voltage classes. Whereas SiC technology is used in applications over 1,000 volts, GaN technology is better suited for use at 650 volts and below.

**Silicon carbide: Focus on best-value solutions for the customer; product portfolio expanded to include SiC MOSFETs**

As the market participant offering the most comprehensive range of power semiconductors, Infineon’s focus is on understanding our customers’ applications. We aim to provide our customers with best-value solutions. Nowadays, solutions of this nature often rely on a coordinated combination of silicon and silicon carbide (SiC) components. It is the balance between the cost and performance benefits of the various components that ultimately leads to a sustainable improvement in customers’ systems. These can relate to efficiency, costs, size, weight or time-to-market.

Back in 2001, Infineon was the first semiconductor manufacturer worldwide to market a SiC diode. In May 2014 we presented what is meanwhile the fifth generation of our 1,200-volt SiC diode and in the 2015 fiscal year we expanded our package portfolio to include a flat package



Silicon carbide diode in a package for surface-mounted assembly on printed circuit boards



for surface-mounted assembly on printed circuit boards. The fifth generation of SiC diodes features improved characteristics in terms of both static and switching losses. Apart from our range of SiC diodes, which has been continually expanded over the last few years, our SiC hybrid modules have also enjoyed market success for several years.

We are also expanding our portfolio of SiC transistors in line with market requirements. In the 2014 fiscal year we introduced the first SiC transistor, a “SiC-JFET” (Junction Field Effect Transistor). Apart from this normally-on version, future generations of transistors will also be based on normally-off concepts.

Today’s main areas of application for SiC components, i.e. SiC diodes, SiC transistors and SiC modules, are photovoltaic inverters and power supplies. In photovoltaic inverters, the high switching frequencies result in smaller passive components, which help reduce both size and weight, a crucial aspect in the final installation. SiC-based inverters of a given performance class can be installed by one single technician compared with two technicians for larger and heavier silicon-based inverters.

Going forward, we see controls for variable speed drives in particular as a potential field of application for our SiC components. This diverse market, which includes a broad variety of motor types and operating modes (stepper motors, robotics, high speed, high torque, etc.), is likely to constitute the largest field of application.

We also see the inductive charging of electric vehicles as a likely future application. Here, very high currents need to be switched with great precision in order to minimize inductive dispersion losses. Moreover, electrically powered vehicles themselves are another possible field of application for SiC components, where they are likely to be initially installed in on-board battery chargers for electric and plug-in hybrid vehicles. At a somewhat later point we expect to see SiC transistors installed in the powertrain, i.e. in the electric motor control system. The field of traction is yet another potential sales market, although due to the long development and qualification cycles in the traction industry, demand on this market is only likely to grow appreciably in a number of years.

SiC components are also ideal for use in energy storage units, as in this application the battery needs to both charge and discharge with exceptional efficiency. Battery-backed photovoltaic systems are already making practical use of this technology and long-term potential exists for larger systems in the field of grid stabilization. Ultimately, we see the long-term possibility of strengthening the HiRel business (including high-reliability components) acquired through the acquisition of International Rectifier through the use of Infineon’s SiC technology. Particularly high-temperature applications such as oil exploration could benefit from our SiC components.

A special feature of our SiC manufacturing strategy is that, supplemented by a number of specific manufacturing tools, we are capable of manufacturing SiC components in the same production line as our silicon components, which means the same standards and quality requirements apply. In the course of converting SiC manufacturing to 150-millimeter wafers, we are already planning on preparing the first SiC technologies for qualification for automotive applications. This manufacturing concept will, of course, lead to a more competitive cost position.

### **Gallium nitride: Infineon and International Rectifier developer teams merged within only three months, creating a technology and patent portfolio unique worldwide**

Gallium nitride (GaN) transistors also offer completely new, interesting properties compared with silicon transistors, making them suitable for future use in power supplies, for example. GaN transistors combine extremely low on-state resistance with minimal switching losses. Consequently, they allow for much higher frequencies than those possible with silicon technologies, a fact that can be exploited to reduce the size of the overall system. However, this does not mean that an existing silicon power transistor will be simply replaced by a GaN power transistor. The full benefit will only be achieved when used with completely new power

supply topologies, where the GaN components provide a maximum of added efficiency and greater compactness for the system as a whole. One example from our daily lives emphasizes the advantage of GaN for consumers, as this technology makes it possible to manufacture notebook adapters four times smaller and lighter than those currently on the market, i.e. about the size of a matchbox.

We see two applications where the advantages of GaN technology over silicon technology offer the greatest customer benefit and therefore where the broadest market acceptance can be expected: firstly, in power supplies for servers, due to the stricter requirements in terms of efficiency, and secondly in power supplies for extremely thin televisions, due to the more compact design. When it comes to servers and telecommunications equipment that run around the clock, day in day out, every improvement in the efficiency of the power supply has a particularly high impact on power consumption and therefore on the electricity bill. Premium televisions, on the other hand, are becoming increasingly flat. Meanwhile, every millimeter of height is important. These days, the measurements of the power supply are largely determined by the size of the passive components. With GaN transistors, these components are significantly smaller due to the higher switching frequencies, and the additionally reduced losses allow the use of far smaller heat sinks.

The acquisition of International Rectifier has significantly strengthened our position in the field of GaN power semiconductors. Our combined know-how now enables us to develop products more quickly and therefore reduce time-to-market. Particularly important is our expertise in growing mono-crystalline layers of GaN on a silicon wafer substrate. These epitaxy processes are both difficult and important in mastering the so-called GaN-on-silicon technology: difficult because of the fact that silicon and GaN have different crystalline structures. Via multiples of intermediate layers of certain materials, each of which is only a few atomic layers thick, the geometry of the silicon crystal lattice is transferred to the geometry of the GaN crystal lattice. And important because the low-cost GaN-on-silicon wafers are the basis for competitively pricing the GaN components. All other alternative substrates are more expensive than the standard silicon wafer which is manufactured in high volumes.

Our GaN development network includes sites in both Europe and the USA. At our site in Villach (Austria), our competence center for power electronics of all technologies and therefore also responsible for developing GaN technology, we have already implemented a complete frontend pilot line for processing 150-millimeter GaN wafers. Some of the development and characterization work on GaN components as well as the above-mentioned epitaxy processes are performed at sites in the USA. It is remarkable how quickly the various R&D activities have been able to merge. Teams that were previously in competition with one another have successfully united to form a cohesive unit within only a few months.

In addition to strengthening our GaN expertise through the acquisition of International Rectifier, during the 2015 fiscal year we were successful in expanding our GaN product portfolio by licensing a key type of transistor. Infineon and the Japanese company Panasonic have signed an agreement covering the joint development of GaN components. In this context, Panasonic gave Infineon a license for normally-off GaN transistors.

Furthermore, Infineon is expanding its range of products to include specific drivers and control ICs that enable the corresponding topologies and higher frequencies, allowing the advantages of GaN to be fully exploited. Infineon's GaN-on-silicon portfolio, combined with the GaN platform as part of the acquisition of International Rectifier and the partnership with Panasonic, positions Infineon as technology leader in the highly promising GaN market.

The existing expertise in the field of power semiconductors at the Villach site and particularly the GaN manufacturing expertise were the reasons why Infineon Technologies Austria AG is both partner and head of the European "PowerBase" research project. The kick-off event was held at the Villach site in May 2015. The project, which continues until 2018, is focusing on developing the next generation of GaN components and establishing a pilot line for GaN wafers in an industrial manufacturing environment with a view to achieving volume production.

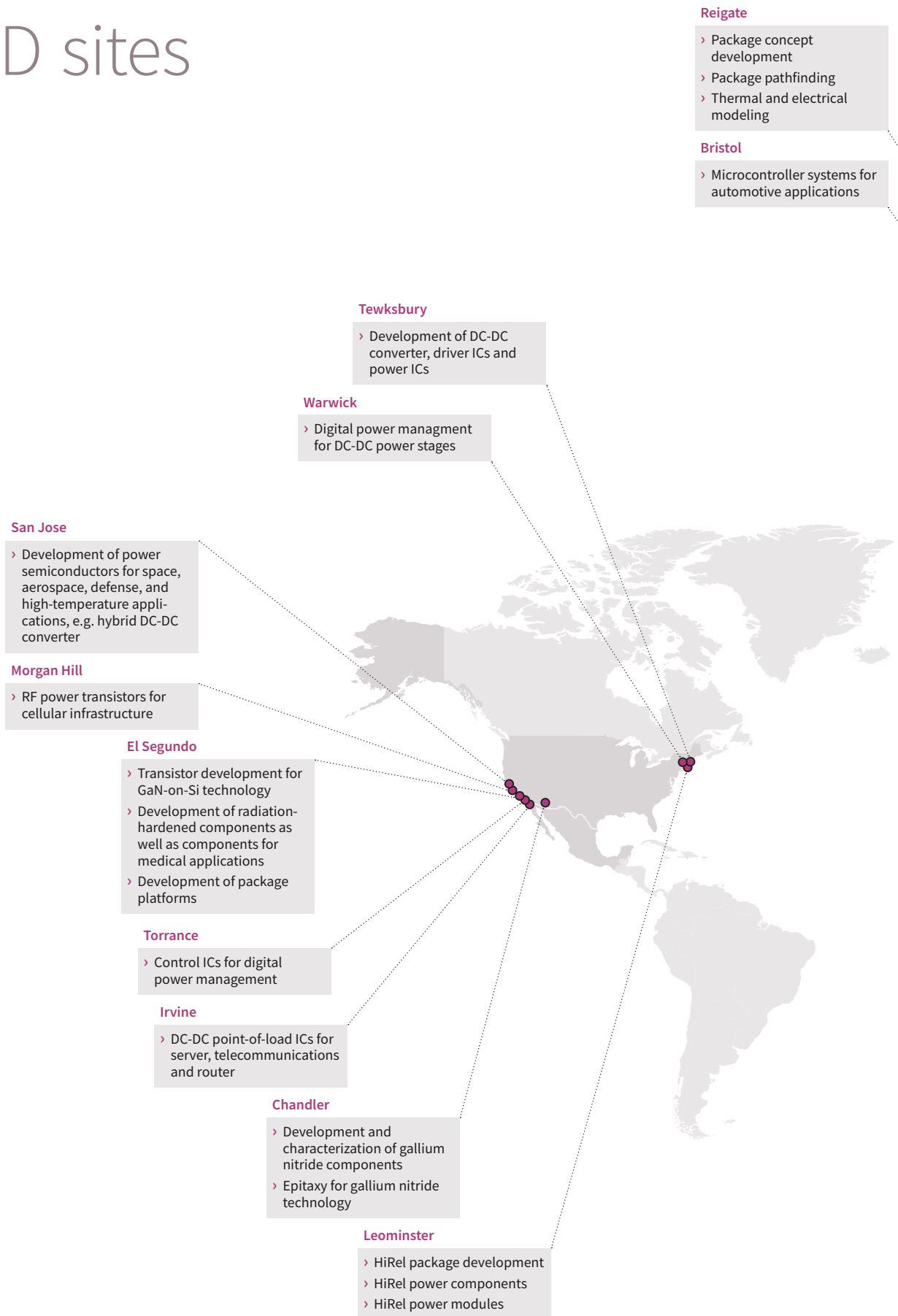
GaN transistors make it possible to manufacture highly compact power supplies, such as those required for flat-screen televisions



 see glossary, page 291



# R&D sites



**Duisburg**

- › Technology development
- › ASIC development

**Warstein**

- › Product development IGBT modules
- › Assembly and package technology for IGBT modules and IGBT stacks

**Skovlunde**

- › HiRel DC-DC converter
- › HiRel high-level power management solutions

**Augsburg**

- › Software for chip card applications

**Dresden**

- › Highly-integrated and multi-functional CMOS technologies for RF, sensors and MEMS, among others
- › Discrete and integrated power semiconductors
- › Development center for Industrial Internet

**Regensburg**

- › Competence center for technology, preassembly and package development
- › Competence center for manufacturing innovation
- › Product and technology development for sensors

**Neubiberg near Munich**

- › Technology integration
- › Design flow and library development
- › IC, software and system development for micro-controllers, ASICs, sensors and chip card ICs
- › Power electronics for automotive and industrial applications
- › Manufacturing processes

**Linz**

- › RF ICs, especially radar ICs
- › Software development for sensor products

**Graz**

- › Chip card applications
- › Contactless systems
- › Automotive power semiconductors
- › Sensor applications

**Bucharest**

- › Power semiconductors
- › Mixed-signal and RF ICs
- › Chip card ICs

**Beijing**

- › Application development

**Seoul**

- › Automotive electronics system solutions
- › System integration for power semiconductors

**Shanghai**

- › Application development
- › RF technology for cellular infrastructure

**Ipoh**

- › Development of package derivatives
- › NPI (new product introduction) qualification

**Malacca**

- › Package technology

**Singapore**

- › IC, software and system development for automotive and industrial applications
- › Package technology
- › Test concepts

**Le Puy-Sainte-Réparate**

- › Automotive applications: driver ICs and half-bridge driver for brushless DC motors

**Pavia**

- › Driver ICs for motion control

**Padova**

- › Power semiconductors
- › Mixed-signal components

**Villach**

- › Power semiconductors, analog and mixed-signal ICs for automotive and industrial applications
- › Technology development for sensors
- › Competence center for thin-wafer technology
- › Competence center for compound semiconductor technologies
- › Development center for Industrial Internet

**Bangalore**

- › Software and system development for automotive, industrial and chip card applications
- › Design flow and library development



A photograph of a semiconductor manufacturing machine, likely a wafer stepper or similar lithography equipment. The machine is complex, with various metal components, lenses, and a large circular lens assembly visible. The lighting is dramatic, with strong highlights and deep shadows. A large, semi-transparent purple geometric shape is overlaid on the left side of the image, containing the word "Operations" in white text.

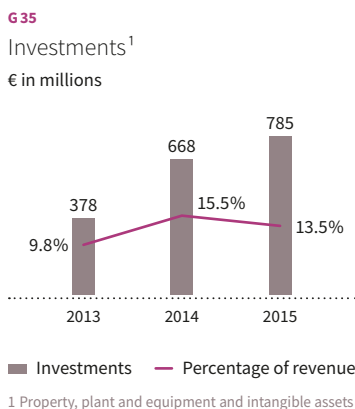
# Operations





**Infineon's manufacturing sites employed a workforce of about 26,000 people – at 19 manufacturing sites in 11 countries.**

- › Investments: €785 million
- › First product for automotive applications qualified on 300-millimeter thin-wafer manufacturing technology
- › International Rectifier manufacturing sites integrated in the Infineon manufacturing network



Our investments during the 2015 fiscal year totaled €785 million, an increase of €117 million or 18 percent on the previous year's investment figure of €668 million. The investments included €21 million for the purchase of the Qimonda patents and €54 million for the expansion of the Kulim site (Malaysia). International Rectifier's investments are included from the date of first-time consolidation. Apart from the cost of expanding manufacturing capacity, the increased value of the US dollar led to higher investment figures.

Investments expressed as a percentage of revenue decreased from 15.5 percent in the 2014 fiscal year to 13.5 percent in the 2015 fiscal year. Of the total investments, €646 million related to property, plant and equipment (2014 fiscal year: €567 million) and €139 million to intangible assets, including capitalized R&D costs (2014: €101 million).

By far the largest share of the investments in property, plant and equipment were made in manufacturing sites. Of those, around two thirds related to frontend sites and the majority of the remainder to backend sites. Most of the investments made at our frontend and backend sites were attributable to the following:

- › Expansion of 300-millimeter frontend capacity
- › Expansion of 200-millimeter frontend capacity in differentiating manufacturing technologies, such as power semiconductors and magnetic field sensors for automotive applications, MEMS sensors and radio frequency components
- › Increased level of automation, expansion of Industrial Internet ("Industry 4.0") manufacturing
- › Expansion of backend manufacturing capacity
- › Adaptation and re-equipping of manufacturing lines to accommodate changes in the product portfolio, especially the ramp of volume production of new technologies and products

Since the integration of International Rectifier and the complete takeover of LS Power Semitech Co., Ltd. we now operate a total of 19 manufacturing sites in 11 countries: Dresden, Regensburg and Warstein (all in Germany); Villach (Austria); Newport (Wales, UK); Cegléd (Hungary); Morgan Hill, Temecula, San Jose, Leominster, Mesa (all in the USA), Tijuana (Mexico); Beijing and Wuxi (both in China); Malacca and Kulim (both in Malaysia); Cheonan (Korea); Batam (Indonesia) and Singapore (see map at the end of this chapter). As of September 30, 2015, these manufacturing sites employed a workforce of 25,909 people in manufacturing functions (September 30, 2014: 21,959 people at the Infineon sites at that date).

### The main areas of investment in the 2015 fiscal year

Continued brisk demand for power semiconductors for automotive applications and the planned medium-term transfer of manufacturing from International Rectifier sites to Infineon sites led to the further expansion of the second manufacturing building at the 200-millimeter frontend site at Kulim (Malaysia), known as “Kulim 2”. The installation of the final infrastructural facilities started during the 2015 fiscal year. The “Ready for Equipment” milestone, i.e. the beginning of equipping the cleanroom, is scheduled for spring 2016.

The Kulim (Malaysia) site. The first manufacturing building (left) was opened in 2006. The second manufacturing building is to be equipped with cleanroom manufacturing machinery as of spring 2016.




In order to boost the productivity of our in-house manufacturing capability, we have put even more emphasis on our automation efforts in recent years. In the process, we have increased the productivity of our plant in Dresden (Germany) by roughly 10 percent through automation. Based on these positive experiences, we have also begun to increase the degree of automation at our sites in Kulim, Regensburg (Germany) and Villach (Austria), adapting our approach to suit the specific conditions at each site.

The analysis of the optimization potential of the manufacturing infrastructure led to the decision to close the “Singapore Techview” site, where wafers are thinned. We also intend to relocate manufacturing capacities from the frontend site in Newport (Wales, UK) by the end of the 2017 calendar year and sell the property. The Mesa site (Arizona, USA), however, offers additional manufacturing capacity for epitaxy processes as well as know-how. We intend to expand this site to make better use of the existing capacities there with a view to fully utilizing them in the foreseeable future.



 see glossary, page 293


 see glossary, page 290

First volume production of automotive-qualified products on 300-millimeter thin-wafers worldwide: the 40-volt OptiMOS™ 5



### Product portfolio for 300-millimeter thin-wafer manufacturing expanded

Towards the end of the 2014 fiscal year, we began manufacturing various types of products of low-voltage power semiconductors from our OptiMOS™ family, high-voltage power transistors from our CoolMOS™ family and also IGBT power transistors within our 300-millimeter frontend network, consisting of the sites in Dresden (Germany) and Villach (Austria). In the 2015 fiscal year we began manufacturing higher quantities of these products and thereby improving the utilization of these two fabs.

Moreover, in the 2015 fiscal year the first product for automotive applications was granted customer approval: the 40-volt OptiMOS™ 5, for which volume production began during the 2015 fiscal year. Infineon is therefore the first semiconductor manufacturer worldwide to begin the volume production of automotive-qualified power semiconductors on 300-millimeter thin-wafers ( see glossary, page 295). The 40-volt OptiMOS™ 5 is installed in a wide range of brushless DC motors and half-bridge automotive applications, such as power windows, sunroofs, hatchbacks, central locking systems, gasoline pumps, solenoid valves and DC-DC converters.

Apart from transferring Infineon's own 200-millimeter manufacturing technologies to 300-millimeter technologies, we also plan to transfer a number of International Rectifier products to Infineon sites, preferably to the 300-millimeter manufacturing site at Dresden. Low-voltage MOSFET and IGBT power transistors in particular will be considered for relocation. Primarily due to the planned phasing out of the Newport (Wales, UK) site (see previous section), manufacturing capacities will be either relocated to Dresden or outsourced to manufacturing partners by the end of the 2017 calendar year.

### Infineon and UMC sign manufacturing contract for automotive applications

In December 2014, Infineon and the Taiwan-based United Microelectronics Corporation (UMC), one of the world's leading semiconductor contract manufacturers, expanded their existing research and manufacturing partnership to include power semiconductors for automotive applications. Under the terms of the new contract, Infineon is transferring its Smart Power Technology (SPT9) to UMC. Manufacturing is scheduled to start at UMC's 300-millimeter fab in Taiwan in 2018. Thanks to its outstanding manufacturing expertise, UMC is capable of meeting the automotive quality requirements which are the highest across all industries.

Automotive applications require an ever-increasing level of functionality and safety as well as cost-optimized solutions. In order to fulfill these requirements, power semiconductors need more and more digital logic capability. In the 2009 fiscal year, with SPT9, Infineon became the first semiconductor manufacturer worldwide to introduce a 130-nanometer manufacturing process qualified for automotive applications that combined complex digital logic circuits, microcontrollers, sensor interfaces and power electronics. It is therefore now possible to integrate numerous functions in one single chip that had previously been manufactured in several chips using various manufacturing technologies, thereby reducing the total number of components as well as the error rate in vehicles. Moreover, the use of SPT9 means the chip size is considerably smaller, which not only improves functionality, it also significantly increases productivity. The versatility of SPT9 automotive applications include the controlling of small electric motors such as those for power windows, windshield wipers, sunroofs, electronic seat adjustment, ventilation, oil pumps, water pumps and airbags.

### Strategic manufacturing approach bears fruit: The Chip Card & Security segment is benefiting from increased foundry share

The continuously increased manufacturing share outsourced to foundries in the course of the 2015 fiscal year has also led to a noticeable improvement in profitability. The Segment Result Margin of 18 percent in the Chip Card & Security segment is partly due to the lower rate of investment in in-house manufacturing and certain cost savings for developing the corresponding process technologies.

One facet of our manufacturing strategy has therefore proved to be right, i.e. the outsourcing of manufacturing of products in non-differentiating technologies to foundries. We also implement this strategy – outsourcing to subcontractors – in the area of backend manufacturing, such as for the standard packaging of high-voltage MOSFET power transistors.

 see glossary, page 289

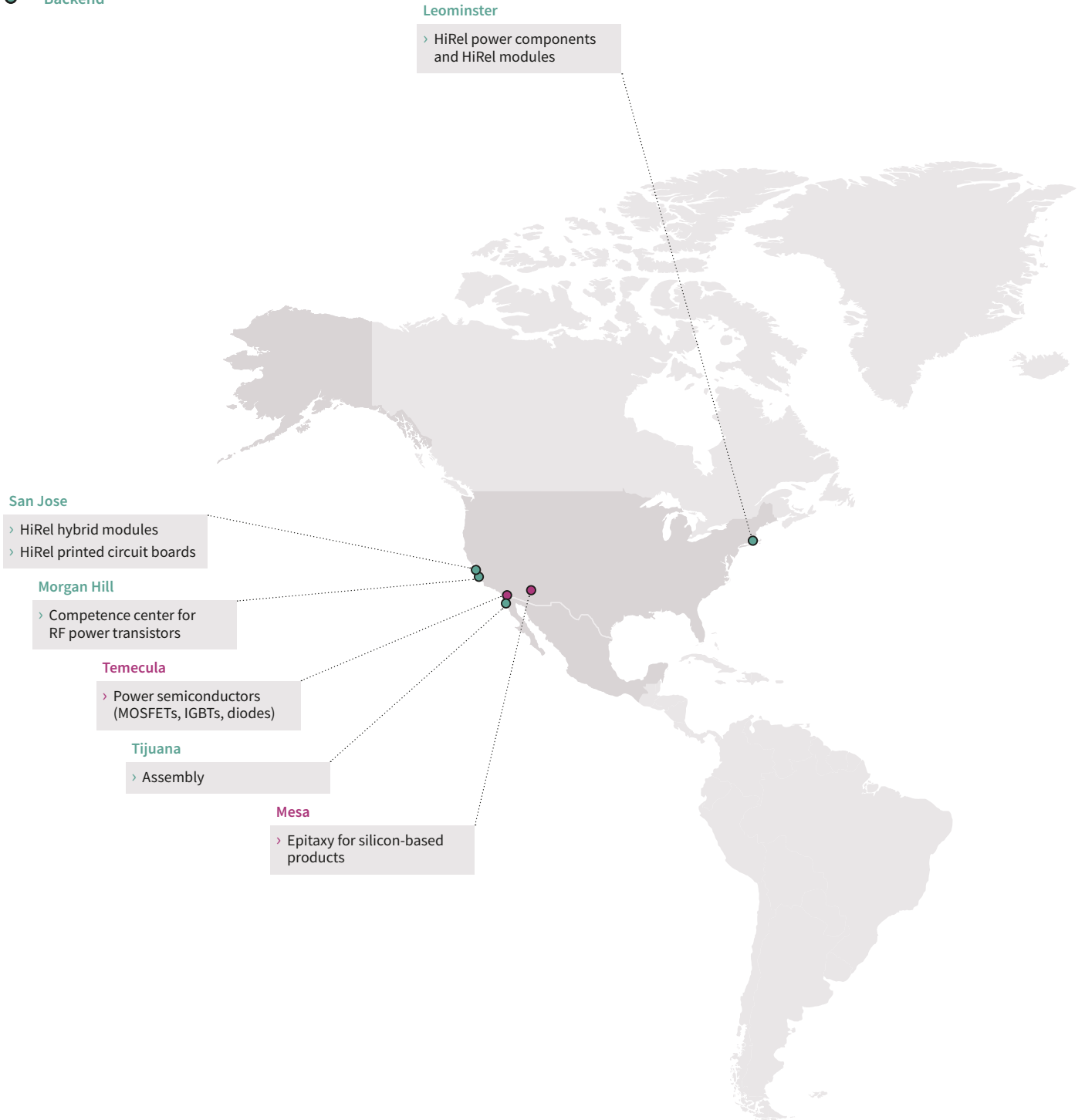
### Number of suppliers increased due to the acquisition of International Rectifier; increased importance of contract manufacturers following the acquisition and implementation of our manufacturing strategy

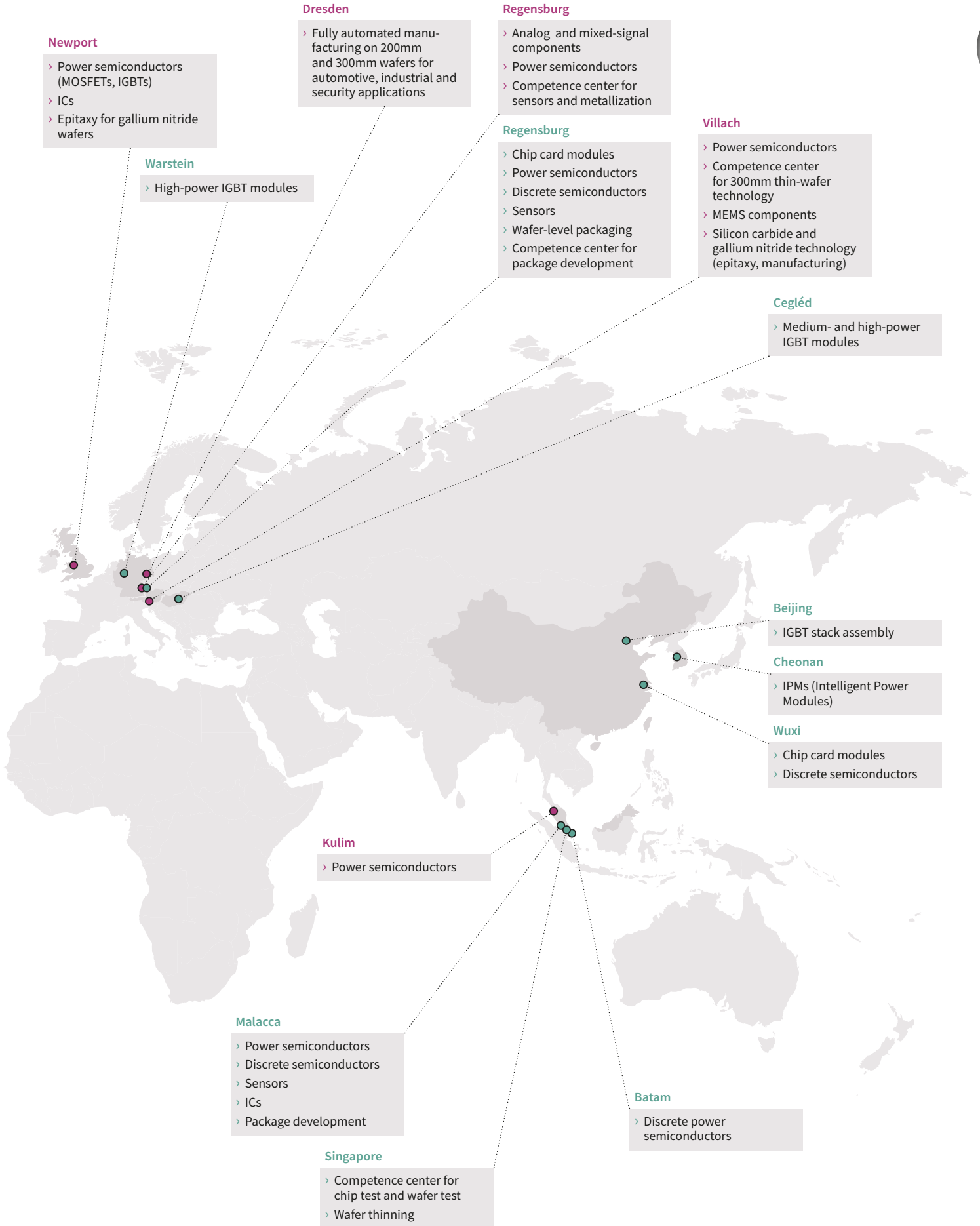
Compared to all suppliers, spending with contract manufacturers increased disproportionately. Firstly, because International Rectifier has traditionally had a higher outsourcing share than Infineon, and secondly as a result of our above-mentioned manufacturing strategy. We spent a good half of our revenue on externally manufactured products and services provided by our suppliers.

# Manufacturing sites

## Infineon sites

- Frontend
- Backend





# Internal management system

**P** see page 32 ff.

The internal management system at Infineon is designed to assist in implementing the Group strategy described in “Group strategy” in the chapter “Finances and strategy”. Accordingly, performance indicators are used which enable profitable growth and efficient employment of capital to be measured. Infineon has set itself the targets of:

- › achieving a compound annual revenue growth rate of 8 percent
- › thereby achieving a 15 percent Segment Result Margin over the economic cycle and
- › limiting investments to 13 percent of revenue over the economic cycle

Overall, attaining these financial targets yields in a sustainable increase in the value of the business, brought about by achieving a premium on the cost of capital in the long term.

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

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 key performance indicators. Information for controlling purposes is derived from annual long-term planning, quarterly forecasting, orders received per week and actual monthly financial results. This knowledge enables management to base its decisions on sound information with respect to the current situation and future expected financial and operational developments. Sustainable business practices and the consideration of forward-thinking qualitative factors are important for Infineon’s long-term success. As an enterprise very much aware of its responsibilities towards society, Infineon also takes account of non-financial factors, mainly in the fields of sustainability (see the chapter “Sustainability at Infineon”) and human resources (see the chapter “Our employees”). Although these factors are not used to manage business performance, they nevertheless help Infineon achieve its financial targets.

**P** see page 92 ff. and page 108 ff.

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

**P** see page 174 ff.

## Performance indicators

### Principal performance indicators

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

- › Segment Result to measure the operating profitability of its various businesses and of the portfolio as a whole
- › Free cash flow from continuing operations to measure the amount of cash generated or used excluding financing activities
- › Return on Capital Employed (RoCE) to measure capital efficiency

Segment Result is the key figure for measuring operating performance. Expressed as a percentage of revenue (Segment Result Margin), it measures profitability of revenue and shows how well operations are being managed. The activities of Infineon's segments are managed on the basis of Segment Result. Responsibility for optimizing Segment Result within the framework of Group strategy (as approved by the Management Board) rests with the management teams of the relevant segments, acting, however, in coordination with the Management Board.

Free cash flow from continuing operations enables us to measure how well operating profitability is being converted into cash inflows. This key figure also provides information on the efficient use of working capital and property, plant and equipment.

Infineon also compares the actual as well as the planned Return on Capital Employed (RoCE) against the cost of capital, in order to ensure value creation.

The three performance indicators described above are also the cornerstones of the system for variable compensation within Infineon. Most variable salary components for employees and management are directly linked to these performance indicators. Since revenue growth correlates with all three performance indicators and is heavily dependent on external market circumstances as well as cyclical developments, it is not used as a key performance indicator in its own right.

### Segment Result

Segment Result is defined as operating income (loss) excluding the following: the net amount of asset impairments and reversals thereof; the impact on earnings of restructuring and closures; share-based compensation expense; acquisition-related depreciation/amortization and other expenses; gains (losses) on sales of assets, businesses, or interests in subsidiaries as well as other income (expense), including litigation costs (see note 32 to the Consolidated Financial Statements for a computation of the relevant figures). Court and legal fees arising in conjunction with licensing Infineon's patents are included in Segment Result, as is any related income. Segment Result is the indicator that Infineon uses to evaluate the operating performance of its segments (for an analysis of Group and individual segment performance in the 2015 fiscal year, see the chapter "The segments" and the section "Successful 2015 fiscal year" in the chapter "Finances and Strategy").

**P** see page 264 ff.

**P** see page 52 ff. and page 28



### Free cash flow

An important key performance indicator for Infineon is the free cash flow figure, defined as net cash provided by or used in operating activities and net cash provided by or used in investing activities, both from continuing operations, after adjusting for cash flows related to the purchase and sale of financial investments. Free cash flow measures the ability to generate sufficient cash flows to finance day-to-day operations and fund required investments out of the ongoing business. It is Infineon's stated target to sustainably generate positive free cash flow (see the chapter "Review of financial condition" for an analysis of free cash flow in the 2015 fiscal year).

**P** see page 142

The main levers for generating free cash flow are profitability, the ability to manage working capital efficiently and the levels of investments.

Infineon manages net working capital levels by focusing relentlessly on optimizing levels of inventories, trade receivables and trade payables.

Effective investment management plays a key role with regard to managing free cash flow. Our stated strategy of managing investments systematically and limiting them to 13 percent of revenue should be seen in this context. Free cash flow is considered by Infineon only at Group level and not at segment level.

### Return on Capital Employed (RoCE)

The performance indicator RoCE measures the ability of capital to provide a return and is defined as the operating result after tax from continuing operations divided by capital employed. Capital employed consists of non-current assets and net working capital. RoCE shows the correlation between profitability and the capital resources required to run the business.

$$\text{RoCE} = \frac{\text{Operating result after tax from continuing operations}}{\text{Capital employed}}$$

This key performance indicator describes how efficiently a company manages its resources. RoCE is also analyzed by Infineon at Group level only and not at segment level. A comparison of a company's RoCE and its weighted cost of capital provides information on the extent to which returns have been generated in excess of shareholders' and debt holders' expectations. Thus RoCE serves as a tool for value-based management.

Apart from profitability, RoCE is also influenced by asset intensity, of both non-current assets and net working capital. Asset intensity describes the amount of assets necessary to generate a certain level of revenue. For an analysis of the derivation of and change in RoCE in the 2015 fiscal year, see the chapter "Review of financial condition".

**P** see page 139

### Other performance indicators

The principal performance indicators described above are supplemented by others that provide information about growth potential, cost efficiency by functional area and liquidity.

### Growth and profitability performance indicators

Revenue growth is compared continuously with the rate of growth of relevant target markets. This ties in directly with our strategic target of profiting continuously from the growth of our target markets. A further indicator for future revenue growth is the number of design wins, whereby we regularly measure actual outcomes against targets.

As part of the process of analyzing operating profitability in detail, Infineon considers earnings and costs above the Segment Result line. This involves a review of gross profit, research and development expenses, selling, general administrative expenses and the ratio of these items to revenue. These performance indicators are used to manage the business at both Group and segment levels. For an analysis of changes in the fiscal year under report, see the chapter “Review of results of operations”.

 see page 128 ff.

### Liquidity performance indicators

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

- › **Gross cash position:** Cash and cash equivalents plus financial investments
- › **Net cash position:** Gross cash position less short-term and long-term debt
- › **Net working capital:** Current assets less cash and cash equivalents, less financial investments, less assets classified as held for sale, less current liabilities excluding short-term debt and current maturities of long-term debt, excluding liabilities classified as held for sale
- › **Investments:** The total amount invested in property, plant and equipment and intangible assets, including capitalized research and development costs

For an analysis of changes in these key performance indicators during the previous fiscal year, see the chapter “Review of liquidity”.

 see page 139 ff.

Moreover, in order to avoid costs resulting from overcapacity and/or capacity bottlenecks, the key operational figures for capacity utilization and forecast capacity requirements are analyzed. The results of this analysis are used in determining investment requirements.

### Operational early indicators

The analysis of current and future performance is rounded off by using the following operational early indicators:

- › **Orders received:** The aggregate of all orders received by the Group from customers during the relevant reporting period
- › **Orders received as a percentage of revenue:** The ratio of orders received and revenue recognized during the same accounting period (book-to-bill ratio).

The book-to-bill ratio gives a good indication of future trends in demand. If orders received are greater than revenue recognized within a given period, it is seen as an indication of future revenue growth.

For an analysis of orders received and the book-to-bill ratio in the previous fiscal year, see the chapter “Review of results of operations”.

 see page 131

### Actual and target values for performance indicators

The “Outlook” in the chapter “Report on expected developments, together with associated material risks and opportunities” contains a table showing the actual values achieved in the 2015 fiscal year for the key performance indicators, along with expectations for the 2015 and 2016 fiscal years.

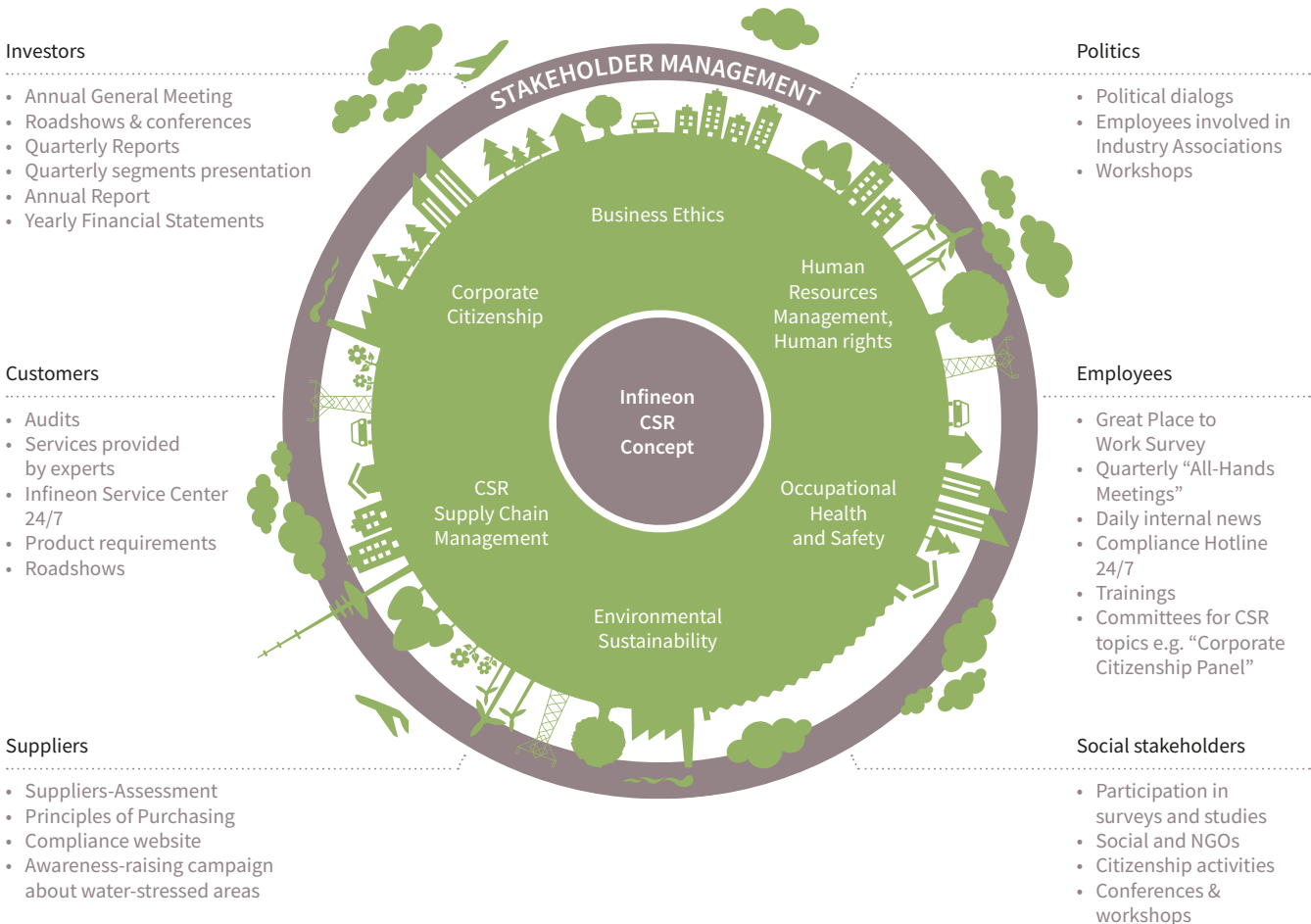
 see page 144

# Sustainability at Infineon<sup>1</sup>

In addition to the statutory audit of the Combined Management Report, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has provided independent assurance (“limited assurance”) regarding the sustainability performance information provided in this chapter in accordance with the International Standard for Assurance Engagements 3000 and the International Standard on Assurance Engagements 3410, the pertinent standards for assuring sustainability information. Further information, including the independent assurance report issued, can be found in the Corporate Social Responsibility section of the Infineon website.

@ [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting)

**G 36**  
 Infineon CSR Concept



**GRI** G4-24, G4-25, G4-26, G4-27

We understand Corporate Social Responsibility (CSR) as our voluntary responsibility towards both international and local societies. Our commitment is based on compliance with current legal requirements, the ten Principles of the UN Global Compact and the principle of sustainability as the symbiosis of economy, ecology and social engagement. Based on these tenets,

<sup>1</sup> Any data in this chapter relating to International Rectifier are explicitly identified in the various sections.

we have identified six fields of activity: Business Ethics, Occupational Health and Safety, Environmental Sustainability, CSR Supply Chain Management, Corporate Citizenship, as well as Human Resources Management and Human Rights.

**GRI** G4-25, G4-26, G4-27

As part of the continuous development and enhancement of our CSR concept, in addition to the materiality analysis (see the chapter “About this report”) we view a sustained dialog with stakeholders as key to understanding their expectations. We have identified the most important stakeholders for Infineon, taking into account the scope of the “Stakeholder Engagement Manual” drawn up by the organization “AccountAbility” (see the chapter “About this report”).

**P** see page 3 f.

**P** see page 4 ff.

In our materiality analysis we evaluate the expectations and requirements of our internal and external stakeholders in the field of sustainability in various topics in accordance with the sustainability reporting guidelines set out by the Global Reporting Initiative GRI 4. The results of our continuous dialog with our stakeholders have been integrated into the design of the analysis.

The numerous areas and departments of Infineon utilize various channels of communication, engaging continually in conferences, forums, associations and surveys with the aim of fostering targeted communication with the respective stakeholder groups (see “Cooperation with universities” in the chapter “Our employees”).

**P** see page 111 f.

In 2015, Infineon again qualified for listings in key sustainability indices, which assess companies according to environmental, social and governance criteria.

**P** see the chapter “Awards” on page 122 f.

Infineon is listed in the “Dow Jones Sustainability™ Europe Index” and, for the first time, was the only European semiconductor manufacturer to be listed in the Dow Jones Sustainability™ World Index in 2015. Infineon is also represented in other important indices, such as the “STOXX® Global ESG Leaders Indices” or the “FTSE4Good Index”.

Furthermore, in the 2015 fiscal year Infineon qualified for inclusion in the Sustainability Yearbook for the fifth consecutive time. Moreover, “Oekom Research” has given Infineon the “Prime” rating.

Since 2014, Infineon has published information on opportunities and risks for the company derived from climate change via the Carbon Disclosure Project (CDP). In this year’s CDP climate change report, Infineon has achieved a placing among the best companies in the “Information Technology” sector and the status of sector leader in the so-called DACH region (Germany, Austria and Switzerland).



### Business ethics

The Infineon Business Conduct Guidelines are an important yardstick in our daily working lives. They are valid for all of our employees worldwide, in all of their dealings, whether among one another or with our customers, shareholders, business partners and the general public.

In the 2015 fiscal year we began revising our Business Conduct Guidelines as our Code of Conduct for the entire Group. We intend to update both the content and the layout, with the aim of providing greater clarity for all readers. In preparation, we conducted a study on the best possible way to draw up a Code of Conduct in cooperation with a university and involving 1,800 employees worldwide. We plan to publish the new Business Conduct Guidelines during the first six months of the 2016 fiscal year (see the chapter “Corporate Governance”).

**P** see page 174 ff.

**Business Ethics**

Target achievement and summary of results in the 2015 fiscal year

**Targets achieved:**

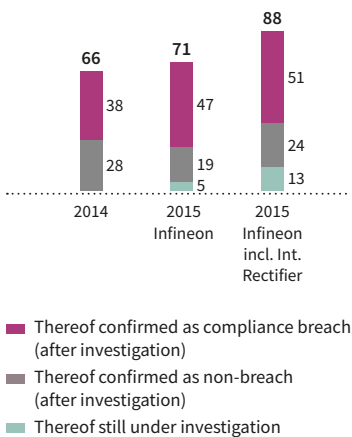


- › Apart from beginning to update our Business Conduct Guidelines, during the fiscal year we drew up a new worldwide rule on the Handling of Gifts and Invitations, and implemented it throughout the Company.
- › The number of participants of the obligatory compliance training remained high at approximately 16,700. As expected, the figure was lower than in the previous reporting period, as in the 2015 fiscal year we concentrated primarily on rolling out the web-based training on corruption prevention and antitrust law. The focus had previously been on Business Conduct Guidelines training. All employees were required to take part in this training.

Targets for the 2016 fiscal year

- › Implementation of the revised Business Conduct Guidelines worldwide and the corresponding training, which addresses all Infineon employees.
- › To complete the integration of the former International Rectifier sites in the existing Compliance Management System: Infineon compliance training and compliance processes will be successively applied to all International Rectifier employees. The revised Business Conduct Guidelines will also apply directly to International Rectifier employees upon publishing.

**G 37**  
 Reports of possible compliance breaches



Infineon Technologies AG and selected major subsidiaries commissioned an independent audit firm to confirm the appropriateness, implementation and effectiveness of their Compliance Management System in accordance with the IDW PS 980 standard. This audit (which focused on corruption prevention and antitrust law) was completed in the course of the 2014 fiscal year. Afterwards the standard was transferred to the remaining Group companies during the 2015 fiscal year and completed by the end of that same year, with the exception of International Rectifier companies. Adherence to the Compliance Management System within the Group's various subsidiaries will be monitored in regular internal audits.

As a UN Global Compact participant, Infineon has made a commitment to abide by the stated principles and reports below in an exemplary manner in its Communication on Progress on the measures implemented:

| UN Global Compact   | Measures implemented  |
|---|---|
| <b>Human Rights</b>   |   |
| <p><b>Principle 1: Support for human rights</b></p> <p><b>Principle 2: Non-complicity in human rights abuses</b></p>  | <ul style="list-style-type: none"> <li>› Training for all employees on Business Conduct Guidelines, which reflect our self-commitment to respect and uphold international human rights. The training is supplemented with video sequences showing case studies from day-to-day working situations that are descriptive and easy to grasp for employees at every level. The training is repeated at regular intervals and new hires to the company are automatically enrolled for training.</li> <li>› Firmly defined rules in our CSR Policy as well as the Principles of Purchasing, which require our suppliers and service providers to fulfill the obligations described therein. Infineon purchases its components and materials from companies that respect human rights.</li> </ul> <p><b>P</b> see "Infineon products without DRC-conflict minerals"; page 105 f. and "Human Resources Management, Human Rights", page 95</p>   |
| <b>Labor</b>  |   |
| <p><b>Principle 3: Uphold freedom of association</b></p> <p><b>Principle 4: Elimination of all forms of forced labor</b></p> <p><b>Principle 5: Abolition of child labor</b></p> <p><b>Principle 6: Elimination of discrimination</b></p> | <ul style="list-style-type: none"> <li>› As described in our Business Conduct Guidelines, we do not tolerate discrimination and reject every form of forced labor. In addition to the usual in-house methods of reporting breaches – such as to Management, the Human Resources department or Compliance – employees and business partners can also contact an anonymous whistleblower hotline or an external ombudsman. Access and information are available on the Infineon website. During the 2015 fiscal year we recorded an increase in the number of incoming reports regarding possible breaches, which can be explained by the higher number of employees since completing the acquisition of International Rectifier (see chart 37).</li> <li>› 74.5 percent of our employees (including International Rectifier) work at sites that have entered into collective agreements and where independent employee representatives are in place.</li> <li>› More than 90 percent of our employees work at production sites where committees are in place that also offer employers, employees and/or employee representatives the opportunity to discuss and receive advice on topics relating to environmental protection, occupational safety and health.</li> <li>› Persons under 15 years of age are not allowed to work for Infineon. Exceptions apply for certain developing countries covered by International Labour Organization (ILO) convention 138 (minimum age lowered to 14 years), or for job training and vocational training programs that are authorized by the governments of the countries involved and who demonstrably promote those participating.</li> </ul> |

| UN Global Compact  | Measures implemented   |
|--|--|
| <b>Environment</b>   |  |
| Principle 7: Precautionary approach to environmental protection                        | <ul style="list-style-type: none"> <li>› Our IMPRES (Infineon Integrated Management Program for Environment, Energy, Safety and Health) is globally certified in accordance with ISO 14001 and OHSAS 18001 standards. IMPRES underscores our commitment to the efficient management of resources, environmental protection and ecological innovation.</li> <li>› Effective energy management is important for increasing energy efficiency and reducing greenhouse gas emission levels. All of our EU frontend sites as well as Campeon, our corporate headquarters, are additionally certified in accordance with the ISO 50001 standard.</li> <li>› Efficient use of energy, mobility and security in a connected world – we address some of the most critical challenges that our society faces while taking a conscientious approach to the use of natural resources. We make life easier, safer and greener – with technology that achieves more, consumes less and is accessible to everyone. Microelectronics from Infineon is the key to a better future.</li> </ul> |
| Principle 8: Support initiatives for greater awareness of environmental responsibility |  |
| Principle 9: Development and diffusion of environmentally friendly technologies        |  |
|  | [P] see “Product sustainable value”, page 103 f.   |
| <b>Anti-corruption</b>   |  |
| Principle 10: Action against corruption  | <ul style="list-style-type: none"> <li>› Completion of a specific web-based training on anti-corruption, in which more than 7,000 selected employees worldwide have participated. The training is mandatory for selected employees and for Management.</li> <li>› Initiation of a campaign to raise awareness on the topic of compliance, including posters displayed at all of our Asian sites.</li> <li>› Implementation of an Integrity Pact program with local suppliers in China, aimed at preventing corruption. Here we utilized a concept previously developed in Malaysia in cooperation with the organization “Transparency International”.</li> <li>› Formalized risk assessment as part of the Compliance Management System and the definition of required measures.</li> </ul>  |

### Human resources management, human rights

Compliance with internationally proclaimed human rights and labor standards is self-evident.

The Infineon Business Conduct Guidelines reflect this self-commitment and define our standards as well as their implementation in this area for all employees worldwide. Our standards are in compliance with the International Bill of Human Rights and the Fundamental Principles of the International Labour Organization (ILO).

Our employees receive regular training on the Business Contact Guidelines. In addition, we have implemented external hotlines which our employees, suppliers, customers and business partners can contact, even anonymously. All reported cases are investigated by our Compliance experts (see “Business Ethics” in this chapter).

[P] see page 93

Even for its suppliers, Infineon requires compliance with all applicable laws, including those pertaining to human rights and fair business practices (see “Our responsibility along the supply chain” in this chapter).

[P] see page 105 f.

Additional information is included in the chapters “Corporate Governance” and “Our Employees”.

[P] see page 174 ff.

[P] see page 108 ff.



### Responsibility for our employees

One of our primary objectives is to create a safe working environment. Our approach in the fields of occupational safety and health protection is based on the principle of prevention.

Our occupational safety and health management system has been certified in accordance with OHSAS 18001 at all of our main manufacturing sites as well as our corporate headquarters. The workplace-related risk assessment is designed to ensure that the required measures are taken to minimize any risks at their workplace that could endanger our employees. Workplace-related risk assessment is a key preventive instrument in the fields of occupational safety and health and is subject to continual improvement.

Workplace-related risk assessments enable us to define measures that improve the working environment at Infineon. The implementation of these measures is supported by experts in this field. One example is the measures which have already been implemented at a number of Infineon sites to reduce noise levels.

Programs designed to improve ergonomics have also been implemented, including special training for preventing back injuries, the optimization of computer workstations and tips on the correct lifting and carrying of loads.

The measures taken are then monitored for effectiveness to ensure they achieve the desired result.

Our experts in the fields of occupational safety, health and fire prevention invested approximately 56,972 hours in further training and educational measures worldwide during the 2015 fiscal year.

Apart from a range of accident prevention measures, we carry out fire prevention training and evacuation exercises at all of our main production sites as well as the Campeon corporate headquarters on an annual basis.

The recording and evaluation of work-related accident figures in the course of our data collection process is performed in accordance with GRI requirements on the basis of the standardized Injury Rate (IR) and the Lost Day Rate (LDR). All work-related accidents that have led to more than one lost day have been taken into account. The figures presented in this section include data from International Rectifier sites.

There were no fatal work-related accidents at Infineon in the 2015 fiscal year. Our Injury Rate of 0.46 in the 2015 fiscal year is presented in graph 38. Almost half of the accidents resulted in 5 or less lost days. The Lost Day Rate of 5.65 is illustrated in graph 39 and can be explained by few accidents with long absence.

#### Occupational safety

Target achievement and summary of results in the 2015 fiscal year

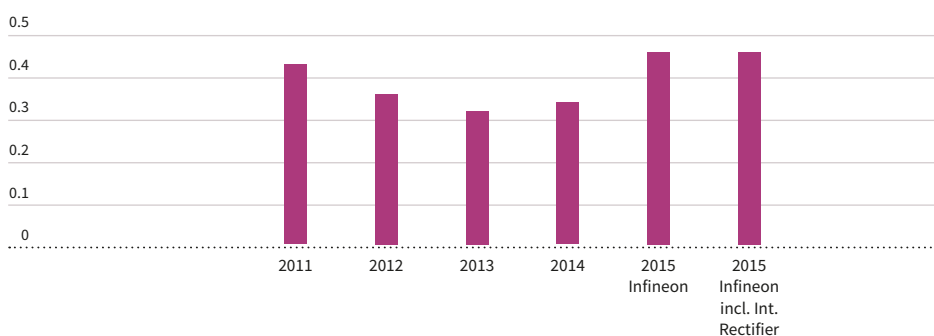
› Our Injury Rate in the 2015 fiscal year was 0.46. Almost half of the accidents resulted in 5 or less lost days

Target for the 2016 fiscal year

› Our target for the next fiscal year is to achieve an Injury Rate of 0.4 or lower.

G 38

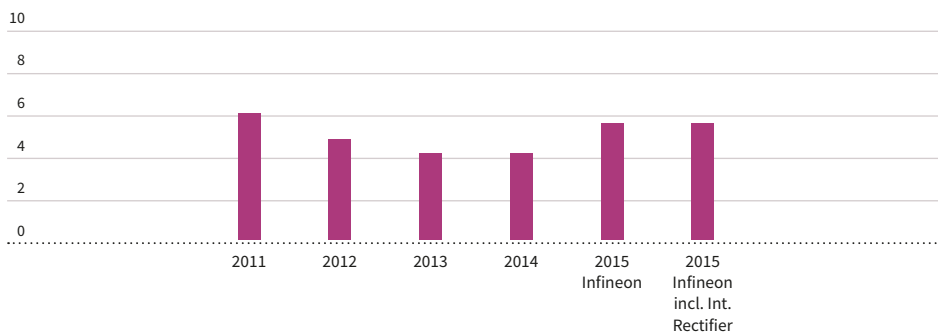
Injury Rate (IR)<sup>1</sup>



<sup>1</sup> The Injury Rate is calculated as follows: total number of injuries/total hours worked x 200,000. Holidays and public holidays are included in the working hours.

G 39

Lost Day Rate (LDR) <sup>1</sup>



<sup>1</sup> The Lost Day Rate is calculated as follows: total number of lost days/total hours worked x 200,000. Holidays and public holidays are included in the working hours.

**Environmental sustainability**

Our global management system IMPRES integrates targets and processes relating to ecological sustainability (including energy management) as well as occupational safety and health protection. IMPRES is certified in accordance with ISO 14001 and OHSAS 18001 worldwide. Additionally it has been certified in accordance with ISO 50001 energy management standard at our main European manufacturing sites as well as our Campeon corporate headquarters. We are currently in the process of integrating sites that have become part of Infineon through the acquisition of International Rectifier in our multi-site certification and have begun to implement the integrated management system. The figures given in the sections “Water management”, “Waste management” and “Efficient energy management” include International Rectifier data.

**P** see pages 97 f. and 99 f.  
**@** [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting)

**Sustainable use of resources at our manufacturing sites**

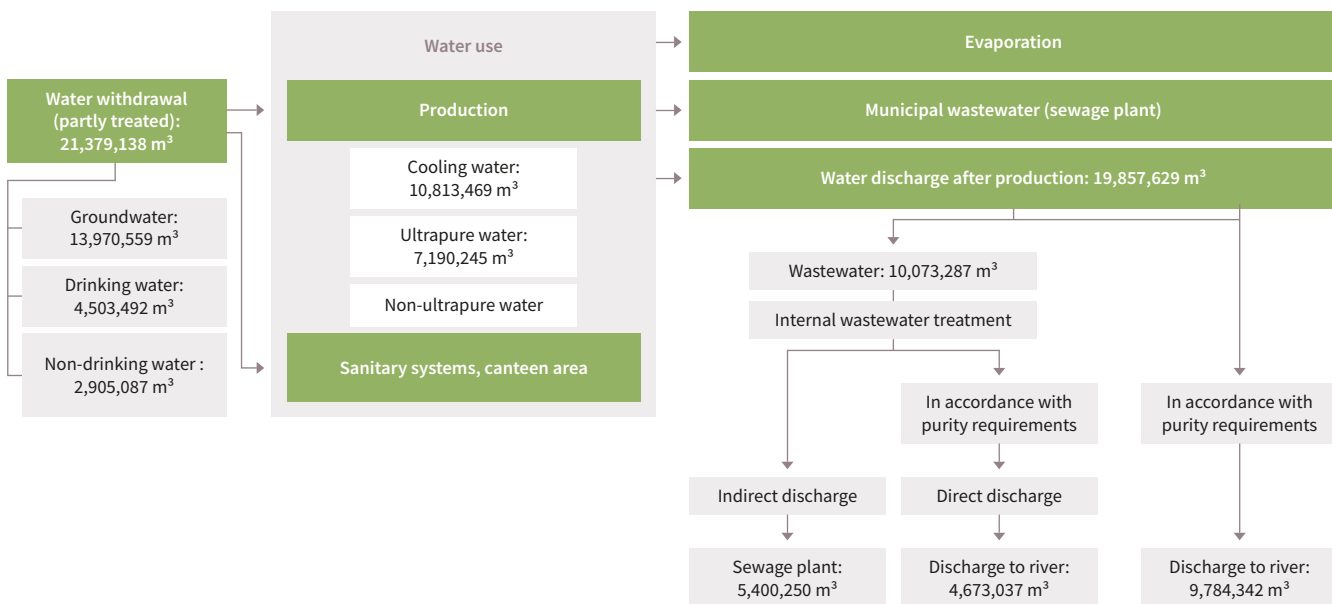
The growing scarcity of natural resources is one of today’s greatest global challenges. Optimizing efficiency in the use of resources offers both ecological and economic benefits and is a key component in our sustainability strategy worldwide.

**Water management**

Efficient water management is an integral part of our environmental management and should guarantee the sustainable use of water. The schematic diagram for water management at Infineon in the 2015 fiscal year is shown in chart 40.

G 40

Water balance



**Water management**

Target achievement and summary of results in the 2015 fiscal year

**Targets achieved:**



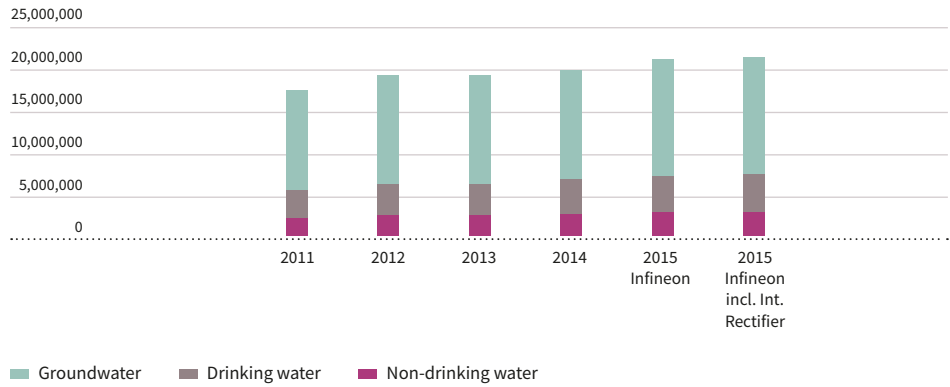
- > Infineon consumed approximately 21 percent less water than the WSC global average to manufacture one square centimeter of wafer.
- > Infineon has published its Communication on Progress to the UN's "CEO Water Mandate" on its website at: [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting)
- 9.77 percent of ultrapure water is either recycled or reused in other processes.
- "Water Efficient Building" certificate received for a further building at the Singapore site.

Targets for the 2016 fiscal year

- > Regardless of growing product complexity, our aim is that our specific water consumption does not exceed 8.5 liters per square centimeter of wafer.
- > The preparation and approval of Business Continuity Plans for the International Rectifier sites of Temecula (USA) and Tijuana (Mexico). Business Continuity Plans serve to safeguard business activities in case of serious unforeseeable events, such as natural disasters or fires, and to minimize consequential damage for Infineon and its customers. Water shortages and climate change are part of this assessment.

During the year under report, Infineon withdrew 21,379,138 cubic meters (m<sup>3</sup>) of water. Infineon sources water either from its own groundwater wells or from local providers, who supply both drinking and non-drinking water. Our water sources are shown in graph 41.

**G 41**  
 Water consumption in cubic meters

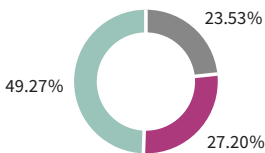


If water fails to meet our purity standards, then it is treated and afterwards used in our manufacturing processes, either for cooling purposes, or to produce ultrapure production water.

Some of this water can be re-used several times. During the reporting period, 702,489 cubic meters (9.77 percent) of ultrapure water for production purposes and 1,106,540 cubic meters (10.98 percent) of production wastewater were re-used.

After water has exited the manufacturing area, it is either directly or indirectly discharged, depending on its level of purity, the technical conditions and official permissions. The percentages of water discharged are shown in chart 42.

**G 42**  
 Water discharges 2015



- Wastewater - direct discharge
- Wastewater - indirect discharge
- Other water discharges (excluding wastewater)

The World Semiconductor Council (WSC) has defined water consumption in liters per square centimeter of wafer manufactured to measure the efficiency of water consumption. In the 2014 calendar year, Infineon frontend sites worldwide consumed around 21 percent less water to manufacture a square centimeter of wafer than the WSC global average.

According to the definition of the World Business Council for Sustainable Development (WBCSD), a water shortage exists when the total volume of renewable water resources available in a given area per capita is lower than 1,700 cubic meters per year. We performed a risk analysis at country level using the WBCSD's "Global Water Tools" 2015. As a result, Singapore is the only Infineon manufacturing site located in an area impacted by water shortages. The Singapore site accommodates mainly office and testing areas with low levels of water demand and utilized only 0.59 percent of the entire volume of water consumed by Infineon during the 2015 fiscal year. Nevertheless, water efficiency measures have been undertaken at the site, such as the installation of water-saving sanitary systems. For this reason, a further building at the Singapore site was awarded the "Water Efficient Building" certificate by the local water authority "PUB" during the 2015 fiscal year.

**G 43**  
 Standardized wastewater generation per square centimeter manufactures wafer



<sup>1</sup> Frontend sites worldwide

The high priority given to sustainable water consumption at Infineon is documented by its participation in the United Nations' "CEO Water Mandate". Our Communication on Progress regarding this initiative of the UN General Secretary is available on our website, @ [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting). We report on our handling of water and the associated opportunities and risks in the "Carbon Disclosure Project (CDP) Water Disclosure".

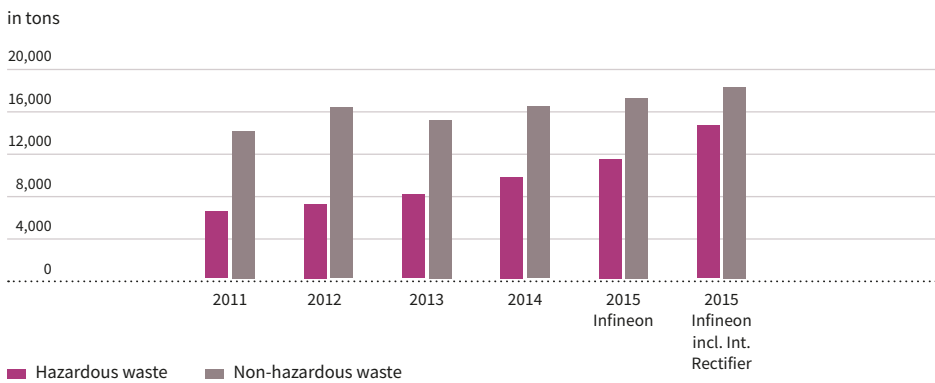
### Waste management

Our sustainable waste management is based on waste separation by type. Secure disposal methods including recycling are applied depending on the type of waste. All our manufacturing sites work with certified waste management companies. Apart from statutory requirements, fluctuating production and construction projects have the greatest impact on the amounts of waste generated.

In the 2015 fiscal year, waste totaled 32,940 tons, comprising 18,273 tons of non-hazardous waste and 14,667 tons of hazardous waste. Increases in production played a significant role in the increase in waste volumes compared to the previous year.

G 44

#### Waste generation



In the 2015 fiscal year, 67.30 percent of non-hazardous waste and 63.27 percent of hazardous waste were recycled. The percentages of the various waste management methods are illustrated in chart 45.

The WSC has defined the total volume of waste in grams per square centimeter of wafer manufactured to measure the efficiency of waste generation. In the 2014 calendar year, Infineon frontend sites worldwide generated around 50 percent less waste per square centimeter of wafer manufactured than the WSC global average.

During the 2015 fiscal year, a new waste collection center went into operation at the Villach (Austria) site with the aim of improving waste logistics. The center covers a total area of 1,600 square meters. Furthermore, from the beginning of the new fiscal year, the Villach site plans to discontinue recycling its dimethylformamide (DMF) solvent itself and have the work performed by an external specialist with further technical capabilities. The change will on the one hand improve the quality of the recycled DMF and on the other hand significantly increase the recycling rate.

### Energy efficiency and climate protection

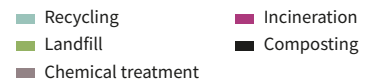
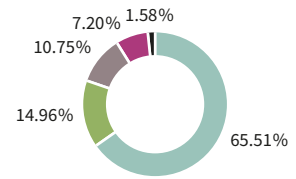
#### Efficient energy management

At Infineon, energy is used mainly in the form of electricity in all stages of semiconductor manufacturing. Primary energy sources such as oil and gas play only a minor part.

Within its manufacturing chain, Infineon consumes the majority of its energy in its frontend manufacturing sites, where the facilities require highly sophisticated physical conditions, such as particularly demanding stable conditions in the cleanrooms, which means additional energy consumption. Due to their nature, backend processes require less energy than frontend processes, followed by the development and office sites, which consume the lowest percentage.

G 45

#### Waste management methods in the 2015 fiscal year



G 46

#### Standardized waste generation per square centimeter manufactures wafer



<sup>1</sup> Frontend sites worldwide

### Waste management

Target achievement and summary of results in the 2015 fiscal year

#### Target achieved:



> Compared with the WSC global average, Infineon sites generated approximately 50 percent less waste to manufacture one square centimeter of wafer.

Approximately 65.51 percent of waste generated at Infineon sites was recycled.

#### Target for the 2016 fiscal year

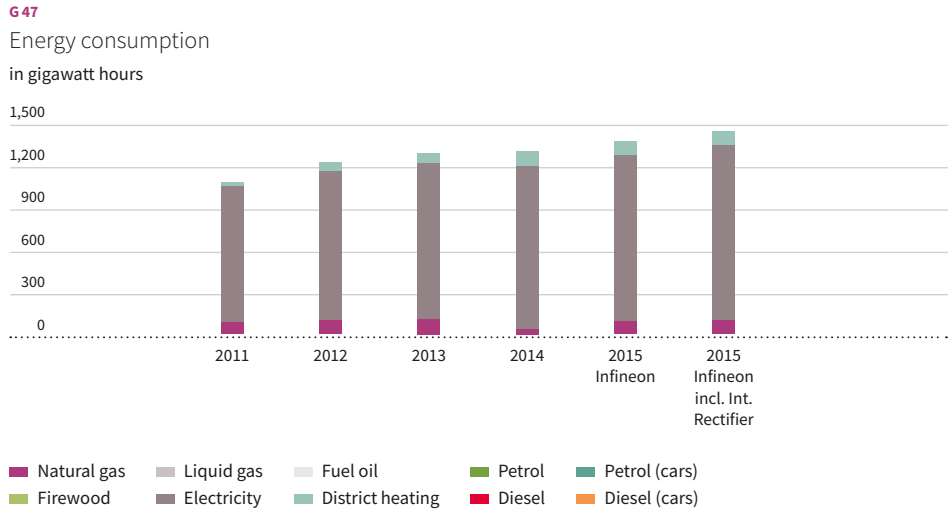
> Regardless of growing product complexity, our aim is to keep the specific waste generation below 27.5 grams per square centimeter of wafer manufactured.

G see glossary, page 291

|  | GWh             |
|--|-----------------|
| <b>Direct energy (Scope 1) renewable</b>       | <b>0.50</b>     |
| Firewood                                       | 0.50            |
| <b>Direct energy (Scope 1) non-renewable</b>   | <b>110.27</b>   |
| Natural gas                                    | 98.73           |
| Liquid gas                                     | 0.63            |
| Petrol   | 0.06            |
| Petrol (cars)                                  | 3.65            |
| Diesel   | 0.68            |
| Diesel (cars)                                  | 6.24            |
| Fuel oil                                       | 0.28            |
| <b>Indirect energy (Scope 2) non-renewable</b> | <b>1,354.13</b> |
| Electricity                                    | 1,253.07        |
| District heating                               | 101.06          |

In the 2015 fiscal year, Infineon consumed worldwide roughly 1,467 gigawatt hours (GWh) of energy. Furthermore, Infineon gave off approximately 1.54 gigawatt hours to external consumers.

Consumption by energy source is shown in graph 47 and in the adjoining table.



**G 48**  
 Standardized electricity consumption per square centimeter manufactured wafer



<sup>1</sup> Frontend sites worldwide

**Energy efficiency**

Target achievement and summary of results in the 2015 fiscal year

**Target achieved:**



› This year we implemented measures that saved an annual volume of 14.31 gigawatt hours (GWh) of electricity and district heating. We have also integrated our backend manufacturing sites in the energy savings analysis.

Target for the 2016 fiscal year

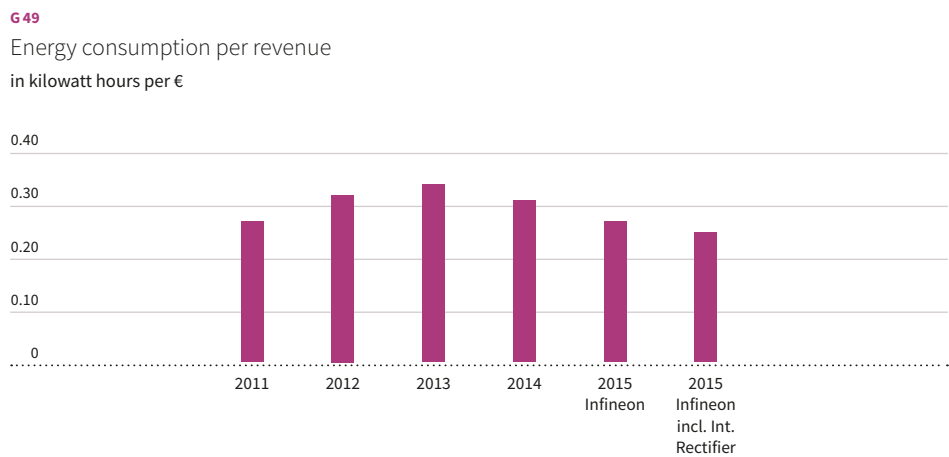
› To implement projects and measures at our manufacturing sites worldwide which are capable of saving a total of 35 GWh of energy by the end of the 2017 fiscal year.

**35 GWh**

At our main manufacturing sites and in line with local requirements, we have implemented the systematics of the energy management standard ISO 50001 and continually analyze options to further improve energy efficiency. Improving energy efficiency means reducing specific energy consumption, which in turn means a reduction in the amount of energy required per manufactured unit.

In the semiconductor industry, the WSC defines specific energy consumption as electricity consumed per square centimeter of wafer manufactured. Based on this definition, the WSC provides companies every year with an international value, which serves as a benchmark. Accordingly, in the 2014 calendar year, Infineon frontend manufacturing sites consumed approximately 40 percent less electricity per square centimeter of wafer manufactured than the worldwide average for the semiconductor industry in accordance with WSC.

In the 2015 fiscal year, the energy consumption per revenue was 0.25 kilowatt hours per euro. Figures from previous years are also shown in graph 49 as a comparison.



*Greenhouse gas emissions*

At an early stage, Infineon started developing strategies to reduce the amount of material used to the technically necessary minimum, thereby minimizing CO<sub>2</sub> emissions.

The classification of direct and indirect emissions is carried out as set out in the “Greenhouse Gas Protocol” in Scope 1, 2 and 3. The new Scope 2 guidelines now require companies to calculate and disclose two values for their Scope 2 emissions: “market-based accounting”, which is based on provider-specific emission factors, and “location-based accounting”, based on the average for the regional or national grid.

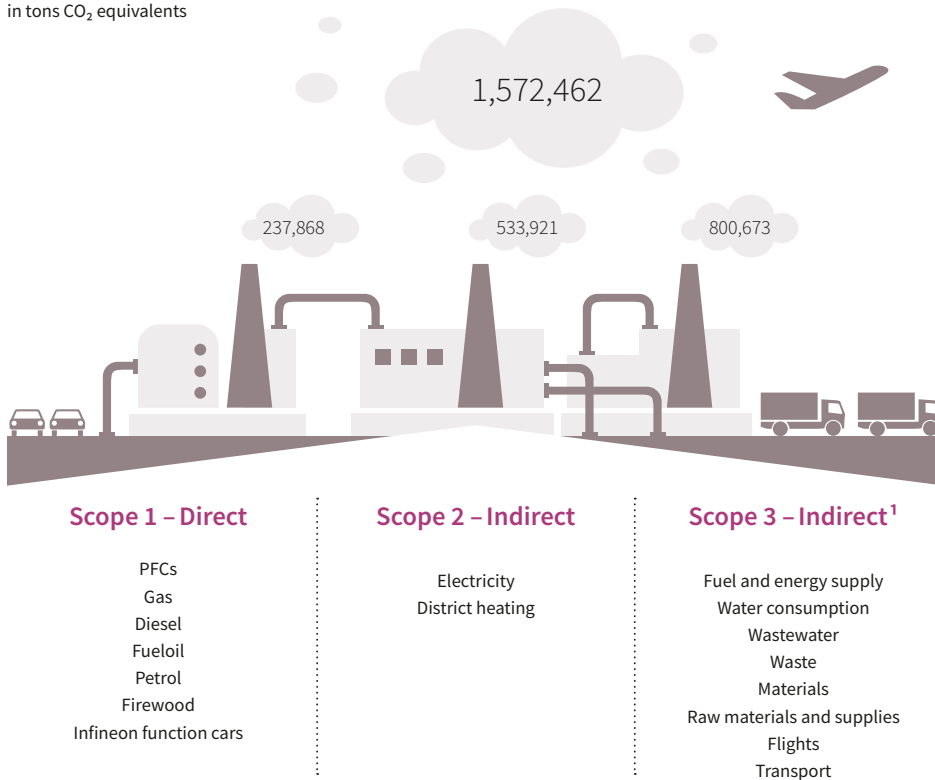
The calculation of CO<sub>2</sub> emissions is based on the ISO 14000 standard, which is concretized by the PAS (Public Available Specification) 2050 guideline issued by the BSI (British Standards Institution) for determining the ecological impact of various products, as well as by the principles of the Greenhouse Gas Protocol for determining carbon footprints (relevance, completeness, consistency, transparency, and accuracy).

In calculating the Infineon carbon footprint, we have considered in accordance with PAS 2050 the entire manufacturing process, including all of the utilities (raw materials and supplies) as well as internal and external logistics including final distribution to customers.

The following emissions and immission have been included in the calculation of the carbon footprint:

**G50**

Calculation of the CO<sub>2</sub> burden  
in tons CO<sub>2</sub> equivalents



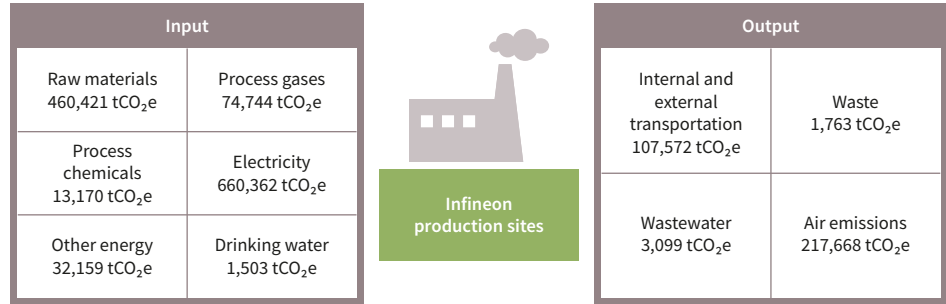
<sup>1</sup> Further emissions along the value chain

Altogether, the Infineon carbon footprint totaled 1.57 million tons of CO<sub>2</sub> equivalents in the 2015 fiscal year.



The following chart 51 illustrates the emissions by origin. The input streams show emissions that were generated in the course of supplying the materials. The output streams show emissions that were directly generated during production and through internal and external transportation.

**G 51**  
Allocation of emissions by origin  
in tons CO<sub>2</sub> equivalents (tCO<sub>2</sub>e)



*Scope 1 emissions*

The semiconductor industry uses various greenhouse gases in wafer-etching processes as well as for the cleaning of production equipment. The Perfluorinated Compounds (PFCs), sulfur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>) used cannot be substituted by another class of substances. These gases mean around 92 percent of Scope 1 emissions.

We minimize the use of these gases firstly by continually optimizing our processes by increasingly efficient manufacturing methods and intelligent abatement concepts and secondly through the use of alternative gases within the PFC group with higher utilization rates and lower greenhouse gas potential.

However, the growing complexity of our products is leading to an increasing need for greenhouse gases.

We have decided to change our PFC reporting from the use of absolute values to the Normalized Emission Rate (NER). The emissions from Infineon and International Rectifier will be standardized to reflect volumes per square centimeter of wafer manufactured. We have selected the target of the World Semiconductor Council (WSC) as a reference. Based on the WSC NER value from 2010, the WSC aims to reduce its value by 30 percent to a NER of 2.2 by the year 2020. Our target is to remain below the maximum value of 2.2. With a NER of 1.62 we achieved our target for the 2015 fiscal year.

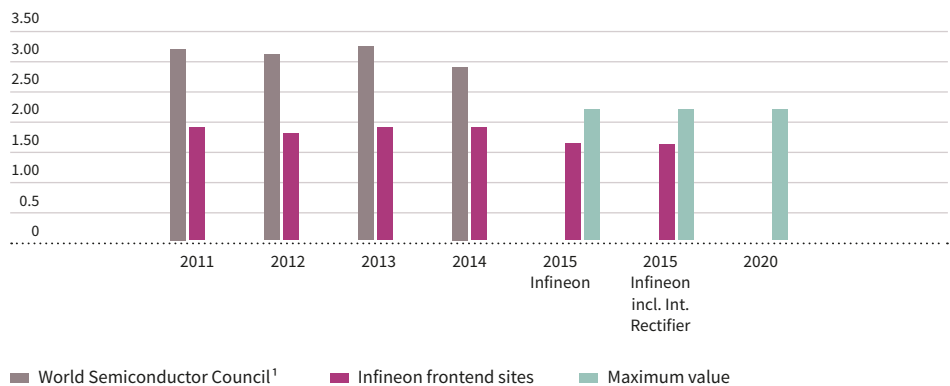
**Normalized Emission Rate**  
Target achievement and summary  
of results in the 2015 fiscal year

› Due to better available data, we have changed our method of reporting and the resulting target. From now on we will orient our reporting on the WSC NER target value of 2.2 for 2020.

Target for the 2016 fiscal year

› To maintain the Infineon NER below 2.2 in the 2016 fiscal year. The typically growing complexity of our products is leading to an increasing need for greenhouse gases. Therefore the target is a challenging and reasonable reference value for the efficiency of our emissions' reduction measures.

**G 52**  
Normalized Emission Rate  
in tons CO<sub>2</sub> per square meter



<sup>1</sup> In creating the Annual Report 2015 the WSC figures were not available.

In addition to PFC reporting, we calculate emissions for other relevant substances used at Infineon and International Rectifier main manufacturing sites on an annual basis. In the 2015 fiscal year 144,887 kilograms of sulfur oxides (SOx), 293,425 kilograms of nitrogen oxides (NOx), 331,160 kilograms of volatile organic compounds (VOCs), and 122,812 kilograms of particulate matter (PM) were emitted.

#### Scope 2 emissions

Taking into account provider-specific emission factors of the energy sources used, Scope 2 emissions totaled 533,921 tons of CO<sub>2</sub> in the fiscal year under report.

This approach was selected in order to illustrate the implementations achieved so far in terms of regenerative energy supply, such as connecting the Infineon Campeon corporate headquarters to the district heating network of the geothermal plant in nearby Unterhaching (Germany).

#### Scope 3 emissions

Scope 3 emissions refer to those generated for the provision and disposal of all raw materials and supplies as well as other utilities, goods transportation, travel and energy supply activities (transmission losses). Scope 3 emissions totaled 800,673 tons of CO<sub>2</sub>.

### Product sustainable value

Our products and innovations are the key to manufacturing energy-efficient end products and applications, and thereby make an important contribution towards improving our carbon footprint.

The products manufactured by Infineon are used in a broad range of applications and contribute towards improving the ecological efficiency of end products and applications during their use-phase. Our high-performance products make it possible to operate large-scale wind farms and photovoltaic facilities and therefore the production of regenerative energy. They are also used in industrial applications such as drive systems and engine control units and make it possible, for instance, to reduce power losses. Other Infineon products, in turn, enable the development of new, more efficient technologies such as LED lighting or induction cookers.

Together with their products in the fields of drivers and digital control, Infineon delivers energy-efficient system solutions for servers, data and telecommunications applications. This is illustrated by the two following examples. The 600-volt series CoolMOS™ C7 Superjunction (SJ) MOSFETs reduce turn-off losses by 50 percent compared with similar technologies and have therefore achieved ultra-low switching losses. High-power applications in switch-mode power supplies with stringent requirements regarding efficiency and operating costs such as state-of-the-art servers in data centers and base stations for telecommunications benefit in particular.

The OptiMOS™ 5 25-volt and 30-volt product family also shows improved performance based on the consistent reduction of switching losses by 50 percent when compared to the previous technology. These systems can be operated at higher switching frequencies, resulting in significantly lower energy consumption and overall system costs. For example, implementing the new OptiMOS 25-volt would mean annual savings of 1.3 gigawatt hours (GWh) for an average of 50,000 computers working in a server farm.

#### The Infineon carbon footprint

Complex processes and a multitude of influencing factors need to be considered when drawing up an entity's carbon footprint. By nature, carbon footprint calculations are subject to a certain degree of imprecision. However, in order to further minimize the resulting imprecision, Infineon has continued to refine its approach.

During their use-phase, Infineon products in the fields of automotive electronics, industrial drives, servers, lighting, photovoltaics and wind energy as well as induction cooking alone enable savings of roughly 36.5 million tons of CO<sub>2</sub> equivalents, 2.5 times higher than the previous year's figure. The increase is attributable to a number of factors. Improvements were made in the field of LEDs, where sales volumes have risen significantly. The sharpest increase,

 see glossary, page 290

#### Ecological net benefit

Target achievement and summary of results in the 2015 fiscal year

#### Target achieved:

> The CO<sub>2</sub> saved by Infineon products included in end products over their use-phase was about 23 times higher than the CO<sub>2</sub> emissions generated when manufacturing the products.

We have continued to improve the methodology for calculating our carbon footprint and induction cookers have now also been included in production savings.

Target for the 2016 fiscal year

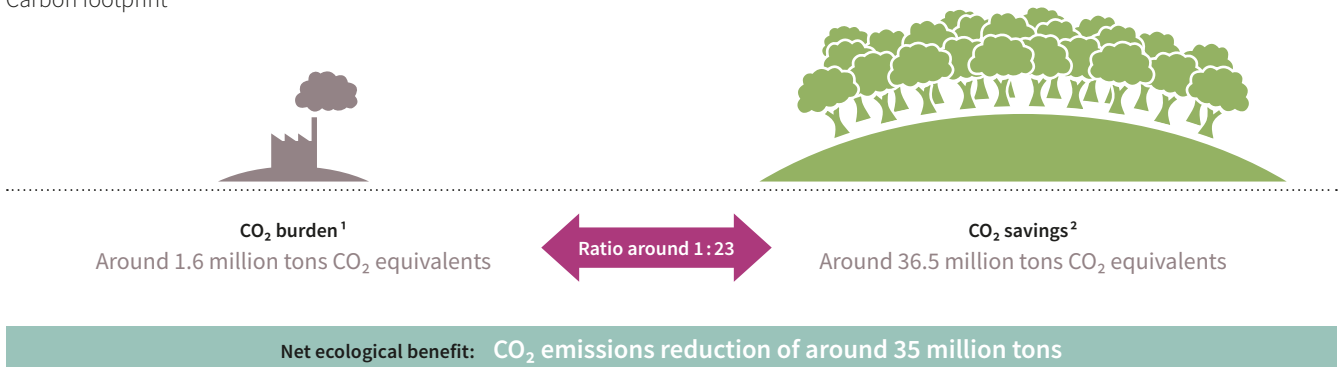
> To integrate International Rectifier data in the carbon footprint calculation.

however, is in the field of controls for industrial drives. Here, the estimated average improvement in efficiency has been adjusted in line with standard market values. The further increases in installed capacities for photovoltaics and wind power in 2014 compared with 2013 and the inclusion of the new “induction cookers” product group were responsible for this improvement.

Therefore, with its products and innovations and coupled with an efficient production, Infineon achieved a positive net benefit of approximately 35 million tons of CO<sub>2</sub>.

## G 53

## Carbon footprint



<sup>1</sup> This figure considers manufacturing, transportation, function cars, flights, materials, chemicals, water/wastewater, direct emissions, energy consumption, waste, etc. and is based on internally collected data and externally available conversion factors. All data relate to the 2015 fiscal year.

<sup>2</sup> This figure is based on internally established criteria, which are explained in the explanatory notes. The figure relates to the calendar year 2014 and considers the following fields of application: automotive, LED, PC power supply, renewable energy (wind, photovoltaic), drives as well as induction cookers. CO<sub>2</sub> savings are calculated on the basis of potential savings of technologies in which semiconductors are used. The CO<sub>2</sub> savings are allocated on the basis of Infineon market share, semiconductor content and lifetime of the technologies concerned, based on internal and external experts' estimations. Despite the fact that CO<sub>2</sub> footprint calculations are subject to imprecision due to the complex issues involved, the results are nevertheless clear.

### Compliance with legal and customer-specific requirements

The processes involved in manufacturing semiconductors are complex and require a wide variety of special chemicals and materials. At Infineon we responsibly manage the handling of hazardous substances to safeguard human health and the environment. The products manufactured by Infineon meet all of the requirements set out in the REACH EU chemicals policy (Regulation EC 1907/2006).

Two important EU directives regulate the use of certain hazardous substances in end products as defined by EU legislators.

These are on the one hand the 2000/53/EC End-of-Life Vehicles Directive (ELV) and on the other hand the 2011/65/EU RoHS Directive that restricts the use of certain hazardous substances in electrical and electronic equipment.

None of the Infineon products are in the scope of these directives. However, our customers expect Infineon products to meet legal requirements in their applications. The Infineon products comply with these requirements and conform to the substances restrictions in all applicable legal regulations, including those applicable in countries outside Europe.

Furthermore, we provide our customers with information on the chemical composition of the materials contained in our products.

Infineon works constantly on developing alternatives for certain materials, such as lead, with the aim to use them as replacements, beyond the extent required by law.

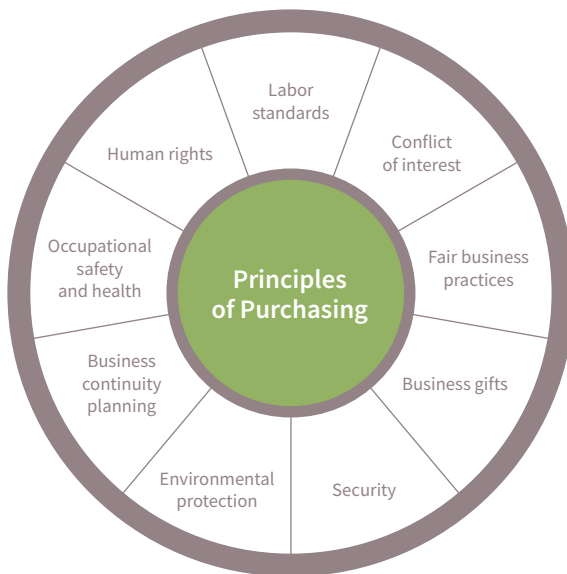
### Our responsibility along the supply chain

Long-term partnership between Infineon and its suppliers is a core element of our corporate philosophy.

Compliance with our environmental, occupational safety and CSR requirements is an important criterion in selecting future suppliers and assessing our current ones. Our Principles of Purchasing are based on internationally recognized guidelines, such as the principles of the UN Global Compact and the fundamental principles of the International Labour Organization (ILO) as well as our Business Conduct Guidelines. The requirements described therein cover the topics shown in diagram 54.

G54

Principles of Purchasing



Furthermore, our suppliers are contractually obliged to comply with our CSR requirements.

In the 2015 fiscal year we introduced a supplier management portal to provide our suppliers with a centralized platform for registering and updating relevant CSR parameters. This enables fast evaluations by the various specialists and the determination of further steps in cooperation with the suppliers, if necessary (see supply chain information in the chapter “Operations”).

Only suppliers who have committed to following our principles can enter into a business relationship with Infineon.

### Infineon products without DRC conflict minerals

In July 2010, the USA’s Dodd-Frank Act (Dodd-Frank Wall Street Reform and Consumer Protection Act) was adopted. It contains disclosure and reporting obligations for companies listed in the USA concerning the utilization of so-called “conflict minerals” that originate from the Democratic Republic of Congo (DRC) or its adjoining countries. The term applies to tantalum, tin, gold and tungsten, inasmuch as their extraction and/or trade has directly or indirectly financed or benefited armed groups in the DRC or its adjoining countries.

Respect for human rights is a matter of course for Infineon. The avoidance of conflict minerals throughout the supply chain is a firm contribution towards the prevention of human rights abuses.

### CSR in the supply chain

Target achievement and summary of results in the 2015 fiscal year

#### Target achieved:



> We installed CSR evaluation for suppliers in the new supplier management tool and carried out evaluations.

Target for the 2016 fiscal year

> To harmonize the supplier evaluation methodology and reporting with International Rectifier in the field of CSR.

see page 85

**Conflict minerals**

Target achievement and summary of results in the 2015 fiscal year

**Target achieved:**



- › The establishing of a query, registration and supplier evaluation system in accordance with the OECD guidance on implementing and maintaining a DRC conflict-free supply chain.

Targets for the 2016 fiscal year

- › To maintain the DRC conflict-free supply chain.
- › To integrate International Rectifier products in the Infineon conflict minerals declaration.

@ [www.infineon.com/csr\\_reporting](http://www.infineon.com/csr_reporting)

**Corporate Citizenship**

Target achievement and summary of results in the 2015 fiscal year

**Target achieved:**



- › Employee participation in this field has increased. Our employees donated €24,000 for earthquake victims in Nepal, in addition to the sum donated by Infineon. Moreover, Infineon has set up an account for employees to donate money for refugees. For each euro donated, Infineon donates an additional euro.

Target for the 2016 fiscal year

- › To integrate International Rectifier Corporate Citizenship activities consistent with our guidelines.

We have determined a Group-wide approach to this topic with the aim of guaranteeing the necessary transparency within our own supply chain.

Infineon uses the above-mentioned materials in the manufacture of its products and their functionality is crucial. Infineon is not listed on US stock exchanges and therefore not legally required to publish a report on conflict minerals. Nevertheless, as a member of the Conflict-Free Sourcing Initiative (CFSI), we are aware of our voluntary commitment and duty of due diligence in the supply chain. At the same time, we assist those of our customers who are required to perform due diligence within their supply chains in meeting their reporting duties in accordance with the requirements of the United States Securities and Exchange Commission (SEC).

Since Infineon does not purchase these metals directly from mines or smelters, we identify their origin in close cooperation with our direct suppliers. For this purpose we have introduced a standardized process throughout the organization, based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

In the 2015 fiscal year, Infineon identified 100 percent of its potential suppliers of conflict minerals and evaluated them with regard to their use. Based on the thorough response of our suppliers and in accordance with the requirements of the OECD guidance, we can duly state that Infineon products are fully DRC conflict-free. Moreover, we request our suppliers to continue purchasing only raw materials from smelters that meet the CFSI requirements or those of an equivalent auditing program.

We have set out our requirements in the Infineon “Conflict Minerals Policy” and the “Supplier Code for a Responsible Sourcing of Conflict Minerals”, which have been published on our website.

**Corporate Citizenship**

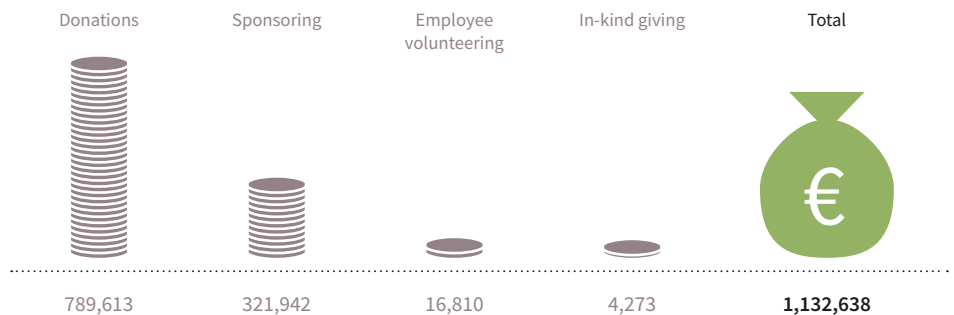
We understand Corporate Citizenship as our voluntary social commitment for the communities in which we operate. In the field of Corporate Citizenship, Infineon has defined four areas of activity: “Environmental Sustainability”, “Local Social Needs”, “Education for Future Generations” and help in case of “Natural and Humanitarian Disasters”. In addition to monetary and material donations, the commitment of our employees can be expressed in voluntary activities.

The above-mentioned areas of activity and engagement possibilities are contained in our Corporate Citizenship Guidelines. These guidelines ensure that our Corporate Citizenship activities are performed transparently and in line with our ethical principles. In addition, we have appointed a Citizenship representative at every Infineon site who is the person to contact in all matters relating to this topic.

In the 2015 fiscal year, Infineon supported 324 activities worldwide. 30 percent of the donations were local communities’ investments in the communities we interact with, and 70 percent were donations to charitable activities.

**G55**

Corporate Citizenship expenditure in €



G56

Examples of the Corporate Citizenship activities of Infineon in the 2015 fiscal year

|  |   |
|--|---|
| <p><b>Education for Future Generations</b></p>   | <ul style="list-style-type: none"> <li>› Haus der Zukunft: Initiative of the Federal Ministry of Education and Research</li> <li>› Cooperation with the association of “Industrial Engineers” of the University of Technology in Graz, Austria.</li> <li>› Chips@school: Pupils and teachers develop new ideas for the use of semiconductors</li> <li>› LittleTech: Early support in technologies in kindergardens and primary schools</li> </ul> |
| <p><b>Local Social Needs</b></p>                 | <ul style="list-style-type: none"> <li>› “Learn for Life” project in China</li> <li>› Foundation “Global Compact Network Germany”</li> <li>› “Home for single mothers” project in Kulim, Malaysia</li> <li>› “SOS Kinderdorf” in Moosburg, Germany</li> </ul>   |
| <p><b>Natural and Humanitarian Disasters</b></p> | <ul style="list-style-type: none"> <li>› Help for the survivors of the earthquake in Nepal</li> <li>› Earmarked emergency aid for the medical supply of refugees</li> </ul>   |
| <p><b>Environmental Sustainability</b></p>       | <ul style="list-style-type: none"> <li>› Mangroves planting to protect the sea ecosystems in Batam, Indonesia</li> <li>› Support of the “EcoCap Movement” in Japan</li> <li>› Support of the Regensburg environmental center in Germany</li> </ul>  |

### Local investments and services

It is our aim to engage with local communities and invest in those. In cooperation with the company Kelag, Infineon has again clearly signaled its firm commitment to environment- and resource-friendly mobility by installing a state-of-the-art vehicle charging station at its Villach (Austria) site. The e-charging station is located on the Infineon parking lot and consists of a photovoltaic power plant with an output of 3.8 kilowatts peak (kWp). Charging points for e-scooters and e-cars are located under its roof. Battery charging equipment for e-bicycles has been installed in the adjacent bicycle parking area. With this project we are contributing towards providing the necessary mobility in the most environment- and resource-friendly way possible for our employees and the inhabitants in Villach.

During the 2015 fiscal year, Infineon enlarged the kindergarten within its Campeon headquarters in Neubiberg (Germany). The extension building now makes it possible for 220 children from 34 different countries between the ages of eight months and six years to play together in various groups. €4.6 million were invested in enlarging the kindergarten. The Federal State of Bavaria contributed roughly one third of the sum. In parallel to the extension and apart from other measures, a compensation area was planted. The City of Munich and the local councils of Neubiberg, Unterhaching and Ottobrunn were all involved in this inter-communal project.

The “Sonnenstrahl” association, together with Infineon Technologies Austria AG as cooperation partner, opened an international childcare facility focusing on science and technology at the Villach (Austria) site. The International Day Care Center has created new, publicly accessible childcare facilities and helps employees to combine professional and family life. The public facility is based on an innovative concept with an international focus.



# Our employees

Our human resource work focuses on the development of our employees and recruitment of new colleagues. We are convinced that successful human resource management is key to business success, since only satisfied and successful employees make long-term peak performance possible and support us in meeting our growth and profitability targets set out at the beginning of this report. We endeavor on a daily basis to promote the performance and potential of our employees in the best possible way. The three pillars of “Leadership excellence”, “Promoting talent” and “Our workforce” combine all the activities that we use to achieve this objective.

## Acquisition and integration of International Rectifier

The integration of US semiconductor manufacturer International Rectifier was a key factor in decisively shaping our human resources work during the previous fiscal year. At the time of the acquisition in January 2015, International Rectifier had a workforce of some 4,200 employees in about 20 countries.

Our human resource work in the integration process focuses on incorporating the International Rectifier organization in the Infineon business structure, planning and implementing measures to ensure employee commitment, harmonizing remuneration systems and classifying employees with effect from January 1, 2016, and support for cultural integration and guidance for managers and employees in this process of change by the change management team. A global project team of HR colleagues was set up at an early stage to implement the above-mentioned measures.

The International Rectifier staff supported the integration with openness, great interest and a high level of commitment. In August 2015, 84 percent of Infineon and International Rectifier employees surveyed in the USA stated that they enjoy working at Infineon. We wish to build further on this positive feedback in the future.

The next step in this cultural integration process is to introduce the Infineon High Performance Behavior Model as a basis for the further shaping of our common fundamental values.

### G 57

#### High Performance Behavior Model



## Leadership excellence

### Open and honest feedback

We believe that without honest and open feedback, it is not possible for an organization to develop. This basic premise is reflected in our values, which are collectively defined in our “High Performance Behavior Model”. These values are not purely theoretical. The High Performance Behavior Model shows how we aim to achieve Infineon’s targets and set priorities.

These behavioral descriptions play a significant role, for example, in our annual dialogs with employees under the global STEPS process (abbreviation for “Steps To Employees’ Personal Success”). However, our fundamental culture of openness does not stop here. Feedback from teams to their managers is just as important as feedback from managers to staff. We have, therefore, established the format of the “leadership dialog”, which is carried out every two years, as a supplement to the STEPS dialogs.

The leadership dialog enables managers to obtain structured feedback from their staff, which helps them to reflect on their individual leadership conduct, identify strengths and potential areas for improvement, and hence promote cooperation, both with and within the team.

Open feedback is always important to us in constructive dialog with our employees’ representatives at the various sites. Co-determination is a key factor in our human resources work. Together, and in a spirit of trust, we are building the basis for successfully implementing our key topics in the respective bodies, and especially in the Central Works Council and the Management Staff Representation Committee.

### Management development

Good leadership is fundamental for Infineon’s success, as it enables each individual to perform his or her tasks effectively and thereby contribute to the success of the company. At the same time, our employees expect to be able to develop their skills and competences in a suitable environment. With this in mind, creating an attractive working environment and long-term employee retention at Infineon are key tasks for our managers.

We provide support for our managers in the form of numerous learning and development opportunities at the various leadership levels. Our approach to learning involves a variety of methods based on both theory and practice. We work on concrete practical examples at face-to-face training events and through computer-based training.

An example of our course offerings is the “New Leader Orientation” program – an in-house workshop for new managers focusing on leadership culture and management tools at Infineon. In addition, Infineon ensures further development of leadership skills through the management training course “Leading People in a High Performance Company”, to ensure that employees are motivated to meet Infineon’s challenging objectives and that these skills can be passed on. By the end of the 2015 fiscal year, more than 2,100 managers at various levels worldwide had participated in this training. In a further training program “Leadership & Health”, our top managers learn to identify stress factors at the workplace more effectively and to mitigate them. The “Health & Care” computer-based training also presents the aspect of health as a management task.

In the context of reviewing the management career, we intend to offer further management training programs under the “Infineon Leadership Excellence Program” from the coming fiscal year. By combining specific in-house aspects with proven leadership practices, our aim is to continue promoting a uniform understanding of leadership within Infineon.

## Promoting talent

### Talent marketing and management

At Infineon, depending on their individual knowledge and talents, development opportunities are available to employees in a variety of careers, based on Infineon's needs. Three career paths are already established: professional careers as an "Individual Contributor", in which individual expertise in a traditional business field, such as finance, purchasing or sales, is promoted; the "Technical Ladder", which enables our technical experts to develop; and the Management career path for (junior) managers. A further career path – the Project Management career – was introduced in summer 2015. This career path aims to offer our project managers clear prospects for their personal development and careers – and emphasizes the importance of implementing development projects for Infineon's success. The new career path provides project managers with optimum training to fulfil their tasks and empowers them to contribute their experience specifically to new projects.

Due to the international nature of our business, we wish to offer our staff development prospects beyond organizational and national boundaries. The worldwide Development Conferences, during which managers discuss the further development of our talents with the Human Resources department, are an important instrument in this endeavor.

In the Asia-Pacific region, due to the expectations of employees and the specific local context, in addition to the Infineon career paths we offer specially developed talent management programs: "ENGINE" for management careers and "TechStar" for technical careers. Both programs focus on the key areas of training, interaction with management and the practical application of what has been learnt in specific projects.

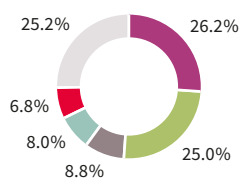
### Encouraging diversity

As an international company, the diversity of our staff is particularly important to us. Our global diversity management provides the framework for a corporate culture which values the individuality of each staff member and promotes equal opportunities – irrespective of age, disability, ethnic-cultural origin, gender, religion, belief, or sexual identity. The focal points of our commitment to diversity may vary from one location to another and are tailored to suit local needs. For example, the diversity team in the Asia-Pacific region concentrates in particular on ethnic-cultural diversity and the demographic trend.

Infineon employs 35,424 persons of different nationalities. The five most prevalent nationalities represent a total of 74.8 percent of the workforce, with Malaysian nationals accounting for 26.2 percent and German nationals for 25.0 percent. A further 90 nationalities have a share of the total workforce of less than 1 percent each.

G 58

Nationalities  
(Infineon worldwide 2015)



|   | Employees Total <sup>1</sup> | Under 30 years <sup>2</sup> | 30 to 50 years <sup>2</sup> | Over 50 years <sup>2</sup> |
|---|------------------------------|-----------------------------|-----------------------------|----------------------------|
| Middle and senior level management <sup>3</sup> | 4,912                        | –                           | 72.7                        | 27.3                       |
| Entry level management <sup>3</sup>             | 5,320                        | 3.2                         | 84.1                        | 12.7                       |
| Non-management staff                            | 21,173                       | 38.9                        | 50.9                        | 10.2                       |
| <b>Total</b>                                    | <b>31,405</b>                | <b>26.8</b>                 | <b>59.9</b>                 | <b>13.3</b>                |

<sup>1</sup> International Rectifier not included

<sup>2</sup> Figures expressed in percentages based on the workforce at September 30, 2015, in the respective comparison group.

<sup>3</sup> At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

With regard to the breakdown by gender and age structure: Of 13,322 female employees, 36.2 percent are under 30 years of age, 52.6 percent in the middle age group and 11.2 percent are over 50. Of 22,102 male employees, 18.7 percent are under 30 years of age, 64.3 percent in the middle age group and 17.0 percent are over 50.

|   | Employees Total <sup>1</sup> | Female <sup>2</sup> | Male <sup>2</sup> |
|---|------------------------------|---------------------|-------------------|
| Middle and senior level management <sup>3</sup> | 4,912                        | 13.0                | 87.0              |
| Entry level management <sup>3</sup>             | 5,320                        | 24.6                | 75.4              |
| Non-management staff                            | 21,173                       | 46.4                | 53.6              |
| <b>Total</b>                                    | <b>31,405</b>                | <b>37.5</b>         | <b>62.5</b>       |

1 International Rectifier not included

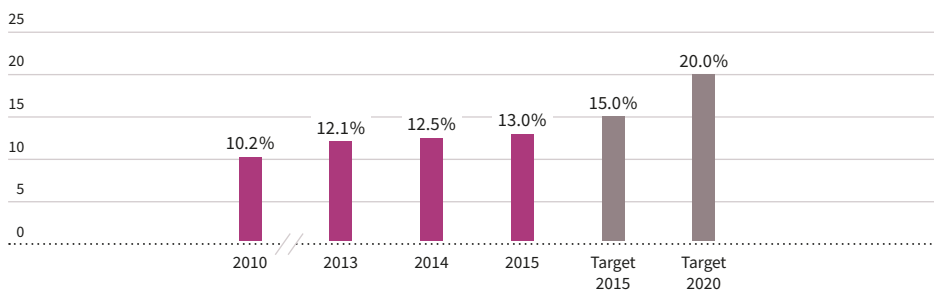
2 Figures expressed in percentages based on the workforce at September 30, 2015, in the respective comparison group.

3 At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

The promotion of women in management positions is one of the key focuses of our diversity management policy. However, at currently 13 percent, we have not yet quite been able to achieve the objective we set ourselves in 2010 of increasing the percentage of female executives in middle and upper management (Global Grade/Technical Ladder Grade 13+) to 15 percent by the end of the 2015 fiscal year. Nevertheless, the continual increase in recent years shows that we are on the right track with the measures undertaken to date.

**G 59**

Women in management positions (Infineon worldwide<sup>1</sup>)



1 International Rectifier not included

Under the “Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector”, German legislators have introduced the mandatory requirement for each gender to have a minimum of 30 percent representation on the supervisory board of listed companies subject to co-determination such as Infineon Technologies AG. Furthermore, targets have to be set firstly by the Supervisory Board regarding the percentage of women on the Management Board and secondly by the Management Board regarding the first two management levels below the Management Board (see the chapter “Corporate Governance”). The requirement to set targets for the percentage of women also concerns the Supervisory Board (in relation to the Board of Directors) and the Board of Directors (in relation to the first two management levels below the Board of Directors) of Infineon Technologies Dresden GmbH. Its Supervisory Board is also required to set targets regarding the proportion of women on the Supervisory Board itself (see the chapter “Corporate Governance”).

see page 182 ff.

see page 182 ff.

**Cooperation with universities**

Infineon keenly promotes close contact with both students and academics with the aim of recruiting young professionals – for instance through special High Potential programs: Infineon is a member of the UNITECH network for the promotion of talented engineers in Europe. In the 2015 fiscal year, more than 25 “UNITECH fellows” participated in internships at Infineon. Cooperation with the Collège des Ingénieurs (CDI) has been very successful. Infineon has established itself as an attractive partner for this international MBA program.

At selected leading universities in China, Infineon organizes “Student Dialogs” and “Infineon Days” and maintains “Joint Labs” and “Training Labs” to promote applied research and teaching.

### Qualifications and training

We give high priority to staff training. We keep a permanent eye on our employees with all their skills and aptitudes to ensure their personal and professional development.

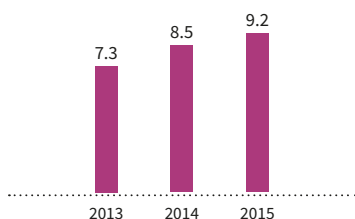
In 2015, Infineon invested €9.2<sup>1</sup> million (2014: €8.5 million) in the further training of its staff.

Our focus in this area is on professional training aimed at developing the technical know-how and innovation skills of our workforce; programs concentrating on improving the leadership and feedback culture within the organization; training courses on the development of social skills and aptitudes; project management training. In addition, in-house training opportunities, such as mentoring programs and on-the-job training, are also of importance to us.

In 2015, our staff participated in a total of 836,554<sup>1</sup> hours of training. 39.4<sup>1</sup> percent of training hours was given to female employees and 60.6<sup>1</sup> percent to male employees. Production training hours with 72.8<sup>1</sup> percent accounted for the majority of the hours utilized.

G 60

Training expenses<sup>1</sup>  
€ in millions



<sup>1</sup> International Rectifier not included

| Training hours                                  | Per employee <sup>1</sup> | Female <sup>1</sup> | Male <sup>1</sup> |
|---|---------------------------|---------------------|-------------------|
| Middle and senior level management <sup>2</sup> | 22.5                      | 26.5                | 21.9              |
| Entry level management <sup>2</sup>             | 32.1                      | 28.1                | 33.9              |
| Non-management staff                            | 26.7                      | 29.0                | 24.8              |
| <b>Total</b>                                    | <b>27.2</b>               | <b>28.7</b>         | <b>26.3</b>       |

<sup>1</sup> International Rectifier not included; calculated on the basis of the monthly workforce in the 2015 fiscal year.

<sup>2</sup> At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

| Training hours         | Per employee <sup>1</sup> |
|------------------------|---------------------------|
| Production             | 27.0                      |
| Research & Development | 32.4                      |
| Sales & Marketing      | 20.9                      |
| Administrative         | 18.7                      |
| <b>Total</b>           | <b>27.2</b>               |

<sup>1</sup> International Rectifier not included; calculated on the basis of the monthly workforce in the 2015 fiscal year.

### Our workforce

#### Health management

The health of our staff is extremely important to us and therefore we protect and promote it through our occupational health management programs. Preventive programs, such as “Fit4Health” in Germany and Austria or “Leadership in Healthy Lifestyle” in Singapore, boost health awareness in our staff. Additional demand-oriented local health initiatives supplement the range of measures on offer. Our occupational health management has received various awards: the “Corporate Health Award” for excellence, the quality label “BGF Österreich” and the “Singapore Health Award Gold”.

We attach great importance to providing our staff with a safe working environment. Our approach to occupational safety and health is based on the principle of prevention (see the chapter “Sustainability at Infineon”).

**P** see page 96

### Competence development

How do we equip ourselves optimally for the working world of the future? We endeavor to answer this question with our strategic competence management program, which identifies the skill sets necessary for the future and suggests relevant development paths.

Our offering of functional training is made available primarily via the “Academy Connect” platform. Cooperation has been established among a total of 11 global “functional academies” operating in specific segments and fields, with a view to providing coordinated learning to build up professional expertise. Academies exist, for example, in the fields of purchasing, finance, manufacturing, quality management and supply chain. The contents of courses available from the “PMM Power & RF Academy” have been devised especially for the Power Management & Multimarket segment and cover sales, marketing and applications development. The learning content on offer is expanded on an ongoing basis, as through the professional and targeted development of our staff we aim to reinforce our corporate strategy and increase productivity.

### Fringe benefits

Fringe benefits are a longstanding tradition at Infineon and are also offered in various forms. All benefits form an integral part of the overall remuneration concept and reflect Infineon’s responsibility to its staff. The scale and nature of the benefits are determined in accordance with the relevant regional statutory and standard market requirements. No distinction is made in this respect between full-time and part-time staff.

In Germany and the Asia-Pacific region (including Japan), for example, in addition to employer and employee-financed pension plans, benefits granted include the items listed below (the exact arrangements are specific to each location):

|  |   |
|--|---|
| Industrial accident insurance  | Company car for work or as additional benefit   |
| Paid sick leave beyond the statutory minimum                         | Private car leasing from gross deferred compensation  |
| Continued wage payment to surviving dependants in the event of death | Long-service awards   |
| Sabbatical   | Preventive health program   |
| Flexible transition to retirement pension                            | Family-friendly services, such as for example in-house kindergartens or working together with local organizations offering day-care facilities for children, vacation activities for children |

In the Asia-Pacific region (including Japan), in addition to these benefits, site-specific life insurance as well as hospital group insurance policies are also offered, which extend beyond the statutory provisions.

Infineon also encourages various work-time models aimed at keeping working hours flexible, depending on individual employees’ circumstances – such as in the form of trust-based working hours, part-time work or teleworking arrangements. In the Asia-Pacific region (including Japan), for example, 90 percent of all sites already offer flexitime and 70 percent of all sites offer teleworking options.

### Compensation

Infineon wants to attract the best possible staff and for that reason attractive, market-oriented remuneration and appropriate participation in the Company’s success are a matter of course.

We pay our staff on the basis of work-related criteria, such as job requirements and performance, and in accordance with the respective local market requirements. Men and women are paid equally at Infineon. Each employee shall receive appropriate, transparent remuneration for their work, in compliance with all legal standards.



### Number of employees

Employee reporting was prepared in accordance with the requirements of the global reporting initiative (GRI). Reporting in accordance with GRI covers all active, internal employees.

### Employees and personnel expense

As of September 30, 2015, Infineon had a worldwide workforce of 35,424 employees, compared to 29,807 employees one year earlier. In addition, at September 30, 2015, Infineon employed a total of 267 apprentices and dual students, 80 interns and 846 working students. 74 new apprentices and dual students were hired in the 2015 fiscal year.

| Employees by geographical region | 2015          |               |               | 2014          |               |               |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                  | Total         | Female        | Male          | Total         | Female        | Male          |
| Europe                           | 14,533        | 3,499         | 11,034        | 13,179        | 3,136         | 10,043        |
| Therein: Germany                 | 9,426         | 2,415         | 7,011         | 8,888         | 2,265         | 6,623         |
| Asia-Pacific                     | 17,035        | 8,312         | 8,723         | 15,936        | 7,715         | 8,221         |
| Therein: China                   | 1,986         | 980           | 1,006         | 1,748         | 813           | 935           |
| Japan                            | 174           | 36            | 138           | 136           | 24            | 112           |
| Americas                         | 3,682         | 1,475         | 2,207         | 556           | 183           | 373           |
| Therein: USA                     | 2,136         | 682           | 1,454         | 556           | 183           | 373           |
| <b>Total</b>                     | <b>35,424</b> | <b>13,322</b> | <b>22,102</b> | <b>29,807</b> | <b>11,058</b> | <b>18,749</b> |

Due to the acquisition of International Rectifier, there was an increase of 3,126 employees in the Americas. Almost half of the entire workforce was employed in the Asia-Pacific region (17,035). 41 percent of all employees were employed in Europe (14,533), with the majority working in Germany (9,426).

In the workforce as a whole, at September 30, 2015, 2,412 female employees and 1,989 male employees had fixed-term contracts and 10,910 female employees and 20,113 male employees had permanent contracts. A total of 1,358 employees were working part-time at that date.

|                                   |        | 2015          |               |              | 2014          |               |              |
|-----------------------------------|--------|---------------|---------------|--------------|---------------|---------------|--------------|
|                                   |        | Total         | Full-Time     | Part-Time    | Total         | Full-Time     | Part-Time    |
| Employees on permanent contracts  | Male   | 20,113        | 19,626        | 487          | 17,409        | 17,028        | 381          |
|                                   | Female | 10,910        | 10,056        | 854          | 9,517         | 8,734         | 783          |
| Employees on fixed-term contracts | Male   | 1,989         | 1,982         | 7            | 1,340         | 1,335         | 5            |
|                                   | Female | 2,412         | 2,402         | 10           | 1,541         | 1,529         | 12           |
| <b>Total</b>                      |        | <b>35,424</b> | <b>34,066</b> | <b>1,358</b> | <b>29,807</b> | <b>28,626</b> | <b>1,181</b> |

Employees, who were, for example, on parental leave or in the non-working phase of early retirement part-time working arrangements, are not active employees and therefore not included in the tables above. Similarly, temporary employees are not included. At September 30, 2015, 2,654 temporary employees were working for Infineon worldwide, of whom 1,323 were women and 1,331 men. Approximately 77 percent of the external workers were employed in production, giving Infineon flexibility in its manufacturing capacities.

The worldwide personnel cost for current internal Infineon employees in the 2015 fiscal year totaled €1,939 million (2014 fiscal year: €1,490 million). The amount includes wages and salaries, including overtime and allowances, as well as social costs (pension expenses and social contributions).

### Employee recruitment and turnover

In total, 4,206 new employees were hired worldwide during the 2015 fiscal year, of whom 1,933 were women and 2,273 men. 2,703 employees were under 30 years of age, 1,391 belonged to the 30-50 age group and 112 were over 50 years of age.

|  | Total | Europe | Therein:<br>Germany | Asia-<br>Pacific | Therein:<br>China | Japan | Americas | Therein:<br>USA |
|--|-------|--------|---------------------|------------------|-------------------|-------|----------|-----------------|
| Newly hired employees                      | 4,206 | 1,014  | 659                 | 2,562            | 393               | 11    | 619      | 181             |
| Rate of newly hired employees <sup>1</sup> | 11.9  | 7.0    | 7.0                 | 15.0             | 19.8              | 6.3   | 16.8     | 8.5             |
| Staff departures                           | 3,048 | 476    | 195                 | 1,927            | 219               | 12    | 633      | 166             |
| Rate of staff departures <sup>2</sup>      | 9.0   | 3.4    | 2.1                 | 11.6             | 11.8              | 7.2   | 21.7     | 9.4             |

1 Figures expressed in percentages based on the workforce at September 30, 2015, in the respective region.  
2 Figures in percent, calculated on the basis of the monthly workforce in the 2015 fiscal year.

There were 3,048 staff departures from Infineon in the 2015 fiscal year. Of these, the majority (1,927 employees) were in the Asia-Pacific region, where the majority of new recruitments also occurred (2,562 employees). Employee turnover in the Americas region increased to 21.7 percent in the 2015 fiscal year, compared to 6.3 percent one year earlier. The increase is due to the inclusion of the new manufacturing site in Mexico, acquired in conjunction with the integration of International Rectifier. A high turnover in manufacturing is commonplace in Mexico. We are nevertheless working on bringing the figure down.

Of the departures, 1,371 were women and 1,677 men. 1,727 employees were in the under-30 age group, 1,071 in the middle age group (30–50 years) and 250 in the over-50 age group. The worldwide employee turnover rate during the 2015 fiscal year was 9.0 percent, which represents a slight increase of 0.1 percentage points compared to 8.9 percent in the previous year. In Germany, the employee turnover rate was 2.1 percent (previous year: 3.4 percent). The percentage figure includes voluntary terminations and other reasons for leaving.

### Age structure and length of service

The average age of employees worldwide in the 2015 fiscal year is 38.1 years, marginally higher than one year earlier (2014 fiscal year: 37.1 years). The proportion of employees below 30 years of age fell (2015 fiscal year: 25.3 percent, 2014 fiscal year: 27.5 percent). Likewise, the proportion of the middle age group (2015 fiscal year: 59.9 percent, 2014 fiscal year: 60.2 percent) is lower, whereas the share of the group over 50 years of age has risen (2015 fiscal year: 14.8 percent, 2014 fiscal year: 12.3 percent).

The higher average age of employees is reflected in a slight increase in the average length of service of Infineon employees worldwide, which rose from 9.4 years in the previous year to 9.6 years in the 2015 fiscal year. The average length of service of Infineon employees in Germany was 14.3 years, marginally lower than the previous year's 14.4 years.

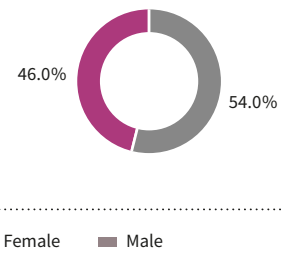
### Outlook

Our human resource-related work is focused on sustaining successful initiatives and programs and developing new measures in response to present requirements. The long-term human resources strategy contributes ever anew to meeting Infineon's high-performance claim: Our aim is for our staff to be deployed competently and correctly, and to be motivated through personal success to contribute to Infineon's overall success.

With this aim in mind, our human resources work continues to focus on the pillars "Leadership excellence", "Promoting talent" and "Our workforce". Furthermore, the "HR Operational Excellence" initiative continues to improve our key processes in human resources. With stable processes, successful HR projects and efficient instruments, in our role as strategic partners and advisers to management and staff, we accompany Infineon on its high-performance path.

G 61

Female/male employees  
(new entries worldwide 2015)



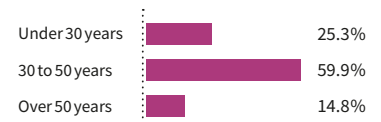
G 62

Age structure  
(new entries worldwide 2015)



G 63

Age structure  
(Infineon worldwide 2015)



# Notable events 2015

## October 2014

30 years of microchips  
from Regensburg

The foundations for the first manufacturing building for 1-megabit memory chips in Regensburg were laid on October 23, 1984. Only two years later, in October 1986, the first samples were already manufactured. The volume production started in December 1987. However, memory chips are no longer produced in Regensburg. Today, this site manufactures sensors, power semiconductors and logic and radio-frequency components.



## November 2014

International Rectifier  
shareholders approve  
acquisition



During an extraordinary general meeting, the shareholders of International Rectifier agreed to the planned acquisition by Infineon by a majority of 99.5 percent.

## January 2015

Successful closing of  
the acquisition of  
International Rectifier

After the shareholders of International Rectifier had approved the transaction with a great majority in November 2014, the relevant authorities also issued the required releases. This makes the El Segundo (California, USA)-headquartered company part of Infineon as of January 13, 2015.



= A Powerful  
Combination

## November 2014

Infineon purchases shares  
of Schweizer Electronic



Infineon acquires a 9.4 percent stake in the circuit-board manufacturer Schweizer Electronic AG in Schramberg (Germany). Infineon's stake is geared towards the development of technologies to embed power semiconductors into circuit boards and to expand the chip embedding technology to high-power automotive and industrial applications. While circuit boards are assembled on their front and backside today, chip embedding technology will enable the semiconductors to be "embedded" on the inside of the circuit board in the future. This makes the circuit board smaller. Systems with limited space in vehicles will benefit from this development; such as the electrical power steering system, active suspension or electrical pumps.

## March 2015

Infineon issues two  
Eurobonds worth a total  
of €800 million

Infineon has issued two Eurobonds with a total amount of €800 million. This transaction is the first of its kind in the Company's history. The issue proceeds replace the bridge financing granted by banks, which Infineon had secured in August 2014 for the acquisition of International Rectifier.

## March 2015

### Infineon invests in TTTech

In the scope of a capital increase by Vienna (Austria)-based TTTech Computertechnik AG, Infineon acquired a stake in this company which is specialized in highly reliable, networked and safety-relevant control systems in vehicles. Infineon and TTTech have worked together for many years, including on central driver assistance systems such as “zFAS” by Audi (see opening page of “Automotive” in the chapter “The segments”  see page 54).



## April 2015

### Complete acquisition of LSPS

On April 30, 2015, Infineon acquired the remaining shares in LS Power Semitech Co., Ltd. (LSPS) (Korea). The remaining share in the amount of 33.6 percent was transferred from the previous joint venture partner LS Industrial Systems Co., Ltd. (Korea) to Infineon.

LSPS develops, manufactures and sells IPMs (intelligent power modules) that enable a higher energy efficiency in household appliances and air conditioning systems.

## July 2015

### Chancellor Dr. Angela Merkel visits Infineon Dresden

German Chancellor Dr. Angela Merkel visited the Infineon site in Dresden on July 14, 2015 as part of her trip to Dresden’s microelectronics cluster. She was accompanied by the Federal Minister for Education and Research Prof. Dr. Johanna Wanka and the Minister President of Saxony Stanislaw Tillich. They discussed the political framework for a competitive German development and production sector together with representatives from Infineon.

Other items on the agenda included a presentation in the analysis and characterization laboratory along with a live broadcast from the fab, during which the guests were able to see an existing Industrial Internet (Industry 4.0) manufacturing.

Since the site’s foundation in 1994, the fab in Dresden has been visited by all of the German Chancellors: Dr. Helmut Kohl for the groundbreaking ceremony for the 200-millimeter fab in June 1994, Gerhard Schröder for the groundbreaking ceremony for the 300-millimeter memory fab in May 2000, and now Dr. Angela Merkel in 2015.



From left to right:  
Helmut Warnecke (Managing Director of the Dresden site), Klaus Walther (Corporate Vice President Communications and Public Authorities & Associations), Federal Minister Prof. Dr. Johanna Wanka, Dr. Reinhard Ploss (CEO of Infineon), German Chancellor Dr. Angela Merkel, Prime Minister Stanislaw Tillich, Peter Schiefer (President Operations), Mathias Kamolz (Managing Director of the Dresden site).

# The Infineon Share

## Share information

|   |   |
|---|---|
| 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                               | €2,259 million (as of September 30, 2015)   |
| Shares issued                               | 1,129 million (as of September 30, 2015)  |
| Own shares                                  | 6 million shares (as of September 30, 2015)   |
| Listings                                    | Shares: Frankfurt Stock Exchange (FSE)<br>ADS: over-the-counter (OTC) market (OTCQX)  |
| Option trading                              | Options issued by third parties: inter alia Eurex   |
| Ticker symbol                               | IFX, IFNNY  |
| ISIN Code                                   | DE0006231004  |
| German Security Identification Number (WKN) | 623100  |
| CUSIP                                       | 45662N103   |
| Bloomberg                                   | IFX GY (Xetra trading system), IFNNY US   |
| Reuters                                     | IFXGn.DE  |
| Index membership (selected)                 | DAX 30<br>Dow Jones STOXX Europe 600<br>Dow Jones Euro STOXX TMI Technology Hardware & Equipment<br>Dow Jones Germany Titans 30<br>MSCI Germany<br>S&P-Europe-350<br>Dow Jones Sustainability™ Europe Index<br>Dow Jones Sustainability World Index |

@ 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/index-membership/](http://www.infineon.com/cms/en/about-infineon/investor/infineon-share/index-membership/)

## Infineon Technologies AG share capital, shares outstanding and market capitalization

| As of   | September 30, 2015 | September 30, 2014 | Change  |
|---|--------------------|--------------------|---------|
| Share capital <sup>1</sup> € in millions            | 2,259              | 2,255              | + 0.1%  |
| Shares issued <sup>1</sup> in millions              | 1,129              | 1,128              | + 0.1%  |
| Market capitalization <sup>1</sup> € in millions    | 11,294             | 9,190              | + 22.9% |
| Market capitalization <sup>1</sup> US\$ in millions | 12,704             | 11,554             | + 10.0% |

<sup>1</sup> The calculation is based on unrounded figures. Own shares were not taken into consideration for calculation of market capitalization.

## Infineon share statistics

| Fiscal year ending September 30                                 | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|
| <b>Germany: Xetra closing in €</b>                              |           |           |           |
| Fiscal year closing (end September)                             | 10.06     | 8.19      | 7.40      |
| Year high   | 12.17     | 9.42      | 7.61      |
| Year low  | 6.95      | 6.88      | 4.96      |
| Daily average shares traded on regulated German stock exchanges | 7,602,198 | 7,294,896 | 8,134,049 |
| Thereof: Xetra trading in %                                     | 95        | 94        | 94        |
| <b>USA: OTCQX closing in US\$</b>                               |           |           |           |
| Fiscal year closing (end September)                             | 11.31     | 10.30     | 9.98      |
| Year high   | 13.42     | 12.84     | 10.35     |
| Year low  | 8.80      | 9.24      | 6.47      |
| Daily average ADS traded  | 146,820   | 66,501    | 80,678    |

## Shareholder structure<sup>1</sup>

|  |                                   |
|--|-----------------------------------|
| Dodge & Cox Investment Managers  | 9.95% (as per August 5, 2009)     |
| Thereof: Dodge & Cox International Stock Fund                                  | 9.88% (as per August 5, 2009)     |
| The Capital Group Companies, Inc.  | 8.02% (as per September 1, 2012)  |
| Thereof: Capital Research and Management Company                               | 5.06% (as per July 28, 2011)      |
| Thereof: EuroPacific Growth Fund   | 4.98% (as per June 9, 2015)       |
| BlackRock, Inc.  | 5.003% (as per May 7, 2015)       |
| Thereof: BlackRock HoldCo 2, Inc.  | 5.004% (as per June 23, 2015)     |
| Thereof: BlackRock Financial Management, Inc.                                  | 5.004% (as per June 23, 2015)     |
| Allianz Global Investors Europe GmbH   | 5.02% (as per April 17, 2015)     |
| State of Kuwait  | 3.25% (as per December 23, 2014)  |
| Thereof: Kuwait Investment Authority   | 3.25% (as per December 23, 2014)  |
| Sun Life Financial Inc.  | 3.001% (as per February 11, 2015) |
| Thereof: Sun Life Global Investments Inc.                                      | 3.001% (as per February 11, 2015) |
| Thereof: Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. | 3.001% (as per February 11, 2015) |
| Thereof: Sun Life Financial (U.S.) Holdings Inc.                               | 3.001% (as per February 11, 2015) |
| Thereof: Sun Life Financial (U.S.) Investments LLC                             | 3.001% (as per February 11, 2015) |
| Thereof: Sun Life of Canada (U.S.) Financial Services Holdings Inc.            | 3.001% (as per February 11, 2015) |
| Thereof: Massachusetts Financial Services Company MFS                          | 3.001% (as per February 11, 2015) |

<sup>1</sup> The number of shares held by, or attributable to, the investors listed above has been taken from the most recent mandatory notification received by Infineon Technologies AG from each of the relevant entities in accordance with sections 21 and 22 WpHG. The percentage disclosures are based on the share capital or number of shares at the date of receipt of each notification. Details of voting rights notified to the Company in accordance with sections 25 and 25a WpHG which, in addition to shares actually held and to attributable shares, also take account of financial or other instruments which give an entitlement to acquire further shares, are published regularly on Infineon's website.

@ [www.infineon.com/cms/en/about-infineon/investor/infineon-share/shareholder-structure](http://www.infineon.com/cms/en/about-infineon/investor/infineon-share/shareholder-structure)

## Performance of the Infineon share and worldwide indices through September 30, 2015 since:

|  | September 30, 2014 | September 30, 2013 | September 30, 2012 |
|--|--------------------|--------------------|--------------------|
| Infineon (Xetra)                       | +22.7%             | +36.0%             | +103.6%            |
| DAX                                    | +2.0%              | +12.4%             | +33.9%             |
| Philadelphia Semiconductor Index (SOX) | (5.6%)             | +22.8%             | +57.7%             |
| Dow Jones US Semiconductor Index       | (6.8%)             | +22.7%             | +54.3%             |

### Further share price increase in the 2015 fiscal year

The upward trend of the Infineon share seen in previous years continued during the 2015 fiscal year, finishing the fiscal year at September 30, 2015 at a closing price of €10.06, 23 percent higher than its closing price of €8.19 one year earlier.

After falling slightly at the beginning of the fiscal year, at which stage the low for the year of €6.95 was recorded, the share price rose relatively evenly during the remainder of the first half of the fiscal year. The volatility of the stock increased in spring 2015, with the Infineon share reaching its high for the year of €12.17 at the end of May. The subsequent share price correction took the price down to €8.69, followed by a recovery which took it up to its closing price of €10.06.

The benchmark indices gained significantly less over the course of the 2015 fiscal year and were also less volatile. The DAX finished the twelve-month period to September 30, 2015 with a small gain of 2 percent. The US benchmark indices were not quite able to make good the losses recorded in the summer and closed at September 30, 2015 at levels lower than one year earlier, the Philadelphia Semiconductor Index (SOX) was 6 percent down and the Dow Jones US Semiconductor was 7 percent down.

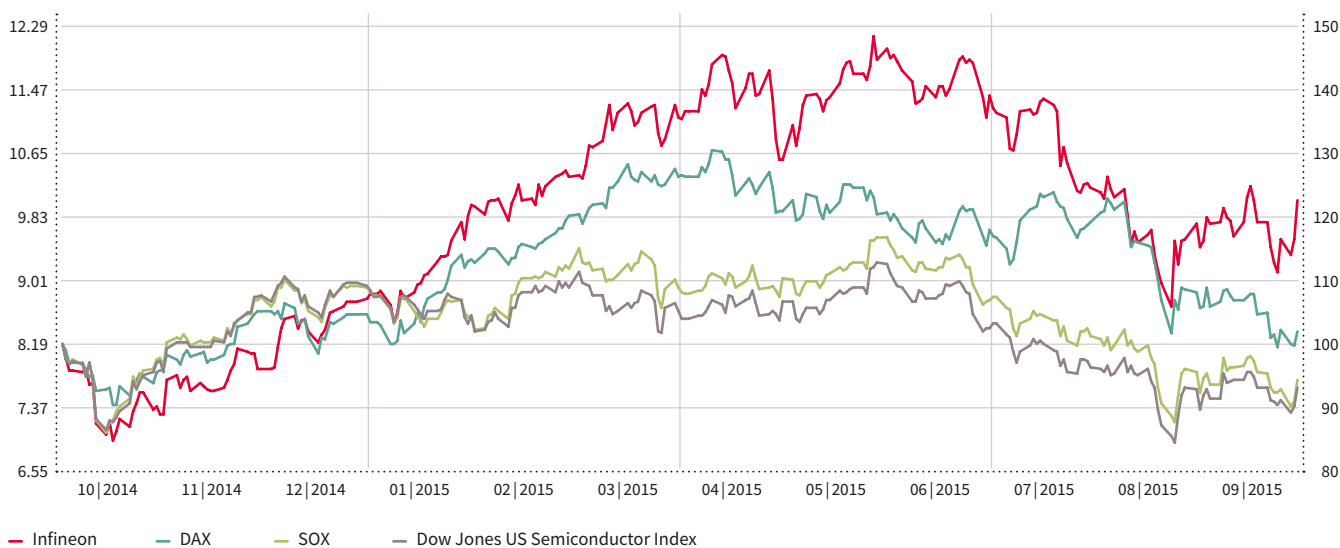


## G 64

Development of the Infineon Technologies AG share compared to Germany's DAX Index and Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index from the beginning of the 2015 fiscal year (daily closing prices)

Infineon share price in €

September 30, 2014 = 100



### Trading volumes and inclusion in indices

The average volume of Infineon shares traded per day, measured in units, in the Xetra system, on the Frankfurt trading floor and on German regional stock exchanges, increased by 4 percent in the 2015 fiscal year to 7.6 million shares, compared to 7.3 million one year earlier. In euro terms, the average volume of Infineon shares traded per day rose year on year by 24 percent from €59.3 million to €73.7 million.

The Infineon share is traded in the USA in the form of American Depositary Shares (“ADS”) on the OTCQX International over-the-counter market under the ticker symbol “IFNNY”. The average trading volume of 147 thousand ADS per day was more than double the 67 thousand ADS traded per day in the previous year. The number of ADS outstanding also rose sharply to a total of 23.2 million at September 30, 2015, compared to the 10.2 million ADS in circulation at the end of the previous fiscal year.

The criteria applied for testing membership in the DAX are the average market capitalization and trading volume in euro. Essential for the calculation of market capitalization are on the one hand the number of shares outstanding and on the other hand the number of free-float shares. As a result of the exercise of employee stock options, the number of shares in issue increased during the 2015 fiscal year by 1,532,251 shares to stand at 1,129,271,481 shares at September 30, 2015. The corresponding figure at the end of the previous fiscal year was 1,127,739,230 shares. With the exception of 6 million own shares held by Infineon, all shares are deemed to be free float and hence taken into account in the calculation of the average market capitalization, which rose from €9.9 billion in the 2014 fiscal year to €10.9 billion in the 2015 fiscal year. In terms of its DAX ranking, Infineon improved by two places, moving up from place 24 at the end of the 2014 fiscal year to place 22 at the end of the 2015 fiscal year.

The second relevant criterion is the euro volume of shares traded during the past 12 months in the Xetra system and on the Frankfurt trading floor. The total trading volume of the Infineon share climbed from €14.2 billion in the previous fiscal year to €17.7 billion in the 2015 fiscal year. This places Infineon in place 21 in the DAX ranking after place 20 in the 2014 fiscal year.

The Infineon share was included in the Dow Jones Sustainability™ Europe Index for the first time in September 2010. There is an annual test for each company included to confirm that the criteria for retention in the index have been met. Infineon's compliance with these criteria was confirmed in September 2015 for the sixth year in succession. Moreover, Infineon was also included – for the first time and as the only European semiconductor manufacturer – in the Dow Jones Sustainability World Index, putting Infineon into the echelons of the top ten percent of sustainable semiconductor manufacturers worldwide. For further information on the topic of sustainability, please see the chapter “Sustainability at Infineon”.

**P** see page 92 ff.

## Dividend

At the Annual General Meeting held in Munich on February 12, 2015, the shareholders approved the proposal, jointly put forward by Infineon's Management Board and Supervisory Board, to increase the dividend substantially. In May 2014, Infineon announced that the expected annual ratio of investments to revenue will decrease from approximately 15 percent to approximately 13 percent. Infineon is also convinced that the acquisition of International Rectifier, announced on August 20, 2014 and closed on January 13, 2015 will make a positive contribution to Segment Result and free cash flow over the full economic cycle. With this in mind, the Management and Supervisory Boards presented a proposal at the Annual General Meeting that the dividend be increased by 6 cents from €0.12 to €0.18 per share. As a consequence, a total amount of €202 million was paid to the shareholders on February 13, 2015. Based on the good earnings performance in the 2015 fiscal year and Infineon's positive business outlook, a proposal will be made to the Annual General Meeting to be held in February 2016 to increase the dividend by a further 2 cents to €0.20.

Infineon's strategy is to pursue a dividend policy that enables shareholders to adequately participate in growing earnings or, in times of flat or declining earnings and/or with negative free cash flows, to keep the dividend at least at a constant level.

| Dividend for fiscal year | Dividend per share |
|--------------------------|--------------------|
| 2010                     | €0.10              |
| 2011                     | €0.12              |
| 2012                     | €0.12              |
| 2013                     | €0.12              |
| 2014                     | €0.18              |
| Proposal 2015            | €0.20              |

## Infineon bonds

In March 2015, Infineon issued two bonds, one maturing in three-and-a-half years (€300 million) and one in seven years (€500 million), the first with a nominal interest rate of 1 percent and the second with a nominal interest rate of 1.5 percent. The two bonds have been listed since March on the Luxembourg Stock Exchange and also traded on German stock markets. The ISIN codes for the bonds are XS1191115366 and XS1191116174 respectively.

## Communication with capital markets

The prime objective of our communications with the capital market is to provide regular and detailed information to analysts as well as to current and future shareholders, investors and bondholders about Infineon's economic and technological developments.

The Annual Report, Quarterly Reports and telephone conferences held in conjunction with the release of financial data plus a whole range of detailed information, figures and tables made available on the Infineon website, form the basis for our communication with capital market participants.

A further component of our Investor Relations activities is communication with analysts and investors at conferences and roadshows. During the 2015 fiscal year, the three members of the Management Board, the segment Heads, as well as the Investor Relations team, were all involved in capital market communication activities. We participated in nine investor conferences in Europe and the USA and organized eight roadshows. To provide detailed information on the business, a telephone conference was held for the Chip Card & Security segment as well as an investor conference in London for the Automotive segment. Investors were able to listen to the investor conference via webcast. All presentations and webcasts can be viewed and downloaded from the Investor Relations section of the Infineon website via “Reporting/Download Center”. In addition to the events described above, a whole host of discussions were held with analysts and investors at group meetings, on a one-to-one basis and in telephone conference calls. More than 35 analysts continuously monitor Infineon's business performance and publish analyses on a regular basis. Prior to the placement of the two bonds in March 2015, a bond roadshow was held for institutional investors.

@ We use our Financial Calendar to inform interested parties of forthcoming reports and of our attendance at investor conferences: [www.infineon.com/investor](http://www.infineon.com/investor)

@ Interested parties are able to participate in telephone conferences via a webcast in the Investor Relations section of the Infineon website: [www.infineon.com/investor](http://www.infineon.com/investor)

@ [www.infineon.com/investor](http://www.infineon.com/investor)

**I** Retail investors can reach us via e-mail or telephone hotline with their questions:  
Phone: +49 89 234-26655  
Fax: +49 89 234-955 2987  
E-mail: [investor.relations@infineon.com](mailto:investor.relations@infineon.com)

# Awards

Being at the forefront of technology, Infineon is the recipient of numerous awards and prizes – in the fields of research and development, production and quality on the one hand, as well as for its accomplishments in organization and processes on the other. The following overview shows a selection of the awards Infineon received during the course of the 2015 fiscal year.

November 2014

## Work-Life Excellence Award

The Tripartite Committee on Work-Life Strategy in Singapore has awarded Infineon for its efforts in creating a culture of balance between work and time off within the Company.

## European Supply Chain Excellence Award 2014

Infineon received the 18<sup>th</sup> European Supply Chain Excellence Award in the category Automotive, Aerospace & Industrial in London for its excellent organization and administration of the entire supply chain as well as the results of the BEAR project (Backend Automation Roadmap). This was awarded in cooperation with PricewaterhouseCoopers.



## Two awards from Huawei

Infineon received two awards from the Chinese network manufacturer Huawei in the calendar year 2014. For its close partnership during the LTE development in China, Infineon was honored with the Excellent Core Partner Award. The Group also received the Excellent Quality Award.

## Supplier Gold Award from Midea

In a group of ten award winners, Infineon was the only semiconductor manufacturer to receive the Supplier Gold Award from Midea in China for its IGBTs designed for home appliances.

December 2014

## Ericsson Supply Excellence Award 2014

Ericsson presented the Supply Excellence Award to Infineon for its outstanding delivery reliability and delivery quality in the 2014 calendar year.

## National Occupational Safety and Health Excellence Award 2014

The Malaysian Minister of Human Resources, Yang Berhormat Dato' Sri Richard Riot Anak Jaem, presented the National Occupational Safety and Health Excellence Award 2014 to Infineon for its continuous efforts to increase occupational safety at its manufacturing sites.

January 2015



## Green Label for shipping and transport

Infineon takes care to reduce fuel consumption and thereby the cost and CO<sup>2</sup> emissions in the shipment and transport of its products. Green Freight Asia, a nonprofit organization based in Singapore, has awarded the Green Label to the Group for the introduction of environmentally friendly practices.

## Two awards from BYD

The Chinese car manufacturer BYD granted Infineon the Excellent Supplier Award 2014 as the most reliable supplier of semiconductors and the Technical Support Award 2014 for the IGBT

modules to be used in electric and hybrid vehicles, which were customized for BYD.

## GSA honors Infineon as outstanding EMEA semiconductor company

Global Semiconductor Alliance (GSA) presents this prize, which Infineon



received in December 2014, to semiconductor companies in the region of Europe, Middle East and Africa (EMEA) that have proven to be the strongest in terms of products, vision, leadership and market success. Members of the GSA include companies along the entire semiconductor supply chain from 30 countries.

February 2015

### Gold status from Ecovadis

Ecovadis, an independent rating agency that monitors the sustainability of suppliers, analyzed Infineon with regard to ecological, social, ethical and financial influencing factors and awarded it the "Gold" status.



March 2015

### Best Quality Award from Xiaomi

During the 2015 Annual Supplier Days organized by the Chinese mobile telephone manufacturer Xiaomi, Infineon received the Best Quality Award for the first time.

April 2015

### Excellent Quality Award from Toyota

Infineon received the Excellent Quality Award from Toyota in April 2015 for supplying products with a consistently outstanding quality for many years. The award was presented by Toyota's largest car factory, the Hirose plant (Japan).

June 2015

### Distinguished Partners in Progress Award

For its important role in the creation of jobs and added value in Singapore in the last 45 years, Infineon received the Distinguished Partners in Progress Award from the Minister of Finance and Deputy Prime Minister Tharman Shanmugaratnam. The exclusive circle of award winners only includes 33 enterprises so far.

July 2015



### Global Player Award

As part of Export Day 2015, Infineon was presented the Global Player Award by the Austrian Vice-Chancellor Reinhold Mitterlehner and the President of the Austrian Federal Economic Chamber Christoph Leitl for its successful internationalization.

### Accolade for radar chips from Bosch

Bosch has awarded Infineon as an excellent supplier for the fifth time. This year the Group received the Innovation Prize for its radar system, which monolithically integrates the transmitter and receiver on one single chip in a package. Bosch uses the system to measure distances for adaptive distance and cruise control units, emergency brakes and a traffic jam assistant.

September 2015

### Infineon is the only European semiconductor enterprise listed in the Dow Jones Sustainability World Index

For the sixth year in a row, Infineon was confirmed as a member in the Dow Jones Sustainability Index. Additionally, Infineon was accepted into the World Index for the first time and as the only European semiconductor company. This makes Infineon part of the most sustainable 10 percent of semiconductor enterprises worldwide. In January 2015, the listing was also confirmed in the Sustainability Yearbook. Only the top 15 percent of the most sustainable companies in the world are represented here.

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

### Nomination for the Deutscher Zukunftspreis 2015

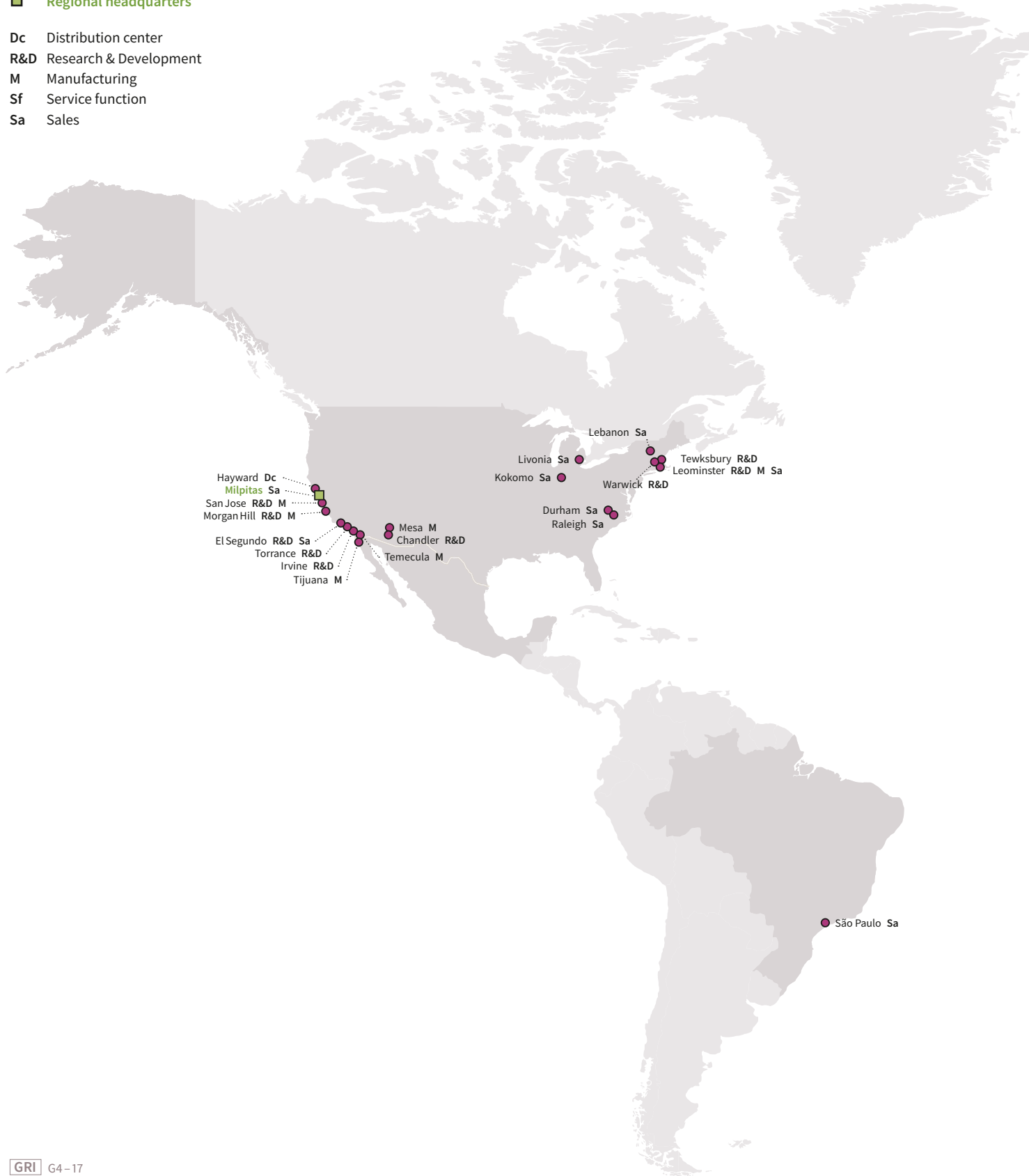
Infineon's radar chips were nominated for the Deutscher Zukunftspreis 2015, the German President's Award for Innovation in Science and Technology. The radar chips were one out of three technology projects from a total of 24 suggestions. The use of silicon and silicon germanium instead of gallium arsenide as well as an innovative package (see above the award from Bosch for radar chips) reduced the costs of radar systems to a level that they are now increasingly used in mid-range and low-end cars. This significantly increases safety in traffic.

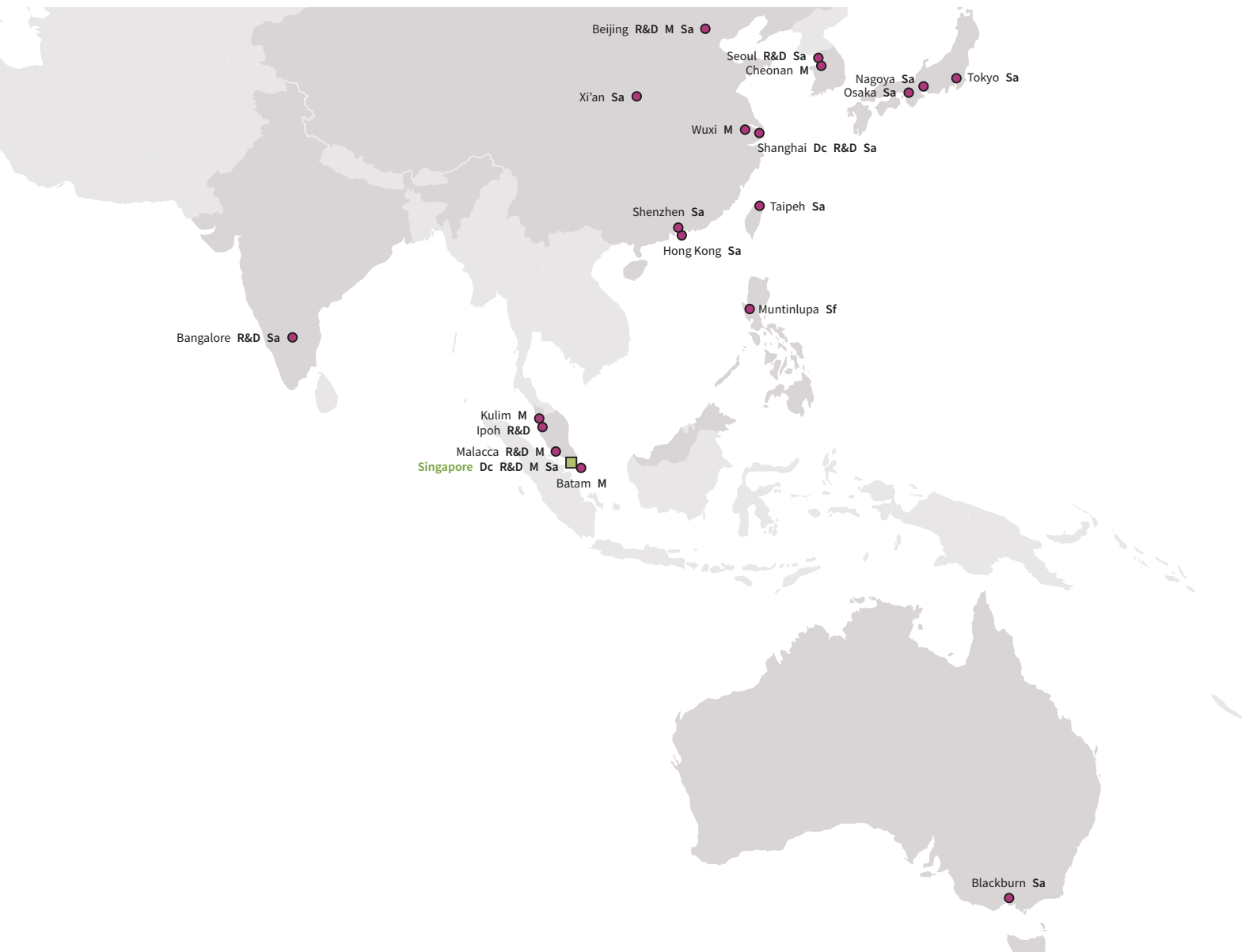
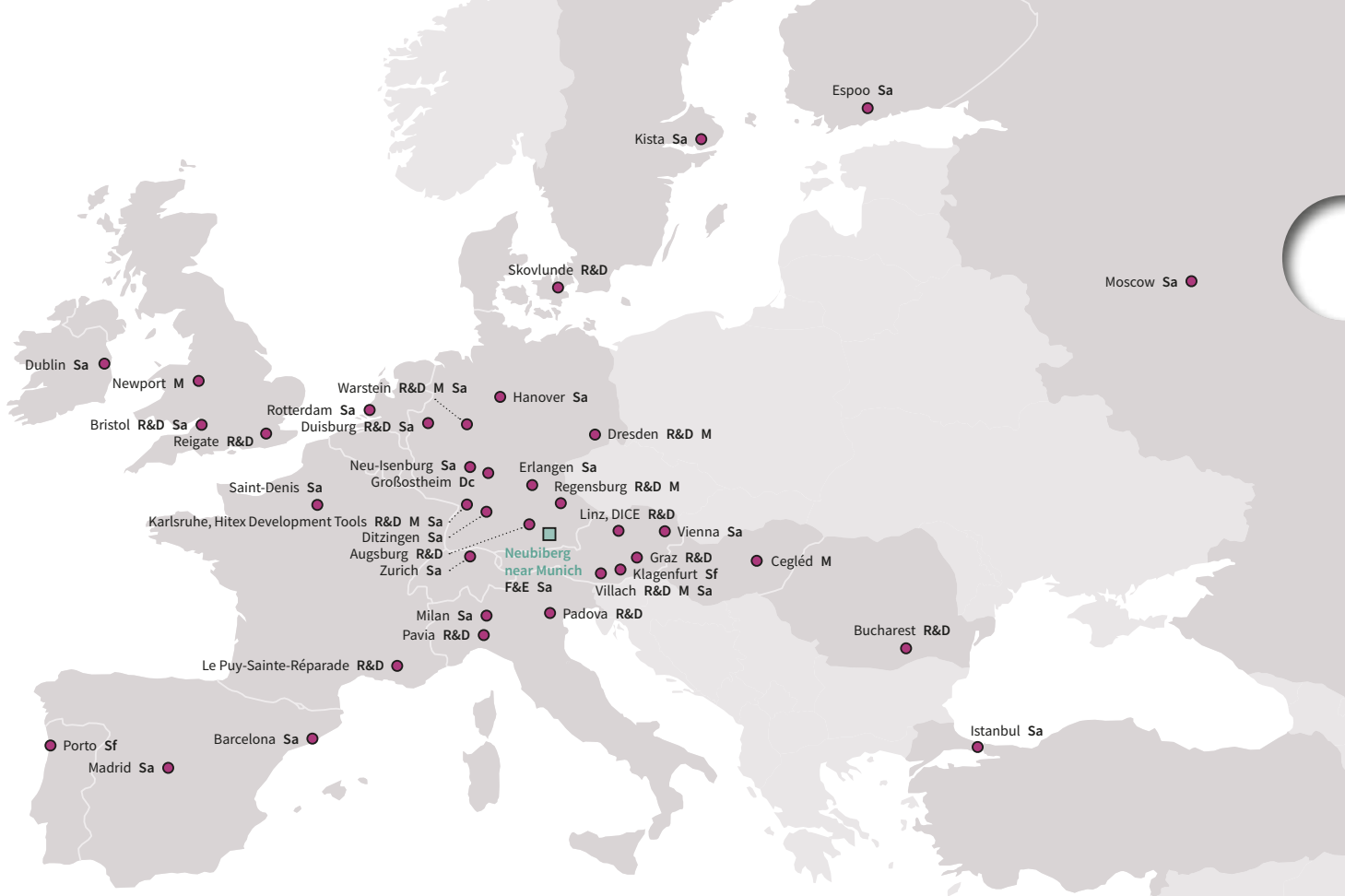
# Infineon worldwide

## Infineon sites

- Headquarters
- Regional headquarters

- Dc Distribution center
- R&D Research & Development
- M Manufacturing
- Sf Service function
- Sa Sales









● Our 2015 fiscal year

Combined  
Management Report  
Our 2015 fiscal year



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# Group performance

## Review of results of operations

### The consolidated statement of operations

| € in millions, except earnings per share                      | 2015         | 2014         |
|---|--------------|--------------|
| Revenue   | 5,795        | 4,320        |
| <b>Gross profit</b>   | <b>2,080</b> | <b>1,647</b> |
| Research and development expenses                             | (717)        | (550)        |
| Selling, general and administrative expenses                  | (778)        | (496)        |
| Other operating income and expenses, net                      | (30)         | (76)         |
| <b>Operating income</b>                                       | <b>555</b>   | <b>525</b>   |
| Net financial result (financial income and expenses, net)     | (39)         | (9)          |
| Income from investments accounted for using the equity method | 4            | 3            |
| Income tax  | 102          | (31)         |
| <b>Income from continuing operations</b>                      | <b>622</b>   | <b>488</b>   |
| Gain from discontinued operations, net of income taxes        | 12           | 47           |
| <b>Net income</b>   | <b>634</b>   | <b>535</b>   |
| Basic earnings per share (in euro)                            | 0.56         | 0.48         |
| Diluted earnings per share (in euro)                          | 0.56         | 0.48         |
| Adjusted diluted earnings per share (in euro)                 | 0.60         | 0.48         |

### Sharp improvement in net income and adjusted earnings per share

**Net income** improved year-on-year by €99 million to €634 million for the 2015 fiscal year. The upward trend in Infineon's business performance, the acquisition of International Rectifier and the strong US dollar during the 2015 fiscal year brought about a 34 percent rise in revenue. The contribution to earnings from higher revenue was offset almost entirely by the combined effect of higher expenses due to the strong US dollar and high acquisition-related expenses totaling €274 million (in particular expenses recognized in conjunction with the purchase price allocation and integration-related expenses) for International Rectifier. The reassessment and appreciation in value of deferred tax assets on loss carry-forwards amounting to €209 million gave rise to a net tax benefit of €102 million.

Earnings per share (basic and diluted) amounted to €0.56 per share and were therefore higher than one year earlier (2014: €0.48).

Adjusted earnings per share (diluted) improved from €0.48 to €0.60 per share (see "Sharp improvement in adjusted earnings per share" in this chapter for details of the calculation).

GRI G4-22

P see page 135

### Sharp increase in revenue

Revenue grew by €1,475 million to €5,795 million in the year under report (2014: €4,320 million). Thanks to the continuing upward trend on the semiconductor market, increased market share through organic growth, the acquisition of International Rectifier (International Rectifier contributed €682 million to revenue growth), as well as the strength of the US dollar, all four operating segments achieved year-on-year revenue growth: Automotive (up 20 percent or €386 million), Industrial Power Control (up 24 percent or €188 million), Power Management & Multimarket (up 69 percent or €733 million) and Chip Card & Security (up 35 percent or €172 million) (see detailed comments in the respective sections to the individual segments in the chapter “The segments”).

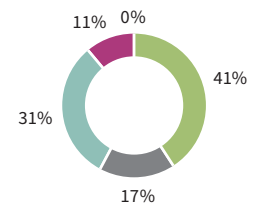
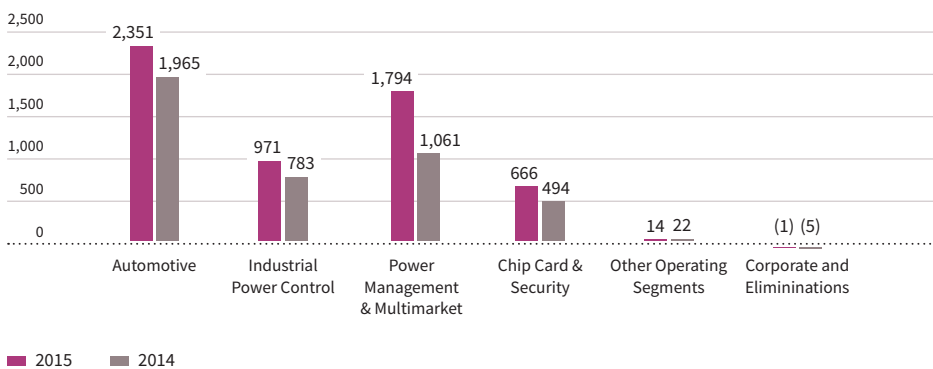
**P** see page 52 ff.

As in the previous year, business disposals had no impact on revenue in the 2015 fiscal year.

#### G 65

Revenue by segment

€ in millions



Share of Group Revenue 2015

- Automotive
- Industrial Power Control
- Power Management & Multimarket
- Chip Card & Security
- Other Operating Segments

### Positive currency impact on revenue from strong US dollar

A large share of revenue was generated in foreign currencies in the 2015 fiscal year, with revenue denominated in US dollars accounting for the highest share. The average euro/US dollar exchange rate moved from 1.36 in the previous fiscal year to 1.14 in the 2015 fiscal year. The impact of the fluctuation in the value of the US dollar was correspondingly high, a fact compounded by the high volumes recorded. Across all currencies and over the fiscal year as a whole, currency factors contributed a mid-triple-digit million amount to the revenue increase.

**GRI** G4-22

The currency impact is measured by applying the previous fiscal year’s relevant average exchange rates to the 2015 fiscal year revenue.

| € in millions, except percentages | 2015  | 2014  |
|-----------------------------------|-------|-------|
| Revenue                           | 5,795 | 4,320 |
| Changes year-on-year              | 34%   | 12%   |

### Importance of Asia-Pacific continues to grow

| € in millions, except percentages | 2015         |             | 2014         |             |
|-----------------------------------|--------------|-------------|--------------|-------------|
|                                   | Revenue      | Share       | Revenue      | Share       |
| Europe, Middle East, Africa       | 2,020        | 35%         | 1,707        | 39%         |
| Therein: Germany                  | 942          | 16%         | 859          | 20%         |
| Asia-Pacific (excluding Japan)    | 2,666        | 46%         | 1,845        | 43%         |
| Therein: China                    | 1,337        | 23%         | 868          | 20%         |
| Japan                             | 399          | 7%          | 284          | 7%          |
| Americas                          | 710          | 12%         | 484          | 11%         |
| Therein: USA                      | 568          | 10%         | 367          | 8%          |
| <b>Total</b>                      | <b>5,795</b> | <b>100%</b> | <b>4,320</b> | <b>100%</b> |

All regions contributed to revenue growth in the 2015 fiscal year. The acquisition of International Rectifier granted better access to the Chinese and US markets, a fact reflected in above-average growth rates in these countries.

Of the total year-on-year revenue increase of €1,475 million, more than one half (€821 million or 56 percent) related to the Asia-Pacific region (excluding Japan), followed by the Europe, Middle East and Africa region, where revenue rose by €313 million or 21 percent of the total revenue increase. In the Americas region – and within that region particularly the USA, which remains the driving force for innovation – revenue grew by €226 million or 15 percent of the total revenue increase.

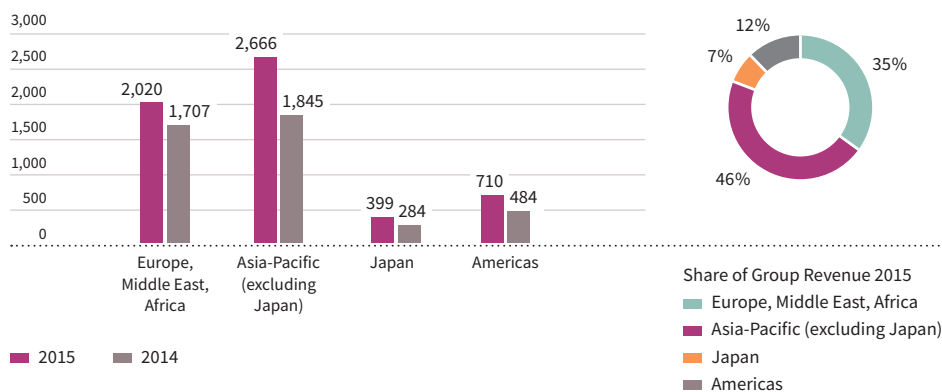
The Asia-Pacific region (excluding Japan) had already become the largest region in the previous fiscal year, when it accounted for 43 percent of revenue, ahead of the Europe, Middle East and Africa region with 39 percent. The importance of the Asia-Pacific region (excluding Japan) continued to grow in the year under report, accounting for 46 percent of revenue, compared to the 35 percent generated in the Europe, Middle East and Africa region. The two regions together accounted for 81 percent (2014: 82 percent) of revenue and, therefore, remain Infineon's largest markets.

Within the Asia-Pacific region (excluding Japan), China accounted for revenue of €1,337 million (23 percent) and therefore the largest share at individual country level. Germany followed in second place with €942 million (16 percent). It nevertheless remains an important technology center for the Automotive and Industrial sectors and, going forward, will continue to play a major role, firstly in the development of new products and solutions and secondly as a sales market.

#### G 66

##### Revenue by region

€ in millions



### Book-to-bill ratio still at high level

The book-to-bill ratio was practically unchanged at 1.11 (2014: 1.12) and therefore remains at a high level. The value of orders received increased by 32 percent from €4,857 million to €6,421 million, boosted by organic growth, the strength of the US dollar and the acquisition of International Rectifier.

### Reduction in gross margin

**Cost of goods sold** in the 2015 fiscal year amounted to €3,715 million, an increase of €1,042 million or 39 percent compared to €2,673 million in the previous fiscal year.

Cost of goods sold comprises mainly:

- › material expenses – in particular for raw wafers,
- › personnel expenses,
- › depreciation and amortization,
- › overheads, including the maintenance of production facilities, operational supplies and license fees,
- › foundry as well as assembly and test costs charged by subcontractors and
- › manufacturing support, including buildings, supply facilities, quality control and management costs.

In addition to volume-related factors, the cost of goods sold is also influenced by the following:

- › capacity utilization level of production facilities and related idle costs,
- › amortization of purchased and internally generated intangible assets,
- › product warranty costs,
- › inventory risks
- › government grants received that are spread over the useful lives of production plants and
- › effects from the purchase price allocation of International Rectifier.

**Gross profit** (revenue less cost of goods sold) amounted to €2,080 million in the 2015 fiscal year, an improvement of €433 million or 26 percent compared to €1,647 million one year earlier, and hence underproportionally to the 34 percent increase in revenue.

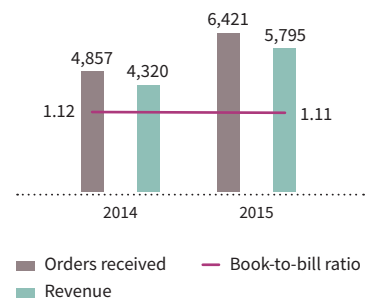
The **gross margin** fell accordingly year-on-year from 38.1 percent to 35.9 percent. The drop compared to the previous fiscal year, which arose despite the revenue increase and the positive impact of the strong US dollar, was primarily due to the earnings impact on the cost of goods sold arising in conjunction with the purchase price allocation as well as acquisition-related expenses for International Rectifier amounting to €143 million. The main items in this context were higher amortization/depreciation on intangible assets and property, plant and equipment that have been stepped up to fair values in the course of the purchase price allocation as well as the additional expense of consuming inventories revalued to their fair value. Moreover, further investments were made in manufacturing facilities, with a view to creating a broader base for sustainable growth.

A part of the cost of goods sold is incurred in currencies other than the euro. To some extent, the effects of exchange rates on the cost of goods sold offset a similar impact on revenue. Exchange rates had a net positive impact on gross profit in the low-triple-digit million range in the 2015 fiscal year.

G 67

Orders received and revenue

€ in millions, except book-to-bill ratio

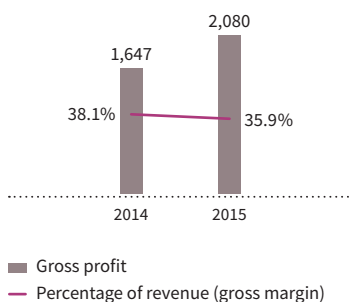


| € in millions, except percentages    | 2015  | 2014  |
|--------------------------------------|-------|-------|
| Cost of goods sold                   | 3,715 | 2,673 |
| Change year-on-year                  | 39%   | 6%    |
| Percentage of revenue                | 64.1% | 61.9% |
| Gross profit                         | 2,080 | 1,647 |
| Percentage of revenue (gross margin) | 35.9% | 38.1% |



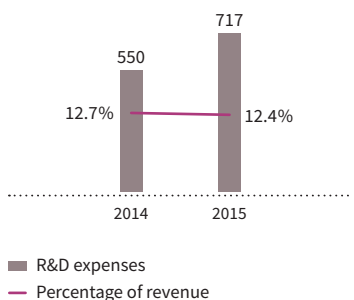
## G 68

Gross profit and gross margin  
€ in millions



## G 69

R&D expenses  
€ in millions



P see page 70 ff.

### Acquisition- and integration-related costs result in higher operating expenses

**Operating expenses** (research and development expenses and selling, general and administrative expenses) increased by €449 million to €1,495 million in the year under report (2014: €1,046 million), corresponding to 25.8 percent of revenue (2014: 24.2 percent).

#### Research and development expenses (R&D expenses)

**R&D expenses** consist primarily of personnel expenses, material expenses, depreciation and amortization and the cost of maintaining laboratory facilities required for R&D activities. R&D projects include technology and product development projects. R&D expenses also cover third-party costs related to technology and product development, as well as the cost of joint product and technology development arrangements with partners. Grants received in conjunction with R&D projects and capitalized development costs reduce the reported expense.

| € in millions, except percentages               | 2015  | 2014  |
|---|-------|-------|
| Research and development expenses               | 717   | 550   |
| Change year-on-year                             | 30%   | 5%    |
| Percentage of revenue                           | 12.4% | 12.7% |
| Therein included grants received                | 59    | 66    |
| Percentage of revenue                           | 1.0%  | 1.5%  |
| For information: capitalized development costs  | 100   | 92    |
| Percentage of research and development expenses | 13.9% | 16.7% |

**R&D expenses** amounted to €717 million in the 2015 fiscal year, an increase of €167 million compared to the previous year's figure of €550 million or 12.4 percent (2014: 12.7 percent) of revenue. Thanks to economies of scale from higher revenue in the 2015 fiscal year, the figure remains within the target range of a low to mid-teen percentage of revenue. The increase in absolute terms compared to the previous year mainly relates to the integration of International Rectifier. In addition, research and development activities were intensified and additional staff recruited with the aim of broadening the basis for further growth. A total of 5,778 employees, including those from International Rectifier, worked in research and development functions at the end of the reporting period (September 30, 2014: 4,822 employees). Salary rises also contributed to the increase in research and development expenses.

At €59 million, **grants and subsidies** were lower than in the previous fiscal year (€66 million). **Capitalized development costs** amounted to €100 million in the 2015 fiscal year, compared to €92 million one year earlier.

The principal R&D activities undertaken during the 2015 fiscal year are described in more detail in the chapter "Research and development".

### Selling, general and administrative expenses

Selling expenses primarily comprise personnel and non-personnel expenses related to selling activities as well as the cost of marketing, customer samples, marketing incentives and other marketing activities.

General and administrative expenses primarily consist of personnel expenses for administrative staff and non-manufacturing-related overhead costs, consultancy, legal and other fees for professional services as well as earnings impacts arising from the purchase price allocation and integration expenses incurred in conjunction with the acquisition of International Rectifier.

| € in millions, except percentages            | 2015  | 2014  |
|--|-------|-------|
| Selling, general and administrative expenses | 778   | 496   |
| Change year-on-year                          | 57%   | 13%   |
| Percentage of revenue                        | 13.4% | 11.5% |

At 13.4 percent of revenue **selling, general and administrative expenses** were higher than in the previous fiscal year (11.5 percent). In absolute terms, selling, general and administrative expenses increased by €282 million to €778 million, mainly reflecting the first-time inclusion of International Rectifier; the earnings impact arising from the purchase price allocation; integration expenses incurred in conjunction with the acquisition; salary rises; and expenses incurred to expand the sales organization. Excluding the earnings impact arising from the purchase price allocation and integration expenses, the ratio of selling, general and administrative expenses, expressed as a percentage of revenue, was similar to the previous year.

We incur only minor marketing expenses for advertising and trade fairs due to our sales and customer structure.

### Other operating income and expenses improved to a net negative amount of €30 million

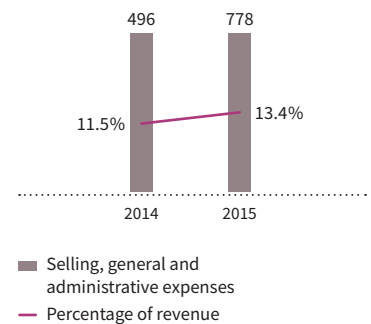
Other operating income and expenses gave rise to a net expense of €30 million for the 2015 fiscal year, compared to a net expense of €76 million one year earlier. The improvement was mainly attributable to the inclusion in the previous fiscal year of a fine totaling €83 million in conjunction with chip card antitrust proceedings, offset by higher write-downs and restructuring expenses in the 2015 fiscal year.

Other operating expenses include a charge of €19 million recognized in connection with the closure of the Techview manufacturing facility in Singapore (acquired in conjunction with the acquisition of International Rectifier), comprising a restructuring provision (€9 million) as well as impairment losses on property, plant and equipment and intangible assets (€10 million).

Other operating income includes the gain of €9 million arising on the sale of patents (the majority of which were acquired from Qimonda) to Polaris Innovations Limited (Ireland), a subsidiary of Wi-Lan Inc. (Canada), and to Samsung Electronics Ltd. (Korea).

Further details relating to other operating income and expenses are provided in note 7 to the Consolidated Financial Statements.

**G 70**  
 Selling, general and administrative expenses  
 € in millions



**P** see page 230

### Negative impact on net finance result from additional debt capital

The **net financial result** (financial income less financial expenses) for the 2015 fiscal year was a negative €39 million, a deterioration by €30 million compared to the negative €9 million recorded one year earlier, mainly due to higher financing expenses. External debt of approximately €1.6 billion raised to finance the purchase price payment to acquire International Rectifier resulted in higher financing expenses. Despite the deterioration in the gross cash position (see “Gross cash position and net cash position” in the chapter “Review of liquidity”) and only a minimal amount of interest earned on liquidity, financial income remained unchanged to the previous year at €10 million, due to gains arising on the sale of marketable securities.

**P** see page 143

### Tax benefit following reassessment of deferred tax assets

As in the previous fiscal year, tax expense for the 2015 fiscal year was affected by foreign tax rates, non-deductible expenses, tax credits and changes in valuation allowances on deferred tax assets. Based on income from continuing operations before income taxes of €520 million, a tax benefit of €102 million arose due to the reversal of previously recognized valuation allowances on deferred tax assets. In the previous fiscal year, a tax expense of €31 million arose on income from continuing operations before income taxes of €519 million.

In the 2015 fiscal year, the reassessment of the valuation allowance on deferred tax assets, relating primarily to tax loss carry-forwards and the utilization of previously unrecognized tax benefits, resulted in income of €209 million arising on the reversal of previously recognized valuation allowances on deferred tax assets on loss carry-forwards. In addition, expenses recognized in the 2015 fiscal year in conjunction with the purchase price allocation relating to the acquisition of International Rectifier reduced income from continuing operations before income taxes, and gave rise to related deferred tax income.

**P** see page 231 ff.

Further details regarding income tax are provided in note 9 to the Consolidated Financial Statements.

### Positive result from discontinued operations

The **result from discontinued operations, net of income taxes** comprised the following:

| € in millions   | 2015      | 2014      |
|---|-----------|-----------|
| Qimonda   | 12        | 29        |
| Wireline Communications business                                | -         | 10        |
| Wireless mobile phone business                                  | -         | 8         |
| <b>Result from discontinued operations, net of income taxes</b> | <b>12</b> | <b>47</b> |

The **result from discontinued operations, net of income taxes** was a positive amount of €12 million for the 2015 fiscal year, compared to a positive amount of €47 million one year earlier. Income of €12 million was recognized during the 2015 fiscal year as a result of the reversal of provisions previously recorded in connection with risks relating to the Qimonda insolvency. See note 32 to the Consolidated Financial Statements “Legal risks” for information on risks relating to the Qimonda insolvency.

**P** see page 265 ff.

Further information regarding the result from discontinued operations, net of income taxes, can be found in note 4 to the Consolidated Financial Statements.

**P** see page 227 f.

### Higher earnings per share

**Net income** of €634 million for the 2015 fiscal year was above the previous year's figure of €535 million.

In line with the increase in net income, **earnings per share** (basic and diluted) rose from €0.48 in the previous year to €0.56 in the 2015 fiscal year.

### Sharp improvement in adjusted earnings per share

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular International Rectifier) as well as by other exceptional items.

To enable better comparability of operating performance over time, Infineon computes adjusted earnings per share (diluted) as follows:

| € in millions (unless otherwise stated)  | 2015       | 2014       |
|--|------------|------------|
| <b>Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted</b>          | <b>620</b> | <b>491</b> |
| Plus/minus:  |            |            |
| Impairments on assets including assets classified as held for sale, net of reversals                                   | 31         | 3          |
| Impact on earnings of restructuring and closures, net  | 13         | 8          |
| Share-based compensation expense   | 6          | 6          |
| Acquisition-related depreciation/amortization and other expenses   | 274        | 8          |
| Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net                                       | 2          | (2)        |
| Other income and expense, net  | 16         | 72         |
| Tax effects on adjustments   | (73)       | 1          |
| Revaluation of deferred tax assets resulting from the annually updated earnings forecast                               | (209)      | (48)       |
| <b>Adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted</b> | <b>680</b> | <b>539</b> |
| Weighted-average number of shares outstanding – diluted  | 1,125.3    | 1,123.0    |
| Adjusted earnings per share (in euro) – diluted <sup>1</sup>   | 0.60       | 0.48       |

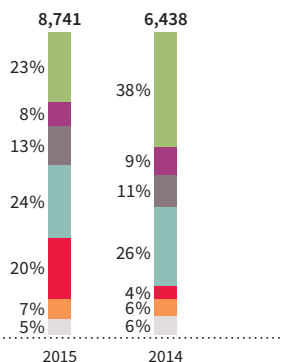
<sup>1</sup> The calculation of the adjusted earnings per share is based on unrounded figures.

Adjusted net income and adjusted earnings per share (diluted) should not be seen as a replacement or superior performance indicator, but rather as additional information to the net income and earnings per share (diluted) determined in accordance with IFRS. The calculation of earnings per share in accordance with IFRS is presented in detail in note 10 to the Consolidated Financial Statements “Earnings per share”.

 see page 233 f.

## G71

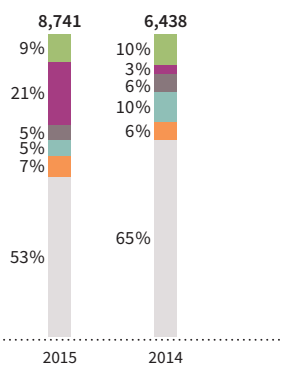
## Assets



| € in millions                 | 2015         | 2014         |
|-------------------------------|--------------|--------------|
| Gross cash position           | 2,013        | 2,418        |
| Trade and other receivables   | 742          | 581          |
| Inventories                   | 1,129        | 707          |
| Property, plant and equipment | 2,093        | 1,700        |
| Intangible assets             | 1,738        | 250          |
| Deferred tax assets           | 604          | 378          |
| Other assets                  | 422          | 404          |
| <b>Total</b>                  | <b>8,741</b> | <b>6,438</b> |

## G72

## Liabilities and equity



| € in millions                         | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
| Trade and other payables              | 802          | 648          |
| Debt                                  | 1,793        | 186          |
| Pension plans and similar commitments | 426          | 379          |
| Provisions                            | 474          | 660          |
| Other liabilities                     | 581          | 407          |
| Equity                                | 4,665        | 4,158        |
| <b>Total</b>                          | <b>8,741</b> | <b>6,438</b> |

## Review of financial condition

€ in millions, except percentages

|                          | 2015         | 2014         | Change year-on-year |
|--------------------------|--------------|--------------|---------------------|
| Current assets           | 4,115        | 3,934        | 5%                  |
| Non-current assets       | 4,626        | 2,504        | 85%                 |
| <b>Total assets</b>      | <b>8,741</b> | <b>6,438</b> | <b>36%</b>          |
| Current liabilities      | 1,585        | 1,603        | (1%)                |
| Non-current liabilities  | 2,491        | 677          | 268%                |
| <b>Total liabilities</b> | <b>4,076</b> | <b>2,280</b> | <b>79%</b>          |
| <b>Total equity</b>      | <b>4,665</b> | <b>4,158</b> | <b>12%</b>          |

## Statement of Financial Position Ratios:

|                                   | 2015  | 2014  |
|-----------------------------------|-------|-------|
| Return on assets <sup>1</sup>     | 7.3%  | 8.3%  |
| Equity ratio <sup>2</sup>         | 53.4% | 64.6% |
| Return on equity <sup>3</sup>     | 13.6% | 12.9% |
| Debt-to-equity ratio <sup>4</sup> | 38.4% | 4.5%  |
| Inventory intensity <sup>5</sup>  | 12.9% | 11.0% |
| RoCE <sup>6</sup>                 | 12.8% | 20.3% |

1 Return on assets = Net income/Total assets

2 Equity ratio = Total equity/Total assets

3 Return on equity = Net income/Total equity

4 Debt-to-equity ratio = (long-term and short-term debt)/Total equity

5 Inventory intensity = Inventories (net)/Total assets

6 Calculation see following section about RoCE in this chapter

## Total assets up sharply due to acquisition of International Rectifier

Compared to September 30, 2014, total assets increased by €2,303 million from €6,438 million to €8,741 million, mainly due to the acquisition of International Rectifier, with current assets up by €181 million and non-current assets up by €2,122 million. On the equity and liabilities side, liabilities increased by €1,796 million and equity by €507 million.

Statement of financial position ratios changed accordingly, with the debt-to-equity ratio rising to 38.4 percent (mainly due to debt raised to partially finance the acquisition of International Rectifier) and the return on equity ratio falling to 53.4 percent.

Key performance ratios for the 2015 fiscal year also changed accordingly, with the return on assets and RoCE down, despite increased earnings, to 7.3 percent (2014: 8.3 percent) and 12.8 percent (2014: 20.3 percent) respectively, and the return on equity up to 13.6 percent (2014: 12.9 percent).

## Slight increase in current assets

**Current assets** went up by 5 percent to €4,115 million at the end of the reporting period, compared to €3,934 million as of September 30, 2014. Infineon's gross cash position (sum total of cash and cash equivalents and financial investments) decreased by €405 million (see "Gross cash position and net cash position" in the chapter "Review of liquidity"). By contrast, trade receivables and inventories went up by a total of €583 million as a result of the segment's organic revenue growth, the acquisition of International Rectifier and currency factors.

### Non-current assets higher due to acquisition of International Rectifier

**Non-current assets** rose by €2,122 million (85 percent) from €2,504 million as of September 30, 2014 to €4,626 million as of September 30, 2015, mostly due to the acquisition of International Rectifier and the expansion of manufacturing facilities.

Based on the preliminary purchase price allocation (see note 3 to the Consolidated Financial Statements “Acquisitions”), goodwill of €729 million arose at the date of acquisition. This figure increased to €778 million as of September 30, 2015 due to exchange rate factors. Other intangible assets acquired in conjunction with the acquisition of International Rectifier, such as customer relationships and technologies, were measured at €701 million at the acquisition date, while acquired property, plant and equipment were recognized at a value of €379 million.

 see page 225 f.

Other investments in property, plant and equipment and intangible assets in the 2015 fiscal year totaled €785 million. Investments related mainly to the manufacturing sites in Germany (mainly Regensburg and Dresden), Malaysia (Malacca and Kulim), and Austria (Villach). Depreciation and amortization on property, plant and equipment as well as on intangible assets amounted to €760 million in the 2015 fiscal year.

Deferred tax assets increased by €226 million to €604 million (September 30, 2014: €378 million), primarily as a result of reversals of previously recognized valuation allowances on deferred tax assets relating to tax loss carry-forwards (see note 9 to the Consolidated Financial Statements “Income tax”).

 see page 231 ff.

### Current liabilities nearly unchanged

**Current liabilities** stood at €1,585 million at the end of the reporting period, €18 million (1 percent) lower than at September 30, 2014 (€1,603 million).

Current provisions went down by €188 million during the twelve-month period. Current provisions relating to Qimonda decreased by €265 million, primarily due to payments made in conjunction with the partial settlement reached with Qimonda’s insolvency administrator (see note 32 to the Consolidated Financial Statements “Legal risks”). Current provisions for obligations to employees increased by €88 million, largely reflecting the fact that the creation of provisions for the 2015 fiscal year exceeded payments for prior-year performance-related remuneration. Alongside current provisions, other current liabilities decreased by €36 million, partly due to an increase of €62 million in payables to employees mostly due to the acquisition of International Rectifier. By contrast, other current liabilities decreased as a result of the payment of €83 million in conjunction with the fine imposed by the European Commission (“EU Commission”), against which Infineon has meanwhile filed an appeal (see note 32 to the Consolidated Financial Statements “Legal risks”).

 see page 265

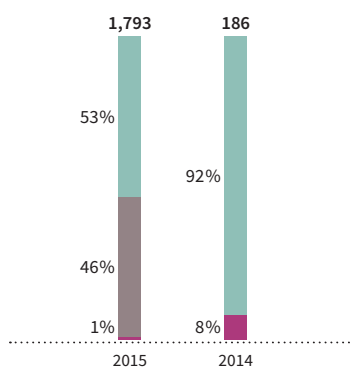
 see page 264 f.

While current provisions and other current liabilities decreased in total by €224 million, trade payables increased by €154 million to stand at €802 million at the end of the reporting period (September 30, 2014: €648 million). This increase was partly due to the addition of trade payables from International Rectifier and partly to higher business volumes and investments.



## G 73

## Debt by currencies



| € in millions | 2015         | 2014       |
|---------------|--------------|------------|
| Euro          | 947          | 171        |
| US dollar     | 828          | -          |
| Other         | 18           | 15         |
|               | <b>1,793</b> | <b>186</b> |

### Non-current liabilities increased by debt raised to finance acquisition of International Rectifier

**Non-current liabilities** increased by €1,814 million to stand at €2,491 million at the end of the reporting period (September 30, 2014: €677 million).

Non-current financial liabilities went up by €1,609 million to €1,760 million at the end of the reporting period (September 30, 2014: €151 million) as a result of debt raised in conjunction with the acquisition of International Rectifier (see note 22 to the Consolidated Financial Statements "Debt"). In the 2015 fiscal year, the share of debt denominated in US dollars increased to 46 percent (September 30, 2014: 0 percent) as a result of a loan amounting to US\$934 million. The share of debt denominated in euros decreased accordingly to 53 percent (September 30, 2014: 92 percent). Information on debt maturities is provided in note 22 to the Consolidated Financial Statements "Debt".

Deferred tax liabilities increased by €142 million to €147 million, mostly due to the revaluation of the carrying amounts of International Rectifier's assets and liabilities to their fair value as part of the purchase price allocation. Pensions and similar obligations went up by €47 million to €426 million (September 30, 2014: €379 million), mainly due to actuarial losses totaling €27 million.

### Equity up due to net income and currency factors

**Equity** increased by €507 million (12 percent) to €4,665 million at the end of the reporting period (September 30, 2014: €4,158 million). In addition to the net income of €634 million earned in the 2015 fiscal year, currency factors also added €100 million to equity. Equity was increased by €40 million due to the expiry of non-exercised put options on own shares.

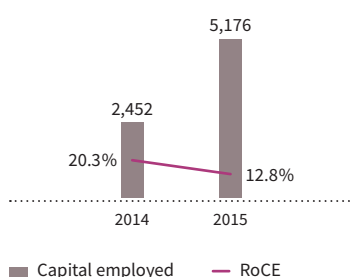
The dividend payment for the 2014 fiscal year reduced equity by €202 million. A further reduction by €27 million after tax resulted from actuarial losses, which arose on the measurement of pensions and similar obligations.

The equity ratio fell to 53.4 percent at the end of the reporting period (September 30, 2014: 64.6 percent) primarily due to debt taken on to finance the acquisition of International Rectifier.

## G 74

## RoCE

€ in millions



### RoCE down due to increase in capital employed

The Return on Capital Employed (RoCE) for the 2015 fiscal year fell to 12.8 percent from 20.3 percent one year earlier.

Capital employed increased during the twelve-month period from €2,452 million to €5,176 million, mostly due to the acquisition of International Rectifier, but also in part as a result of the reduction in provisions for Qimonda. The increase in operating income from continuing operations, net of tax, from €497 million in the previous year to €664 million in the 2015 fiscal year was insufficient to offset this effect.

RoCE for the 2015 and 2014 fiscal years is calculated as follows:

| € in millions  | 2015         | 2014         |
|--|--------------|--------------|
| <b>Operating income</b>  | <b>555</b>   | <b>525</b>   |
| Plus:  |              |              |
| Financial income excluding interest income <sup>1</sup>        | 4            | -            |
| Gain from investments accounted for using the equity method    | 4            | 3            |
| Less:  |              |              |
| Income tax   | 102          | (31)         |
| Financial expense excluding interest expense <sup>2</sup>      | (1)          | -            |
| <b>Operating income from continuing operations after tax ①</b> | <b>664</b>   | <b>497</b>   |
| <b>Assets</b>  | <b>8,741</b> | <b>6,438</b> |
| Less:  |              |              |
| Cash and cash equivalents                                      | (673)        | (1,058)      |
| Financial investments  | (1,340)      | (1,360)      |
| Assets classified as held for sale                             | -            | -            |
| Total current liabilities                                      | (1,585)      | (1,603)      |
| Plus:  |              |              |
| Short-term debt and current maturities of long-term debt       | 33           | 35           |
| Liabilities classified as held for sale                        | -            | -            |
| <b>Capital employed ②</b>                                      | <b>5,176</b> | <b>2,452</b> |
| <b>RoCE ①/②</b>  | <b>12.8%</b> | <b>20.3%</b> |

<sup>1</sup> Financial income in the 2015 and 2014 fiscal year amounted to €10 million and €10 million, respectively, and consisted of €6 million and €10 million, respectively, of interest income (see note 8 to the Consolidated Financial Statements).

<sup>2</sup> Financial expense in the 2015 and 2014 fiscal year amounted to €49 million and €19 million, respectively, and consisted of €48 million and €19 million, respectively, of interest expense (see note 8 to the Consolidated Financial Statements).

 see page 231

 see page 231

The reported RoCE was calculated using actual capital employed, without adjustment for exceptional factors such as provisions recorded in connection with the Qimonda insolvency and current liabilities arising in the previous year on the issue of put options on own shares in conjunction with Infineon's capital return program, both of which had the effect of reducing capital employed.

## Review of liquidity

### Cash flow

| € in millions  | 2015         | 2014       |
|--|--------------|------------|
| Net cash provided by operating activities from continuing operations           | 957          | 988        |
| Net cash used in investing activities from continuing operations               | (2,593)      | (272)      |
| Net cash provided by (used in) financing activities from continuing operations | 1,363        | (179)      |
| Net change in cash and cash equivalents from discontinued operations           | (140)        | (8)        |
| <b>Net change in cash and cash equivalents</b>                                 | <b>(413)</b> | <b>529</b> |
| Effect of foreign exchange rate changes on cash and cash equivalents           | 28           | 2          |
| <b>Change in cash and cash equivalents</b>                                     | <b>(385)</b> | <b>531</b> |

### Net cash provided by operating activities from continuing operations lower than in previous year

**Net cash provided by operating activities from continuing operations** amounted to €957 million and was thus €31 million lower than in the previous fiscal year (€988 million). The figure reported includes the payment of €104 million to settle disputes relating to the continuation of the right to use Qimonda patents as well as the payment of €83 million to the EU Commission in connection with the fine imposed in conjunction with chip card antitrust proceedings. Taking income from continuing operations before depreciation, amortization and impairment losses, interest and income taxes of €1,353 million as the starting point, cash-relevant changes in trade receivables and payables, provisions not relating to Qimonda, other assets and liabilities (excluding the payment to the EU Commission) and inventories, totaling €104 million, also reduced cash and cash equivalents. Income tax payments during the fiscal year under report totaled €93 million.

In the previous fiscal year, taking income from continuing operations before depreciation, amortization and impairment losses, interest and income taxes of €1,045 million as the starting point, the principal items reducing net cash provided by operating activities from continuing operations were the increase in inventories and trade receivables (in aggregate €147 million) and income taxes paid (€52 million). Increases in trade payables and changes in other assets and liabilities (in aggregate €173 million) worked in the opposite direction. This figure also included the €83 million fine imposed on Infineon by the EU Commission.

### High level of cash used in investing activities from continuing operations due to acquisition of International Rectifier

**Net cash used in investing activities from continuing operations** in the 2015 fiscal year totaled €2,593 million, of which €1,869 million (after deduction of cash acquired) related to the acquisition of International Rectifier (see note 3 to the Consolidated Financial Statements “Acquisitions”). €646 million was invested in property, plant and equipment and €139 million in intangible and other assets, the latter figure including an amount of €21 million relating to the acquisition of the Qimonda patents, most of which were sold in July 2015. In addition, €14 million in total was used to acquire shares in Schweizer Electronic AG, Schramberg (Germany) and TTTech Computertechnik AG, Vienna (Austria). Proceeds of €57 million were received on the disposal of items of property, plant and equipment and other assets, including €30 million arising on the sale of practically all of the Qimonda patents in July 2015, which had been acquired in conjunction with the settlement reached with the Qimonda insolvency administrator in October 2014. €18 million of cash was provided by the (net) sale of financial investments, mainly comprising money deposits with a term of between three and twelve months. The change in these items does not have any impact on Infineon’s gross cash position, since the latter includes financial investments as well as cash and cash equivalents.

In the previous fiscal year, net cash used in investing activities from continuing operations amounted to €272 million. Cash outflows included €567 million for property, plant and equipment, €101 million for intangible assets and €7 million (net of cash acquired) to increase Infineon’s investment in LSPS. A net amount of €399 million was provided by the sale of financial investments.

 see page 225 ff.

**Debt raised to finance International Rectifier acquisition results in net cash provided by financing activities from continuing operations**

**Net cash provided by financing activities from continuing operations** totaled €1,363 million in the 2015 fiscal year. Credit lines agreed with various national and international banks in August 2014 to finance the International Rectifier acquisition were drawn down in January 2015. €800 million of these amounts were repaid in March 2015 following the issue of two senior and unsecured bonds with a total nominal value of €800 million. Overall, net cash inflows totaled €1,584 million. In addition, the dividend for the 2014 fiscal year amounting to €202 million was also paid. An amount of €15 million was used to acquire the remaining 33.6 percent of the shares of LSPS.

In the previous fiscal year, net cash used in financing activities from continuing operations amounted to €179 million, including €129 million used to pay the dividend for the 2013 fiscal year and €35 million to repurchase parts of the convertible bond that fell due in 2014. A net amount of €25 million was used to repay non-current financial liabilities.

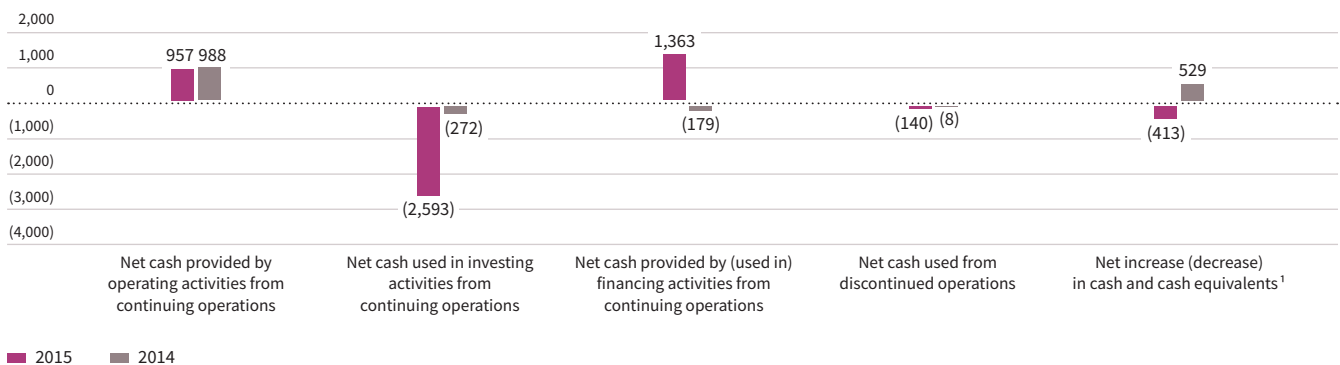
**Change in cash and cash equivalents from discontinued operations negatively impacted by payments in conjunction with the Qimonda partial settlement**

Net cash used from discontinued operations in the 2015 fiscal year totaled €140 million, of which €125 million (net of value added tax) related to payments in conjunction with the settlement reached with the Qimonda insolvency administrator. These payments were made as part of an amicable agreement reached to terminate the proceedings relating to claims pertaining to intragroup payments (which had been contested under insolvency law), and the settlement of other extra-judicial claims. The payments were also deemed to settle all other claims of the insolvency administrator, to the extent that they do not pertain to the alleged activation of a shell company and the liability for impairment of capital, as well as the residual liability of Qimonda Dresden.

**G75**

Cash flow

€ in millions



<sup>1</sup> Before effect of foreign exchange rate changes on cash and cash equivalents of €28 million and €2 million for the 2015 and 2014 fiscal year, respectively.

### Free cash flow

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

| € in millions  | 2015           | 2014       |
|--|----------------|------------|
| Net cash provided by operating activities from continuing operations | 957            | 988        |
| Net cash used in investing activities from continuing operations     | (2,593)        | (272)      |
| Purchases of (proceeds from sales of) financial investments, net     | (18)           | (399)      |
| <b>Free cash flow</b>  | <b>(1,654)</b> | <b>317</b> |

### Acquisition of International Rectifier results in substantial negative free cash flow

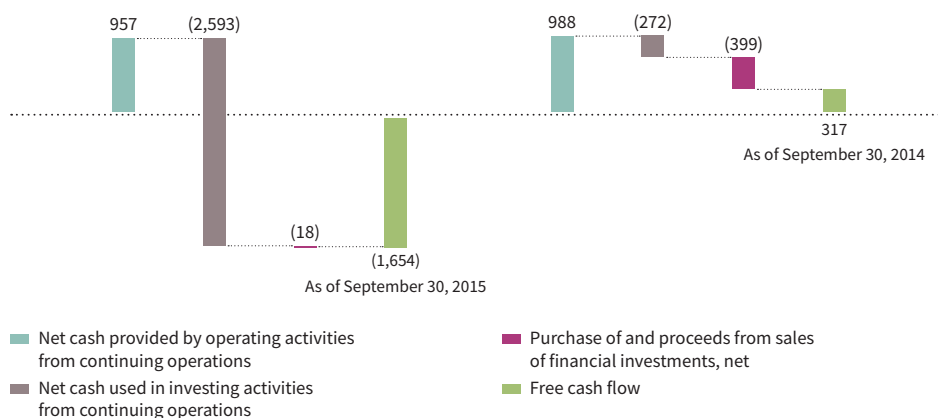
**Free cash flow** in the 2015 fiscal year was a negative amount of €1,654 million, compared to a positive free cash flow of €317 million in the previous year. Of the figure for the 2015 fiscal year, €1,869 million (after deduction of cash acquired) related to the acquisition of International Rectifier. The payments to the Qimonda insolvency administrator, net of proceeds from the sale of the Qimonda patents, and the payment made to the EU Commission reduced free cash flow from continuing operations by €178 million. Excluding these exceptional items, free cash flow from continuing operations in the 2015 fiscal year would have totaled €393 million.

Free cash flow in the previous fiscal year amounted to €317 million. Net cash provided by operating activities from continuing operations amounting to €988 million exceeded investments in property, plant and equipment and intangible assets totaling €668 million.

#### G 76

#### Free cash flow

€ in millions



### Gross cash position and net cash position

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

| € in millions  | September 30, 2015 | September 30, 2014 |
|--|--------------------|--------------------|
| Cash and cash equivalents                                | 673                | 1,058              |
| Financial investments                                    | 1,340              | 1,360              |
| <b>Gross cash position</b>                               | <b>2,013</b>       | <b>2,418</b>       |
| Less:  |                    |                    |
| Short-term debt and current maturities of long-term debt | 33                 | 35                 |
| Long-term debt   | 1,760              | 151                |
| <b>Total debt</b>  | <b>1,793</b>       | <b>186</b>         |
| <b>Net cash position</b>                                 | <b>220</b>         | <b>2,232</b>       |

The **gross cash position** as of September 30, 2015 amounted to €2,013 million, down by €405 million on the €2,418 million reported at September 30, 2014. In addition to the negative free cash flow of €1,654 million described above, the gross cash position was also reduced by the dividend payment of €202 million and by payments totaling €140 million relating to the Qimonda insolvency and reported as net cash used from discontinued operations. Net debt raised amounting to €1,567 million and exchange gains of €28 million on cash and cash equivalents worked in the opposite direction.

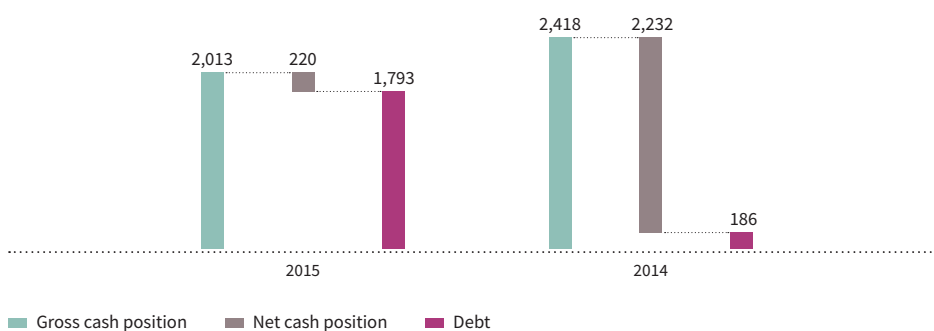
The **net cash position**, which is defined as the gross cash position less short-term and long-term debt, was positive as of September 30, 2015, despite the high negative free cash flow figure caused by the various factors described above. The net cash position amounted to €220 million at the end of the reporting period (September 30, 2014: €2,232 million), after dipping during the year to a negative amount of €176 million as of March 31, 2015 following payment of the purchase consideration for International Rectifier, payment of the dividend and payments to both the Qimonda insolvency administrator and the EU Commission. Infineon’s net cash position had already returned to a positive amount of €49 million by June 30, 2015, thus bringing the capital structure back within the targeted range for the net cash position (see note 25 of the Consolidated Financial Statements “Capital management”), just one quarter after signing the contract to acquire International Rectifier.

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#### 677

Liquidity position as of September 30, 2015 and 2014 by comparison

€ in millions





# Report on expected developments, together with associated material risks and opportunities

## Outlook

### Actual and target values for performance indicators

The following table as well as the subsequent comments compare the actual values of Infineon's key performance indicators with the forecasts updated in the Half-Year Financial Report to March 31, 2015 following closure of the acquisition of International Rectifier and show the outlook for the 2016 fiscal year. The forecasts for the 2016 fiscal year include the financial figures of International Rectifier for a full fiscal year. The performance figures shown for the 2015 fiscal year include figures for International Rectifier from January 13, 2015 onwards, in other words with effect from the acquisition closure date.

In addition, the original forecasts for the 2015 fiscal year, as presented in the 2014 Annual Report, are shown in the third column. These forecasts related to the expected development of the Infineon Group, without taking account of financial figures for International Rectifier:

|  | Actuals      | Original Outlook   | Outlook FY 2015, March 31, 2015   | Actuals        | Outlook   |
|--|--------------|--|---|----------------|---|
|  | FY 2014      | FY 2015  | After integration of International Rectifier  | FY 2015        | FY 2016   |
| € in millions, except percentages                      |              |  |   |                |   |
| <b>Principal performance indicators</b>                |              |  |   |                |   |
| Segment Result Margin                                  | 14.4%        | About 14% (at the mid-point of the planned range for revenue growth)                 | About 15% (at the mid-point of the planned range for revenue growth)                  | 15.5%          | About 16% (at the mid-point of the planned range for revenue growth)                  |
| Free cash flow from continuing operations              | 317          | Between €0 and €100 million  | Between a negative amount of €1.6 billion to €1.7 billion                             | (1,654)        | Between €500 and €600 million   |
| RoCE   | 20.3%        | Slight decrease compared to FY 2014  | Sharp decrease compared to previous fiscal year                                       | 12.8%          | Slight increase compared to FY 2015   |
| <b>Supplementary performance indicators</b>            |              |  |   |                |   |
| <b>Growth and profitability performance indicators</b> |              |  |   |                |   |
| Change in revenue compared to previous year            | 12%          | Increase by 8% plus/minus 2 percentage points  | Increase by 36% plus/minus 2 percentage points  | 34%            | Increase by 13% plus/minus 2 percentage points  |
| Gross margin   | 38.1%        | About the same as in FY 2014   | Considerable decrease compared to 38.1% in FY 2014                                    | 35.9%          | Slight increase compared to FY 2015   |
| Research and development expenses                      | 550          | Growth in line with or slightly above sales growth                                   | Growth in line with or slightly below revenue growth                                  | 717<br>30%     | Growth in line with or slightly below revenue growth                                  |
| Selling, general and administrative expenses           | 496          | Growth in line with or slightly above sales growth                                   | Growth considerably above revenue growth  | 778<br>57%     | Growth slightly below revenue growth  |
| <b>Liquidity performance indicators</b>                |              |  |   |                |   |
| Gross cash position                                    | 2,418<br>56% | In the range of 40 – 50% relative to revenue, therefore above the target of 30 – 40% | In the range of 30 – 40% relative to revenue, therefore within the target of 30 – 40% | 2,013<br>34.7% | In the range of 30 – 40% relative to revenue, therefore within the target of 30 – 40% |
| Net cash position                                      | 2,232        | Net cash position (gross cash position higher than debt)                             | Net cash position (gross cash position higher than debt)                              | 220            | Net cash position (gross cash position higher than debt)                              |
| Working capital  | (52)         | Increase to €350 to €450 million   | Increase to €500 to €600 million  | 550            | Between €700 and €850 million   |
| Investments  | 668          | About €700 million   | About €800 million  | 785            | About €850 million  |

Infineon's principal performance indicators comprise Segment Result Margin, free cash flow from continuing operations and RoCE. With a Segment Result Margin of 15.5 percent, Infineon was slightly ahead of its forecast value of 15 percent for the 2015 fiscal year.

In light of the purchase price payment for International Rectifier, payments made in connection with the partial Qimonda settlement and the payment of the fine imposed by the European Commission, a high negative free cash flow had been forecast for the 2015 fiscal year. With an actual negative free cash flow of €1,654 million, the mid-point of the forecast range was achieved. At about €400 million, the actual outcome for free cash flow adjusted for these exceptional items was also within the forecast range of between €350 and €500 million.

A sharp decrease in the Return on Capital Employed (RoCE) was forecast due to the acquisition of International Rectifier. The actual value of 12.8 percent recorded for the 2015 fiscal year was well below the previous year's figure of 20.3 percent, in line with expectations. The decrease reflects the sharp rise in capital employed, which rose by €2,724 million to €5,176 million.

The outcomes for the supplementary performance indicators were also in line with forecast. Revenue growth of 34 percent, for instance, was at the lower end of the forecast range of 36 percent, plus or minus 2 percentage points.

Due to the integration of International Rectifier and the related expenses, a considerable decrease in the gross margin was forecast. In actual fact, the gross margin finished at 35.9 percent for the 2015 fiscal year, compared to 38.1 percent one year earlier.

Operating expenses also developed as predicted. Research and development expenses increased by 30 percent, 4 percentage points below the rate of revenue growth. At 57 percent, the increase in selling, general and administrative expenses was, as expected, considerably higher than the revenue growth rate of 34 percent. A high proportion of the increase in selling, general and administrative expenses was attributable to acquisition-related expenses incurred in conjunction with the acquisition of International Rectifier. For this reason, the ratio of selling, general and administrative expenses to revenue in the 2015 fiscal year (13.4 percent) was at the upper end of the longer-term target range of a low-teen percentage of revenue. At 12.4 percent of revenue, research and development expenses were within the longer-term target range of a low to mid-teen percentage of revenue.

Infineon's forecasts for the 2016 fiscal year are summarized in the table above and discussed in detail below.

### Assumed euro/US dollar exchange rate

As a globally operating organization, Infineon generates revenue not only in euros, but also in foreign currencies, predominantly US dollars. It also incurs expenses both in US dollars and in currencies closely correlated to the US dollar, such as the Singapore dollar, the Malaysian ringgit and the Chinese renminbi. The impact of non-euro denominated revenue and expenses does not always balance out. For this reason, fluctuations in exchange rates, particularly between the euro and the US dollar, influence the amounts reported for revenue and earnings. Excluding the effect of currency hedging instruments, the impact of a deviation of 1 cent in the actual exchange rate of the US dollar against the euro compared to the forecast rate would amount to a change in Segment Result of approximately €2 to €3 million per quarter, or approximately €8 to €12 million per fiscal year compared to the forecast value. These figures assume, however, that the exchange rates of currencies correlated with the US dollar – in which expenses arise for Infineon – change in parallel to the euro/US dollar exchange rate.

In terms of revenue, the impact of exchange rates is limited almost entirely to the euro/ US dollar rate, where a deviation of 1 cent in the actual exchange rate compared to the forecast rate would have an impact on revenue of between €7 million and €8 million per quarter, or approximately €30 million per fiscal year. Planning for the 2016 fiscal year is based on an assumed average exchange rate for the US dollar against the euro of US\$1.10.

### **Growth prospects for the world economy and the semiconductor market**

The world economy grew by 2.7 percent in the 2014 calendar year and is expected to grow by around 2.5 percent in the 2015 calendar year, slowed down by various unfavorable developments, including concerns about the economic situation in China and other emerging economies, a further escalation of the world's geopolitical crises and turbulence in financial markets around mid-year.

Economic experts from the International Monetary Fund (IMF) forecast a slight improvement for the 2016 calendar year, with a growth rate of 3.0 percent. This more optimistic forecast is based on the assumption that the USA's economic upturn will continue and China's growth rate will remain at a somewhat slower, but still above-average rate. The experts predict a continuation of the Chinese government's policies aimed at preventing a faster economic slowdown. Japan's growth rate is also set to gain pace, albeit only moderately. The IMF forecasts further economic improvement for the eurozone on the back of low oil prices, a comparatively weak euro and continued expansionary monetary policies.

In the 2014 calendar year, the global semiconductor market as denominated in US dollar grew at an above-average rate of 9 percent. Demand developed positively across all market segments, with only the semiconductor market for consumer electronic applications down compared to the previous year. Experts at the market research firm IHS forecast that semiconductor revenues worldwide will decrease by just under 1 percent in the 2015 calendar year. In the automotive, industrial and chip card market sectors relevant for Infineon, however, growth rates of between 4 and 11 percent are forecast for the 2015 calendar year. By contrast, revenue in other semiconductor segments is expected to fall.

For the 2016 calendar year, IHS forecasts growth of 2 percent for the global semiconductor market. The base scenario for this assessment is that the growth rate of the world economy will pick up to 3.0 percent. The fastest growth rate in 2016 (10 percent) is predicted for the industrial sector. The chip card and automotive semiconductor markets are expected to record growth of 8 and 7 percent respectively.

Forecasts for the five-year period from 2015 to 2019 also show growth rates for these three sectors at above the expected level for the global semiconductor market as a whole, which, according to IHS, will grow by an average of 3 percent over this period. The fastest annual growth rate (9 percent) is predicted for the industrial sector. Over the same period, the automotive sector is expected to grow at an average rate of 6 percent, compared to a rate of 5 percent for the chip card semiconductor market. By contrast, according to the IHS forecast, the semiconductor markets for communications, consumer electronics and computing applications will grow at rates below those of the global semiconductor market as a whole.

### **Revenue increase of 13 percent expected, plus or minus 2 percentage points, compared to the previous fiscal year**

In view of the economic situation described above, Infineon expects Group revenue to increase by 13 percent, plus or minus 2 percentage points, in the 2016 fiscal year. The Power Management & Multimarket segment is expected to grow faster than the Group average. Revenue growth in the Industrial Power Control segment should be roughly in line with the Group average. The Automotive and Chip Card & Security segments are expected to be slightly lower than the Group average.

### Gross margin expected to increase slightly

The gross margin in the 2015 fiscal year was 35.9 percent. This figure includes the impact of acquisition-related expenses totaling €143 million. Adjusted for these expenses, the gross margin was 38.4 percent. At the mid-point of the range for forecast revenue growth, the gross margin for the 2016 fiscal year is expected to increase slightly.

### Operating expenses expected to increase

Based on the forecast revenue growth, Infineon expects operating expenses to increase in absolute terms. As a percentage of revenue, however, the increase should be lower than revenue growth overall. Research and development expenses are forecast to grow in percentage terms at a similar rate to, or at a slightly lower rate than, revenue. Selling, general and administrative expenses are likely to increase less than revenue. The level of acquisition-related expenses included in operating expenses will be significantly lower than in the previous fiscal year.

### Segment Result Margin of approximately 16 percent expected

Based on the forecast changes in revenue and expenses described above, the Segment Result Margin in the 2016 fiscal year is expected to increase to approximately 16 percent, at the mid-point of the planned range for revenue growth.

### Non-segment result

Infineon expects the non-segment result for the 2016 fiscal year to be a negative amount of between €200 million and €250 million, mainly attributable to acquisition-related expenses. The non-segment result in the 2015 fiscal year was a negative amount of €274 million.

### Financial result

Infineon has taken on additional debt to finance the acquisition of International Rectifier. At September 30, 2015, debt amounted to €1,793 million, compared with cash and cash equivalents and financial investments totaling €2,013 million. Due to the increased interest payments on the higher level of debt and only minimal interest income earned on liquidity, the financial result for the 2016 fiscal year is expected to be in the region of a net expense of €40 million. In the 2015 fiscal year, the net expense was €39 million.

### Income taxes

The effective current tax rate (cash tax) for the Infineon Group in the 2016 fiscal year is forecast at approximately 15 percent. This tax rate is based on income, excluding the impact of the purchase price allocation in connection with the International Rectifier acquisition, and comprises the cash-effective German and foreign income taxes of Infineon Group entities.

In Germany, Infineon's current tax expense is based on the applicable "minimum taxation" rules, under which only 40 percent of taxable profits arising in Germany are subject to current tax as a result of the utilization of tax loss carry-forwards. This results in a cash-effective tax rate of approximately 12 percent in Germany. At September 30, 2015, tax loss carry-forwards for German corporation tax and municipal trade tax purposes amounted to €2.3 billion and €3.4 billion respectively.

### Working capital expected to increase

As of September 30, 2015 the working capital amounted to €550 million. This figure is forecast to rise to between €700 million and €850 million at the end of the 2016 fiscal year.

### Investments and depreciation/amortization

Investments (defined by Infineon as the sum of purchases of property, plant and equipment, purchases of intangible assets and capitalized research and development assets) are planned to rise to approximately €850 million in the 2016 fiscal year, compared with €785 million in the 2015 fiscal year that comprised €646 million for property, plant and equipment and €139 million for capitalized development costs and intangible assets.

Investments in property, plant and equipment at existing facilities and in intangible assets, including capitalized development costs, planned for the 2016 year will be in line with the target level of 13 percent of revenue.

The investments in operations relate in roughly equal portions to frontend-related capacity expansion measures, improvements to existing frontend manufacturing facilities and backend-related investments. The plan is to expand both 200-millimeter and 300-millimeter manufacturing capacities. Continuous investments in automation, quality, innovation and infrastructure will also ensure that frontend manufacturing facilities keep pace with changing technological requirements. Around one third of capital expenditure in the 2016 fiscal year will be backend-related, focusing both on existing manufacturing facilities in terms of changes of the product portfolio, automation, quality, innovation and infrastructure as well as on the expansion of backend manufacturing capacities. The construction of a second manufacturing building at the Wuxi (China) site has already started.

Depreciation and amortization will rise to approximately €850 million, compared to €760 million in the 2015 fiscal year.

### Free cash flow from continuing operations

As a result of the purchase price payment for International Rectifier, payments made in connection with the partial Qimonda settlement, Qimonda patents and the payment of the fine imposed by the European Commission, free cash flow from continuing operations for the 2015 fiscal year deteriorated to a negative amount of €1,654 million. At €957 million, cash provided by operating activities from continuing operations in the 2015 fiscal year was highly positive. This figure is forecast to rise to between €1,300 million and €1,400 million in the 2016 fiscal year. Overall, free cash flow from continuing operations is expected to rise to between €500 million and €600 million.

### Cash flows from financing activities

A proposal will be put forward at the Annual General Meeting to take place in Munich (Germany) on February 18, 2016 that the dividend for the 2015 fiscal year be raised from €0.18 to €0.20. Assuming the Annual General Meeting approves this proposal, the total dividend will amount to approximately €225 million. Apart from the dividend payment, no other major changes in the cash flows from financing activities are expected as a result of cash inflows or outflows.

### Gross cash position and net cash position

Infineon pursues the long-term target of maintaining a gross cash position of between 30 and 40 percent of revenue. Further targets are to maintain a net cash position and to keep gross debt to a maximum level of twice the level of EBITDA.

These targets are expected to be reached by the end of the 2016 fiscal year. Based on forecast performance, and despite the expected dividend payment, both the gross cash position and the net cash position should be higher than their levels of €2,013 million and €220 million respectively at September 30, 2015.

### RoCE

Capital employed is expected to rise only slightly in the 2016 fiscal year, whereas net income is forecast to rise sharply. Therefore the Return on Capital Employed (RoCE) is likely to increase slightly compared to the previous year's level of 12.8 percent.

### Overall statement on the expected development of the Infineon group

Based on forecasts of global economic development for the 2016 calendar year, Infineon predicts year-on-year revenue growth of 13 percent, plus or minus 2 percentage points. The gross margin is expected to increase slightly. At the mid-point of the planned range for revenue growth, the Segment Result Margin is expected to come in at about 16 percent of revenue.

### Summary of outlook for revenue and earnings

|   | 2015  | 2016   |
|---|-------|--|
| Change in revenue compared to the previous year | 34%   | Increase by 13% plus or minus 2 percentage points                    |
| Gross margin                                    | 35.9% | Slight increase compared to FY 2015                                  |
| Segment Result Margin                           | 15.5% | About 16% (at the mid-point of the planned range for revenue growth) |

Investments in the 2016 fiscal year will be in the region of €850 million. Depreciation and amortization as well will amount to approximately €850 million. Free cash flow from continuing operations will increase to an amount between €500 million and €600 million. The Return on Capital Employed (RoCE) is expected to increase slightly compared to the past year value of 12.8 percent.

## Risk and opportunity report

### Risk policy: Underlying principles of our risk and opportunity management

Effective risk and opportunity management is central to all of our business activities and plays an important role in implementing the strategic targets described in the chapter "Group strategy" – namely achieving sustainable, profitable growth and preserving our financial resources through efficient employment of capital. Infineon's risk and opportunity profile is characterized by periods of rapid growth, followed by periods of significant market decline, a substantial need for capital investment in order to achieve and sustain our market position and an extraordinarily rapid pace of technological change. Gaining a leading edge through technological innovation also has a legal dimension. Against this background, Infineon's risk policy is aimed firstly at taking advantage of identified opportunities as quickly as possible in a way most appropriate to increasing the value of the business, and secondly at pro-actively mitigating risks – particularly those capable of posing a threat to Infineon's going-concern status – by adopting appropriate countermeasures. Risk management at Infineon is therefore closely linked to forecasting and the implementation of our business strategies. Ultimate responsibility for risk management lies with the Infineon Management Board.

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



### Risk and Opportunity Management System

Infineon’s centralized risk management system is based on a Group-wide, management-oriented Enterprise Risk Management (ERM) approach, which aims to cover all relevant risks and opportunities. The approach is based on the “Enterprise Risk Management – Integrated Framework” developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The objective of the system is the early identification, assessment and management of risks that could have a significant influence on Infineon’s ability to achieve its strategic, operational, financial and compliance-related targets. We therefore define risk/opportunity as the occurrence of future uncertainties that could result in a negative or positive variance from business planning. We incorporate all relevant organizational units within the Group in this analysis, thus covering all segments, significant centralized functions and regions. Accordingly, in conjunction with the acquisition of International Rectifier, the relevant organizational units at segment and regional level have been integrated in Infineon’s Risk and Opportunity Management System.

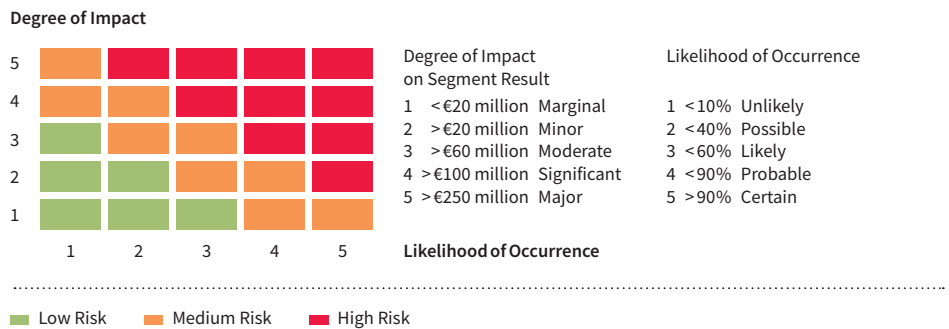
Responsibility for processes and systems relating to Risk and Opportunity Management rests with the Risk Management and Internal Control System (ICS) function within the corporate finance department and with designated Risk Officers working at segment, corporate function and regional levels. Responsibility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

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

Risks and opportunities are measured on a net basis, i.e. after factoring in any risk mitigation or hedging measures, but without offsetting any provisions recognized. The time periods and the measurement categories used are closely linked to our short- and medium-term business planning and Group targets.

All relevant risks and opportunities are assessed uniformly across the Group in quantitative and/or qualitative terms, based on the variable **degree of impact** on operations, liquidity, earnings, cash flows and reputation on the one hand and **likelihood of occurrence** on the other. The scales used to measure these two factors (degree of impact and likelihood of occurrence) and the resulting risk assessment matrix are depicted in the following table.

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 Risk assessment matrix



Based on the potential degree of impact on operations, liquidity, earnings, cash flows and reputation as well as the estimated probability of occurrence, a risk is classified as “high”, “medium” or “low”.

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

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

Compliance with the ERM approach is monitored by the corporate Risk Management and ICS departments using procedures incorporated in business processes. Group Internal Audit also employs procedures to test compliance with legal requirements and Infineon guidelines and, where appropriate, rules relating to Risk and Opportunity management and initiates corrective measures. The Supervisory Board’s Investment, Finance and Audit Committee oversees the effectiveness of the Risk Management System. As part of the statutory audit, the external Group auditor also examines our early warning system pursuant to section 91, paragraph 2, of the German Stock Corporation Act to ascertain its suitability to detect risks that could pose a threat to Infineon’s going-concern status and reports annually thereon to the Chief Financial Officer (CFO) and the Investment, Finance and Audit Committee of the Supervisory Board.

### **Internal Control System with respect to the financial reporting process**

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

The Internal Control System is an integral part of the accounting process in all relevant legal entities and corporate functions. The system monitors compliance with stated principles and stipulated procedures based on preventive and detective controls. Among other things, we regularly check that:

- › Group-wide financial reporting, measurement and accounting guidelines are continuously updated and adhered to;
- › Intragroup transactions are fully accounted for and properly eliminated;
- › Issues relevant for financial reporting and disclosures in connection with agreements entered into are recognized and appropriately presented;

- › Processes and controls are in place to explicitly guarantee the completeness and correctness of the year-end financial statements and financial reporting;
- › Processes are in place for the segregation of duties and for the dual control principle in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems.

### Assessment of effectiveness

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

In addition, all legal entities, segments and relevant corporate functions confirm with their Representation Letter that all business transactions are accounted for, all assets and liabilities have been reflected in the Statement of Financial Condition and all expenses and income are accounted for.

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

The Risk Management and ICS are continuously reviewed to ensure compliance with internal and external requirements. Regular improvements made to the system contribute to the continuous monitoring of the relevant risk areas within the responsible organizational units.

Internal controls at International Rectifier, defined on the basis of the Sarbanes-Oxley Act, were reviewed for their materiality and tested on a sample basis during the 2015 fiscal year. International Rectifier's ICS will be integrated in the Infineon Group's ICS during the 2016 fiscal year in conjunction with the merger of legal entities and processes.

### Significant risks

In the following section, we describe risks that could have a significant or materially adverse impact on Infineon's operations, liquidity, earnings, cash flows and reputation. Depending on the potential degree of impact and the estimated likelihood of occurrence, the risk class is shown in parentheses for each risk (e.g. "RC: high").

#### Strategic risks

##### Unsettled political and economic climate (RC: high)

As a globally operating company, our business is highly dependent on global economic developments. A worldwide economic downturn – particularly in the markets we serve – may result in lower revenues than originally expected, with the consequence that we may not achieve our strategic target compound annual revenue growth rate of 8 percent. Risks can also arise due to political and social changes in countries in which we manufacture and/or sell our products.

We therefore continue to monitor the European debt crisis where, under the pressure of high levels of public sector debt, governments are implementing a wide range of measures to consolidate budgetary shortfalls and cut investment expenditure. As a consequence of these developments, the level of trust of consumers and companies is characterized by uncertainty, while unemployment figures remain high in many EU countries. Added to this are the current geopolitical risks arising from the crisis in the Ukraine and the unrest in the Middle East.

The economic recovery in the USA – a market which accounts for 10 percent (fiscal year 2014: 8 percent) of our revenues, after the integration of International Rectifier – continues to proceed at a slow pace. Strong revenue growth was achieved in China, where the share of Group revenue rose from 20 percent in 2014 to 23 percent in 2015. As a result, the risk exposure in the event of a further slowdown of growth in China, combined with a further deterioration in demand for exports, has increased. Regardless of our assessment of potential scenarios and outcomes within this complex construct of risks, these developments could have an adverse impact on Infineon's operations, financial condition, liquidity, cash flows and earnings.

#### Cyclical market and sector development (RC: high)

Particularly in the past, the global semiconductor market has been of a highly cyclical nature. Our target markets continue to be exposed to the risk of short-term market fluctuations. As a result, our own forecasts of future business developments are subject to a high degree of uncertainty. In the past, the cyclical pattern was fairly regular, at the end of which Infineon was able to participate in the upturn after a period of market weakness. It is, however, possible that future market downturns will follow another pattern, for example an L-shape. The absence of market growth or its decline would make it considerably more difficult to attain our own growth target. In the event that we are unprepared for market fluctuations, or our response to such fluctuations turns out to be inappropriate, this could have a sustained materially adverse impact on Infineon's operations, financial condition, liquidity and earnings.

#### Increased market competition and commoditization of products (RC: high)

The rapid pace of technological change in the market also results in a greater replaceability of our products. Due to the resulting aggressive pricing policies, we may possibly be unable to achieve our long-term strategic goals of increasing and/or maintaining market share and product pricing. Moreover, M&A activities in the semiconductor sector are resulting in an increasingly competitive environment. Potential benefits for competitors in this market include improved cost structures and stronger sales channels. The net effect could entail a negative impact on Infineon's earnings, especially on our strategic profitability target of achieving an average Segment Result Margin of 15 percent over the cycle.

### Operational risks

#### Data and IT systems security (RC: high)

The reliability and security of Infineon's information technology systems is of crucial importance. At the same time, the world has seen a general rise in the level of threats to data security. This applies increasingly to both the application of IT systems to support business processes and 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 development, manufacturing, selling or administration functions, which, in turn, could have an adverse impact on our reputation, competitiveness and operations.

Potential virus attacks, in particular on IT systems used in manufacturing processes, present additional risks that could result in loss of manufacturing or supply bottlenecks.

### Product quality trends (RC: medium)

Product quality assurance is a key success factor for the business. Potential quality risks – for example due to the high utilization levels – can affect yield fluctuations and hence our ability to supply customers. The slightest shortfalls in product quality can lead to product recalls and potential costs related to liability claims. In addition, quality risks could also damage Infineon's reputation and thus have a negative impact on future results of operations.

### Increasingly dynamic markets (RC: medium)

The accelerating pace of events in the markets in which we operate, increased demands for flexibility by our customers, and short-term changes in order volumes could result in rising costs due to the under-utilization of manufacturing capacities, higher inventory levels and unfulfilled supplier contracts.

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

The situation is exacerbated by the fact that our products are highly dependent on the degree of success achieved by individual customers in their own markets. Furthermore, there is a risk of losing future business and design wins if we are unable to deliver volumes over and above our contractual obligations if called upon by the customer to do so. In the case of unexpectedly high demand, we therefore face the challenge of having to deliver increased volumes that require an appropriate level of upfront investment. This would put our target to limit investment to 13 percent of revenue over the economic cycle under pressure and have a correspondingly adverse impact on 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 an exceptionally strong performance by the relevant customer, resulting, for instance, from exceptional demand for its products or from consolidation trends, in particular those affecting our first- and second-tier customers.

### Product development delays (RC: medium)

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

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

Our medium- and long-term forecasts as well as the strategic profitability target of a 15 percent Segment Result Margin over the economic cycle are based on expected manufacturing cost trends. In this context, measures aimed at optimizing manufacturing costs for raw materials and supplies, energy, labor and automation, as well as for bought-in services from external business partners, may not be feasible to the extent envisaged.

Moreover, our dependence on various raw materials (such as gold and copper) used in manufacturing and our energy requirements expose us to substantial price risks. We are also dependent on supplies of the so-called rare earths required for selected manufacturing processes in conjunction with process integration. At the time of writing, financial instruments are in place to hedge our price risk exposure for gold wire during the 2016 fiscal year, based on planned

volume requirements. The prices of raw materials and energy have recently been subject to significant fluctuation, and there is no reason to assume the situation will change in the near future. If we are unable to offset cost rises or pass them on to customers, it could have an adverse impact on earnings.

#### Determining and adjusting manufacturing volumes (RC: medium)

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

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, coupled with required transfer of technology. One good example is in the Automotive segment, where customers' product approval and testing processes can take place over an extended period of time, thus influencing our global manufacturing strategy as well as short- and medium-term capacity utilization. Failure to anticipate necessary manufacturing changes in good time could result in capacity shortages and hence lower revenue on the one hand as well as costs incurred due to under-utilization on the other.

#### Dependence on individual manufacturing sites (RC: medium)

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

#### Dependence on individual suppliers (RC: medium)

We cooperate with numerous suppliers who provide us with materials and services, or who manage parts of our supply chain. We do not always have alternative sources for some of these suppliers and therefore depend on their ability to deliver products of the required quality. Failure of one or more of these suppliers to meet their obligations to Infineon could have an adverse impact on our earnings performance.

#### Need for qualified staff (RC: medium)

One of our key success factors is the availability of sufficient qualified employees at all times. There is, however, a general risk of losing qualified staff or not being able to recruit, train and retain adequately qualified staff within the business. A lack of technical or management staff could, among other things, restrict future growth and hence adversely impact our earnings performance.

### Financial risks

#### Risk of default by banking partners (RC: medium)

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



### Currency risks (RC: medium)

Our involvement and participation in various regional markets around the world creates cash flows in a number of currencies other than the euro – primarily in US dollars. A significant share of revenue on the one hand and of operating costs and investments on the other is denominated in US dollars and correlated currencies. For the most part, Infineon generates a US dollar surplus from these transactions.

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

 see page 261 ff.

Further information regarding the management of financial risks is provided in note 31 to the Consolidated Financial Statements.

### Legal and compliance risks

#### Qimonda insolvency (RC: medium)

Due to the insolvency proceedings relating to Qimonda and claims brought against Infineon, we are exposed – even after the partial settlement reached on September 11, 2014 – to a substantial amount of potential liabilities, which are described in detail in note 32 to the Consolidated Financial Statements.

 see page 265 ff.

Provisions are recognized in connection with these matters as of September 30, 2015. The provisions reflect the amount of those liabilities that management believes are probable and can be estimated with reasonable accuracy at that time. There can be no assurance that such provisions recorded will be sufficient to cover all liabilities that may ultimately be incurred in relation to these matters.

#### Intellectual property rights and patents (RC: medium)

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

Whilst we often benefit from cross-licensing arrangements with major competitors and are keen to broaden the protection offered in this area by entering into new agreements, no such opportunities exist to safeguard against risks of this nature in the case of companies specializing in the exploitation of patent rights.

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

Further information is provided in note 32 to the Consolidated Financial Statements.

#### Impact of our global operations (RC: medium)

Our global business strategy requires the maintenance of R&D 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 from adverse economic and geo-political developments in our regional markets, changes in legislation, and policies affecting trade and investment aimed at limiting free trade and varying practices of the regulatory, tax, judicial and administrative bodies in the jurisdictions where we operate. These risks could restrict our business activities in those countries. We could also be exposed to fines, sanctions and damage to our reputation.

Asian markets are particularly important to our long-term growth strategy. Our operations in China are impacted by the fact that the legal system in that country is still undergoing a phase of development and change. One example is the fact that local regulations could make it mandatory to enter into partnerships with local companies. These circumstances could lead to Infineon's intellectual property no longer being sufficiently protected and that intellectual property developed in China could not be freely transferred to other countries and locations, thus impairing revenue and profitability.

#### Acquisitions and cooperation arrangements (RC: medium)

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

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

The acquisition of International Rectifier was successfully executed in 2015 as planned. The risks described above, especially in terms of assimilating the two businesses, have not materialized to date.

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

#### Measures to implement our risk management strategy

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

A raft of measures to improve manufacturing productivity was introduced under the "Next Level of Productivity" program during the 2015 fiscal year.

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

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

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

In response to the general increase in threats to data security and the high degree of professionalism meanwhile applied in the area of cybercrime, we have initiated a data security program to provide the greatest possible protection against hacking attacks and related risks to our IT systems, networks, products, solutions and services. Once the required measures have been defined, they are then implemented in successive stages.

We are subject to legislation with regard to the environment, climate protection and the use of energy. Present or future environmental legislation and other government regulations, or amendments thereto, could require an adjustment to our operating activities and result in higher costs. Infineon keeps abreast of planned legislative changes and engages in these issues in various associations and organizations on an ongoing basis.

In the past, energy prices have been subject to fluctuations and, at times, to increases as a result of regulations. For this reason too, a high degree of energy efficiency has been an integral part of our sustainability strategy for many years.

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

We have established a Group-wide compliance management system with the aim of managing compliance-related risks on a systematic, comprehensive and sustainable basis. Under this system, major preventive procedures are continuously developed, other elements of the system revamped or strengthened, and appropriate responses established for possible or actual incidences of non-compliance with internal or external regulations.

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

### **Overall statement by Group Management on risk situation**

The overall risk assessment is based on a consolidated view of all significant individual risks. We are not currently aware of any substantial risks capable of jeopardizing Infineon’s going-concern status.

### **Opportunities**

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

### New technologies and materials (OC: high)

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

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

### Strategic initiative “Product to System” (OC: high)

With our extended “Product to System” strategy, we seek to identify additional benefits for our customers, in system terms, from within our broad portfolio of technologies and products. The strategy enables us to effectively exploit available revenue potential to an even greater degree and thereby achieve our growth and margin targets. This approach also helps us reduce the level of development costs incurred by customers and shorten the lead-time required to bring their products to market.

### Support for change in energy policies and consideration of climate change issues (OC: medium)

Population growth and increasing industrialization in all parts of the world are resulting in ever-greater global demand for energy. Electricity is becoming the most important energy carrier of the 21st century. Fossil fuel sources exploited to cover energy and electricity requirements are likely to become increasingly scarce and could even run out entirely at some point in the future. Alternative energy sources such as renewable energy need to be additionally explored. At the same time, it is imperative to reduce CO<sub>2</sub> emissions, or at least any increase in them needs to be kept to a minimum. In order to achieve this goal, it is essential to increase the efficiency of electric power consumption.

Infineon’s semiconductors enable electricity to be generated from renewable energy sources. They also boost energy efficiency and offer efficiency gains at all stages of the energy industry’s value-added chain, whether in generation, transmission, or above all in the use of electrical power. They form the basis for the intelligent and efficient use of energy in industrial applications, in power supplies for computers and consumer electronics, and in vehicles. These innovative technologies may enable us to grow revenue beyond our strategic target of 8 percent per annum.

### Ability to supply due to available capacities (OC: medium)

Our own in-house frontend and backend capacities, the availability of external manufacturing capacities and the options available to expand manufacturing capacities at our sites in Dresden (Germany) and Kulim (Malaysia) place us in a flexible position to deliver the required production volumes. The availability of additional capacities, combined with the pro-active strategic and operational planning of internal and external resources, enable us to meet rising demand from both existing and new customers in the event of a market upturn. This, in turn, could have a positive impact on Infineon’s future market share and earnings performance, with the consequence that the actual Segment Result Margin could be higher than the targeted level of 15 percent.

### Market access and activities in China (OC: medium)

Our activities in China, which we consider to be a highly significant market, are currently on a scale that leaves a good deal of potential for expansion going forward. This relates to the following markets:

Vehicle production in China is still expanding, albeit at a slower pace. China is also pressing ahead with expanding its high-speed railway infrastructure and is, meanwhile, one of the world’s largest markets in the field of rail vehicles.

New wind turbines are being built with increasingly powerful generators, resulting in greater semiconductor content per unit.

Our starting position with photovoltaic systems in China is a highly promising one. We collaborate with several leading Chinese inverter manufacturers and this year in particular have expanded the scope of our collaboration with the Chinese market leader. We also have a strong presence in China in the solar energy systems sector, which has become the most important single market in the world.

If we succeed in positioning Infineon in China as an integral part of Chinese industry (and hence Chinese society), it can open up a multitude of new opportunities that will have a positive impact on the growth and profitability of our business.

#### Further growth in 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 active safety features and driver assistance systems.

We are also convinced that the CO<sub>2</sub> targets currently in place cannot be achieved without further electrification. In this context, electrification not only relates to hybrid and electric drives, but also to technologies such as electric power steering and electronic power brakes.

IT security within the vehicle is also gaining in importance. Thanks to its expertise in the field of security controllers, Infineon is extremely well positioned to exploit opportunities in this area.

#### Growth from mobile applications (OC: medium)

The continued trend towards mobility is also reflected in unbroken high demand for smartphones and tablets. We are benefiting from this trend in two ways: firstly, through the components we supply for mobile devices (silicon-MEMS microphones, TVS diodes, GPS amplifiers, CMOS-RF switches), and secondly, through power semiconductors, which form the key components for energy-efficient chargers (high-voltage and low-voltage power transistors, driver ICs and control ICs).

#### Security applications (OC: medium)

The trend towards electronic identity documents is having a positive impact on Chip Card & Security segment revenue. Paper-based documents are increasingly being replaced by chip-based documents, thanks to the security offered by the latter. The story is similar with credit cards: Chip-based credit cards are rapidly replacing magnetic stripe cards. The migration to chip-based passports, electronic identity documents and credit cards will continue over the coming years and take place in various regions.

#### Liquidity position (OC: medium)

Our current liquidity position, which we describe in the chapter “Review of liquidity”, enables us to obtain favorable refinancing conditions. This fact gives Infineon both the financial headroom and the entrepreneurial flexibility it needs to implement its business strategies and initiatives.

#### International Rectifier acquisition (OC: medium)

The opportunities arising from the integration of International Rectifier are described in detail in the chapter “Group strategy”. Many of International Rectifier’s products and technologies complement our own key focus areas. International Rectifier offers IGBT modules and IGBT driver ICs in the low-power range, whereas prior to the acquisition we have focused on high-performance modules. International Rectifier possesses a great deal of expertise when it comes to the new power semiconductor material, gallium nitride, whereas we have gained a wealth of experience over the years with silicon carbide. In terms of digitally controlled voltage conversion-related products, we used to concentrate mainly on servers, whereas International Rectifier has a strong position in the field of games consoles, graphic cards and in the network and cellular infrastructure sector. Our principal focus is on selling directly to customers, whereas International Rectifier’s strength lies in sales through distribution channels. In regional terms, Infineon is particularly strong in Europe due to our origins, whereas International Rectifier complements us in particular in its home country, the USA, as well as in Asia. We intend to combine these compatible strengths to generate further economies of scope.

# Treasury and capital requirements

## Structure and principles of Infineon's treasury

Our principal objective for Group-wide treasury activities at Infineon is ensuring financial flexibility based on a solid capital structure. It is of prime importance for all companies in the semiconductor industry that sufficient cash funds are available to finance operating activities and planned investments throughout all phases of the business cycle. Furthermore, debt should only constitute a modest proportion of the financing mix. Based on these principles, Infineon has defined the following three key objectives for capital management, all of which continue to be pursued also after the acquisition of International Rectifier:

- › Gross cash position of between 30 and 40 percent of revenue,
- › Positive net cash position and
- › Gross debt at a maximum of 2 x EBITDA (earnings from continuing operations before interest and taxes plus scheduled depreciation and amortization).

We are not subject to any statutory or legal capital requirements, nor are any defined in the Articles of Association.

## Treasury principles and responsibilities

Group-wide treasury principles are in place regarding all issues relating to liquidity and financing, such as banking policies and strategies, execution of financing agreements, liquidity and investment management worldwide, currency and interest rate risk management and the handling of external and intragroup cash flows. Treasury principles, which apply throughout Infineon, are set out in the corresponding "Treasury Policy" and are regularly reviewed and updated. Three levels of responsibility play a key role for treasury principles:

- › The CFO is responsible for setting treasury principles and after consultation with the CEO, for approving the Treasury Policy. The Treasury Committee, consisting of the CFO and selected members of senior management, decides on treasury-related matters, including exchange rates for planning purposes and currency hedging strategies, and issues the appropriate guidelines to ensure that these strategies are implemented.
- › The Group Finance and Treasury department is responsible for specific corporate treasury transactions and for ensuring that Infineon's treasury principles are implemented worldwide.
- › At subsidiary company level, responsibility for treasury matters lies with local financial executives and heads of finance, or, in the case of larger entities, with dedicated treasurers. Controlling functions at Group level ensure that transactions undertaken by individual business entities are in keeping with treasury principles.



### Corporate treasury function

Treasury at Infineon is based on a centralized approach, in which the Group Finance & Treasury department is responsible for all major tasks and processes worldwide relating to financing and treasury matters. The starting point is the creation of a multi-year business plan with various scenarios for free cash flow. For the purposes of short-term liquidity management at operational level, all consolidated subsidiaries are included in a monthly rolling cash flow forecast. Simultaneously, a cash flow forecast is drawn up using a bottom-up approach based on the operating segments' forecasts. At the end of each quarter, the two forecasts are reconciled at a quarterly liquidity management meeting and checked for plausibility and possible deviations.

Cash pooling structures are in place for corporate liquidity management purposes. To the extent permitted by law and economically feasible, subsidiaries transfer all surplus cash to corporate bank accounts in order to ensure the best possible allocation of liquidity within the Group and to cover the financing requirements of other Group companies. In this way we are able to minimize external financing requirements and maintain an optimal capital structure with a correspondingly positive impact on financing costs. Settling intragroup transactions via internal bank accounts set up in accordance with our in-house banking approach, we are also able to reduce the volume of external banking transactions and hence bank fees.

Liquidity accumulated at Group level is invested centrally by the Treasury department, based on a conservative approach to investments, in which security takes precedence over rates of return. The central Treasury department is also responsible for the efficient management of currency and interest rate risks. These risks are determined on the basis of consolidated cash flow forecasts, since only foreign currency cash flows not offset within the Group are hedged externally (for further information see note 31 to the Consolidated Financial Statements).

 see page 261 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 central Finance & Treasury department in accordance with stipulated treasury principles. Debt is normally unsecured and based on customary market terms and conditions.

A crucial factor for the reliable implementation of treasury responsibilities is the use of capable and financially sound financial institutions. Partner banks worldwide are selected on the basis of the Treasury department's banking principles. Infineon maintains business relationships with various international and local commercial and investment banks and avoids becoming dependent on individual banks. Partner banks must demonstrate a high level of creditworthiness. Infineon assesses the creditworthiness of banks using a methodology that calculates investment limits for individual banks each day, based on current ratings (Standard & Poor's, Moody's or Fitch) and credit default swap premiums. Any breaches of stipulated thresholds must be reported and risk exposures reduced. Infineon has spread its excess liquidity investments across more than ten banks. At September 30, 2015 no financial institution was responsible for more than 15 percent of Infineon's liquidity investments.

## Capital requirements for the 2016 fiscal year

We require capital for the 2016 fiscal year amongst others to

- › finance our operations,
- › finance planned investments,
- › make scheduled debt and interest payments,
- › settle provisions and contingent liabilities, if and when they become payable or arise and
- › pay the proposed dividend.

We expect to meet these requirements through

- › cash flows generated from operations,
- › available cash funds and our cash reserves in the form of financial investments and
- › available credit facilities.

### Financing our operations

Based on our forecast for the 2016 fiscal year, we anticipate being able to finance operating activities out of cash flows provided by operating activities. Further information regarding fixed contractual obligations as of September 30, 2015 (such as leasing arrangements, fixed service and supply agreements for commodities, input materials, electricity, gas and other similar items) is provided in note 33 to the Consolidated Financial Statements.

**P** see page 268 f.

### Investments

Semiconductor manufacturing is very capital-intensive. Infineon's target ratio for future fiscal years for expected investments as a percentage of revenue over the economic cycle (for definition see the chapter "Internal Management System") is approximately 13 percent. Depending on the business situation, Infineon is currently planning investments for the 2016 fiscal year of approximately €850 million (for details see "Outlook" in the chapter "Report on expected developments, together with associated material risks and opportunities"). Firm investment commitments as of September 30, 2015 totaled €202 million.

**P** see page 88

**P** see page 144 ff.

### Debt repayment

As of September 30, 2015 Infineon's debt totaled €1,793 million, of which an amount of €33 million falls due for repayment in the 2016 fiscal year.

### Provisions and contingent liabilities

Infineon issues guarantees in the ordinary course of business, primarily for the payment of import duties, the rental of buildings and contingent obligations related to government grants received. As of September 30, 2015, the undiscounted amount of potential future payments for guarantees was €72 million, of which up to a maximum of €14 million could have a cash flow impact in the 2016 fiscal year.

In addition, provisions and contingent liabilities exist for various risks which could result in further cash outflows if the risks materialize (for detailed information see the section "Legal and compliance risks" in the chapter "Report on expected developments, together with associated material risks and opportunities" as well as note 33 and 32 to the Consolidated Financial Statements).

**P** see pages 156 f. and 267 ff.

### Proposed dividend

A dividend of €0.20 per share will be proposed to Infineon's shareholders for the 2015 fiscal year. Subject to shareholder approval, this would result in a distribution of approximately €225 million (for the previous fiscal year: €202 million). For further information, see note 24 to the Consolidated Financial Statements.

**P** see page 247 f.

### Coverage of capital requirements

Our gross cash position as of September 30, 2015 amounted to €2,013 million. We also have access to various stand-alone short- and long-term credit facilities from various financial institutions totaling €77 million. Free cash flow from continuing operations (for definition see the chapter "Internal Management System") will be €500 to €600 million in the 2016 fiscal year, since cash provided by operating activities is expected to exceed planned investments.

**P** see page 90

We have also applied for government grants in connection with specified investment projects. There is no assurance, however, that these funds will be approved, either on time or at all. Further information regarding grants received is provided in note 5 to the Consolidated Financial Statements.

**P** see page 229

Taking into account the financial resources available to Infineon – including internal liquidity on hand, net cash that can be generated and available credit facilities – we assume that we will be able to cover our planned capital requirements for the 2016 fiscal year. Infineon has not undertaken steps for obtaining an official rating from any of the leading rating agencies. The Company expects to continue to have access to sufficient levels of financing on competitive terms without such rating, as evidenced by the successful issuance of two bonds in March 2015.

## Derivative financial instruments

We employ the following derivative financial instruments for hedging purposes: forward foreign currency contracts to reduce exchange rate exposures and commodity swaps to reduce price risks for expected purchases of gold. We have employed put options on own shares in conjunction with our capital returns program.

We do not use derivative financial instruments for trading or speculative purposes.

Further information regarding derivative financial instruments and the management of financial risks is provided in notes 30 and 31 to the Consolidated Financial Statements; information relating to put options on own shares is provided in note 24 to the Consolidated Financial Statements.

**P** see page 247 and 257 ff.

# Overall statement of the management board with respect to Infineon's financial condition as of the date of this report

The 2015 fiscal year was a successful one for Infineon. With the acquisition of International Rectifier on January 13, 2015 we undertook the largest acquisition in Infineon's corporate history. The subsequent integration phase has now been largely completed. The 2015 fiscal year was also a good one in financial terms: Revenue rose by 34 percent to €5,795 million, Segment Result increased by 45 percent to €897 million and the Segment Result Margin improved by 1.1 percentage points to 15.5 percent, helped in part by tailwind from the stronger US dollar against the euro. After adjustment for the three major exceptional items – the International Rectifier acquisition, the Qimonda patents and the EU Commission – adjusted free cash flow from continuing operations was highly positive at €393 million and 24 percent higher than free cash flow from continuing operations one year earlier.

Even after the International Rectifier acquisition, which we financed partly with existing liquidity and partly by borrowings, the structure of Infineon's Statement of Financial Position remains extremely solid. Just three months after completion of the acquisition of International Rectifier, Infineon's net cash position had already returned to a positive amount of €49 million as of June 30, 2015, thus bringing the capital structure back within the targeted range for the net cash position (see note 25 of the Consolidated Financial Statements "Capital management"). As of September 30, 2015 we report an equity ratio of 53.4 percent and a gross cash position in excess of €2 billion, enabling us to raise the dividend once again. Accordingly, a proposal will be made to the Annual General Meeting to raise the dividend for the 2015 fiscal year by 2 cents to 20 cents per share.

 see page 248

In recent years, we have focused systematically on growth markets where performance is being driven by modern-day social, economic and ecological trends. Our semiconductor solutions help make life easier, safer and more compatible with the environment – with technologies that perform better, consume less and are readily available to everyone. Microelectronics from Infineon are the key to a worthwhile future, by enabling us to combine the analog with the digital world. Our aspiration to contribute towards better living standards is set out in our new guiding principles. The acquisition of International Rectifier is helping us to perform better than ever in our growth markets.

We remain fully committed to achieving our targets and plan to grow at a compound annual revenue growth rate of 8 percent over the cycle, thereby generating a Segment Result Margin of 15 percent. Our intention is to achieve this growth with an average ratio of investments to revenue of 13 percent over the economic cycle.

For the 2016 fiscal year, we expect year-on-year revenue growth of 13 percent, plus or minus 2 percentage points, based on an assumed US dollar/euro exchange rate of US\$1.10. We originally set out to raise International Rectifier's contribution margin to at least match Infineon's target of 15 percent for the Segment Result Margin over the economic cycle by the 2017 fiscal year. We achieved this target already in the last quarter of the 2015 fiscal year and therefore forecast a Segment Result Margin for the 2016 fiscal year of approximately 16 percent at the mid-point of the range for forecast revenue. Planned investments for the 2016 fiscal year are in the region of €850 million.

#### **Application of accounting options and discretionary planning opportunities**

The description and assessment of Infineon's performance, financial condition and results of operations as presented in the Combined Management Report depend on the recognition and measurement methods applied as well as the assumptions and estimates used. These are described in detail in note 2 to the Consolidated Financial Statements and are, in all material respects, unchanged from the previous year.

Off-balance-sheet financing arrangements such as the sale of receivables, sale-and-lease-back transactions or similar arrangements were not entered into during the 2015 and 2014 fiscal years.

# Infineon Technologies AG

In addition to reporting on the Infineon Group, in the following section we also report on the performance of Infineon Technologies AG.

Infineon Technologies AG is the parent company of the Infineon Group and performs the Group's management and corporate functions. It takes on major group-wide responsibilities such as Finance and Accounting, Corporate Compliance, Human Resources, strategic and product-oriented R&D activities and also Corporate and Marketing Communication worldwide. Furthermore, it manages logistical processes throughout the Group. Infineon Technologies AG has its own manufacturing facilities, located in Regensburg and Warstein (both in Germany).

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

## Earnings position

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

| € in millions  | 2015         | 2014         |
|--|--------------|--------------|
| Revenue  | 5,243        | 4,601        |
| Cost of goods sold   | (3,698)      | (3,528)      |
| <b>Gross profit</b>  | <b>1,545</b> | <b>1,073</b> |
| Research and development expenses  | (724)        | (547)        |
| Selling expenses   | (153)        | (138)        |
| General and administrative expenses                                      | (400)        | (186)        |
| Other income (expense), net  | 48           | 39           |
| Result from investments, net   | 361          | 1,003        |
| Interest result  | (52)         | (22)         |
| Other financial result   | (7)          | 47           |
| <b>Income before taxes</b>   | <b>618</b>   | <b>1,269</b> |
| Income tax   | (47)         | (28)         |
| <b>Net income</b>  | <b>571</b>   | <b>1,241</b> |
| Transfers to retained earnings according to section 58 paragraph 2 AktG  | (137)        | (228)        |
| Transfers to retained earnings according to section 58 paragraph 2a AktG | (208)        | (784)        |
| <b>Unappropriated profit at the end of year</b>                          | <b>226</b>   | <b>229</b>   |

Infineon Technologies AG reports a net income of €571 million for the 2015 fiscal year. After transferring a total of €345 million to revenue reserves, unappropriated profit amounted to €226 million.

Infineon Technologies AG's net income for the 2015 fiscal year was positively impacted by income from the reversal of an impairment loss previously recorded on its investment in Infineon Technologies Holding B.V. The carrying amount of the investment was increased by €208 million (September 30, 2014: €774 million). Infineon Technologies AG recorded sharp rises in revenue (14 percent) and gross profit (44 percent) for the 2015 fiscal year. Cost of goods sold increased by 5 percent.



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

| € in millions   | 2015         | 2014         |
|---|--------------|--------------|
| Intangible assets, property, plant and equipment                          | 530          | 474          |
| Financial assets  | 5,245        | 3,651        |
| <b>Non-current assets</b>   | <b>5,775</b> | <b>4,125</b> |
| Inventories   | 517          | 344          |
| Receivables and other assets  | 1,481        | 618          |
| Cash and cash equivalents, marketable securities                          | 1,672        | 2,339        |
| <b>Current assets</b>   | <b>3,670</b> | <b>3,301</b> |
| <b>Prepaid expenses</b>   | <b>39</b>    | <b>28</b>    |
| <b>Active difference resulting from offsetting</b>                        | <b>3</b>     | <b>4</b>     |
| <b>Total assets</b>   | <b>9,487</b> | <b>7,458</b> |
| Share capital   | 2,247        | 2,243        |
| Capital reserves  | 1,179        | 1,165        |
| Retained earnings   | 2,737        | 2,365        |
| Distributable profit  | 226          | 229          |
| <b>Shareholders' equity</b>   | <b>6,389</b> | <b>6,002</b> |
| <b>Special reserve with an equity portion</b>                             | <b>1</b>     | <b>1</b>     |
| Provisions for pensions and similar obligations                           | 142          | 62           |
| Other provisions  | 362          | 553          |
| <b>Provisions</b>   | <b>504</b>   | <b>615</b>   |
| Bonds   | 804          | –            |
| Liabilities to banks  | 795          | –            |
| Trade payables, liabilities to affiliated companies and other liabilities | 979          | 819          |
| <b>Liabilities</b>  | <b>2,578</b> | <b>819</b>   |
| <b>Deferred income</b>  | <b>15</b>    | <b>21</b>    |
| <b>Total liabilities and shareholders' equity</b>                         | <b>9,487</b> | <b>7,458</b> |

Infineon Technologies AG's financial condition in the 2015 fiscal year was significantly impacted by the acquisition of International Rectifier. On the assets side, increases were recorded for financial assets as well as for receivables and assets. The acquisition-related increase of financial assets and receivables primarily reflects a contribution to Infineon Technologies US HoldCo Inc. of €1,519 million including the offsetting impact from the hedging of foreign currency risk from the purchase price obligation for the acquisition of International Rectifier of €140 million and a loan receivable from Infineon Technologies US HoldCo Inc. amounting to €792 million. The Company issued two senior and unsecured bonds with a total nominal value of €800 million to finance the acquisition of International Rectifier. In addition, a bank loan amounting to €792 million (US\$934 million) was procured.

The carrying amount of investments was increased by the reversal of an impairment loss previously recognized on the investment in Infineon Technologies Holding B.V. (€208 million) and reduced by a capital repayment of €149 million from the same entity. Cash and cash equivalents and marketable securities went down by €667 million during fiscal year 2015. Provisions for pensions and similar obligations increased by €80 million resulting from the reduction in the average market interest rate for the past seven years. Other provisions fell by €191 million in the 2015 fiscal year, primarily due to payments made in conjunction with the partial settlement reached with Qimonda's insolvency administrator (see note 32 to the Consolidated Financial Statements). The line item "Trade payables, liabilities to affiliated companies and other liabilities" increased by €160 million over the twelve-month period, mainly owing to a €184 million increase in liabilities to affiliated companies, while other liabilities decreased by €70 million.

The increase in equity (€387 million) was mainly attributable to net income of €571 million recorded in the 2015 fiscal year. Payment of the dividend for the 2014 fiscal year (€202 million) reduced equity accordingly.

The equity ratio at the end of the reporting period was 67.3 percent, compared to 80.5 percent one year earlier.

### Dividend

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

Infineon Technologies AG reports unappropriated profit of €226 million in its financial statements for the fiscal year ended September 30, 2015. A cash dividend of €0.20 per share shall be proposed for this period at the Annual General Meeting. The disbursement of the proposed dividend is subject to approval by shareholders.

For the 2014 fiscal year, the Company paid a dividend of €0.18 per share (€202 million in total).

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

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### Expected developments, together with associated material risks and opportunities

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

 see page 149 ff.

Most transactions within the Infineon Group involving derivative financial instruments are handled by Infineon Technologies AG. The comments provided in the chapter "Treasury and capital requirements" regarding the nature and scope of transactions with derivative financial instruments and hedged risks apply to Infineon Technologies AG. Reference is also made to the notes to the Separate Financial Statements of Infineon Technologies AG.

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## Significant events after the end of the reporting period

No significant events occurred between the end of the reporting period and the submission of the Consolidated Financial Statements to the Supervisory Board.

# Corporate Governance

Information pursuant to section 289, paragraph 4,  
and section 315, paragraph 4,  
of the German Commercial Code (HGB)

## Structure of the subscribed capital

The share capital of Infineon Technologies AG stood at €2,258,542,962 as of September 30, 2015. This sum is divided into 1,129,271,481 non-par registered shares, each of which represents a notional portion of the share capital of €2. 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 6 million of the above-mentioned issued shares as own shares at the end of the reporting period (September 30, 2014: 6 million). 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 the result of the regulations of the German Stock Corporation Act (Aktiengesetz – “AktG”). For example, pursuant to section 136 AktG shareholders are under certain circumstances prohibited from voting and according to section 71b AktG Infineon Technologies AG has no voting rights from its own shares. Non-compliance with the notification requirements pursuant to section 21, paragraph 1 or 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – “WpHG”) can, according to section 28 WpHG, have the effect that certain rights – including the right to vote – may, temporarily at least, 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, only those persons recorded in the share register of Infineon Technologies AG are recognized as shareholders of the Company. In order to be recorded in the share register of Infineon Technologies AG, shareholders are required to submit to the Company the number of shares held by them and their name or company name, their 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 any party listed in the share register regarding the extent to which shares, to which the entry in the share register relates, are actually owned by the registered party and, if it does not own the shares, to receive the information necessary for the maintenance of the share register in relation to the party for whom the party concerned holds the shares. 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.

## Shareholdings exceeding 10 percent of the voting rights

Section 21, 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 September 30, 2015, 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 September 30, 2015 are presented in the Notes to the Financial Statements of Infineon Technologies AG under the information pursuant to section 160, paragraph 1, No. 8 AktG.

### Shares with special control rights

No shares conferring special control rights have been issued.

### System of control over voting rights when employees' own shares and their control rights are not exercised directly

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

### Rules governing the appointment and dismissal of members of the Management Board

Section 5, paragraph 1, of the Articles of Association stipulates that the Management Board of Infineon Technologies AG shall consist of at least two members. The Management Board currently comprises three members. The Supervisory Board decides on the exact number of members of the Management Board and on their appointment and dismissal in accordance with section 5, paragraph 1, of the Articles of Association and 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 members of the Management Board requires a two-thirds majority of the votes of the members of the Supervisory Board (section 31, paragraph 2, MitbestG). If such majority is not achieved at the first ballot, the appointment may be approved on a recommendation of the Mediation Committee at a second ballot by a simple majority of the votes of the members of the Supervisory Board (section 31, paragraph 3, MitbestG). If the required majority is still not achieved, a third ballot is held in which the Chairman of the Supervisory Board has two votes (section 31, paragraph 4, MitbestG). If the Management Board does not have the required number of members, in urgent cases, the local court (Amtsgericht) of Munich makes the necessary appointment upon petition of a party concerned pursuant to section 85, paragraph 1, AktG.

Pursuant to section 84, paragraph 1, sentence 1, AktG, the maximum term of appointment for members of the Management Board is five years. Re-appointment or 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 of the Management Board. The Supervisory Board may revoke the appointment of a member of the Management Board and the Chairman of the Management Board for good cause (section 84, paragraph 3, AktG).

### Rules governing the amendment of the Articles of Association

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 such amendments relate 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 to issue shares

The powers of the Management Board to issue shares derive from section 4 of the Articles of Association, in conjunction with applicable legal provisions. Further information relating to the Company's existing Authorized and Conditional Capital can be found in note 24 to the Consolidated Financial Statements.

### Authorization to issue bonds with warrants and/or convertible bonds

The Annual General Meeting held on February 13, 2014 authorized the Management Board, in the period through February 12, 2019, either once or in partial amounts, to issue bonds with warrants and/or convertible bonds (referred to collectively as “bonds”) in an aggregate nominal amount of up to €2,000,000,000, to guarantee such bonds issued by subordinated Group companies of the Company and to grant holders of bond options or conversion 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. The Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders to the bonds,

- › if the issue price is not substantially lower than the theoretical market value of the bonds, as determined in accordance with accepted methods of financial mathematics; however this only applies insofar as the shares to be issued to service the option and/or conversion rights established on this basis in aggregate do not exceed 10 percent of the share capital, either at the time of this authorization becoming effective or at the time of its exercise;
- › 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 such action is necessary in order to grant holders of option or conversion rights 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 exercise of their rights or after fulfillment of any conversion obligations.

Even if the dilution protection regulations are applied, the option or conversion price must equal at least 90 percent of the average stock exchange price of the Company’s shares in the Xetra closing auction on the Frankfurt Stock Exchange (or a comparable successor system); further details – including the conditions under which the option or conversion price may be reduced – are set out in the authorization.

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

### Purchase of own shares

A resolution passed by the Annual General Meeting on February 28, 2013 authorizes Infineon Technologies AG, in the period through to February 27, 2018, 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 or 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 purchase offer addressed to all shareholders – be used for all legally admissible purposes. The shares may also be cancelled or offered to third parties in conjunction with business combinations or the acquisition of companies, parts of companies or participations in companies. Under specified circumstances subject to the consent of the Supervisory Board, 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 bonds

with warrants and convertible bonds and stock option plans, offered for sale or granted as a remuneration component to members of representative bodies and employees within the Group, and/or used to repay securities-backed loans. The subscription right of shareholders is excluded in all of the above cases (except when the shares are cancelled). 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 February 28, 2013, the acquisition of Infineon Technologies AG shares may also be effected using equity derivatives. The total number of shares that can be acquired using derivatives may not exceed 5 percent of the Company's share capital, determined either at the time of this authorization becoming effective or at the time of its exercise through the use of the derivatives. The shares acquired through the exercise of this authorization are to be counted toward the acquisition threshold for the shares acquired in accordance with the authorization to acquire own shares as described above. The authorization stipulates other restrictions when derivatives are deployed, including their execution, term, servicing and acquisition price.

If own shares are acquired using derivatives in accordance with the requirements stipulated in the authorization, any right of the shareholders to conclude such derivative transactions with the Company will be excluded in analogous application of section 186, paragraph 3, sentence 4, AktG. Similarly, the shareholders have no right to conclude derivative transactions with the Company insofar as arrangements for the conclusion of derivative transactions include a preferred offer for the conclusion of derivative transactions concerning small volumes of shares.

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 will apply in this connection.

The use of own shares, acquired through derivative instruments, is governed by the same rules as applicable for the direct acquisitions of own shares.

In November 2013, the Company resolved a new capital returns program which expired on September 30, 2015. Program details are provided in note 24 to the Consolidated Financial Statements. Information relevant to the program was also regularly published on the Company's website.

 see page 247

@ [www.infineon.com/cms/en/about-infineon/investor/capital-returns/program-2013](http://www.infineon.com/cms/en/about-infineon/investor/capital-returns/program-2013)

### Significant agreements in the event of a change of control as a result of a takeover bid

The credit facility agreement entered into in connection with the acquisition of International Rectifier as well as the eurobonds issued by Infineon (see note 22 to the Consolidated Financial Statements) contain defined change-of-control clauses which give creditors the right to terminate the instruments concerned and to call for early repayment. These clauses reflect standard market practice.

 see page 243 f.

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, according to which a change in control of Infineon Technologies AG triggers the right of the other party at its sole discretion to terminate or to continue the agreement as well as other rights which may, under certain circumstances, be unfavorable for Infineon.

### Agreements for compensation in the event of a takeover bid

If a member of the Management Board leaves his or her position in connection with a change of control, that member is currently entitled to continued payment of the relevant annual remuneration for the entire remaining contract term. In accordance with a special contract termination right granted to members of the Management Board, the period of continued payment is capped at a maximum of 36 months in the event that the member resigns, or at a minimum of 24 months and a maximum of 36 months in the event that the member is removed from office or dismissed by Infineon Technologies AG. Further details are contained in the Compensation Report.

 see page 186 f.

The change-of-control clauses agreed with the members of the Management Board correspond to the recommendation made in section 4.2.3, paragraph 5, of the German Corporate Governance Code. Such clauses are intended to give members of the Management Board security if a change-of-control situation occurs, and to preserve their independence in the event of a takeover bid.

Comparable arrangements for employees are only in place in a small number of individual cases.

## Corporate Governance Report

### Corporate Governance practices

#### Corporate Governance – standards for effective and responsible corporate management

The Management Board and the Supervisory Board of Infineon Technologies AG view corporate governance as a comprehensive concept for responsible, transparent and value-led corporate management. Good corporate governance contributes towards increasing the value of the business on a sustainable basis, while at the same fostering trust in our entity among national and international investors, the financial markets, business partners, employees and the public. The Management Board, the Supervisory Board and the management ensure that corporate governance is actively implemented and continuously developed throughout the entity. Corporate governance at Infineon encompasses not only the German Corporate Governance Code (Deutscher Corporate Governance Kodex – “DCGK”), but also the standards of the internal control system, compliance – particularly the Infineon’s “Business Conduct Guidelines” – and regulations on organizational and supervisory duties within the entity. The Business Conduct Guidelines and the Regulations on Organizational and Supervisory Duties are available to all employees on the Infineon intranet for review and download.

#### Business Conduct Guidelines

We conduct our business responsibly and in compliance with legal requirements and administrative regulations. We have established several guidelines that contribute towards achieving this objective. Infineon Technologies AG’s Business Conduct Guidelines – as one of the key elements of our corporate governance system – are published on the internet and are mandatory for the Management Board and all employees worldwide. The Business Conduct Guidelines are regularly reviewed and updated. They include regulations on compliance with the law, interaction with business partners and third parties, the avoidance of conflicts of interest, interaction with Company institutions, data and information management as well as environmental protection, health and safety topics. Also included are regulations for the handling of complaints and communication relating to violations of the Business Conduct Guidelines and other mandatory Infineon specific rules.

@ [www.infineon.com/cms/en/about-infineon/investor/corporate-governance/compliance/business-conduct-guidelines/](http://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/compliance/business-conduct-guidelines/)

#### Corporate Compliance Officer and Compliance Panel

Infineon maintains an independent Compliance Office. The additional resources allocated underline Infineon’s clear commitment to absolute compliance with the law and to maintaining ethical standards which protect the legitimate interests of employees, suppliers, customers, and shareholders, safeguard Infineon’s reputation, and nonetheless take account of Infineon’s needs. Beside the traditional compliance objectives, such as risk mitigation and increases in efficiency and effectiveness, compliance is promoted with a view to strengthening Infineon’s image as a reliable and fair business partner and thus contributing to its overall success.



Infineon Technologies AG's Corporate Compliance Officer reports directly to the Chief Financial Officer (CFO). The Corporate Compliance Officer coordinates the Compliance Management System, develops the Infineon compliance program based on a risk-oriented approach, draws up and revises guidelines, advises employees, receives complaints and tip-offs, including those made anonymously, and leads investigations aimed at clarifying compliance-related cases. In addition, he or she carries out regular compliance training measures for employees on topics such as antitrust law and the prevention of corruption. Extensive training measures were again carried out during the 2015 fiscal year.

The Corporate Compliance Officer is supported by regional Compliance Officers. The Company has also established a Compliance Panel that meets on a regular basis and is composed of experienced managers from the Legal, Human Resources, Internal Audit and Security departments and the Corporate Compliance Officer. The primary task of the panel is to deliberate on the current status of compliance throughout Infineon and to discuss key issues and reach decisions aimed at improving the compliance system. A whistleblowing system has been established as an important component of the compliance system. Infineon employees can contact the Corporate Compliance Officer on a confidential basis (anonymously, if desired) to report non-compliance with internal guidelines and applicable laws. Since 2011, an external lawyer serving in the capacity of an independent ombudsman has also been available to enable employees and business partners to pass on confidential information (anonymously, if desired) with respect to legal violations at Infineon. In collaboration with the Compliance Panel, the Corporate Compliance Officer follows up on every item of information communicated before deciding whether to initiate an internal investigation.

The external audit of the Compliance Management System at Infineon Technologies AG and at two other major Group entities, commissioned at the end of the 2012 fiscal year, was completed in June 2014. Under the terms of this engagement, the Management Board commissioned an independent audit firm to test and report on the appropriateness, implementation and effectiveness of the Compliance Management System. The audit was conducted in accordance with the "Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980)" issued by the Institute of Public Auditors in Germany (IDW). The main points of emphasis were the prevention of corruption and compliance with antitrust laws. Since the 2015 fiscal year the sustainability of the Compliance Management System in place at Group companies is additionally being ensured by regular audits primarily conducted in accordance with Audit Standard IDW PS 980.

### Risk management

The Management Board sees the systematic and effective management of risks and opportunities as an important part of good corporate governance and a key success factor for our business. The system in place ensures that risks and opportunities are detected at an early stage and risk exposures are minimized. The transparency of the Group's risk profile contributes to the systematic and continuous increase of the value of the business.

Our Group-wide Risk and Opportunity Management System, which is continuously adapted to changes in circumstances, consists of the following sub-processes: identification, analysis, controlling and monitoring of opportunities. Its effectiveness is reviewed regularly by the Supervisory Board's Investment, Finance and Audit Committee.

Details of risk management at Infineon are presented in the chapter "Risk and opportunity report", which provides an in-depth description of both risk and opportunity management and the internal control system at Infineon.

 see page 149 ff.

### Transparent management

We submit a quarterly report to our shareholders according to a defined financial calendar, covering our business development as well as financial position and financial performance. The members of the Management Board regularly inform shareholders, analysts, media and the general public about the quarterly and annual results. Our comprehensive investor relations service features regular meetings and telephone conferences with analysts and institutional investors. Reports, notices and disclosures are usually available on our website in German and English.

@ [www.infineon.com](http://www.infineon.com)

Infineon Technologies AG also issues ad hoc announcements in addition to its regular reporting to publish information that is not in the public domain and the disclosure of which is deemed to have a significant impact on the value of the Infineon share.

The Company has a Disclosure Committee comprising experienced managers from the investor relations, communication, finance, financial reporting and accounting, legal and internal audit departments. The Disclosure Committee – in a different composition, as deemed appropriate – reviews and approves specified financial and other material information published in conjunction with regular financial reporting or ad hoc announcements.

German law requires the Management Board to render a responsibility statement (“Bilanzeit”). The information required for this purpose is confirmed internally to the Management Board by senior executives bearing management responsibility.

#### D&O insurance

The Company maintains a directors’ and officers’ group liability insurance policy (“D&O Insurance”). The D&O Insurance policy covers personal liability in the event of claims made in particular against members of the Management and Supervisory Boards for the indemnification of losses incurred in the performance of their duties. A deductible of 10 percent of the loss up to the amount of one-and-a-half times the annual fixed compensation of the member of the Management or Supervisory Board concerned has been agreed upon in accordance with the statutory regulation in section 93, paragraph 2, of the German Stock Corporation Act (AktG) (for the Management Board) and the recommendation in section 3.8 of the DCGK (for the Supervisory Board).

#### Financial reporting and auditing

Starting with the 2009 fiscal year, Infineon Technologies AG has prepared its Consolidated Financial Statements exclusively in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The separate Financial Statements of Infineon Technologies AG are prepared in accordance with the German Commercial Code (HGB). The separate and consolidated Financial Statements of Infineon Technologies AG and the combined Management Report (Lagebericht) are published within 90 days of the end of the fiscal year upon approval by the Supervisory Board.

Infineon’s financial reporting system for the 2015 fiscal year is audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The Quarterly and Half-Year Financial Reports were also subject to review by KPMG. The audit also considers the Company’s system for the early identification of risks and the submission of the Declaration of Compliance in accordance with section 161 AktG. The Investment, Finance and Audit Committee discusses the Quarterly and Half-Year Financial Reports with the Management Board prior to publication. We have agreed with KPMG that the Chairman of the committee should be informed without delay if any possible reasons for exclusion or bias occur during the audit, unless they can be eliminated immediately. The auditors should also report immediately on all findings and occurrences material to the Supervisory Board’s work that arise in the course of the audit and review engagements.

#### Directors’ dealings

“Persons discharging managerial responsibilities” – which in Infineon’s case includes members of the Management and Supervisory Boards as well as parties related to them – are required pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) to notify the Company as well as the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) of own transactions involving Company shares or related financial instruments. This requirement, however, applies only if the total value of the transactions made by one of the above-mentioned persons amounts to €5,000 or more in one calendar year. The Company is obliged to publish the notifications it receives without undue delay and have them recorded in the Company Register. Such notices are also reported to BaFin.

The following securities transactions were notified to the Company during the previous fiscal year by persons discharging managerial responsibilities and parties related to them:

|                              |                                    |
|------------------------------|------------------------------------|
| Last name, first name        | Dr. Ploss, Reinhard                |
| Function                     | Chairman of the Management Board   |
| Description                  | Shares in Infineon Technologies AG |
| ISIN/WKN                     | DE0006231004/623 100               |
| Date of transaction          | November 28, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.88                              |
| Number of units              | 6,400                              |
| Total volume                 | €50,432.00                         |
| Date of transaction          | November 28, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.89                              |
| Number of units              | 4,400                              |
| Total volume                 | €34,694.00                         |
| Total volume of transactions | €85,126.00                         |
| Transaction location         | Frankfurt Stock Exchange (Xetra)   |
| Last name, first name        | Asam, Dominik                      |
| Function                     | Member of the Management Board     |
| Description                  | Shares in Infineon Technologies AG |
| ISIN/WKN                     | DE0006231004/623 100               |
| Date of transaction          | December 01, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.83                              |
| Number of units              | 1,379                              |
| Total volume                 | €10,794.81                         |
| Date of transaction          | December 01, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.83                              |
| Number of units              | 2,957                              |
| Total volume                 | €23,144.44                         |
| Date of transaction          | December 01, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.83                              |
| Number of units              | 1,375                              |
| Total volume                 | €10,764.88                         |
| Date of transaction          | December 01, 2014                  |
| Purchase/sale                | Purchase                           |
| Price (per unit)             | €7.83                              |
| Number of units              | 1,503                              |
| Total volume                 | €11,768.49                         |
| Total volume of transactions | €56,472.62                         |
| Transaction location         | Frankfurt Stock Exchange (Xetra)   |

|                       |                                    |
|-----------------------|------------------------------------|
| Last name, first name | Gruber, Peter                      |
| Function              | Member of the Supervisory Board    |
| Description           | Shares in Infineon Technologies AG |
| ISIN/WKN              | DE0006231004/623 100               |
| Date of transaction   | February 16, 2015                  |
| Purchase/sale         | Sale                               |
| Price (per unit)      | €10.06                             |
| Number of units       | 26,000                             |
| Total volume          | €261,560.00                        |
| Transaction location  | Frankfurt Stock Exchange (Xetra)   |
| Last name, first name | Mittal, Arunjai                    |
| Function              | Member of the Management Board     |
| Description           | Shares in Infineon Technologies AG |
| ISIN/WKN              | DE0006231004/623 100               |
| Date of transaction   | June 2, 2015                       |
| Purchase/sale         | Sale                               |
| Price (per unit)      | €11.94                             |
| Number of units       | 21,598                             |
| Total volume          | €257,885.52                        |
| Transaction location  | Frankfurt Stock Exchange (Xetra)   |

### Compensation of the Management Board and the Supervisory Board

Details of Management Board and Supervisory Board compensation in the 2015 fiscal year are presented in the comprehensive Compensation Report, which also forms part of the Combined Management Report of Infineon Technologies AG.

### Share-based compensation programs for employees and members of the Management Board

Infineon's share-based compensation programs are described in note 26 to the Consolidated Financial Statements. The full text of the plans may be viewed on the internet.

A "Performance Share Plan" (PSP) was put into place in the 2015 fiscal year as part of the long-term remuneration of executives and selected Infineon employees worldwide. The same plan also applies to members of the Management Board, whereby the latter – unlike other plan participants – have a contractually secured claim. The principal conditions of the plan for members of the Management Board are described in the Compensation Report. Essentially the same conditions apply to other PSP participants, with rules differing only with respect to the requirement of personal investment in Infineon shares and in the event of early termination. Moreover, the cap stipulated for Performance Shares only applies to members of the Management Board.

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## Declaration concerning the management of the company (Part of the Combined Management Report – unaudited)

### **Declaration of compliance with the German Corporate Governance Code issued for the 2015 fiscal year by the Management Board and Supervisory Board of Infineon Technologies AG in accordance with section 161 of the German Stock Corporation Act**

The Management Board and Supervisory Board issued the following declaration pursuant to section 161 AktG in November 2015:

1. Since the submission of the last Declaration of Compliance in November 2014, Infineon Technologies AG has, with one exception, complied with all recommendations of the German Corporate Governance Code in the version dated June 24, 2014 (“Code”). The one exception, stated and explained in the November 2014 declaration, relates to the following:

Section 5.4.6 of the Code recommends that any performance-related compensation of the members of the Supervisory Board should be oriented toward the sustainable growth of the enterprise. The similarity in terminology to the requirements contained in the German Stock Corporation Act with respect to compensation of members of the Management Board therefore seems to imply that performance-related compensation should also be based on a “multi-year assessment” for members of the Supervisory Board.

Members of the Supervisory Board of Infineon Technologies AG receive both fixed and performance-related compensation, the latter only being paid if earnings per share in the previous fiscal year exceed a pre-defined amount.

Both the Management Board and the Supervisory Board have deliberated on this topic on several occasions. They concluded in each case that the compensation system currently in place for the Supervisory Board is already oriented toward the sustainable growth of the enterprise even without a multi-year assessment, since the minimum amount required to trigger the compensation payment increases year-on-year, thus setting an incentive for improving earnings each year. As a consequence, neither of the boards saw any necessity to change the Supervisory Board compensation system, which had been approved by a large majority at the Annual General Meeting. The Management Board and the Supervisory Board have not changed their assessment of the situation.

2. The new version of the Code, dated May 5, 2015, became effective on June 12, 2015. With the exception (described in point 1 of this declaration) of the unchanged recommendation contained in section 5.4.6 of the Code, Infineon Technologies AG has also complied with the applicable recommendations contained in this version of the Code and will continue to do so in the future.

### **Relevant disclosures in respect of corporate governance practices**

The Company complies with all legal requirements with respect to corporate governance. With one exception, which is stated and explained in the Declaration of Compliance, Infineon also complies with the recommendations of the German Corporate Governance Code. Furthermore, Infineon’s corporate governance practices in particular underpin the guidelines on corporate conduct (“Business Conduct Guidelines”) as well as the regulations relating to organizational and supervisory duties. Both of these sets of regulations are available to all employees worldwide on the Infineon Intranet.

### Shareholders and Annual General Meeting

Infineon shareholders take their decisions at the Annual General Meeting, which is held at least once a year. Each share carries one vote. Shareholders can attend the Annual General Meeting as long as they are entered in the share register and have duly registered for the meeting. The Annual General Meeting decides on all issues assigned to it by law, most notably on the formal approval of the conducting of business by the Management Board and the Supervisory Board, the profit appropriation, the election of the auditors, corporate agreements and amendments to the Articles of Association. Shareholders are entitled to make counter-proposals to motions introduced by management and to speak as well as ask questions at the Annual General Meeting. They also have the right, subject to certain conditions, to challenge resolutions of the Annual General Meeting, to request an extraordinary judicial review and to claim damages from corporate bodies of the Company on behalf of the Company when they identify incidences of misconduct or serious deficiencies in the Company's management and control. We wish to support our shareholders as far as possible in the exercising of their rights at the Annual General Meeting. Shareholders can register for our Annual General Meeting electronically, participate in voting by means of postal voting or by sending online instructions, e.g. to their proxies, and they can follow the general debate via the internet. All documents and information relating to the Annual General Meeting are available to any interested parties on our website. Our Investor Relations department, moreover, can be contacted throughout the year, both by telephone and electronically, to ensure the exchange of information between us and our shareholders.

### Description of the mode of operation of the Management Board and Supervisory Board and of the composition and mode of operation of the Supervisory Board's committees

Infineon Technologies AG is subject to German stock corporation law, which stipulates a two-tier administrative system, with the Management Board responsible for management and the Supervisory Board responsible for corporate oversight. We are convinced that this separation of the two functions is an important precondition for good corporate governance. The Management Board and the Supervisory Board cooperate closely in Infineon's best interest.

#### Management Board

Infineon Technologies AG's Management Board comprises three members. In accordance with the DCGK, the Supervisory Board has set an age limit for Management Board membership, according to which members of the Management Board should, as a general rule, not be more than 67 years old. In accordance with its rules of procedure, the Supervisory Board takes account of diversity as well as technical and personal suitability in respect of the composition of the Management Board.

The Management Board currently comprises only men (100 percent), of whom two are in the middle age group of between 30 and 50 years of age (66.7 percent) and one (33.3 percent) is in the 50+ age group.

In conjunction with the implementation of the "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector", which came into force on May 1, 2015, the Supervisory Board decided on a quota for women on the Management Board of 0 percent, which is compatible with applicable legislation until June 30, 2017. At the same time, however, the Supervisory Board gave a commitment to increase its efforts to develop and attract women with the professional and personal skills needed to take up Management Board positions. The Management Board is the Company's executive body. It is obliged, within the framework of the law, to serve the Company's interests and thereby pursue the goal of sustainably increasing Infineon's value taking into account the interests of all stakeholders. It determines Infineon's commercial objectives, strategy and corporate policy and defines how the Group is organized.

According to German stock corporation law, the Management Board has overall responsibility for the management of the Company. The Company's Management Board has adopted rules of procedure with the consent of the Supervisory Board. These rules stipulate that the Company is managed jointly by all members of the Management Board, who should work together in a cooperative manner to achieve this end. Collaboration between the Management Board and the Supervisory Board is coordinated by the Chief Executive Officer (CEO). The CEO maintains regular contact with the Chairman of the Supervisory Board, with whom he discusses the key aspects of Infineon's strategy, corporate planning, business performance and risk management. At the ordinary meetings of the Supervisory Board, the Management Board reports comprehensively and promptly on Infineon's business performance, its economic situation and the economic situation of the individual segments, as well as Infineon's financial and investment planning. The CEO notifies the Chairman of the Supervisory Board without delay regarding any matters that are of material importance for assessing the position and development of the Company or for its management.

## Supervisory Board

### *Work of the Supervisory Board*

The Supervisory Board advises and monitors the Management Board in its management of the entity. The Supervisory Board is informed by the Management Board regularly, comprehensively, and in a timely manner on all matters of relevance and agrees upon Infineon's corporate strategy and its implementation with the Management Board. The Supervisory Board discusses the quarterly reports and reviews and approves both the Separate Financial Statements and the Consolidated Financial Statements of Infineon Technologies AG. Any major decisions made by the Management Board, such as Group-wide financial and investment planning or major acquisitions and equity investments, divestitures, and financial measures, are subject to its approval. Further details are stipulated in the rules of procedure of the Management Board and the Supervisory Board. When Supervisory Board votes end in a tie, the Chairman of the Supervisory Board has two voting rights if voting is carried out for a second time and again results in a tie.

The duties of the Supervisory Board and its committees are regulated by law, by the Articles of Association and by the rules of procedure of the Supervisory Board and its committees. In addition, the DCGK contains recommendations pertaining to Supervisory Board work.

Once a year, the Supervisory Board reviews the efficiency of its work, including its interaction with the Management Board. The efficiency review is performed on the basis of a questionnaire addressing different areas and criteria of the Supervisory Board's work. The results are subsequently discussed at a Supervisory Board meeting. In the 2010 fiscal year, an external independent consultant was engaged for the first time to conduct a detailed survey of Supervisory Board activities. The most recent efficiency review took place in summer 2015, again based on a questionnaire. No significant deficits in efficiency were identified.

### *Composition of the Supervisory Board*

The Supervisory Board of Infineon Technologies AG currently comprises 16 members, with an equal number of shareholder and employee representatives, as stipulated in the German Co-Determination Act (Mitbestimmungsgesetz). The shareholder representatives are elected by the Annual General Meeting, the employee representatives by employee delegates at Infineon's German facilities in accordance with the German Co-Determination Act. The normal term of office of members of the Supervisory Board is approximately five years.

New elections were held in the 2015 fiscal year for both the shareholder representative and the employee representative positions on the Supervisory Board. At the Supervisory Board meeting held on February 12, 2015, Wolfgang Mayrhuber was confirmed as Chairman and Johann Dechant elected as Deputy Chairman of the Supervisory Board. The terms of office of all members of the Supervisory Board will expire at the end of the Annual General Meeting that resolves on the approval of the acts of its members for the 2019 fiscal year.



Concrete objectives for the Supervisory Board composition were specified in 2010 in accordance with the recommendation in section 5.4.1 DCGK (version: May 2010) and have been supplemented from time to time in subsequent years. In view of the changes in the law and DCGK recommendations in 2015, the Supervisory Board revised its catalog of objectives in August 2015. Accordingly, the most important of these is to ensure that the composition of the Supervisory Board enables it to optimally perform the duties prescribed to it by law and in the Company's Articles of Association. The Supervisory Board is of the opinion that – in addition to the personal suitability and technical competence of the individual members of the Supervisory Board and the high degree of independence required of the Supervisory Board and its members – diversity of know-how and experience within the Supervisory Board as a whole are decisive factors. This also includes the international character of its membership. Furthermore, an appropriate age limit and a general rule for a maximum period of service on the Supervisory Board should be observed. Taking all of these factors into consideration, the following objectives and requirements profile arises:

› **Personal suitability**

All members of the Supervisory Board must possess the necessary personality and integrity for the due performance of their duties. Members of the Supervisory Board must be loyal to the Company at all times and in particular comply strictly with their statutory obligation of confidentiality, with which they must be fully conversant. They must have sufficient availability and willingness to devote the necessary time and attention to their office. Before submitting its recommendations to the Annual General Meeting for the election of new members of the Supervisory Board, the Nomination Committee of the Supervisory Board therefore obtains assurance from the respective candidates that they are in a position to devote the necessary time to their future duties.

› **Technical competence**

When determining the composition of the Supervisory Board, it must be ensured that its members as a whole have the necessary technical competence to optimally perform its tasks. Furthermore, each individual member of the Supervisory Board must possess a sufficiently good understanding of the Company's business activities to serve as a basis for drawing objective conclusions in the Company's interests.

› **Independence**

Every effort should be made to ensure the maximum independence of the Supervisory Board and its members. A member is independent if he or she can reach decisions on matters considered by the Supervisory Board free of any possible conflict of interests, i.e. based entirely on objective criteria geared to the interests of the Company. Conversely, a member of the Supervisory Board is considered not to be independent if he or she has personal or business relationships with the Company, its representative bodies, a controlling shareholder or an entity related to such a controlling shareholder with whom a serious conflict of interests could arise (other than temporarily). No more than two former members of the Management Board should be members of the Supervisory Board. Members of the Supervisory Board should not exercise board functions or perform advisory tasks for major competitors. In the case of employee representatives, the fact of being employed by the Company alone is not considered to be a factor that limits their independence. The aim of the Supervisory Board is to have at least twelve independent representatives (including at least five shareholder representatives).

› **Diversity**

The overall composition of the Supervisory Board should comply with the principles of diversity. To the maximum degree possible, the composition of the Supervisory Board should therefore take into account the diversity found in an open and innovative global company such as Infineon. At the same time, however, no-one should be proposed or dropped as a candidate for the Supervisory Board simply because he or she possesses or lacks a certain diversity factor.

Diversity also includes gender diversity. As a listed company subject to co-determination stipulations, by law the Supervisory Board must be made up of at least 30 percent women and at least 30 percent men.

› **International character**

The composition of the Supervisory Board should be of an international nature. However, this international character is not to be understood restrictively in the sense of any specific (foreign) nationality. The decisive factor is more the intercultural influences and experiences and the resulting openness, the corresponding understanding and the ability to judge with regard to international topics and correlations. The Supervisory Board's objective is to have at least five international representatives among its ranks.

› **Age limit**

As a general rule, no-one older than 69 years of age should be proposed for membership of the Supervisory Board.

› **General rule for maximum period of service on the Supervisory Board**

The Supervisory Board's objective is that its members do not, as a general rule, serve for more than three terms of office (i.e. normally no longer than 15 years).

The objectives and requirements profile approved by the Supervisory Board is taken into account when making nominations to the Annual General Meeting. As part of this process, the Supervisory Board also discloses any of the candidate's business or other relationships with Infineon, the Company's representative bodies and/or a major shareholder in the Company, if an impartial shareholder making an objective decision about the election would consider such information to be of relevance. The same applies in respect of the work of the Nomination Committee, insofar as this committee performs the preparatory work for the Supervisory Board decision.

The Supervisory Board also recommends that members who have been elected by the employees do what they can, within the scope of their influence, to have the objectives and requirements profile taken into account in the nominations made by the relevant bodies on the employees' side. Lastly, the Supervisory Board recommends that the objectives should be taken into account by any of its members making an application for the appointment of a member of the Supervisory Board by the courts.

The composition of the Supervisory Board is in accordance with the objectives as most recently defined in August 2015. In addition, the Supervisory Board observes the age limit stipulated in its rules of procedure, according to which "as a general rule" no-one older than 69 years of age should be proposed for membership of the Supervisory Board. In the opinion of the Supervisory Board, endorsed by the vote in favor at the Annual General Meeting, the case of Dr. Sünner, who already exceeded this age limit at the time of his appointment, constitutes a well-founded and therefore justified exception, notably on the grounds of his wealth of experience in taxation, law and compliance. The Supervisory Board currently comprises six women (37.5 percent) and ten men (62.5 percent). Four (25 percent) of the members of the Supervisory Board are aged between 30 and 50 and 12 (75 percent) are over 50. The composition of the Supervisory Board therefore already complies with the requirements of the "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector" (which do not yet formally apply to the Supervisory Board in its current composition), according to which each gender is required to have a minimum 30 percent representation on the Supervisory Board.

*Supervisory Board committees*

The Supervisory Board rules of procedure provide for the formation of three committees: the Mediation Committee, the Executive Committee, and the Investment, Finance, and Audit Committee. The Supervisory Board has also established both a Strategy and Technology Committee and the Nomination Committee recommended in the DCGK. All Supervisory Board committees have an equal number of employee representatives and shareholder representatives, apart from the Nomination Committee, which consists exclusively of shareholder representatives.

The **Mediation Committee**, which consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative, submits specific recommendations to the Supervisory Board concerning the appointment of members of the Management Board if the first round of the election on the appointment does not result in the required majority of two thirds of the members of the Supervisory Board.

The **Executive Committee** consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative. The duties of this committee include preparing the decisions to be taken by the full Supervisory Board regarding the appointment or dismissal of members of the Management Board and Management Board compensation. The Executive Committee is authorized in its own capacity to make decisions with respect to contracts with members of the Management Board, except in matters involving remuneration.

The **Investment, Finance and Audit Committee** (“Audit Committee”) consists of the Chairman of the Supervisory Board, the Vice-Chairman and one further representative each of the shareholders and employees. The Chairman of the Investment, Finance, and Audit Committee, Dr. Süner, has – among other qualifications – particular expertise in and extensive experience of financial reporting on account of his many years of service as chairman of the audit committee of another DAX-listed corporation and accordingly qualifies as an “independent financial expert” pursuant to section 100, paragraph 5, of the German Stock Corporation Act.

The Audit Committee monitors the Company’s financial reporting process and discusses and examines the Separate Financial Statements and Consolidated Financial Statements prepared by the Management Board as well as the quarterly and half-yearly financial reports. It gives recommendations with respect to the approval of the Separate Financial Statements and Consolidated Financial Statements by the Supervisory Board based on the independent auditor’s report, submits recommendations to the Supervisory Board regarding the election of the independent auditor, engages the auditor elected at the Annual General Meeting to audit the Separate Financial Statements and Consolidated Financial Statements and review the interim financial reports, specifies the key areas to be examined in audit activities jointly with the auditor and is responsible for determining the auditor’s compensation.

Other matters addressed by the Audit Committee include monitoring the effectiveness of the internal control system, the internal audit system and the risk management system. In this capacity, it has the authority both to contact employees of the entity directly and to seek external assistance. Internal Audit reports annually to the Audit Committee, which can also specify an audit plan and key areas to be considered in audits.

Furthermore, the Audit Committee is responsible for discussing compliance issues. The Management Board and the Corporate Compliance Officer regularly report to the Audit Committee on the structure and work of the compliance organization and on any particular compliance issues.

The **Strategy and Technology Committee**, which consists of three shareholder representatives and three employee representatives, concerns itself with Infineon’s business strategy and key technology issues.

The **Nomination Committee**, which consists of the Chairman of the Supervisory Board and two further shareholder representatives, proposes to the Supervisory Board suitable candidates for recommendation to the Annual General Meeting.

All committees regularly submit detailed reports on their work to the Supervisory Board. Further information about the work of the Supervisory Board and its committees can be found, together with details of the people who serve on them, in note 35 to the Consolidated Financial Statements and in the report of the Supervisory Board to the Annual General Meeting.

#### Avoidance of conflicts of interest

The members of the Management Board and Supervisory Board are required to disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the 2015 fiscal year.

The German Corporate Governance Code requires prior approval to be given by the Supervisory Board before members of the Management Board accept mandates on external supervisory boards. In the fiscal year under report, the Supervisory Board’s Executive Committee consented to Dr. Ploss taking on a mandate in the Supervisory Board of “Haus der Zukunft gGmbH” and

**P** see pages 275 ff. und 16 f.

to Mr. Mittal taking on a mandate in the Board of Directors of Global Semiconductor Alliance (GSA). In the previous fiscal year, Mr. Mittal received the approval of the Supervisory Board to accept a mandate as member of the Board of Directors of the Singapore Economic Development Board and took up this position during the year under report.

Material transactions between the Company and members of the Management Board or related parties require the approval of the Supervisory Board. This also applies to consulting and other service or work contracts a member of the Supervisory Board enters into with the Company. As a precaution, in August 2015 the Supervisory Board approved a contract between the Company and the Technische Universität München (the Institute for Technical Electronics headed by Prof. Schmitt-Landsiedel) for the performance of research and development work. Prof. Schmitt-Landsiedel does not participate in the payments contractually required to be made by Infineon. For this reason, there is no conflict of interest. Dr. Sünner was Of Counsel with the law firm Allen & Overy from 2011 to the end of 2014. The Company had in the past engaged Allen & Overy in individual cases, but never received advice from Dr. Sünner personally in conjunction with any of these engagements. In addition, Dr. Sünner did not benefit – either directly or indirectly – from the fees paid for any of these engagements. A potential conflict of interest did not therefore arise.

The Company concluded a consulting agreement with the former CEO, Mr. Bauer, in 2012 when he stood down from the Management Board. In view of his candidacy for the Supervisory Board, the consultancy mandate ended on January 31, 2015.

#### Shareholdings of Management Board and Supervisory Board

As of September 30, 2015, the shares in Infineon Technologies AG held by all members of the Management Board and Supervisory Board did not exceed 1 percent of the shares issued by the Company.

Information regarding the composition of the Management Board, the Supervisory Board and the Supervisory Board's committees can be found in note 35 to the Consolidated Financial Statements.

 see page 275 ff.

#### *“Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector”*

Pursuant to the “Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector”, which came into force on May 1, 2015, the composition of the Supervisory Board of Infineon Technologies AG is required to include at least 30 percent women and at least 30 percent men. The Supervisory Board already complies with these requirements (which do not yet formally apply to the Supervisory Board in its current composition). Furthermore, the Law requires Infineon Technologies AG to set targets for the proportion of women on the Management Board and in the two leadership levels below the Management Board. Within the Infineon Group, this requirement applies to Infineon Technologies AG and Infineon Technologies Dresden GmbH. Both entities are therefore required to set targets for its respective Management Board/Board of Directors and the two leadership levels below board level as well as for the Supervisory Board.

The targets to be achieved by June 30, 2017 by the entities concerned are as follows (in each case compared to the current situation):

|                                     | Infineon Technologies AG |               | Infineon Technologies Dresden GmbH |               |
|-------------------------------------|--------------------------|---------------|------------------------------------|---------------|
|                                     | Current situation        | Target figure | Current situation                  | Target figure |
| Supervisory Board                   | statutory                | 30% quota     | 16.7%                              | 25%           |
| Management Board/Board of Directors | 0%                       | 0%            | 0%                                 | 0%            |
| 1st leadership level                | 0%                       | 6%            | 13.3%                              | 13.3%         |
| 2nd leadership level                | 18.5%                    | 20%           | 22.2%                              | 22.2%         |

## Compensation report

This Compensation Report, which forms an integral part of the Management Report, explains the principles applied in determining compensation for the Management Board and Supervisory Board of Infineon Technologies AG and the level of remuneration paid to the individual members of the Management Board and Supervisory Board in accordance with the applicable legal requirements and the recommendations of the German Corporate Governance Code in the version dated May 5, 2015 (Deutscher Corporate Governance Kodex – “DCGK”). Infineon believes that transparent and understandable reporting of Management Board and Supervisory Board compensation represents a fundamental element of good corporate governance.

### Management Board compensation

#### Compensation system

The Management Board compensation system – similar to the compensation paid to the individual members of the Management Board – is defined and regularly reviewed by the full Supervisory Board on the basis of proposals from the Executive Committee. In accordance with applicable legal requirements and the recommendations of the DCGK, the compensation paid to the members of the Management Board is intended to reflect the typical level and structure of management board compensation at comparable companies in Germany and elsewhere, as well as Infineon’s economic position and future prospects. The duties, responsibilities and performance of each member of the Management Board are also to be considered, as is Infineon’s wider pay structure. This includes considering Management Board compensation in relation to the compensation of senior management and of the workforce as a whole, including changes in the level of compensation over time. The stated objective is that the compensation structure should be designed in such a way that it promotes sustainable business development, with a cap in place in the event of exceptional developments. Infineon aims to set compensation at a level that is competitive both nationally and internationally so as to inspire and reward dedication and success in a dynamic environment.

#### Components of the Management Board compensation system

There have been no changes in the Management Board compensation system in the 2015 fiscal year compared to the 2014 fiscal year.

All members of the Management Board receive as compensation for their service an annual income, which – based on a target achievement of 100 percent – comprises approximately 45 percent fixed compensation and approximately 55 percent variable compensation components:

- › Fixed compensation: The fixed compensation comprises a contractual basic annual salary that has no link to performance and is paid in 12 equal monthly installments.
- › Variable (performance-related) compensation: The variable compensation comprises three components: an annual bonus (short-term incentive), a multiple-year bonus (mid-term incentive) and a long-term variable compensation component (long-term incentive).

The **short-term incentive (STI)** is intended to reward performance over the preceding fiscal year reflecting Infineon’s recent progress. Assuming a 100 percent target achievement of the variable compensation, the STI constitutes approximately 20 percent of target annual income. It is set by the Supervisory Board in a two-phase process:

- (i) At the beginning of each fiscal year, the target functions with respect to the two key performance indicators “free cash flow” and “Return on Capital Employed (RoCE)” are defined uniformly for all members of the Management Board. Underpinning the consistent approach taken to managing the business, the same target indicators – supplemented by the Segment Result – are used as the basis for determining the variable compensation components (bonus payments) for Infineon managers and employees. The two key performance indicators referred to above, which are described in more detail in the chapter “Internal Management System”, are equally weighted for the purposes of measuring the STI.

- (ii) At the end of the fiscal year, the actual levels of target achievement for free cash flow and RoCE, and, hence the amount of the STI, are determined by the Supervisory Board.

An STI is paid only if, on the basis of the approved financial statements, the levels of target achievement reach at least the 50 percent threshold for both performance indicators (free cash flow, RoCE). If one of the two target thresholds is not achieved, no annual bonus is paid for the relevant fiscal year. If the thresholds are achieved, the arithmetic mean of the two target achievements is calculated, and is used as the percentage rate to determine the actual STI amount. A cap of 250 percent applies, meaning that the maximum amount that can be paid is two and a half times the target STI (= 100 percent), regardless of the actual achievement level. The Supervisory Board may, in addition, increase or reduce the amount to be paid in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's position and any exceptional factors. A lower limit applies in this case such that the amount to be paid cannot be less than the amount that would be due given 50 percent target achievement. The upper limit for an upwards adjustment is the cap of 250 percent.

If the term of office on the Board begins or ends during a fiscal year, the entitlement to STI is calculated on a pro-rata monthly basis (one twelfth for each month started). Members of the Management Board are not entitled to receive an STI bonus for the fiscal year in which they resign from office or terminate their contract of their own volition or if their contract is terminated for good cause.

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

A new MTI tranche commences every fiscal year. Each tranche has a term of three years and is paid in cash at the end of the term. The amount of the payment is determined on the basis of actual RoCE and free cash flow figures during each three-year period. For these purposes, the target values for RoCE and free cash flow for each individual year of an MTI tranche correspond to the STI targets set each year in advance. The level of target achievement for both the RoCE target and the free cash flow target must reach a threshold of 50 percent in each year of the relevant three-year period, otherwise the level of target achievement for the purposes of the MTI is set to zero for the year concerned. If the thresholds are exceeded, the level of target achievement determined for the STI in the relevant fiscal year also applies for the purposes of the MTI. The MTI to be paid at the end of the three-year period is determined by calculating the arithmetic mean of the three annual target achievement levels. Unlike the STI, the MTI is paid as calculated even if the mean level of target achievement for the three-year period is below the 50 percent threshold. A cap of 200 percent applies, meaning that the maximum amount that can be paid is two times the target MTI (= 100 percent), regardless of the actual achievement level.

The Supervisory Board may increase or reduce the amount to be paid under the MTI in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's situation and any exceptional factors. When exercising its judgment in this respect, the Supervisory Board also takes into account the level of achievement of the three-year target for revenue growth and Segment Result that is set each year by the Supervisory Board exclusively for this purpose. Unlike the STI, there is no lower limit for the amount by which the Supervisory Board can adjust the MTI; for the upper limit, however, the cap applies (200 percent).



If the term of office commences during a fiscal year, the MTI tranche is determined on a pro-rata basis (1/36 for each month of a full MTI tranche started). Upon leaving Infineon, regulations ensure that the member of the Management Board can only receive an MTI payment for the actual number of MTI tranches during his/her term of office. MTI tranches already started are forfeited if a mandate or service contract of a member of the Management Board comes to an end before the due date, for instance if a member resigns from office or terminates the contractual arrangements of his/her own volition or if the contract is terminated for good cause.

The long-term incentive (LTI) is intended to reward long-term and, similar to the MTI, sustained performance on the part of members of the Management Board and, additionally, to ensure that their interests are aligned with the interest of the Company's shareholders regarding a positive share price development. Assuming a 100 percent target achievement of the variable compensation, the LTI constitutes approximately 15 percent of target annual income.

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

The (virtual) performance shares are allocated – initially on a provisional basis – on October 1 of each fiscal year for the fiscal year beginning on that date. In this context, performance shares were issued on October 1, 2014 for the fiscal year beginning on that date. The performance shares are allocated on the basis of the contractually agreed “LTI allocation amount” in euros. The number of performance shares is determined by dividing the LTI allocation amount by the average price of the Infineon share (Xetra closing price) during the nine months prior to the allocation date. The prerequisite for the definitive allocation of the – at that stage still virtual – performance shares is that the relevant member of the Management Board invests 25 percent of his or her individual LTI allocation amount in Infineon shares and that the holding period of four years applicable both for the member's own-investment and for the performance shares has come to an end. Moreover, 50 percent of the performance shares are performance-related; they are only allocated definitively if the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) between the date of the performance shares' provisional allocation and the end of the holding period. If the conditions for definitive allocation of performance shares – either of all or of only those that are not performance-related – are met at the end of the holding period, the member of the Management Board acquires a claim against the Company for the transfer of the corresponding number of (real) Infineon shares; performance shares, which do not achieve the target, are forfeited. The value of the performance shares definitively granted to the member of the Management Board per LTI tranche at the end of the holding period may not exceed 250 percent of the relevant LTI allocation amount; the performance shares above this amount are forfeited (cap).

The shares are transferred to a securities custodian account attributable to the member of the Management Board; thereafter he/she can, as a general rule, freely dispose of them. The same also applies to Infineon shares acquired in conjunction with the own-investment requirement at the end of the holding period.

The Supervisory Board has the right, at the end of the holding period, to make a cash settlement to the member of the Management Board rather than actually transfer Infineon shares.

If the member of the Management Board leaves office during the first two years of the holding period applicable to the performance shares of a particular LTI tranche, those performance shares are forfeited unless the reason for leaving office is that the member of the Management Board has reached the contractually agreed age limit. The holding period for the own-investment shares expires when the member of the Management Board leaves office; at that stage the member of the Management Board concerned can freely dispose of the shares. If the member of the Management Board leaves office at a later date – except if the member resigns from office or terminates the contractual arrangements of his/her own volition or if the contract is terminated for good cause – the LTI tranche (including the own-investment) remains in place unchanged. The member of the Management Board is then treated in all respects as if he/she were still in office; there is no pro rata reduction due to leaving office early.



The Supervisory Board is required to define suitable alternative LTI instruments of commensurate value if it is impossible or not desired by the Supervisory Board to offer an LTI on the basis of the Performance Share Plan.

Prior to the introduction of the Performance Share Plan, the Company maintained a stock option plan as an LTI, which was resolved at the 2010 Annual General Meeting. Subject to compliance with the terms of the Stock Option Plan 2010 – particularly the attainment of the absolute and percentage performance targets – the stock options allocated to members of the Management Board on the basis of this plan may still be exercised until December 14, 2019.

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

### Management Board compensation in the 2015 fiscal year in accordance with German Accounting Standard 17 (DRS 17)

#### Total compensation

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

| in €                                    | Dr. Reinhard Ploss      |                  | Dominik Asam            |                  | Arunjai Mittal<br>Member of the<br>Management Board |                  | Total            |                  |
|---|-------------------------|------------------|-------------------------|------------------|---|------------------|------------------|------------------|
|   | Chief Executive Officer |                  | Chief Financial Officer |                  |   |                  |                  |                  |
|   | 2015                    | 2014             | 2015                    | 2014             | 2015  | 2014             | 2015             | 2014             |
| <b>Fixed compensation</b>               |                         |                  |                         |                  |   |                  |                  |                  |
| Basic annual salary                     | 1,075,000               | 945,000          | 750,000                 | 685,000          | 750,000   | 685,000          | 2,575,000        | 2,315,000        |
| Fringe benefits                         | 35,909                  | 35,909           | 41,368                  | 40,927           | 29,445  | 26,260           | 106,722          | 103,096          |
| <b>Total fixed compensation</b>         | <b>1,110,909</b>        | <b>980,909</b>   | <b>791,368</b>          | <b>725,927</b>   | <b>779,445</b>                                      | <b>711,260</b>   | <b>2,681,722</b> | <b>2,418,096</b> |
| <b>Variable compensation</b>            |                         |                  |                         |                  |   |                  |                  |                  |
| Single-year variable compensation (STI) | 831,840                 | 525,000          | 589,220                 | 385,000          | 589,220   | 385,000          | 2,010,280        | 1,295,000        |
| Multi-year variable compensation        |                         |                  |                         |                  |   |                  |                  |                  |
| Mid Term Incentive (MTI) <sup>1</sup>   |                         |                  |                         |                  |   |                  |                  |                  |
| 2012 – 2014 tranche                     | –                       | 128,333          | –                       | 128,333          | –   | 128,333          | –                | 384,999          |
| 2013 – 2015 tranche                     | 242,620                 | 175,000          | 177,921                 | 128,333          | 177,921   | 128,333          | 598,462          | 431,666          |
| 2014 – 2016 tranche                     | 242,620                 | 175,000          | 177,921                 | 128,333          | 177,921   | 128,333          | 598,462          | 431,666          |
| 2015 – 2017 tranche                     | 277,280                 | –                | 196,407                 | –                | 196,407   | –                | 670,094          | –                |
| Long Term Incentive (LTI)               |                         |                  |                         |                  |   |                  |                  |                  |
| Performance Share Plan <sup>2</sup>     | 228,277                 | 247,426          | 153,225                 | 172,806          | 153,225   | 172,806          | 534,727          | 593,038          |
| <b>Total variable compensation</b>      | <b>1,822,637</b>        | <b>1,250,759</b> | <b>1,294,694</b>        | <b>942,805</b>   | <b>1,294,694</b>                                    | <b>942,805</b>   | <b>4,412,025</b> | <b>3,136,369</b> |
| <b>Total compensation</b>               | <b>2,933,546</b>        | <b>2,231,668</b> | <b>2,086,062</b>        | <b>1,668,732</b> | <b>2,074,139</b>                                    | <b>1,654,065</b> | <b>7,093,747</b> | <b>5,554,465</b> |

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

<sup>2</sup> The figures for the active members of the Management Board in the 2015 fiscal year are based on a fair market value per performance share amounting to €5.31 (2014: €5.20), which was calculated using a Monte-Carlo simulation model taking account of the value-reducing cap.

Members of the Management Board did not receive any loans from Infineon, either in the 2015 or 2014 fiscal years.

Similarly, they did not receive any benefits from third parties in the 2015 and 2014 fiscal years, whether promised or actually paid, for their board activities at Infineon.

### Fringe benefits

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

The Company also maintains accident insurance policies for members of the board.

### Share-based compensation

As described in the section “Management Board compensation”, the contractually agreed LTI is granted to members of the Management Board in the form of “performance shares”. The average price of the Infineon share relevant for the number of performance shares granted for the 2015 fiscal year was €8.49 (2014: €6.62).

A fair market value of €5.31 (2014: €5.20) per performance share was determined for the 2015 fiscal year, taking account – among other things – of the 250 percent cap of the LTI allocation amount.

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Regarding the calculation of the fair market value we refer to note 26 to the Consolidated Financial Statements.

The following table shows the number of performance shares awarded to members of the Management Board in the 2015 fiscal year. In addition, the table contains information relating to the Stock Option Plan 2010, on the basis of which stock options were allocated to members of the Management Board for the final time in the 2013 fiscal year. No stock options were exercised and no stock options expired in the 2014 or 2015 fiscal years.

| Member of the Management Board | Fiscal year | Performance Share Plan   |  |  |  | Stock Option Plan 2010  |   |  |   | Total expense for share-based compensation<br>in € |
|--------------------------------|-------------|--|--|--|--|---|---|--|---|--|
|                                |             | Virtual performance shares outstanding at the beginning of the fiscal year | Virtual performance shares newly granted at the beginning of the fiscal year | Virtual performance shares outstanding at the end of the fiscal year | Virtual performance shares outstanding at the end of the fiscal year | Stock options outstanding at the beginning of the fiscal year | Stock options outstanding at the end of the fiscal year | Stock options expired in the fiscal year | Exercisable stock options outstanding at the end of the fiscal year |  |
|                                |             | Number   | Number   | Fair Value grant date in €   | Number   | Number  | Number  | Number                                   | Number  |  |
| Dr. Reinhard Ploss (CEO)       | 2015        | 47,582   | 42,990   | 228,277  | 90,572   | 433,214   | 433,214   | -  | 120,000   | 314,286  |
|                                | 2014        | -  | 47,582   | 247,426  | 47,582   | 433,214   | 433,214   | -  | -   | 200,285  |
| Dominik Asam                   | 2015        | 33,232   | 28,856   | 153,225  | 62,088   | 350,952   | 350,952   | -  | -   | 217,610  |
|                                | 2014        | -  | 33,232   | 172,806  | 33,232   | 350,952   | 350,952   | -  | -   | 141,089  |
| Arunjai Mittal                 | 2015        | 33,232   | 28,856   | 153,225  | 62,088   | 229,167   | 229,167   | -  | -   | 197,925  |
|                                | 2014        | -  | 33,232   | 172,806  | 33,232   | 229,167   | 229,167   | -  | -   | 121,403  |
| <b>Total</b>                   | 2015        | <b>114,046</b>   | <b>100,702</b>   | <b>534,727</b>   | <b>214,748</b>   | <b>1,013,333</b>  | <b>1,013,333</b>  | <b>-</b>                                 | <b>120,000</b>  | <b>729,821</b>                                     |
|                                | 2014        | -  | 114,046  | 593,038  | 114,046  | 1,013,333   | 1,013,333   | -  | -   | 462,777  |

**P** see page 249

Further details regarding the Performance Shares granted on October 1, 2015 for the 2016 fiscal year to the Members of the Management Board are provided in note 26 to the Consolidated Financial Statements.

### Special bonuses

The Supervisory Board did not award any special bonuses to members of the Management Board during the 2015 fiscal year.

### Other awards and benefits

The Company entered into a restitution agreement in the 2009 fiscal year with each of the active members of the Management Board at that time. Dr. Ploss is the only current member of the Management Board affected by such an agreement. These agreements provide for the Company to cover, to the extent permitted by law, all costs and expenses incurred by members of the Management Board in the performance of their duties for the Company in connection with legal, governmental, regulatory and parliamentary proceedings and investigations as well as arbitration proceedings, in which the member of the Management Board is involved in conjunction with his/her activities on behalf of the Company. However, the agreements specifically exclude any restitution of costs if the proceedings concern an action or omission that constitutes a culpable breach of the duty of care of the member of the Management Board pursuant to section 93, paragraph 2, of the German Stock Corporation Act ("AktG").

No payments were made by the Company during the 2015 fiscal year under these restitution arrangements.

### Management Board compensation in the 2015 fiscal year in accordance with the German Corporate Governance Code

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

#### *Compensation granted in accordance with DCGK*

The following table shows the value of compensation granted for the 2014 and 2015 fiscal years, including fringe benefits, as well as the minimum and maximum values that can be achieved for the 2015 fiscal year.

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

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

| in €                                    | Dr. Reinhard Ploss<br>Chief Executive Officer |                  |                  |                  |
|---|---|------------------|------------------|------------------|
|   | 2015  | 2014             | 2015 (min.)      | 2015 (max.)      |
| <b>Fixed compensation</b>               |   |                  |                  |                  |
| Basic annual salary                     | 1,075,000                                     | 945,000          | 1,075,000        | 1,075,000        |
| Fringe benefits                         | 35,909  | 35,909           | 35,909           | 35,909           |
| <b>Total fixed compensation</b>         | <b>1,110,909</b>                              | <b>980,909</b>   | <b>1,110,909</b> | <b>1,110,909</b> |
| <b>Variable compensation</b>            |   |                  |                  |                  |
| Single-year variable compensation (STI) | 480,000                                       | 420,000          | –                | 1,200,000        |
| Multi-year variable compensation        |   |                  |                  |                  |
| Mid Term Incentive (MTI)                |   |                  |                  |                  |
| 2014 – 2016 tranche                     | –   | 420,000          | –                | –                |
| 2015 – 2017 tranche                     | 480,000                                       | –                | –                | 960,000          |
| Long Term Incentive (LTI)               |   |                  |                  |                  |
| Performance Share Plan <sup>1</sup>     | 228,277                                       | 247,426          | 114,138          | 912,500          |
| <b>Total variable compensation</b>      | <b>1,188,277</b>                              | <b>1,087,426</b> | <b>114,138</b>   | <b>3,072,500</b> |
| Pension expense                         | 219,796                                       | 149,601          | 219,796          | 219,796          |
| <b>Total compensation (DCGK)</b>        | <b>2,518,982</b>                              | <b>2,217,936</b> | <b>1,444,843</b> | <b>4,403,205</b> |

<sup>1</sup> The figures of the active members of the Management Board in the 2015 fiscal year are based on a fair market value per performance share amounting to €5.31 (2014: €5.20), which was calculated using a Monte-Carlo simulation model taking account of the value-reducing cap.

#### Allocation amount in accordance with DCGK

Since compensation granted to members of the Management Board for the fiscal year does not always coincide with amounts disbursed in a particular fiscal year, a separate table is presented – in accordance with the relevant DCGK recommendation – showing the amounts flowing to members of the Management Board for the 2015 fiscal year (the “allocation amount” (“Zufluss”)).

In line with the DCGK recommendations, the fixed compensation and the STI are required to be disclosed as the allocation amount for the fiscal year concerned. In the case of the MTI, the DCGK recommends that this is disclosed as flowing to members of the Management Board in the fiscal year, in which the plan term of the relevant MTI tranche ends. In this sense, in addition to the fixed compensation granted for 2015 and the STI, the allocation amount for the 2013-2015 MTI tranche also flowed to the members of the Management Board for the 2015 fiscal year.

In accordance with the DCGK, share-based payments are deemed to be allocated on the basis of the relevant time and value for German tax law purposes. Accordingly, the members of the Management Board were not deemed to have been allocated share-based payments in either the 2015 or the 2014 fiscal year.

In line with the DCGK recommendations, the pension expense meaning the service cost pursuant to IAS 19 constitutes the allocation amount (see previous table), even though it is not – strictly speaking – an allocation.

| Dominik Asam<br>Chief Financial Officer |                  |                  |                  | Arunjai Mittal<br>Member of the Management Board |                  |                  |                  |
|---|------------------|------------------|------------------|--|------------------|------------------|------------------|
| 2015                                    | 2014             | 2015 (min.)      | 2015 (max.)      | 2015   | 2014             | 2015 (min.)      | 2015 (max.)      |
| 750,000                                 | 685,000          | 750,000          | 750,000          | 750,000  | 685,000          | 750,000          | 750,000          |
| 41,368                                  | 40,927           | 41,368           | 41,368           | 29,445   | 26,260           | 29,445           | 29,445           |
| <b>791,368</b>                          | <b>725,927</b>   | <b>791,368</b>   | <b>791,368</b>   | <b>779,445</b>                                   | <b>711,260</b>   | <b>779,445</b>   | <b>779,445</b>   |
| 340,000                                 | 308,000          | -                | 850,000          | 340,000  | 308,000          | -                | 850,000          |
| -                                       | 308,000          | -                | -                | -  | 308,000          | -                | -                |
| 340,000                                 | -                | -                | 680,000          | 340,000  | -                | -                | 680,000          |
| 153,225                                 | 172,806          | 76,613           | 612,500          | 153,225  | 172,806          | 76,613           | 612,500          |
| <b>833,225</b>                          | <b>788,806</b>   | <b>76,613</b>    | <b>2,142,500</b> | <b>833,225</b>                                   | <b>788,806</b>   | <b>76,613</b>    | <b>2,142,500</b> |
| 272,721                                 | 192,780          | 272,721          | 272,721          | 241,183  | 159,627          | 241,183          | 241,183          |
| <b>1,897,314</b>                        | <b>1,707,513</b> | <b>1,140,702</b> | <b>3,206,589</b> | <b>1,853,853</b>                                 | <b>1,659,693</b> | <b>1,097,241</b> | <b>3,163,128</b> |

The total compensation allocated to the individual members of the Management Board for the 2015 fiscal year in accordance with DCGK – analyzed by component – is shown in the following table:

| in €                                    | Dr. Reinhard Ploss<br>Chief Executive Officer |                  | Dominik Asam<br>Chief Financial Officer |                  | Arunjai Mittal<br>Member of the<br>Management Board |                  |
|---|---|------------------|---|------------------|---|------------------|
|   | 2015  | 2014             | 2015                                    | 2014             | 2015  | 2014             |
|   |   |                  |   |                  |   |                  |
| <b>Fixed compensation</b>               |   |                  |   |                  |   |                  |
| Basic annual salary                     | 1,075,000                                     | 945,000          | 750,000                                 | 685,000          | 750,000   | 685,000          |
| Fringe benefits                         | 35,909  | 35,909           | 41,368                                  | 40,927           | 29,445  | 26,260           |
| <b>Total fixed compensation</b>         | <b>1,110,909</b>                              | <b>980,909</b>   | <b>791,368</b>                          | <b>725,927</b>   | <b>779,445</b>                                      | <b>711,260</b>   |
| <b>Variable compensation</b>            |   |                  |   |                  |   |                  |
| Single-year variable compensation (STI) | 831,840                                       | 525,000          | 589,220                                 | 385,000          | 589,220   | 385,000          |
| Multi-year variable compensation        |   |                  |   |                  |   |                  |
| Mid Term Incentive (MTI)                |   |                  |   |                  |   |                  |
| 2012 – 2014 tranche                     | -   | 333,872          | -                                       | 333,872          | -   | 306,049          |
| 2013 – 2015 tranche                     | 552,300                                       | -                | 405,020                                 | -                | 405,020   | -                |
| Long Term Incentive (LTI)               |   |                  |   |                  |   |                  |
| Stock Option Plan 2010                  | -   | -                | -                                       | -                | -   | -                |
| Performance Share Plan                  | -   | -                | -                                       | -                | -   | -                |
| <b>Total variable compensation</b>      | <b>1,384,140</b>                              | <b>858,872</b>   | <b>994,240</b>                          | <b>718,872</b>   | <b>994,240</b>                                      | <b>691,049</b>   |
| Pension expense                         | 219,796                                       | 149,601          | 272,721                                 | 192,780          | 241,183   | 159,627          |
| <b>Total compensation (DCGK)</b>        | <b>2,714,845</b>                              | <b>1,989,382</b> | <b>2,058,329</b>                        | <b>1,637,579</b> | <b>2,014,868</b>                                    | <b>1,561,936</b> |

## Commitments to members of the Management Board upon termination of employment

### Allowances and pension entitlements in the 2015 fiscal year

The members of the Management Board who were in their positions prior to the introduction of the new compensation system in 2010 are contractually entitled to a defined benefit pension payment. In the 2015 fiscal year, this now only relates to Dr. Ploss, who has an entitlement to an annual retirement benefit, currently standing at €205,000 and which increases by €5,000 for each full year of service on the Board, up to a maximum amount of €210,000. This entitlement is already vested, both contractually and under the applicable statutory provisions. The pension entitlement is required to be reviewed every three years from the start of payment of the pension in accordance with the German Company Pension Act (Betriebsrentengesetz). The Supervisory Board may decide to make an amendment as it sees fit, taking account of the needs of the recipient and the financial condition of the Company. If Dr. Ploss's mandate comes to an end, payment of the pension entitlement begins at the earliest at the age of 60.

In accordance with the compensation system in place since 2010, Mr. Asam and Mr. Mittal – both of whom took up office after the new system had been approved – have both received a defined contribution pension commitment (rather than a defined benefit pension commitment based on the number of years of service), which is essentially identical to the Infineon pension plan applicable to all employees. The Company has accordingly set up a personal pension account (basic account) for each beneficiary and makes annual pension contributions to it. The Company adds annual interest to the balance in the basic account using the highest statutory interest rates valid for the insurance industry (guaranteed interest rates) until disbursement of the pension begins and may also award surplus credits. 95 percent of any income earned over and above the guaranteed interest rate is credited to the pension account, either at the date on which disbursement of the pension begins or, at the latest, when the beneficiary reaches the age of 60. The balance of the basic account when disbursement of the pension begins (due to age, invalidity or death) – increased by an adjusting amount in the event of invalidity or death – constitutes the retirement benefit entitlement and is paid out to the member of the Management Board or his or her surviving dependents in twelve annual installments, or, if so requested by the member of the Management Board, in eight annual installments, as a lump sum or as life-long pension.

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

The plan rules applicable for Mr. Asam and Mr. Mittal differ in terms of the initial defined component, the annual transfer to the pension account and the vesting period.

In addition to a one-time, contractually vested initial component of €540,000 paid as compensation for the loss of vested retirement pension entitlements in connection with the termination agreement with his previous employer, Mr. Asam will receive from the Company for each fiscal year of his membership on the Management Board a pension contribution amounting to between 25 and 40 percent, as determined by the Supervisory Board, of the relevant agreed basic annual salary, i.e. fixed compensation. As in the previous year, the pension contribution for Mr. Asam for the 2015 fiscal year has been set at 30 percent of his basic annual salary, which amounts to €225,000. The pension entitlements arising from the defined contributions made on behalf of Mr. Asam became vested with effect from December 31, 2013.

Mr. Mittal already has a pension entitlement from his previous employment with Infineon that became vested under the applicable statutory provisions in September 2006. The contract appointing him to the Board specifically states that the amounts made available to cover his vested pension entitlements represent a continuation of this vested entitlement (and are, therefore, not subject to any separate vesting arrangements). The Company makes a fixed annual pension contribution on behalf of Mr. Mittal for each full fiscal year of service on the Board, equivalent to 30 percent of the relevant agreed basic annual salary; the Supervisory Board is not required to decide each time on the amount to be contributed. The pension contribution for the 2015 fiscal year amounted to €225,000.

The amounts credited to the pension entitlements accounts of Mr. Asam and Mr. Mittal – in line with the plan rules applied to Infineon employees – are paid out on or after reaching the age of 67, provided the service contract has also ended, or, on request, at an earlier point in time if the service contract ends on or after reaching the age of 60. If the beneficiaries elect that their pension be paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.

Alongside the annual retirement entitlements and related benefit amounts, the following table shows the present values of pension entitlements earned to date and the service cost in accordance with IFRS. In accordance with IFRS, the service cost for the current fiscal year is determined at the beginning of the fiscal year concerned.

### Pension entitlements

| in €   | Fiscal Year | Pension entitlements (annual) as of beginning of pension period | Benefit amounts determined for the relevant fiscal year | Present value of pension and benefit entitlement | Service cost (earned in the current year) |
|--|-------------|---|---|--|---|
| Member of the Management Board               |             |   |   |  |   |
| Dr. Reinhard Ploss (Chief Executive Officer) | 2015        | 205,000   | –   | 5,634,266  | 219,796                                   |
|  | 2014        | 200,000   | –   | 5,287,480  | 149,601                                   |
| Dominik Asam                                 | 2015        | –   | 225,000   | 2,163,812  | 272,721                                   |
|  | 2014        | –   | 205,500   | 1,836,096  | 192,780                                   |
| Arunjai Mittal                               | 2015        | –   | 225,000   | 3,322,550  | 241,183                                   |
|  | 2014        | –   | 205,500   | 3,079,244  | 159,627                                   |
| <b>Total</b>                                 | 2015        | 205,000   | 450,000   | 11,120,628                                       | 733,700                                   |
|  | 2014        | 200,000   | 411,000   | 10,202,820                                       | 502,008                                   |



### Early termination of service contract

The service contracts of members of the Management Board include a change of control clause, which stipulates the terms that apply when the activities of a member of the Management Board are terminated in the event of a significant change in Infineon's ownership structure. A change of control for the purposes of this clause occurs when a third party, individually or together with another party, acquires at least 30 percent of the voting rights in Infineon Technologies AG as defined in section 30 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – "WpÜG"). Members of the Management Board have the right to resign and terminate their contracts within 12 months of the announcement of such a change of control and any who choose to do so are entitled to continued payment of their annual remuneration up to the end of the originally agreed duration of their contract, up to a maximum of 36 months. If Infineon Technologies AG removes a member of the Management Board or terminates his or her contract within 12 months of the announcement of a change of control, the members of the Management Board concerned are entitled to continued payment of the annual remuneration to the end of the originally agreed duration of their contract, subject to a minimum period of 24 months and a maximum period of 36 months.

The Management Board service contracts otherwise contain no promises of severance pay for situations in which contracts are terminated early.

### Payments to former members of the Management Board in the 2015 fiscal year

Former members of the Management Board received total payments of €1,124,622 (primarily pension benefits) in the 2015 fiscal year (2014: €1,103,977). As of September 30, 2015, accrued pension liabilities for former members of the Management Board amounted to €60,212,071 (2014: €59,502,832).

Mr. Bauer did not receive any service fees in the 2014 or 2015 fiscal years relating to the consultancy agreement concluded on November 26, 2012, by him and the Company after prior approval by the Supervisory Board. The agreement, which provided only for the reimbursement of expenses, was terminated effective January 31, 2015.

### Review of Management Board compensation; changes to individual service contracts

#### Review of Management Board compensation system and individual contracts

In accordance with section 4.2.2 DCGK, the Supervisory Board engaged an external, independent compensation expert – most recently in the 2014 fiscal year – to review the appropriateness of the Management Board compensation system in place since October 1, 2010. In this context, the target annual incomes of each individual member of the Management Board were subjected to detailed scrutiny. The next review is scheduled to take place in the 2016 fiscal year.

#### Increase in Management Board compensation

The review of the individual target annual incomes of the members of the Management Board by an independent compensation expert in the 2014 fiscal year resulted in a rise in the compensation of members of the Management Board effective October 1, 2014. The compensation structure itself remained unchanged (see information provided in the 2014 Annual Report).

## Supervisory Board compensation

### Compensation structure

The Supervisory Board compensation system was subjected to a thorough review in the 2010 fiscal year and came into force with (retrospective) effect from October 1, 2010, in line with a proposal put forward by the Management Board and Supervisory Board to the Annual General Meeting on February 17, 2011.

The compensation due to the Supervisory Board in each fiscal year (total compensation) is governed by section 11 of the Company's Articles of Association and comprises three components:

- › **Fixed compensation** (basic remuneration) of €50,000. This amount applies to each member of the Supervisory Board and is payable within one month of the end of the fiscal year;
- › A **variable compensation** component amounting to €1,500 for every €0.01 by which earnings per share exceed a minimum threshold of €0.30. This minimum threshold is increased by €0.03 every year, with the first increase taking effect for the fiscal year beginning October 1, 2011. The minimum amount is therefore €0.42 for the 2015 fiscal year. The variable compensation component is determined in each case on the basis of the basic (undiluted) earnings per share from continuing operations, determined in accordance with the pertinent financial reporting regulations. The variable compensation component is limited to €50,000 per fiscal year. It also applies to each member of the Supervisory Board and falls due for payment once the Annual General Meeting following the fiscal year to which the compensation relates has ended;
- › An **allowance** recognizing the additional work involved in performing certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives an allowance of €50,000, each Vice-chairman receives an allowance of €37,500, the Chairman of the Investment, Finance and Audit Committee and the Chairwoman of the Strategy and Technology Committee each receive an allowance of €25,000 and each member of a Supervisory Board committee receives an allowance of €15,000 – with the exception of the Nomination Committee and the Mediation Committee. The additional allowance is payable only if the body to which the Supervisory Board or committee member belongs has convened or passed resolutions in the fiscal year concerned. A member of the Supervisory Board performing more than one of the functions indicated receives only the highest single additional allowance payable to a member performing the functions concerned. The allowance is paid to the relevant holder of office within one month of the end of the fiscal year.

In the event that a member, during a fiscal year, joins (or leaves) the Supervisory Board or one of its committees, or takes on a Supervisory Board function for which an allowance is paid, the relevant compensation components are disbursed on a pro-rata basis (payment of one twelfth of the relevant annual compensation component for each (started) month of membership or exercise of function).

As part of the total compensation, the Company additionally grants each member of the Supervisory Board a meeting attendance fee of €2,000 per meeting of the Supervisory Board or one of its committees that is attended in person. The meeting attendance fee is paid only once in cases in which more than one meeting is held on a given day.

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

### Compensation of the Supervisory Board for the 2015 fiscal year

The total compensation (including meeting attendance fees) paid to the individual members of the Supervisory Board in the 2015 fiscal year comprises the following (these figures do not include value-added tax at 19 percent):

#### Supervisory Board compensation

| In €<br>Member of the<br>Supervisory Board                             | Fiscal year | Fixed<br>compen-<br>sation | Variable<br>compen-<br>sation <sup>1</sup> | Allowance<br>for specific<br>functions | Meeting<br>attendance<br>fees | Total<br>compen-<br>sation |
|--|-------------|----------------------------|--|--|-------------------------------|----------------------------|
| Peter Bauer  | 2015        | 33,333                     | 13,000                                     | –                                      | 8,000                         | 54,333                     |
| (since February 12, 2015)  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Wigand Cramer  | 2015        | 20,833                     | 8,125                                      | 6,250                                  | 10,000                        | 45,208                     |
| (until February 12, 2015)  | 2014        | 50,000                     | 7,500                                      | 15,000                                 | 30,000                        | 102,500                    |
| Johann Dechant   | 2015        | 33,333                     | 13,000                                     | 25,000                                 | 14,000                        | 85,333                     |
| (since February 12, 2015)  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Dr. Herbert Diess  | 2015        | 33,333                     | 13,000                                     | –                                      | 8,000                         | 54,333                     |
| (since February 12, 2015)  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Alfred Eibl  | 2015        | –                          | –  | –                                      | –                             | –                          |
| (until March 31, 2014)   | 2014        | 25,000                     | 3,750                                      | 7,500                                  | 10,000                        | 46,250                     |
| Annette Engelfried   | 2015        | 33,333                     | 13,000                                     | 10,000                                 | 12,000                        | 68,333                     |
| (since February 12, 2015)  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Reinhard Gottinger<br>(since April 1, 2014<br>until February 12, 2015) | 2015        | 20,833                     | 8,125                                      | 6,250                                  | 4,000                         | 39,208                     |
|  | 2014        | 25,000                     | 3,750                                      | –                                      | 14,000                        | 42,750                     |
| Peter Gruber   | 2015        | 50,000                     | 19,500                                     | 15,000                                 | 16,000                        | 100,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 15,000                                 | 22,000                        | 94,500                     |
| Gerhard Hobbach  | 2015        | 50,000                     | 19,500                                     | 15,000                                 | 16,000                        | 100,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 15,000                                 | 20,000                        | 92,500                     |
| Hans-Ulrich Holdenried   | 2015        | 50,000                     | 19,500                                     | 15,000                                 | 20,000                        | 104,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 15,000                                 | 26,000                        | 98,500                     |
| Prof. Dr. Renate Köcher  | 2015        | 50,000                     | 19,500                                     | –                                      | 12,000                        | 81,500                     |
|  | 2014        | 50,000                     | 7,500                                      | –                                      | 14,000                        | 71,500                     |
| Dr. Susanne Lachenmann<br>(since February 12, 2015)                    | 2015        | 33,333                     | 13,000                                     | 10,000                                 | 10,000                        | 66,333                     |
|  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Wolfgang Mayrhuber   | 2015        | 50,000                     | 19,500                                     | 50,000                                 | 28,000                        | 147,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 50,000                                 | 34,000                        | 141,500                    |
| Dr. Manfred Puffer   | 2015        | 50,000                     | 19,500                                     | –                                      | 14,000                        | 83,500                     |
|  | 2014        | 50,000                     | 7,500                                      | –                                      | 22,000                        | 79,500                     |
| Gerd Schmidt<br>(until February 12, 2015)                              | 2015        | 20,833                     | 8,125                                      | 15,625                                 | 10,000                        | 54,583                     |
|  | 2014        | 50,000                     | 7,500                                      | 37,500                                 | 28,000                        | 123,000                    |
| Prof. Dr. Doris<br>Schmitt-Landsiedel                                  | 2015        | 50,000                     | 19,500                                     | 25,000                                 | 16,000                        | 110,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 25,000                                 | 18,000                        | 100,500                    |
| Jürgen Scholz  | 2015        | 50,000                     | 19,500                                     | 15,000                                 | 16,000                        | 100,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 15,000                                 | 22,000                        | 94,500                     |
| Kerstin Schulzendorf<br>(since February 12, 2015)                      | 2015        | 33,333                     | 13,000                                     | –                                      | 8,000                         | 54,333                     |
|  | 2014        | –                          | –  | –                                      | –                             | –                          |
| Dr. Eckart Süner   | 2015        | 50,000                     | 19,500                                     | 25,000                                 | 18,000                        | 112,500                    |
|  | 2014        | 50,000                     | 7,500                                      | 25,000                                 | 26,000                        | 108,500                    |
| Diana Vitale<br>(since February 12, 2015)                              | 2015        | 33,333                     | 13,000                                     | –                                      | 8,000                         | 54,333                     |
|  | 2014        | –                          | –  | –                                      | –                             | –                          |
| <b>Total</b>   | 2015        | 745,830                    | 290,875                                    | 233,125                                | 248,000                       | 1,517,830                  |
|  | 2014        | 600,000                    | 90,000                                     | 220,000                                | 286,000                       | 1,196,000                  |

<sup>1</sup> Based on earnings per share (undiluted) from continuing operations of €0.55 in 2015 and €0.44 in 2014.

Members of the Supervisory Board did not receive any loans from Infineon in either the 2015 or 2014 fiscal years.

#### Other matters (2015 fiscal year)

The Company signed a contract on August 25, 2015 with the Technische Universität München relating to the provision of research and development services, to be performed primarily within the remit of the Chair of Professor Schmitt-Landsiedel. The Supervisory Board therefore approved the contract as a precautionary measure on August 4, 2015. No amount was paid in accordance with this contract to the Technische Universität München in the 2015 fiscal year.

Neubiberg, November 20, 2015

Management Board

Dr. Reinhard Ploss

Dominik Asam

Arunjai Mittal

An abstract geometric design consisting of thin grey lines and small grey dots. The lines form a series of interconnected shapes, including a large triangle on the left and a smaller one on the right. The dots are placed at the vertices of these shapes. The overall effect is a minimalist, architectural graphic.

# Consolidated Financial Statements

Consolidated  
Financial Statements >

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# Consolidated Statement of Operations

for the year ended September 30, 2015 and 2014

| € in millions  | Notes     | 2015         | 2014         |
|--|-----------|--------------|--------------|
| Revenue  |           | 5,795        | 4,320        |
| Cost of goods sold   |           | (3,715)      | (2,673)      |
| <b>Gross profit</b>  |           | <b>2,080</b> | <b>1,647</b> |
| Research and development expenses  |           | (717)        | (550)        |
| Selling, general and administrative expenses   |           | (778)        | (496)        |
| Other operating income   | 7         | 28           | 26           |
| Other operating expenses   | 7         | (58)         | (102)        |
| <b>Operating income</b>  |           | <b>555</b>   | <b>525</b>   |
| Financial income   | 8         | 10           | 10           |
| Financial expenses   | 8         | (49)         | (19)         |
| Gain from investments accounted for using the equity method                                    | 16        | 4            | 3            |
| <b>Income from continuing operations before income taxes</b>                                   |           | <b>520</b>   | <b>519</b>   |
| Income tax   | 9         | 102          | (31)         |
| <b>Income from continuing operations</b>   |           | <b>622</b>   | <b>488</b>   |
| Income from discontinued operations, net of income taxes                                       | 4         | 12           | 47           |
| <b>Net income</b>  |           | <b>634</b>   | <b>535</b>   |
| Attributable to:   |           |              |              |
| Non-controlling interests  |           | 2            | -            |
| Shareholders of Infineon Technologies AG   |           | 632          | 535          |
| Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:   |           |              |              |
| Basic earnings per share (in euro) from continuing operations                                  | 10        | 0.55         | 0.44         |
| Basic earnings per share (in euro) from discontinued operations                                | 10        | 0.01         | 0.04         |
| <b>Basic earnings per share (in euro)</b>  | <b>10</b> | <b>0.56</b>  | <b>0.48</b>  |
| Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: |           |              |              |
| Diluted earnings per share (in euro) from continuing operations                                | 10        | 0.55         | 0.44         |
| Diluted earnings per share (in euro) from discontinued operations                              | 10        | 0.01         | 0.04         |
| <b>Diluted earnings per share (in euro)</b>  | <b>10</b> | <b>0.56</b>  | <b>0.48</b>  |



# Consolidated Statement of Comprehensive Income

for the year ended September 30, 2015 and 2014

| € in millions  | Notes | 2015        | 2014         |
|--|-------|-------------|--------------|
|  | 24    |             |              |
| <b>Net income</b>  |       | <b>634</b>  | <b>535</b>   |
| <b>Other comprehensive income</b>  |       |             |              |
| Items that will not be reclassified to profit or loss:                     |       |             |              |
| Actuarial losses on pension plans and similar commitments                  |       | (27)        | (130)        |
| <b>Total items that will not be reclassified to profit or loss</b>         |       | <b>(27)</b> | <b>(130)</b> |
| Items that may be reclassified subsequently to profit or loss:             |       |             |              |
| Currency translation effects   |       | 100         | 12           |
| Net change in fair value of hedging instruments                            |       | (37)        | 43           |
| Net change in fair value of available-for-sale financial assets            |       | (1)         | -            |
| <b>Total items that may be reclassified subsequently to profit or loss</b> |       | <b>62</b>   | <b>55</b>    |
| <b>Other comprehensive income (loss) for the year, net of tax</b>          |       | <b>35</b>   | <b>(75)</b>  |
| <b>Total comprehensive income for the year, net of tax</b>                 |       | <b>669</b>  | <b>460</b>   |
| Attributable to:   |       |             |              |
| Non-controlling interests  |       | -           | -            |
| Shareholders of Infineon Technologies AG                                   |       | 669         | 460          |

# Consolidated Statement of Financial Position

as of September 30, 2015 and 2014

| € in millions                                     | Notes | 2015         | 2014         |
|---|-------|--------------|--------------|
| <b>ASSETS:</b>                                    |       |              |              |
| Cash and cash equivalents                         |       | 673          | 1,058        |
| Financial investments                             | 11    | 1,340        | 1,360        |
| Trade receivables                                 | 12    | 742          | 581          |
| Inventories                                       | 13    | 1,129        | 707          |
| Income tax receivable                             | 9     | 2            | 7            |
| Other current assets                              | 14    | 229          | 221          |
| <b>Total current assets</b>                       |       | <b>4,115</b> | <b>3,934</b> |
| Property, plant and equipment                     | 15    | 2,093        | 1,700        |
| Goodwill and other intangible assets              | 18    | 1,738        | 250          |
| Investments accounted for using the equity method | 16    | 33           | 35           |
| Non-current income tax receivable                 | 9     | 3            | -            |
| Deferred tax assets                               | 9     | 604          | 378          |
| Other non-current assets                          | 17    | 155          | 141          |
| <b>Total non-current assets</b>                   |       | <b>4,626</b> | <b>2,504</b> |
| <b>Total assets</b>                               |       | <b>8,741</b> | <b>6,438</b> |

| € in millions  | Notes | 2015         | 2014         |
|--|-------|--------------|--------------|
| <b>LIABILITIES AND EQUITY:</b>   |       |              |              |
| Short-term debt and current maturities of long-term debt               | 22    | 33           | 35           |
| Trade payables   | 19    | 802          | 648          |
| Short-term provisions  | 20    | 402          | 590          |
| Income tax payable   | 9     | 123          | 69           |
| Other current liabilities  | 21    | 225          | 261          |
| <b>Total current liabilities</b>                                       |       | <b>1,585</b> | <b>1,603</b> |
| Long-term debt   | 22    | 1,760        | 151          |
| Pension plans and similar commitments                                  | 29    | 426          | 379          |
| Deferred tax liabilities   | 9     | 147          | 5            |
| Long-term provisions   | 20    | 72           | 70           |
| Other non-current liabilities  | 23    | 86           | 72           |
| <b>Total non-current liabilities</b>                                   |       | <b>2,491</b> | <b>677</b>   |
| <b>Total liabilities</b>   |       | <b>4,076</b> | <b>2,280</b> |
| Shareholders' equity:  | 24    |              |              |
| Ordinary share capital   |       | 2,259        | 2,255        |
| Additional paid-in capital   |       | 5,213        | 5,414        |
| Accumulated deficit  |       | (2,897)      | (3,502)      |
| Other reserves   |       | 126          | 64           |
| Own shares   |       | (37)         | (37)         |
| Put options on own shares  |       | -            | (40)         |
| <b>Equity attributable to shareholders of Infineon Technologies AG</b> |       | <b>4,664</b> | <b>4,154</b> |
| Non-controlling interests  |       | 1            | 4            |
| <b>Total equity</b>  |       | <b>4,665</b> | <b>4,158</b> |
| <b>Total liabilities and equity</b>                                    |       | <b>8,741</b> | <b>6,438</b> |

# Consolidated Statement of Cash Flows

for the year ended September 30, 2015 and 2014

| € in millions   | Notes  | 2015         | 2014       |
|---|--------|--------------|------------|
|   | 27     |              |            |
| <b>Net income</b>   |        | <b>634</b>   | <b>535</b> |
| Minus: loss (income) from discontinued operations, net of income taxes            |        | (12)         | (47)       |
| Adjustments to reconcile net income to net cash provided by operating activities: |        |              |            |
| Depreciation and amortization   | 15, 18 | 760          | 514        |
| Income tax  | 9      | (102)        | 31         |
| Net interest result   | 8      | 42           | 9          |
| Gains on disposals of property, plant and equipment                               |        | (7)          | (2)        |
| Dividends received from associated companies                                      | 16     | 1            | 1          |
| Impairment charges  | 15, 18 | 31           | 3          |
| Other non-cash result   |        | -            | (2)        |
| Change in trade receivables   | 12     | (65)         | (58)       |
| Change in inventories   | 13     | (133)        | (89)       |
| Change in trade payables  | 19     | 50           | 74         |
| Change in provisions  | 20     | (48)         | (29)       |
| Change in other assets and liabilities  |        | (95)         | 99         |
| Interest received   | 8      | 8            | 10         |
| Interest paid   | 8      | (14)         | (9)        |
| Income tax paid   | 9      | (93)         | (52)       |
| <b>Net cash provided by operating activities from continuing operations</b>       |        | <b>957</b>   | <b>988</b> |
| <b>Net cash used in operating activities from discontinued operations</b>         |        | <b>(140)</b> | <b>(7)</b> |
| <b>Net cash provided by operating activities</b>                                  |        | <b>817</b>   | <b>981</b> |

| € in millions   | Notes | 2015           | 2014         |
|---|-------|----------------|--------------|
| Purchases of financial investments  | 11    | (1,478)        | (1,238)      |
| Proceeds from sales of financial investments  | 11    | 1,496          | 1,637        |
| Purchases of other equity investments   |       | (14)           | -            |
| Acquisitions of businesses, net of cash acquired                                      | 3     | (1,869)        | (7)          |
| Purchases of intangible assets and other assets                                       | 18    | (139)          | (101)        |
| Purchases of property, plant and equipment  | 15    | (646)          | (567)        |
| Proceeds from sales of property, plant and equipment and other assets                 |       | 57             | 4            |
| <b>Net cash used in investing activities from continuing operations</b>               |       | <b>(2,593)</b> | <b>(272)</b> |
| <b>Net cash used in investing activities from discontinued operations</b>             |       | <b>-</b>       | <b>(1)</b>   |
| <b>Net cash used in investing activities</b>  |       | <b>(2,593)</b> | <b>(273)</b> |
| Net change in short-term debt   | 22    | 2              | -            |
| Net change in related party financial receivables and payables                        | 28    | -              | (1)          |
| Proceeds from issuance of long-term debt  | 22    | 2,398          | 4            |
| Repayments of long-term debt  | 22    | (831)          | (29)         |
| Repurchase of subordinated convertible bonds  |       | -              | (35)         |
| Change in cash deposited as collateral  |       | -              | 7            |
| Proceeds from issuance of ordinary shares   | 24    | 11             | 1            |
| Cash outflows due to changes of non-controlling interests                             | 3     | (15)           | -            |
| Proceeds from the issuance of put options on own shares                               | 24    | -              | 3            |
| Dividend payments   | 24    | (202)          | (129)        |
| <b>Net cash provided by (used in) financing activities from continuing operations</b> |       | <b>1,363</b>   | <b>(179)</b> |
| <b>Net cash used in financing activities from discontinued operations</b>             |       | <b>-</b>       | <b>-</b>     |
| <b>Net cash provided by (used in) financing activities</b>                            |       | <b>1,363</b>   | <b>(179)</b> |
| Net change in cash and cash equivalents   |       | (413)          | 529          |
| Effect of foreign exchange rate changes on cash and cash equivalents                  |       | 28             | 2            |
| Cash and cash equivalents at beginning of period                                      |       | 1,058          | 527          |
| <b>Cash and cash equivalents at end of period</b>                                     |       | <b>673</b>     | <b>1,058</b> |

# Consolidated Statement of Changes in Equity

for the year ended September 30, 2015 and 2014

| € in millions, except for number of shares                   | Note | Ordinary shares issued |              | Additional paid-in capital | Accumulated deficit |
|--|------|------------------------|--------------|----------------------------|---------------------|
|  |      | Shares                 | Amount       |                            |                     |
|  | 24   |                        |              |                            |                     |
| <b>Balance as of October 1, 2013</b>                         |      | <b>1,081,083,034</b>   | <b>2,162</b> | <b>5,549</b>               | <b>(3,907)</b>      |
| Net income   |      | -                      | -            | -                          | 535                 |
| Other comprehensive income (loss) for the period, net of tax |      | -                      | -            | -                          | (130)               |
| Total comprehensive income (loss) for the period, net of tax |      | -                      | -            | -                          | 405                 |
| Dividends  |      | -                      | -            | (129)                      | -                   |
| Issuance of ordinary shares:                                 |      |                        |              |                            |                     |
| Exercise of stock options                                    |      | 484,260                | 1            | -                          | -                   |
| Exercise of conversion rights                                |      | 46,171,936             | 92           | 7                          | -                   |
| Share-based compensation                                     |      | -                      | -            | 6                          | -                   |
| Put options on own shares                                    |      | -                      | -            | 3                          | -                   |
| Other changes in equity                                      |      | -                      | -            | (22)                       | -                   |
| <b>Balance as of September 30, 2014</b>                      |      | <b>1,127,739,230</b>   | <b>2,255</b> | <b>5,414</b>               | <b>(3,502)</b>      |
| <b>Balance as of October 1, 2014</b>                         |      | <b>1,127,739,230</b>   | <b>2,255</b> | <b>5,414</b>               | <b>(3,502)</b>      |
| Net income   |      | -                      | -            | -                          | 632                 |
| Other comprehensive income (loss) for the period, net of tax |      | -                      | -            | -                          | (27)                |
| Total comprehensive income (loss) for the period, net of tax |      | -                      | -            | -                          | 605                 |
| Dividends  |      | -                      | -            | (202)                      | -                   |
| Issuance of ordinary shares:                                 |      |                        |              |                            |                     |
| Exercise of stock options                                    |      | 1,532,251              | 4            | 9                          | -                   |
| Share-based compensation                                     |      | -                      | -            | 6                          | -                   |
| Put options on own shares                                    |      | -                      | -            | -                          | -                   |
| Other changes in equity                                      |      | -                      | -            | (14)                       | -                   |
| <b>Balance as of September 30, 2015</b>                      |      | <b>1,129,271,481</b>   | <b>2,259</b> | <b>5,213</b>               | <b>(2,897)</b>      |

|  | Other reserves                                   |            | Own shares | Put options<br>on own shares | Total equity<br>attributable to<br>shareholders<br>of Infineon<br>Technologies AG | Non-controlling<br>interests | Total equity |
|--|--|------------|------------|------------------------------|---|------------------------------|--------------|
|  | Foreign<br>currency<br>translation<br>adjustment | Securities |            |                              |   |                              |              |
|  | <b>14</b>  | <b>3</b>   | <b>(8)</b> | <b>(37)</b>                  | <b>-</b>  | <b>-</b>                     | <b>3,776</b> |
|  | -  | -          | -          | -                            | -   | -                            | 535          |
|  | 12   | -          | 43         | -                            | -   | -                            | (75)         |
|  | 12   | -          | 43         | -                            | -   | -                            | 460          |
|  | -  | -          | -          | -                            | -   | -                            | (129)        |
|  | -  | -          | -          | -                            | -   | -                            | 1            |
|  | -  | -          | -          | -                            | -   | -                            | 99           |
|  | -  | -          | -          | -                            | -   | -                            | 6            |
|  | -  | -          | -          | -                            | (40)  | -                            | (37)         |
|  | -  | -          | -          | -                            | -   | 4                            | (18)         |
|  | <b>26</b>  | <b>3</b>   | <b>35</b>  | <b>(37)</b>                  | <b>(40)</b>   | <b>4</b>                     | <b>4,154</b> |
|  | <b>26</b>  | <b>3</b>   | <b>35</b>  | <b>(37)</b>                  | <b>(40)</b>   | <b>4</b>                     | <b>4,158</b> |
|  | -  | -          | -          | -                            | -   | 2                            | 632          |
|  | 100  | (4)        | (34)       | -                            | -   | -                            | 35           |
|  | 100  | (4)        | (34)       | -                            | -   | 2                            | 667          |
|  | -  | -          | -          | -                            | -   | -                            | (202)        |
|  | -  | -          | -          | -                            | -   | -                            | 13           |
|  | -  | -          | -          | -                            | -   | -                            | 6            |
|  | -  | -          | -          | -                            | 40  | -                            | 40           |
|  | -  | -          | -          | -                            | -   | (5)                          | (19)         |
|  | <b>126</b>                                       | <b>(1)</b> | <b>1</b>   | <b>(37)</b>                  | <b>-</b>  | <b>1</b>                     | <b>4,664</b> |



# Notes to the Consolidated Financial Statements

The Infineon Group (“Infineon”) comprising Infineon Technologies AG (“the Company”) and its subsidiaries design, develop, manufacture and market a broad range of semiconductors and system solutions, collectively: semiconductors. The focus of activities is on automotive electronics, industrial electronics, information and communications infrastructure as well as hardware-based security. The product range includes standard, application-specific and customer-specific components as well as system solutions for power, digital, analog, high frequency and mixed-signal applications. More than half of Infineon’s revenue is generated by power semiconductors, the remaining revenue is attributable to high frequency components, sensors, driver components as well as microcontrollers for automotive, industrial and security applications. Research and development sites, manufacturing facilities, investments and customers are located mainly in Europe, Asia and North America.

Infineon Technologies AG is a listed company under German law and ultimate parent company of the Infineon Group. The principal office of the Company is Am Campeon 1 – 12, 85579 Neubiberg (Germany). The Company is registered in the Commercial Register of the District Court of Munich under the number HRB 126492.

## 1 Basis of the Consolidated Financial Statements

The Consolidated Financial Statements prepared by Infineon Technologies AG as ultimate parent company for the year ended September 30, 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related interpretations effective as of September 30, 2015 as issued by the International Accounting Standards Board (“IASB”) to the extent to which the IFRS and Interpretations have been adopted by the European Union (“EU”). The Consolidated Financial Statements also comply with the supplementary requirements set forth in section 315a, paragraph 1, of the German Commercial Code (“Handelsgesetzbuch” or “HGB”).

The fiscal year end for both Infineon and the Company is September 30 of each year.

The above-mentioned standards were complied with in full, on this basis the Consolidated Financial Statements convey a true and fair view of the financial position, cash flows and results of operations of Infineon.

The Consolidated Financial Statements comprise the Consolidated Statement of Operations, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements. The Consolidated Statement of Operations is presented using the cost of sales method.

Infineon’s accounting policies are described in more detail in note 2. The accounting and valuation policies used, as well as the explanatory comments and disclosures made in the IFRS Consolidated Financial Statements for the 2015 fiscal year are generally based on those used in the Consolidated Financial Statements for the year ended September 30, 2014.

All amounts herein are presented in euros (“€”) except where otherwise stated.

Deviations between amounts presented are possible due to rounding. Negative amounts are presented in parentheses.

The Company’s Management Board approved the Consolidated Financial Statements for submission to the Company’s Supervisory Board on November 20, 2015.

### Financial reporting rules applied for the first time

The IASB has issued the following Standards or amendments to Standards, which are required to be applied in the Consolidated Financial Statements for the year ended September 30, 2015:

- › **Amendment to IAS 28 “Investments in associates and joint ventures”** (effective date: January 1, 2014). These changes had no significant impact on the Consolidated Financial Statements.
- › **Amendments to IAS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”** (effective date: January 1, 2014). These changes had no significant impact on the Consolidated Financial Statements.
- › **Amendments to IAS 36 “Disclosure of recoverable amount for non-financial assets”** (effective date: January 1, 2014). These changes had no significant impact on the Consolidated Financial Statements.
- › **IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 27 “Separate Financial Statements”** (effective date: January 1, 2014). IFRS 10 contains a new and broader definition of “control”. A parent company has control when it has the decision-making power over the potential subsidiary based on voting rights or other rights, participates in positive as well as negative variable returns of the subsidiary and through its decision-making power can influence these returns. IFRS 11 differentiates between Joint Operations and Joint Ventures. The accounting consequences of which are line-by-line accounting (joint operation) or equity accounting (joint venture). The disclosures of interests in other entities are the subject of IFRS 12. As a result of the introduction of the new standards IFRS 10-12, IAS 27 was amended accordingly. The application of IFRS 10, IFRS 11, IFRS 12 and IAS 27 had no significant impact on the Consolidated Financial Statements.
- › **Amendments to the transitional provisions of IFRS 10, IFRS 11 and IFRS 12** (effective date: January 1, 2014). These changes did not have a significant impact on the Consolidated Financial Statements.

### Financial reporting rules issued not yet adopted

The following new or amended Standards have been issued by the IASB and will generally be relevant to Infineon from today's perspective. They have not been applied in the Consolidated Financial Statements as of September 30, 2015 since they are not yet mandatory or, alternatively, have not yet been endorsed by the EU. The new or amended Standards are applicable for fiscal years beginning on or after their respective effective date. As a general rule, they are not adopted before their effective date, even if this is permitted for certain standards:

- › **Amendments to IAS 1 “Disclosure Initiative”** (effective date: January 1, 2016). Infineon is currently analyzing the impact on the Consolidated Financial Statements.
- › **Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”** (effective date: January 1, 2016). These changes will not have a significant impact on the Consolidated Financial Statements.
- › **IFRS 9 “Financial Instruments”** (effective date: January 1, 2018). Infineon is currently analyzing the impact on the Consolidated Financial Statements.
- › **Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”** (effective date January 1, 2016 but indefinite postponement has been proposed) Infineon is currently analyzing the impact on the Consolidated Financial Statements.
- › **IFRS 15 “Revenue from contracts with customers”** (effective date: January 1, 2018). Infineon is currently analyzing the impact on the Consolidated Financial Statements.

- › **Annual IFRS improvement cycle 2010 – 2012** (effective date: February 1, 2015). Infineon is currently analyzing the impact on the Consolidated Financial Statements.
- › **Annual IFRS improvement cycle 2011 – 2013** (effective date: January 1, 2015). Infineon is currently analyzing the impact on the Consolidated Financial Statements.
- › **Annual IFRS improvement cycle 2012 – 2014** (effective date: January 1, 2016). Infineon is currently analyzing the impact on the Consolidated Financial Statements.

## 2 Summary of Significant Accounting Policies

### Basis of consolidation

The Consolidated Financial Statements presented here include the financial statements of Infineon Technologies AG and its direct and indirect subsidiaries on a consolidated basis. A subsidiary is defined as an entity which, directly or indirectly, is controlled by Infineon Technologies AG.

Control exists when Infineon is subjected to variable returns arising from its engagement with the subsidiary or has a right to such, and has the ability to influence these returns as a result of its power over the subsidiary. Power means that Infineon has existing rights that give Infineon the current ability to direct the relevant activities (the activities that significantly affect the investee's returns).

An entity is included in the Consolidated Financial Statements from the date on which Infineon acquires control. Upon first-time consolidation of an entity, the acquired assets and liabilities are measured on the basis of their fair value at the acquisition date. Any excess of consideration paid (purchase price) over the share of the fair value of acquired assets, liabilities and contingent liabilities is recognized as goodwill. Any excess of Infineon's share of the fair value of items acquired over consideration paid is recognized as a gain.

The financial statements of entities included in the Consolidated Financial Statements are prepared using uniform valuation and accounting policies.

The balance sheet effects of intragroup transactions as well as gains and losses arising from intragroup business relationships are eliminated on consolidation.

A list of subsidiaries of Infineon Technologies AG is provided in note 35.

### Investments accounted for using the equity method

Investments in associated companies and joint ventures (as defined below) are accounted for using the equity method (collectively: "Investments Accounted for Using the Equity Method").

### Associated companies and joint ventures

An "associated company" is an entity over which Infineon has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A "joint venture" is a joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A list of the associated companies of Infineon Technologies AG is provided in note 35.

### Equity method

Based on the cost of investment at the date of acquisition of an interest in an associated company or joint venture, the carrying amount of the investment is increased or decreased at each subsequent reporting date for the share of profits or losses, dividends paid and other changes in equity of the associated company or joint venture, to the extent that they relate to Infineon's share of the investment.

Goodwill arising from the acquisition of an associated company or joint venture is included in the carrying amount of the investment (net of accumulated impairment losses). Impairment losses in excess of the carrying amount of the investment in the entity are charged against other assets held related to the investment, such as intercompany loans or other receivables. If the carrying amount of the investment and of other assets related to the investment is written down to zero, it must be determined whether there are additional losses to be recognized, to the extent that Infineon has an obligation to fund such losses.

Gains and losses on transactions with entities in which Infineon has an investment accounted for using the equity method are eliminated in proportion to Infineon's interest in the entity.

### Other equity investments

Other equity investments, where Infineon has an ownership interest of less than 20 percent and does not have significant influence, are recorded at acquisition cost less any necessary write-downs for impairment if a fair value cannot be reliably determined.

### Functional currency, reporting currency and foreign currency translation

The currency of the primary economic environment in which an entity operates and normally generates and expends cash is considered to be the functional currency of that entity. The functional currency of Infineon Technologies AG is the euro. The Consolidated Financial Statements have been prepared with the euro as reporting currency.

Foreign currency transactions are translated into the functional currency of the relevant entity using the exchange rates prevailing at the transaction date. Monetary assets and liabilities which are not denominated in the functional currency of the reporting entity are translated at the closing exchange rate prevailing at the end of the relevant reporting period. Exchange rate gains and losses from the currency translation are recognized in the Consolidated Statement of Operations as part of the operating result.

The assets and liabilities of foreign subsidiaries with functional currencies other than the euro are translated into euros using period-end exchange rates. Income and expenses of these entities are translated using the average exchange rate for the period under report. All cumulative differences arising from the currency translation of the equity in foreign subsidiaries arising from changes to exchange rates are recognized directly in equity in "Other reserves".

The exchange rates of the primary currencies (€1 in foreign currency units) used in the preparation of the accompanying Consolidated Financial Statements, in alphabetical order, are as follows:

| €1 in units of foreign currency | Closing rate       |                    | Annual average exchange rate |          |
|---------------------------------|--------------------|--------------------|------------------------------|----------|
|                                 | September 30, 2015 | September 30, 2014 | 2015                         | 2014     |
| Japanese yen                    | 134.1300           | 138.9300           | 136.4560                     | 139.0405 |
| Malaysian ringgit               | 4.9410             | 4.1518             | 4.2186                       | 4.3830   |
| Singapore dollar                | 1.5960             | 1.6189             | 1.5429                       | 1.7025   |
| US dollar                       | 1.1170             | 1.2732             | 1.1432                       | 1.3539   |

## Recognition and measurement principles

The following table summarizes the principal measurement bases used in the preparation of the Consolidated Financial Statements:

| Balance sheet item                            | Measurement principle  |
|---|--|
| <b>Assets</b>                                 |  |
| Cash and cash equivalents                     | Nominal amount   |
| Financial investments                         | Fair value/amortized cost  |
| Trade receivables                             | Fair value/amortized cost  |
| Inventories                                   | Lower of acquisition or production cost and net realizable value |
| Assets classified as held for sale            | Lower of carrying amount and fair value less costs to sell       |
| Property, plant and equipment                 | (Amortized) Acquisition or production cost                       |
| Goodwill                                      | Impairment-only approach   |
| Intangible assets (except goodwill):          |  |
| with definite useful life                     | (Amortized) Acquisition or production cost                       |
| with indefinite useful life                   | Impairment-only approach   |
| Other assets (current and non-current):       |  |
| Other financial assets:                       |  |
| Loans and receivables                         | Fair value/amortized cost  |
| Available-for-sale                            | Fair value directly through equity                               |
| Measured at fair value through profit or loss | Fair value through profit or loss                                |
| Designated hedging instruments                | Fair value directly through equity                               |
| Remaining other assets                        | (Amortized) Cost   |
| <b>Equity and liabilities</b>                 |  |
| Trade payables                                | Fair value/amortized cost  |
| Debt  | Fair value/amortized cost  |
| Provisions                                    |  |
| Pensions                                      | Projected unit credit method                                     |
| Other provisions                              | Expected settlement amount                                       |
| Other liabilities (current and non-current):  |  |
| Other financial liabilities:                  |  |
| Measured at fair value through profit or loss | Fair value through profit or loss                                |
| Designated hedging instruments                | Fair value directly through equity                               |
| Other financial liabilities                   | Fair value/amortized cost  |
| Remaining other liabilities                   | Fair value/amortized cost  |
| Put options on own shares                     | Present value of nominal amount at date of issue                 |
| Own shares                                    | Acquisition cost   |

### Cash and cash equivalents

Cash and cash equivalents represent cash and all financial resources with a maturity at acquisition date of three months or less, and are measured at their nominal amount.

### Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and at the same time a financial liability and/or equity instrument of another entity. Financial instruments containing both equity and liability elements (for example convertible bonds which give the holder the right to convert the bond into shares of the company), are required to be evaluated in accordance with IAS 32, "Financial Instruments: Presentation" and, where necessary, split into their equity and liability components.

Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issuance of financial instruments are only included in the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Regular purchases and sales of financial assets are recognized on the basis of the settlement date. The settlement date is the date on which an asset is delivered to or by Infineon.

Financial assets are derecognized when the rights to receive payments from the investments have expired or have been transferred and Infineon has transferred all risks and rewards associated with ownership. Financial liabilities are derecognized when they are extinguished, that is when the contractual obligation is discharged, cancelled or expired.

Infineon classifies financial assets into the following categories: "Loans and receivables", "Available-for-sale financial assets" and "Financial assets measured at fair value through profit and loss". "Designated hedging instruments (cash flow hedges)" also belong to financial assets. Financial instruments of the category "Assets held-to-maturity" were not recorded at Infineon.

Infineon classifies financial liabilities into the following categories: "Financial liabilities measured at fair value through profit and loss" and "Other financial liabilities". Furthermore, "Designated hedging instruments (cash flow hedges)" belong to financial liabilities.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At Infineon the balance sheet items "Cash and cash equivalents", "financial investments", "trade receivables" and "current and non-current other assets" all contain financial assets which are classified in the category "loans and receivables".

Loans and receivables are measured on initial recognition at their fair value plus incidental acquisition costs. Subsequently, they are measured at amortized cost using the effective interest method. Loans and receivables are tested for impairment. They are considered to be impaired when there is objective evidence that Infineon will not receive all amounts contractually due at the relevant due date. Objective evidence that indicates that impairment should be recorded would include, for example, known financial difficulties or the insolvency of a debtor. The impairment is recorded as an expense in profit or loss (in a separate allowance account). When a payment default becomes certain, such loans and receivables are considered to be uncollectible and derecognized along with the previously recognized allowance.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as available for sale, or are not allocated to any of the other categories (see above).

Upon acquisition, available-for-sale financial assets are measured at fair value taking into account transaction costs. Subsequently they are measured at their fair value at the end of the relevant reporting period. Transaction costs relating to the acquisition of available-for-sale financial assets with a definite term and fixed or determinable payments are capitalized and recognized in the Consolidated Statement of Operations using the effective interest method. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. If the fair value is permanently or significantly lower than the amortized cost, then an impairment loss is recognized through profit or loss.

For available-for-sale financial assets, a significant or prolonged decline in the fair value of the financial asset below its acquisition cost is considered as an indicator that the assets are impaired. If any such evidence exists, the cumulative loss that had been recognized directly in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss – is removed from equity with affecting income.

When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments previously recognized in equity are reclassified to profit or loss.

#### *Financial assets or liabilities measured at fair value through profit or loss*

At Infineon financial assets or liabilities measured at fair value through profit or loss comprise almost entirely of derivatives used to hedge currency risks for which hedge accounting is not applied.

Derivative financial instruments are categorized as held for trading and measured at fair value through profit or loss unless they are designated as hedging instruments and hedge accounting is applied. All fair value gains and losses are recognized through profit or loss. Changes in the fair value of undesignated derivative financial instruments that relate to operating activities are recorded as part of cost of goods sold, those of undesignated derivative financial instruments relating to financing activities are recorded in financial income or financial expense.

All financial instruments in this category are measured at the value at the trading date. Derivative financial instruments with a positive fair value at the end of the reporting period are reported as "Other current assets" and those with a negative fair value at the end of the reporting period are reported as "Other current liabilities". Infineon had no derivative financial instruments with a remaining term of more than 12 months in place as of September 30, 2015 and 2014.

#### *Designated hedging instruments (cash flow hedges)*

Certain derivative financial instruments are used to hedge foreign currency risks or risks of commodity price changes (such as gold prices) for expected and highly probable future transactions in order to minimize the associated risk (cash flow hedges).

Derivative financial instruments are measured at their fair value and included in "Other current assets" or "Other current liabilities".

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges and are part of hedging relationships that meet the criteria for hedge accounting is recognized directly in equity. "Effective" is the degree to which changes in the fair value or cash flows of the hedged items that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The gain or loss relating to the ineffective portion is recognized in profit or loss. Amounts accumulated in equity are recycled in profit or loss in the periods in which the underlying hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedging relationship no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity until the underlying transaction actually occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

#### *Other financial liabilities*

Upon acquisition other financial liabilities are measured at fair value after deduction of transaction costs. In subsequent periods they are measured at amortized cost using the effective interest method. The liability is derecognized when the contractual obligation is discharged, cancelled or expired.

#### *Put options on own shares*

Put options issued by the Company on its own shares are reported as "Obligation to acquire own shares" within other current liabilities provided settlement must occur by the delivery of a fixed number of shares in return for a fixed payment specified in advance. The obligation is recognized at the date of issue of the put option, measured at the present value of the amount expected to settle the option. A corresponding amount is recognized as a reduction of equity, reported within equity as "Put options on own shares". The option premium received on the issue of the put options is recognized as additional paid-in capital. The liabilities are recognized on an accrual basis, with the accrued interest recorded as an interest expense. The liability is extinguished when the put options are exercised, at which point the corresponding amounts are reclassified within equity from "Put options on own shares" to "Own shares". If the put option lapses, the amounts previously recognized as a reduction of equity and as a liability are derecognized.



### Inventories

Inventories encompass assets to be consumed in the production process or in the rendering of services (raw materials and supplies), that are in the production process at the balance sheet date (work in progress), or held for sale in the ordinary course of business (finished and purchased goods).

Inventories are measured at the lower of acquisition or fully absorbed production cost – calculated using the weighted-average method – and net realizable value. Net realizable value corresponds to realizable sale proceeds under normal business conditions less estimated costs to complete and sell. Production cost comprises costs of material, production wages and an appropriate portion of attributable overheads, including attributable depreciation and amortization on property, plant and equipment and intangible assets. Overhead mark-ups are determined on the basis of normal capacity utilization levels.

Write-downs to net realizable value are recorded on inventories using a consistent approach throughout Infineon and are determined at product level for technically obsolete and slow-moving inventories on the basis of the amount of revenues expected to be generated by the relevant product.

### Current and deferred income taxes

The current income tax expense is calculated in accordance with taxation provisions in force at the end of the reporting period.

Deferred taxes are calculated on temporary differences between the tax base and the book value of assets and liabilities, and on tax losses available for carry-forward. By contrast, no deferred tax is recognized on goodwill arising in connection with business combinations. Similarly, deferred taxes are not recognized on the initial recognition of an asset or liability in connection with a transaction that is not a business combination and which, at the time of the transaction, affects neither the pre-tax income according to IFRS nor taxable profit.

Deferred tax assets and liabilities are measured using applicable tax rates and laws that have been enacted by the end of the reporting period or are about to be enacted, and are to be applied when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets in respect of deductible temporary differences and tax loss carry-forwards which exceed deferred tax liabilities in respect of taxable temporary differences, are only recognized to the extent that it is probable that the relevant Group entity can generate sufficient taxable profit to realize the corresponding benefit. Infineon reviews deferred tax assets for impairment at every reporting date. The assessment requires management to make assumptions about future taxable profits as well as other positive and negative influencing factors.

Deferred tax assets and liabilities are netted to the extent they relate to the same tax authority and to the same taxpayer or a group of different taxpayers who are jointly assessed for income tax purposes.

Income taxes are recognized in the Consolidated Statement of Operations, with the exception of income taxes relating to items recognized directly in equity or in Other Comprehensive Income.

For uncertain tax positions additional tax provisions are recorded or, in case of tax losses carried forward, respective deferred tax assets are reduced accordingly. The assessment of uncertain tax positions is based on best estimate.

### Discontinued operations

Discontinued operations are reported when a component of an entity is either classified as held for sale or has already been disposed of. The component of an entity must be either (a) a separate major line of business or geographical area of operations, (b) part of a single coordinated plan to dispose a separate major line of business or geographical area of operations or (c) a subsidiary acquired exclusively with the intention to resale.

Discontinued operations are presented separately in the Consolidated Statement of Operations and Consolidated Statement of Cash Flows and the line item “Income/loss from discontinued operations, net of income taxes” includes the results of operating activities as well as gains and losses on the disposal of discontinued operations.

#### Assets and liabilities held for sale

Assets held for sale can be non-current assets or groups of assets (for example assets of a subsidiary held for sale or assets related to discontinued operations), the carrying amounts of which will be realized primarily by way of a highly probable divestment transaction within the next twelve months or an already executed divestment transaction, and not through continued use. Assets held for sale are reported in the Statement of Financial Position as a separate line item within current assets. Liabilities that will be disposed of in a transaction together with the assets held for sale are reported separately in the liabilities and equity section of the Statement of Financial Position, within current liabilities, as “Liabilities held for sale”.

Non-current assets classified as held for sale are no longer depreciated on a scheduled basis. Instead, they are measured at the lower of carrying amount or fair value less costs to sell at the end of the reporting period.

#### Property, plant and equipment

Property, plant and equipment are measured at amortized acquisition or construction cost, and its value is reduced by scheduled depreciation and considering any impairment.

The cost of acquisition comprises the acquisition price plus incidental acquisition costs, and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed equipment comprises direct costs as well as appropriate allocations of the necessary material and manufacturing overheads.

Where an obligation exists to decommission or dismantle an asset or restore a site to its former condition at the end of its useful life, the present value of the related future payments is capitalized along with the cost of acquisition or construction at the point of purchase or completion, and is depreciated over the estimated useful life of the underlying asset. A liability is recognized for the same amount, the carrying amount of which is compounded in future periods.

If the construction phase of property, plant or equipment extends over more than 12 months, the interest incurred on related borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with the requirements of IAS 23 “Borrowing Costs”. No interest was capitalized in the 2015 and 2014 fiscal years.

Scheduled depreciation on property, plant and equipment is recorded using the straight-line method. Land, property rights and construction in progress are not depreciated on a scheduled basis. Scheduled depreciation on property, plant and equipment is based on the following useful lives, as applied consistently throughout Infineon:

|                                   | Years   |
|-----------------------------------|---------|
| Buildings                         | 10 – 25 |
| Technical equipment and machinery | 3 – 10  |
| Other plant and office equipment  | 1 – 10  |

Impairment losses are recognized with non-scheduled depreciation. Corresponding reversals are made when the reasons for previous impairments no longer exist, provided that the reversal does not cause the carrying amount to exceed amortized acquisition or construction cost.

When assets are sold, decommissioned or scrapped, the difference between the net proceeds and the carrying amount of the assets is recognized as a gain or loss in other operating income or expense.

Infineon does not make use of the option to revalue property, plant and equipment as described in IAS 16 “Property, Plant and Equipment”.

### Investment properties

Infineon does not own any investment properties and therefore does not apply IAS 40 "Investment Properties".

### Leases

Infineon is a lessee of property, plant and equipment. In the case of operating lease contracts, the lease costs are spread on a straight-line basis over the term of the lease arrangement. All leases where Infineon as lessee meets certain requirements which indicate beneficial ownership are accounted for as finance leases pursuant to IAS 17 "Leases". This is the case when substantially all of the risks and rewards of ownership of the asset are transferred to Infineon as lessee.

### Recoverability of intangible assets and other long-lived assets

#### Goodwill

Goodwill is an intangible asset that represents the future economic benefits arising from assets acquired in a business combination that cannot be individually identified and separately recognized. Goodwill is the excess of the consideration paid for an interest in a business over the net fair value of acquired, separately identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Goodwill arising from acquisitions of businesses is reported in the line item "Goodwill and other intangible assets" in the Consolidated Statement of Financial Position. Separately identifiable intangible assets acquired in a business combination are recognized and reported separately from goodwill.

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) or groups of CGUs that will benefit from the synergies generated by the business combination. A CGU represents the smallest identifiable group of assets that generates cash inflows from continuing activities and that is as independent as possible from other assets or asset groups. In the year under report Infineon has allocated the goodwill arising from the acquisition of International Rectifier to the reporting segments identified as groups of CGUs that will benefit from the synergies arising from the business combination in accordance with IAS 36.

Acquired goodwill is only amortized if there is evidence of impairment. Its value is tested at the operating segment level for possible impairment annually as at June 30 and, additionally, whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount of the respective operating segment including allocated goodwill exceeds the recoverable amount of this entity, the goodwill is impaired accordingly. Such impairments cannot be reversed in a subsequent period.

Infineon determines the recoverable amount of a particular entity to which goodwill has been allocated on the basis of its value in use. The value in use is measured by estimating the present value of future cash flows that will be generated by the continuing operations of the entity discounted using an appropriate discount rate.

Cash flows, including the underlying parameters such as revenue growth and gross margin, are projected based on past experience, current operating results and the five-year strategic business plan approved in the fiscal year just ended. The plan is calculated bottom-up based on certain central assumptions applied consistently throughout Infineon. Cash flows for periods beyond the planning horizon are estimated using a terminal value. Terminal growth rates used do not take into account investments to increase capacity for which no cash outflow has taken place, and are derived from publicly available market studies from market research institutes and do not exceed the historical long-term average growth rate for the sector in which the relevant segment operates.

The discount rate is based on the after-tax weighted average cost of capital (WACC) for the entity in question. The Capital Asset Pricing Model (CAPM) is used to calculate the cost of equity. The relevant pre-tax WACC used to discount future pre-tax cash flows in line with IAS 36, is derived from estimated future after-tax cash flows and the after-tax WACC using a typical tax rate for each reporting segment. The risk-free interest rate is derived using the Svensson method taking into account risk premiums, and the beta factor and debt ratio are derived from a group of companies comparable to the operating segment. The discount rate derived in this way reflects the current market rate of return as well as the specific risks attached to the respective segment.

The following table shows the allocation of the carrying amount of goodwill to the segments, as well as the valuation parameters used.

|                                | Book value of allocated goodwill<br>€ in millions |           | pre-tax WACC <sup>1</sup><br>in % |      | after-tax WACC <sup>1</sup><br>in % |      | terminal growth rate <sup>1</sup><br>in % |      |
|--------------------------------|---|-----------|-----------------------------------|------|-------------------------------------|------|---|------|
|                                | 2015  | 2014      | 2015                              | 2014 | 2015                                | 2014 | 2015                                      | 2014 |
| CGU within segment             |   |           |                                   |      |                                     |      |   |      |
| Industrial Power Control       | 51  | 4         | 13.9                              | 13.1 | 10.3                                | 10.3 | 1   | 1    |
| Power Management & Multimarket | 750   | 19        | 15.0                              | 12.4 | 11.0                                | 10.2 | 1   | 1    |
| Corporate                      | 2   | 2         |                                   |      |                                     |      |   |      |
| <b>Total</b>                   | <b>803</b>  | <b>25</b> |                                   |      |                                     |      |   |      |

<sup>1</sup> Valuation parameters as of June 30, 2015 and 2014.

In addition, by applying different parameters that Infineon considers to be possible but not probable, sensitivity analyses are performed on the calculation of the gross margin and segment margin, the WACC and terminal growth rate. In this way, Infineon takes account of the inherently uncertain nature of estimates and carries out impairment tests on goodwill based on scenarios that are less favorable than those considered most likely. Changes considered to be possible to the parameters identified would have had no effect on the value of goodwill.

As a result of the impairment tests and the resulting sensitivity analyses carried out, Infineon concluded that none of the operating segments gave rise to an impairment of goodwill in the year under report. As at the reporting date, there were no triggering events that indicate that the recoverable amount of an entity to which goodwill had been allocated could have fallen below the book value.

#### *Other intangible assets*

Other intangible assets consist primarily of purchased intangible assets, such as licenses, technology and customer relationships (including order backlog), which are measured at acquisition cost, as well as capitalized development costs. These intangible assets have definite useful lives and are valued at their amortized acquisition or production costs with amortization recorded using the straight-line method over their expected economic life.

Scheduled amortization of intangible assets is based on the following useful lives, applied consistently throughout the Group:

|                               | Years  |
|-------------------------------|--------|
| Capitalized development costs | 3 – 5  |
| Customer relationships        | 1 – 12 |
| Technologies                  | 4 – 12 |
| Licenses and similar rights   | 3 – 5  |
| Other intangible assets       | 2 – 8  |

Infineon did not hold any other intangible assets with indefinite useful lives in either the 2015 or 2014 fiscal years.

Refer also to the section “Research and development costs”.

### *Other non-current assets*

Infineon reviews non-current assets, including property, plant and equipment, for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets held is measured by comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. The value in use is generally calculated based on discounted future cash flows of the CGU to which the asset is allocated. Considerable management judgment is necessary to estimate future cash flows.

If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying value of the assets exceeds their recoverable amount. An impairment loss recognized in prior periods for an asset other than goodwill is reversed insofar as, since the last impairment, a change in the underlying assumptions has occurred which leads to a lower impairment requirement. The maximum possible reversal of an impairment loss is that which would lead to the carrying amount that would have been determined (net of scheduled depreciation and amortization) if no impairment loss had been recognized for that asset in prior years.

### *Pensions and similar obligations*

Infineon provides benefits to most of its employees for the period after they have retired, either directly or as a result of payments to private and public institutions. The benefits provided differ according to the legal, economic and tax circumstances prevailing in the respective country and are mostly dependent on the length of service and the salary of the employee concerned. The occupational pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, Infineon pays pre-determined amounts based on statutory or contractual regulations to an independent fund or to public or private pension insurance companies. Once the contributions are paid, Infineon has no further performance obligation. The contributions are recognized as expense in the year in which they fall due and are included in costs by function within the operating result. Liabilities are recorded for payments due to the various defined contribution plans. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction of future payments is possible.

All other plans that do not fall under the definition of a defined contribution plan are accounted for as defined benefit plans. These relate to the commitments of the Company to pay vested rights and current benefits to eligible present and former employees and their dependants. The obligations also relate to retirement pensions. The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of the plan assets, together with adjustments for past service costs. The present value of the DBO and resulting pension cost are determined in accordance with IAS 19 "Employee Benefits" annually for each separate plan by independent, qualified actuaries using the projected-unit-credit method. For the calculation, actuarial procedures are applied for which it is necessary to make specific assumptions. The most important of these are the discount rate, future expected increases in salaries and pensions, and mortality rates.

Discount rates are determined on the basis of market yields at the end of the reporting period on high-grade, fixed interest corporate bonds from issuers carrying a very high credit rating that are denominated in the currency in which the benefits will be paid and that have remaining maturities approximating the terms of the related pension liability.

All items of income and expense relating to defined benefit plans, with the exception of the net interest result, are recognized on a net basis in the functional areas within the operating result. The net interest result arising from the multiplication of the net pension obligation (pension obligation less plan assets) by the discount rate is reported as financial expense. Actuarial gains and losses resulting from experience adjustments for defined benefit pension obligations and plan assets and from changes in actuarial assumptions are recognized directly in equity and presented in the Consolidated Statement of Comprehensive Income in the period in which they arise. Past service costs are recognized immediately in profit or loss.

### Provisions

Provisions are recognized for present legal and constructive obligations arising from past events that are likely to result in a future outflow of resources, the amount of which can be reliably estimated.

With regard to legal proceedings and litigation, for example the Qimonda insolvency, Infineon regularly assesses the probability of an unfavorable outcome. Infineon records provisions and liabilities, including provisions for significant legal costs, for those obligations and risks relating to legal disputes which it assesses at the relevant reporting date are likely to occur. That is where, from Infineon's perspective at the date of assessment, there is compelling evidence which indicates an obligation or risk, and the obligation or risk can be quantified with reasonable accuracy at the time of assessment. As soon as additional information is available the affected estimates are reviewed and, where necessary, provisions for these proceedings are revised.

Provisions are measured at their expected settlement amount in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or, where applicable, also in accordance with IAS 19 "Employee Benefits". The amount recognized for a provision is the best estimate of the expenditure required to settle the present obligation. Estimates of outcomes and financial effects are dependent upon the judgment of management, supplemented by experience gained from similar transactions and, where appropriate, the assessment of independent experts. The evidence considered also includes events after the reporting period and up to the date of preparation of the Consolidated Financial Statements. If the circumstances to be assessed encompass a large number of possible outcomes, the obligation is estimated by weighting all possible outcomes by their associated probabilities (expected value method). Where there is a continuous range of possible outcomes and each point in that range is as likely as any other, the average is used.

Where cash flows are expected to arise after the next twelve months and the interest effect is considered material, provisions are stated at the present value of expected cash outflows. For the purposes of the present value calculation, Infineon uses a pre-tax interest rate that reflects current market interest rate expectations and the risks specific to the liability. In estimating the future outflow of economic benefits Infineon also includes inflation assumptions if applicable. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilment or termination of the contract. Additions to provisions are generally recognized in profit or loss.

There is no offsetting with positive profit or loss effects. Claims for reimbursements from third parties are not offset against provisions, instead they are capitalized separately if their realization is virtually certain.

If the obligation decreases as a result of a change in the estimate, the provision is reversed proportionately and the resulting income recognized in the same functional area of the Consolidated Statement of Operations in which the original charge was recognized.

### Contingent liabilities

Contingent liabilities are either possible obligations whose actual existence is dependent on the occurrence of one or more uncertain future events not wholly within the control of Infineon. Or they are present obligations that will probably not result in the outflow of resources or whose outflow of resources cannot be quantified reliably. Contingent liabilities are not recognized in the Statement of Financial Position, instead they are disclosed and described in the Notes to the Consolidated Financial Statements (see notes 32 and 33).

### Own shares

Own shares held are measured at acquisition cost, including directly attributable transaction costs, and reported as a reduction of equity. In the case of own shares acquired by way of issuing put options on own shares, acquisition cost corresponds to the present value of the exercise value of the put options discounted back to issuance date. When own shares are cancelled at a subsequent date, Infineon's share capital is reduced by the appropriate pro rata amount of the shares to total share capital. Additional paid-in capital is reduced by the remaining difference to the acquisition cost.

### Segment reporting

The Management Board of Infineon Technologies AG, in its role as Infineon's chief operating decision maker, allocates resources and assesses the profitability of the operating segments. Segments and regions are identified and key performance figures selected in accordance with internal management and reporting systems (management approach). Underlying data used for this purpose are derived from the Consolidated Financial Statements drawn up in accordance with IFRS.

Infineon's business is structured in four operating segments, namely Automotive, Industrial Power Control, Power Management & Multimarket and Chip Card & Security.

The remaining activities of operations that have been sold are aggregated into "Other Operating Segments". Results and specific Group functions not allocated to the operating segments are recorded in "Corporate and Eliminations".

### Revenue recognition

Infineon generates revenues from the sale of semiconductor products and related system solutions. Infineon's semiconductor products include a wide variety of chips and components used in electronic applications ranging from automotive electronics and industrial applications to chip cards. Infineon's products are also used in a wide variety of microelectronic applications, such as computer systems, telecommunications systems and consumer goods. Revenue is allocated to the individual segments on the basis of differences in product type and applications.

In addition, Infineon generates a small portion of its revenue from licensing its intellectual property rights to third parties, as well as development arrangements.

Revenues are measured on the basis of the fair value of the consideration receivable.

Revenues from product sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and it is sufficiently probable that the economic benefits associated with the sale will flow to Infineon. The amount of revenues recognized is based on the fair value of the consideration received or receivable taking into account returns, settlement discounts and bonuses.

In principle Infineon recognizes revenue on sales to distributors by using the "sell in" method, that is when a product is sold to the distributor. In accordance with established business practice in the semiconductor industry, under certain circumstances distributors can apply for price protection and ship and debit credit notes. Price protection allows a distributor to request a credit note for unsold products held in inventory if Infineon reduced the standard list price of these products. In addition, in certain cases the distributor may request a ship and debit credit note for retrospective price adjustments. The authorization of these credits remains fully within the control of Infineon. Infineon calculates the provision for price protection and ship and debit in the period in which the related revenue is recorded. The ship and debit provision is determined based on rolling trends in the difference between the contract price and the standard list price to the distributor. The price protection provision is based on actual list prices and distributor inventory on hand. The availability of detailed distributor inventory data, the transparency of pricing for standard products and the long distributor pricing history enable Infineon to reliably estimate provisions for price protection and ship & debit credit notes at the end of the reporting period.

In addition, distributors can, subject to certain conditions, exchange inventory for the same or other products, (stock rotation) or request scrap allowances. Stock rotation credit notes are accrued based on expected stock rotation in accordance with the contractual agreement. Distributor scrap allowances are accrued based on the contractual agreement and, upon submission of a valid claim, are granted up to a certain maximum based on turnover in a given period. Historically, actual returns under such return provisions have been not material. Infineon monitors such product returns on an ongoing basis.



In some cases, rebate programs are offered to specific customers or distributors whereby the customer or distributor is granted a rebate upon achievement of a defined sales volume. Such rebates are taken into account for revenue recognition purposes.

Other returns are permitted only for quality-related reasons in the normal course of business within the applicable warranty period. Infineon records provisions for warranty costs as a charge to cost of goods sold based on historical experience as well as information available about other warranty costs.

#### Research and development costs

Costs of research activities undertaken in order to gain new scientific or technical knowledge are expensed as incurred.

Costs for development activities, the results of which lead to a plan or design for the production of new or substantially improved products or process improvements, are capitalized if the development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Infineon intends, and has sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and directly attributable general overhead expense that serves to prepare the asset for use. Such capitalized costs are presented as internally generated intangible assets within "Goodwill and other intangible assets" (see note 18). Development costs, which do not fulfill the criteria for capitalization, are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment charges. After the completion of the development phase and following the ramp-up of production, internally generated intangible assets are generally amortized as part of cost of goods sold over a period of three to five years.

Capitalized development costs are reviewed for impairment annually as long as amortization over the expected useful life has not begun and, additionally, when evidence for a potential impairment exists. In particular, a decline in expected revenue or higher costs is evidence for a potential impairment.

#### Grants

Grants for investments include both tax-free investment grants and taxable grants for investments in property, plant and equipment. Grants are recognized when it is reasonably assured that Infineon will comply with the conditions attached to the grant, and it is reasonably assured that the grant will be received. Tax-free investment grants are deferred and recognized over the remaining useful life of the subsidized asset. Taxable grants are deducted from the purchase and production cost of the related asset and thereby reduce depreciation and amortization expense in future periods.

Grants that are related to expenses are presented as a reduction of the related expense in the Consolidated Statement of Operations (see note 5).

#### Share-based compensation

Infineon has compensation plans in place in which equity instruments such as stock options or so-called performance shares are granted to members of the Management Board, senior managers and selected employees. In accordance with IFRS 2 "Share-based Payment", these compensation plans qualify as equity-settled share-based compensation and are accounted for accordingly. The fair value on the date of grant of the equity instruments granted is determined by an external expert using a recognized financial-mathematical method (Monte Carlo simulation model) and recognized as expense on a straight-line basis over the vesting period during which Infineon receives consideration from the Management Board or employee in the form of work performed, and, with respect to the stock options, the achievement of the respective targets (outperformance of the Philadelphia Semiconductor Index (SOX) over a predetermined period) is expected. The expense is charged to costs by function as part of the operating result and credited directly to equity (additional paid-in capital). The amount recognized as expense is adjusted in order to reflect either the actual number of equity instruments that can ultimately be exercised by the Management Board and employees, or the number allocated to the Management Board and employees.

The proceeds received net of any directly attributable transaction costs are recognized in ordinary share capital and additional paid-in capital when the stock options are exercised. Performance shares do not result in any cash inflows.

### Estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that have an impact on the presented amounts and the associated disclosures.

Estimates and assumptions undergo regular review and must be adjusted where appropriate. They can vary from period to period and have a material effect on the financial condition, liquidity position and results of operations of Infineon.

Although these estimates and assumptions are applied by management to the best of its knowledge based on current events and circumstances, actual events may result in deviations from these estimates.

Areas containing estimates and assumptions and that are consequently most likely to be affected when actual results vary from estimates are:

- › valuation of inventory (see “Inventories” and note 13),
- › recoverability of trade receivables (see note 12),
- › recoverability of non-financial assets especially goodwill (see “Recoverability of intangible assets and other long-lived assets” and note 18),
- › recognition and recoverability of deferred tax assets (see “Current and deferred income taxes” and note 9),
- › recognition and valuation of provisions (see “Provisions” and notes 20 and 32) and
- › valuation of pension plans (see “Pensions and similar obligations” and note 29).

All assumptions and estimates are based on the circumstances and assessments as of the balance sheet date, and taking into account knowledge gained up to the approval by the Management Board of the Consolidated Financial Statements on November 20, 2015.

## 3 Acquisitions

### International Rectifier Corporation

The acquisition of 100 percent of the shares and associated voting rights of International Rectifier Corporation (“International Rectifier”) based in El Segundo, California (USA) announced on August 20, 2014 was closed by Infineon on January 13, 2015.

With this acquisition Infineon improves its competitive position. The Company benefits from the combination with a larger product portfolio and a broader regional presence, in particular with small and medium-sized companies in the USA and Asia. Through the integration, Infineon increases its power semiconductor and packaging technology expertise on the one hand, and on the other hand obtains additional system know-how in the field of power supply to electrical devices and motors. Additionally, knowledge of compound semiconductors, in particular Gallium Nitride, is pooled through the acquisition. Economies of scale arising in research and development as well as production strengthen the competitiveness of the company.

The consideration transferred (purchase price) of the acquired company amounts to US\$3,026 million. The purchase price allocation, based on the fair value of the assets, liabilities and contingent liabilities at the acquisition date, results in the recognition of intangible assets such as technologies, customer relationships and brands, and goodwill.

The following table presents the preliminary allocation of the purchase price to assets and liabilities at the date of the acquisition:

| € in millions  | (preliminary) |
|--|---------------|
| Cash and cash equivalents  | 556           |
| Trade receivables  | 88            |
| Inventories  | 266           |
| Other current assets   | 22            |
| Property, plant and equipment  | 379           |
| Intangible assets  | 701           |
| Deferred tax assets  | 11            |
| Other non-current assets   | 20            |
| <b>Total assets</b>  | <b>2,043</b>  |
| Trade payables   | 98            |
| Short-term provisions  | 20            |
| Other current liabilities  | 27            |
| Deferred tax liabilities   | 183           |
| Long-term provisions   | 4             |
| Other non-current liabilities  | 16            |
| <b>Total liabilities</b>   | <b>348</b>    |
| <b>Net assets acquired</b>   | <b>1,695</b>  |
| <b>Goodwill</b>  | <b>729</b>    |
| <b>Purchase price</b>  | <b>2,424</b>  |
| Paid in cash and cash equivalents during the 2015 fiscal year <sup>1</sup> | 2,425         |
| Acquired cash and cash equivalents   | (556)         |
| <b>Net cash outflow for the acquisition</b>                                | <b>1,869</b>  |

<sup>1</sup> Including €5 million foreign currency effect.

Owing to the size and complexity of the acquisition, the analysis and valuation of the assets and liabilities acquired is not fully completed as at the date of publication of these Consolidated Financial Statements. Accordingly, the balances reported in these Consolidated Financial Statements as at September 30, 2015 should be considered preliminary.

According to a preliminary valuation, goodwill arising from the acquisition totals €729 million which is not deductible for tax purposes. This goodwill from the acquisition of International Rectifier is primarily attributable to synergies and cost benefits arising from economies of scale.

Costs arising directly from the acquisition of International Rectifier (such as legal fees and bank commission), which form part of acquisition-related amortization and other expenses, amount to €10 million in total and are recognized entirely in selling, general and administrative expenses.

The gross carrying amount of the trade receivables acquired amount to €88 million at the acquisition date and correspond to their fair value.

Details of unrecognized contingent liabilities relating to International Rectifier's legal disputes (in particular environmental risks) can be found in note 32 "Legal risks – litigation and government inquiries – other".

### Revenue and profit contribution of International Rectifier

The amount of revenue and the net result from International Rectifier, which has been significantly affected by charges for acquisition-related amortization and other costs (see also note 34 Segment Reporting), and which has been taken into account in the Consolidated Statement of Operations for the reporting period since the acquisition date is as follows:

| € in millions  |       |
|----------------|-------|
| Revenue        | 682   |
| Loss after tax | (133) |

If International Rectifier had been consolidated since October 1, 2014, Infineon would have recorded revenues of €6,072 million and a profit after tax of €610 million in the Consolidated Statement of Operations during the 2015 fiscal year.

International Rectifier's business units have been completely integrated into the existing segments Automotive, Industrial Power Control and Power Management & Multimarket. By far the largest share has been allocated to the Power Management & Multimarket segment.

### LS Power Semitech Co., Ltd.

On April 30, 2015 Infineon acquired the remaining 33.6 percent share in LS Power Semitech Co., Ltd. (LSPS), Korea, from LS Industrial Systems Co., Ltd. (LSIS), Korea. The purchase price of the share amounted to €15 million. As a result of the acquisition, non-controlling interests reduced by €5 million and additional paid-in capital by €10 million (see note 24).

## 4 Disposals and discontinued operations

### Qimonda – discontinued operations

On January 23, 2009, Qimonda AG ("Qimonda"), a majority-owned company, filed an application at the Munich Local Court to commence insolvency proceedings. On April 1, 2009, the insolvency proceedings were opened. Insolvency proceedings were also opened for further domestic and foreign subsidiaries of Qimonda. Some of these proceedings have already been completed. The results of these proceedings are reported as discontinued operations in Infineon's Consolidated Statement of Operations and Consolidated Statement of Cash Flows, to the extent that the underlying events occurred before the commencement of insolvency proceedings. To the extent that the events occurred after the commencement of insolvency proceedings, their results are reported as part of continuing operations.

The Company agreed a partial settlement with the administrator on September 11, 2014 which was effected on October 9, 2014 (see note 32 "Legal risks – proceedings in relation to Qimonda"). On this day the Company paid €260 million to the administrator as partial settlement.

The partial settlement payment of €260 million made to the Qimonda administrator on the settlement date is disclosed in the Consolidated Statement of Cash Flows for the 2015 fiscal year as follows:

- › €104 million in "Net cash used in operating activities from continuing operations" for the settlement of the dispute over the continuation of usage rights of the Qimonda patents,
- › €21 million in "Net cash used in investing activities from continuing operations" for the acquisition of the Qimonda patents, and
- › €135 million in "Net cash used in operating activities from discontinued operations" for the termination by mutual consent of the proceedings under insolvency law, the settlement of further out-of-court claims, as well as all other claims made by the administrator to the extent that these do not relate to the proceedings in connection with the alleged activation of a shell company, the liability for impairment of capital, and the residual liability of Qimonda Dresden.

Certain provisions relating to Qimonda's insolvency were required to be adjusted in the 2015 fiscal year as a result of new developments, these led to income after tax of €12 million. The partial settlement agreed with the administrator on September 11, 2014 and effected on October 9, 2014 had no effect on earnings from discontinued operations in the 2015 fiscal year. (For the gain on sale of patents purchased from Qimonda see note 7.)

The remaining risks and provisions relating to Qimonda's insolvency are described in detail in note 32 "Legal risks – Proceedings in relation to Qimonda".

#### Sale of the Wireline Communications business – discontinued operations

On November 6, 2009 the Wireline Communications business was sold to various companies which are affiliates of Golden Gate Private Equity Inc. (Lantiq). In the 2014 fiscal year €10 million of subsequent income arose as a result of the release of a provision in connection with the sale.

#### Sale of the Wireless mobile phone business – discontinued operations

On August 30, 2010, Infineon entered into a contract for the sale of the mobile phone business of the Wireless Solutions segment ("Wireless mobile phone business") for a consideration of US\$1.4 billion with Intel Corporation ("Intel"). Businesses with analog and digital TV tuners and satellite radio receivers and with radio frequency power transistors for amplifiers in cellular base stations are the only areas of the Wireless Solutions segment that remained with Infineon. The sale was completed on January 31, 2011. All assets, patents, other intellectual property and selected liabilities allocated to the Wireless mobile phone business were separately transferred. The Wireless mobile phone business is being continued by the purchaser under the name "Intel Mobile Communications" ("IMC").

In the 2014 fiscal year adjustments to the pre-tax gain on the sale due to the release of provisions along with subsequent income relating to the Wireless mobile phone business amounted to €8 million.

Following the sale, Infineon continues to carry out activities contracted by IMC, which are reported as continuing operations under "Other Operating Segments" for segment reporting purposes.

#### Gain/loss from discontinued operations, net of income taxes

The results of Qimonda, the Wireline Communications business and the Wireless mobile phone business presented in the Consolidated Statements of Operations as "loss/income from discontinued operations, net of tax" for the 2015 and 2014 fiscal years consist of the following:

| € in millions   | 2015      | 2014      |
|---|-----------|-----------|
| Qimonda's share of discontinued operations, net of income taxes                       | 12        | 29        |
| Wireline Communications' share of discontinued operations, net of income taxes        | -         | 10        |
| Wireless mobile phone business' share of discontinued operations, net of income taxes | -         | 8         |
| <b>Income (loss) from discontinued operations, net of income taxes</b>                | <b>12</b> | <b>47</b> |

## 5 Grants and subsidies

Infineon has received economic development funding from various governmental institutions, including grants for the construction of manufacturing facilities, for research and development activities and employee development. Grants and subsidies taken into consideration in profit or loss in the Consolidated Financial Statements during the 2015 and 2014 fiscal years are as follows:

| € in millions  | 2015       | 2014       |
|--|------------|------------|
| Included in the Consolidated Statement of Operations in: |            |            |
| Cost of goods sold                                       | 40         | 38         |
| Research and development expenses                        | 59         | 66         |
| Selling, general and administrative expenses             | 2          | 1          |
| <b>Total</b>   | <b>101</b> | <b>105</b> |

In the 2015 and 2014 fiscal years taxable investment grants were deducted from the acquisition or construction cost of property, plant and equipment and intangible fixed assets with no material effect.

For the compliance with the requirements attached to the grants and subsidies received and potential repayment requirements in case of nonfulfillment, see note 33.

## 6 Cost of materials and purchased services as well as personnel expense

The Consolidated Statement of Operations (continuing and discontinued operations) includes the following amounts of expense for purchased services, materials and personnel.

Expenses for purchased services and materials comprised the following in the 2015 and 2014 fiscal years:

| € in millions   | 2015         | 2014         |
|---|--------------|--------------|
| Cost of raw materials, supplies and purchased goods   | 1,263        | 929          |
| Cost of purchased services                            | 1,206        | 891          |
| <b>Total (continuing and discontinued operations)</b> | <b>2,469</b> | <b>1,820</b> |

Personnel expenses comprised the following in the 2015 and 2014 fiscal years:

| € in millions   | 2015         | 2014         |
|---|--------------|--------------|
| Wages and salaries  | 1,670        | 1,273        |
| Social insurance levies, pensions and similar obligations | 269          | 217          |
| <b>Total (continuing and discontinued operations)</b>     | <b>1,939</b> | <b>1,490</b> |

The average number of employees by geographic region is as follows for the 2015 and 2014 fiscal years:

|                              | 2015          | 2014          |
|------------------------------|---------------|---------------|
| Europe                       | 14,168        | 12,959        |
| Therein: Germany             | 9,258         | 8,766         |
| Asia-Pacific (without Japan) | 16,738        | 14,989        |
| Therein: China               | 1,890         | 1,708         |
| Japan                        | 167           | 129           |
| Americas                     | 2,898         | 533           |
| Therein: USA                 | 1,753         | 533           |
| <b>Total</b>                 | <b>33,971</b> | <b>28,610</b> |

The increase of the number of employees in the 2015 fiscal year was mainly due to the acquisition of International Rectifier.

## 7 Other operating income and expense

Other operating income comprised the following in the 2015 and 2014 fiscal years:

| € in millions  | 2015      | 2014      |
|--|-----------|-----------|
| Rental income  | 9         | 10        |
| Gain from sale of patents purchased from Qimonda         | 9         | –         |
| Gains on disposals of assets                             | 2         | 3         |
| Income from other equity investments                     | 1         | 2         |
| Other income from customers                              | 1         | 1         |
| Gain from revaluation of the former shareholding in LSPS | –         | 4         |
| Other  | 6         | 6         |
| <b>Total</b>   | <b>28</b> | <b>26</b> |

Other operating expenses comprised the following in the 2015 and 2014 fiscal years:

| € in millions  | 2015      | 2014       |
|--|-----------|------------|
| Impairments of intangible assets, property, plant and equipment assets and assets classified as held for sale (see note 15 and 18) | 31        | 3          |
| Expenses for restructuring and similar measures  | 13        | 8          |
| Expenses in connection with rental income  | 9         | 10         |
| Losses on disposals of assets  | 4         | 1          |
| Fine from the chip card antitrust proceedings  | –         | 83         |
| Expenses (income) in connection with legal disputes  | –         | (24)       |
| Other  | 1         | 21         |
| <b>Total</b>   | <b>58</b> | <b>102</b> |

In the 2015 fiscal year €8 million of impairments of intangible assets, property, plant and equipment assets and assets classified as held for sale was allocated to the Industrial Power Control segment, €3 million (2014: €1 million) to the Automotive segment and €1 million to the Power Management & Multimarket segment. €19 million (2014: €2 million) was allocated to Corporate and Eliminations.



## 8 Financial income and expenses

Financial income comprised the following in the 2015 and 2014 fiscal years:

| € in millions   | 2015      | 2014      |
|---|-----------|-----------|
| Interest income   | 6         | 10        |
| Valuation changes and gains on sales of financial investments | 4         | -         |
| <b>Total</b>  | <b>10</b> | <b>10</b> |

Financial expenses comprised the following in the 2015 and 2014 fiscal years:

| € in millions            | 2015      | 2014      |
|--------------------------|-----------|-----------|
| Interest expenses        | 48        | 19        |
| Other financial expenses | 1         | -         |
| <b>Total</b>             | <b>49</b> | <b>19</b> |

Interest expenses for the 2015 fiscal year include among other things €7 million related to the amortization of transaction costs in connection with the bridge financing of €800 million for the acquisition of International Rectifier, which was repaid on March 12, 2015 with the proceeds from the issuance of two senior, unsecured bonds (see note 22).

## 9 Income tax

Income tax from continuing operations for the fiscal years ended September 30, 2015 and 2014, is as follows:

| € in millions        | 2015       | 2014        |
|----------------------|------------|-------------|
| Current tax expense  | (151)      | (76)        |
| Deferred tax benefit | 253        | 45          |
| <b>Income tax</b>    | <b>102</b> | <b>(31)</b> |

The German combined statutory tax rate for Infineon Technologies AG is 29 percent for the 2015 and 2014 fiscal years. This comprised a corporate tax rate of 15 percent, plus a solidarity surcharge of 5.5 percent thereon and a municipal trade tax rate of 13 percent.

A reconciliation of income taxes from continuing operations for the fiscal years ended September 30, 2015 and 2014, using as a basis the German combined statutory tax rate of 29 percent for the 2015 and 2014 fiscal years is as follows:

| € in millions  | 2015       | 2014        |
|--|------------|-------------|
| Expected income tax expense  | (151)      | (151)       |
| Change in available tax credits  | 13         | 19          |
| Tax rate differential  | 22         | 25          |
| Effects from the difference between local and functional currency (Malaysia) | (23)       | (1)         |
| Non-deductible expenses and tax-exempt income, net                           | (18)       | (30)        |
| Prior year taxes   | (41)       | (2)         |
| Change in valuation allowance on deferred tax assets                         | 309        | 112         |
| Effects due to changes in tax rate   | (3)        | -           |
| Other  | (6)        | (3)         |
| <b>Actual income taxes</b>   | <b>102</b> | <b>(31)</b> |

Due to better sustained results of operations deferred tax assets increased in the 2015 fiscal year.

Deferred tax assets and liabilities as of September 30, 2015 and 2014 comprise the following:

| € in millions                                     | September 30, 2015  |                          | September 30, 2014  |                          |
|---|---------------------|--------------------------|---------------------|--------------------------|
|   | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets                                 | 9                   | (255)                    | 9                   | (50)                     |
| Property, plant and equipment                     | 131                 | (43)                     | 110                 | (8)                      |
| Provisions and pension obligations                | 237                 | (125)                    | 151                 | (111)                    |
| Tax loss carry-forwards                           | 846                 | -                        | 939                 | -                        |
| Unused tax credits and excess foreign tax credits | 307                 | -                        | 279                 | -                        |
| Other   | 139                 | (28)                     | 143                 | (11)                     |
| <b>Total deferred taxes</b>                       | <b>1,669</b>        | <b>(451)</b>             | <b>1,631</b>        | <b>(180)</b>             |
| Valuation allowance                               | (761)               | -                        | (1,078)             | -                        |
| Netting   | (304)               | 304                      | (175)               | 175                      |
| <b>Total</b>                                      | <b>604</b>          | <b>(147)</b>             | <b>378</b>          | <b>(5)</b>               |

In Germany Infineon Technologies AG had corporation tax loss carry-forwards of €2.3 billion and municipal trade tax loss carry-forwards of €3.4 billion as of September 30, 2015. In other jurisdictions tax loss carry-forwards amounted to €127 million and unused tax credits and excess foreign tax credits of €307 million. Such tax loss carry-forwards, and tax credits and excess foreign tax credits are generally limited to use by the particular entity that generated the loss or credit, provided that they have not expired under current law. Of the tax loss carry-forwards in other jurisdictions, €98 million expire within nineteen years, thereof €5 million in the next five years, as a result of the respective legal requirements.

Infineon assessed its deferred tax assets and the need for a valuation allowance. Based on the results of this assessment of deferred tax assets, considering all positive and negative factors and information relating to the foreseeable future, Infineon recognized deferred tax assets, after netting, of €604 million and €378 million as of September 30, 2015 and 2014, respectively.

The increase of deferred tax liabilities mainly results from business acquisitions.

The change of the net amount of deferred tax assets and liabilities can be broken down as follows:

| € in millions   | 2015       | 2014       |
|---|------------|------------|
| <b>Deferred taxes, net as of the beginning of the fiscal year</b> | <b>373</b> | <b>321</b> |
| Deferred tax arising from business acquisitions                   | (172)      | -          |
| Deferred tax benefit attributable to continuing operations        | 253        | 45         |
| Deferred taxes recognized in equity                               | 4          | 3          |
| Foreign currency translation                                      | (1)        | 4          |
| <b>Deferred taxes, net as of the end of the fiscal year</b>       | <b>457</b> | <b>373</b> |

Infineon did not provide for additional income taxes or foreign withholding taxes on the cumulative retained earnings of foreign subsidiaries as of September 30, 2015 and 2014, to the extent that these earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Including the items recognized directly in equity and the expense/benefit from continuing and discontinued operations, the income tax expense/benefit consisted of the following:

| € in millions                              | 2015       | 2014        |
|--|------------|-------------|
| Income taxes from continuing operations    | 102        | (31)        |
| Income taxes from discontinued operations  | (1)        | 10          |
| Income taxes recognized directly in equity | 4          | 6           |
| <b>Income taxes</b>                        | <b>105</b> | <b>(15)</b> |

## 10 Earnings per share

Basic earnings per share are calculated by dividing earnings by the weighted average number of shares outstanding during the reporting period. The calculation of the diluted earnings per share is based on the assumption that all potentially dilutive instruments are converted into ordinary shares, resulting in a corresponding increase in the number of shares on the one hand and a corresponding reduction in the charge on earnings for these instruments, such as interest expense, on the other.

Basic and diluted earnings per share are calculated as follows:

| € in millions (unless otherwise stated)  | 2015           | 2014           |
|--|----------------|----------------|
| <b>Earnings attributable to shareholders of Infineon Technologies AG – basic</b>   | <b>632</b>     | <b>535</b>     |
| Adjustment for interest expense on convertible bond                                | -              | 3              |
| <b>Earnings attributable to shareholders of Infineon Technologies AG – diluted</b> | <b>632</b>     | <b>538</b>     |
| thereof from continuing operations   | 620            | 491            |
| thereof from discontinued operations   | 12             | 47             |
| <b>Weighted-average number of shares outstanding (in millions):</b>                |                |                |
| – Ordinary share capital   | 1,128.6        | 1,116.7        |
| – Adjustment for own shares  | (6.0)          | (6.0)          |
| <b>Weighted-average number of shares outstanding – basic</b>                       | <b>1,122.6</b> | <b>1,110.7</b> |
| <b>Adjustments for:</b>  |                |                |
| – Effect of potential conversion of convertible bond                               | -              | 11.6           |
| – Effect of stock options and performance shares                                   | 2.7            | 0.7            |
| <b>Weighted-average number of shares outstanding – diluted</b>                     | <b>1,125.3</b> | <b>1,123.0</b> |
| <b>Basic and diluted earnings per share<sup>1</sup> (in euro):</b>                 |                |                |
| Earnings per share (in euro) from continuing operations                            | 0.55           | 0.44           |
| Earnings per share (in euro) from discontinued operations, net of income taxes     | 0.01           | 0.04           |
| <b>Earnings per share – basic and diluted</b>                                      | <b>0.56</b>    | <b>0.48</b>    |

<sup>1</sup> The calculation of earnings per share is based on unrounded figures.

The average number of potentially dilutive instruments that did not have a dilutive impact and were not taken into account in the calculation of diluted earnings per share included:

- › In the 2015 and 2014 fiscal years 9.8 million and 12.1 million, respectively, of **stock options and performance shares** issued to members of the Management Board and employees were not taken into account either because their exercise price was higher than the average share price during the reporting period, or the performance hurdle was not reached.
- › In the 2015 and 2014 fiscal year 1.3 million and 9.1 million, respectively, **put options** written on own shares were not taken into account since their exercise price was lower than the average share price during the reporting period. As at September 30, 2015 there were no put options on own shares outstanding (see note 24).

## 11 Financial investments

Financial investments comprise fixed-term deposits with banks, money market funds, investment funds and securities. While fixed-term deposits with banks with an original term of more than three months and money market funds qualify as “loans and receivables” pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, investment funds and securities are categorized as available-for-sale financial assets (for valuation see note 2).

Financial investments at September 30, 2015 and 2014 comprise the following (for further information see also notes 30 and 31):

| € in millions                                   | 2015         | 2014         |
|---|--------------|--------------|
| Fixed-term bank deposits and money market funds | 1,156        | 1,296        |
| Investment funds                                | 122          | –            |
| Securities                                      | 62           | 64           |
| <b>Financial investments</b>                    | <b>1,340</b> | <b>1,360</b> |

## 12 Trade Receivables

Trade receivables due within one year at September 30, 2015 and 2014 consist of the following:

| € in millions                      | 2015       | 2014       |
|------------------------------------|------------|------------|
| Trade receivables, third parties   | 751        | 584        |
| Trade receivables, related parties | 2          | 4          |
| <b>Trade receivables, gross</b>    | <b>753</b> | <b>588</b> |
| Allowance for doubtful accounts    | (11)       | (7)        |
| <b>Trade receivables, net</b>      | <b>742</b> | <b>581</b> |

Changes in the allowance for doubtful accounts for the 2015 and 2014 fiscal years were as follows:

| € in millions  | 2015      | 2014     |
|--|-----------|----------|
| Allowance for doubtful accounts at beginning of the fiscal year  | 7         | 8        |
| Usage of allowance, net  | –         | (1)      |
| Current year's allowance, net of reversals                       | 4         | –        |
| <b>Allowance for doubtful accounts at end of the fiscal year</b> | <b>11</b> | <b>7</b> |

Third party trade receivables that are outstanding but not impaired at the reporting date comprise the following:

| € in millions   | Carrying amount | Thereof neither impaired nor past due | Of which not impaired but past due |                    |
|---|-----------------|---------------------------------------|------------------------------------|--------------------|
|   |                 |                                       | Past due 0 – 30 days               | Past due > 31 days |
| Third party trade receivables, net of allowances as of September 30, 2015 | 740             | 718                                   | 16                                 | 6                  |
| Third party trade receivables, net of allowances as of September 30, 2014 | 577             | 554                                   | 16                                 | 7                  |

With respect to trade receivables that are not overdue and not impaired at the end of the reporting period, there are no indications that customers, based on their past credit history and current creditworthiness assessments, are not able to meet their obligations.

Receivables with a maturity of more than one year are presented as other non-current assets (see note 17).

### 13 Inventories

Inventories at September 30, 2015 and 2014 consist of the following:

| € in millions                  | 2015         | 2014       |
|--------------------------------|--------------|------------|
| Raw materials and supplies     | 98           | 76         |
| Work in progress               | 649          | 414        |
| Finished goods and merchandise | 382          | 217        |
| <b>Total</b>                   | <b>1,129</b> | <b>707</b> |

The amount of inventories recognized as expense in the 2015 and 2014 fiscal years largely corresponds to the cost of goods sold for each fiscal year.

Inventories at September 30, 2015 and 2014 are stated net of write-downs of €117 million and €79 million, respectively.

### 14 Other current assets

Other current assets at September 30, 2015 and 2014, consist of the following:

| € in millions                                   | 2015       | 2014       |
|---|------------|------------|
| VAT and other receivables from tax authorities  | 98         | 50         |
| Prepaid expenses                                | 53         | 45         |
| Grants receivables                              | 31         | 34         |
| Third party – financial and other receivables   | 12         | 9          |
| Derivative financial instruments                | 1          | 41         |
| Related party – financial and other receivables | –          | 1          |
| Other   | 34         | 41         |
| <b>Total</b>                                    | <b>229</b> | <b>221</b> |

## 15 Property, plant and equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2015 and 2014 is as follows:

### Changes in property, plant and equipment 2015

| € in millions                                    | Cost            |            |   |              |                  |           |                          | September 30, 2015 |
|--|-----------------|------------|---|--------------|------------------|-----------|--------------------------|--------------------|
|  | October 1, 2014 | Additions  | Acquisitions through business combinations <sup>1</sup> | Disposals    | Reclassification | Transfers | Foreign currency effects |                    |
| Land, land rights and buildings                  | 875             | 30         | 82  | (2)          | 11               | –         | 7                        | 1,003              |
| Technical equipment and machinery                | 6,529           | 326        | 258   | (106)        | 173              | –         | 40                       | 7,220              |
| Other plant and office equipment                 | 1,123           | 73         | 14  | (57)         | 14               | –         | 8                        | 1,175              |
| Payments on account and construction in progress | 272             | 217        | 25  | (4)          | (198)            | –         | 2                        | 314                |
| <b>Total</b>                                     | <b>8,799</b>    | <b>646</b> | <b>379</b>  | <b>(169)</b> | <b>–</b>         | <b>–</b>  | <b>57</b>                | <b>9,712</b>       |

<sup>1</sup> For the year ended September 30, 2015, amounts shown under “Acquisitions through business combination” relate to assets acquired in connection with the acquisition of International Rectifier (see note 3).

### Changes in property, plant and equipment 2014

| € in millions                                    | Cost            |            |   |              |                  |           |                          | September 30, 2014 |
|--|-----------------|------------|---|--------------|------------------|-----------|--------------------------|--------------------|
|  | October 1, 2013 | Additions  | Acquisitions through business combinations <sup>1</sup> | Disposals    | Reclassification | Transfers | Foreign currency effects |                    |
| Land, land rights and buildings                  | 860             | 7          | –   | (1)          | 6                | –         | 3                        | 875                |
| Technical equipment and machinery                | 6,169           | 344        | 13  | (102)        | 91               | –         | 14                       | 6,529              |
| Other plant and office equipment                 | 1,119           | 56         | 1   | (58)         | 4                | –         | 1                        | 1,123              |
| Payments on account and construction in progress | 212             | 160        | 1   | –            | (101)            | –         | –                        | 272                |
| <b>Total</b>                                     | <b>8,360</b>    | <b>567</b> | <b>15</b>   | <b>(161)</b> | <b>–</b>         | <b>–</b>  | <b>18</b>                | <b>8,799</b>       |

Impairments consist with €15 million primarily of leasehold improvements (other plant and office equipment) and technical systems (technical equipment and machinery) in connection with the termination of manufacturing operations at Techview in Singapore.

Depreciation on property, plant and equipment is presented in the Consolidated Statement of Operations mainly in cost of goods sold.

As in the previous year, impairments are recognized as other operating expense in the Consolidated Statement of Operations. Property, plant and equipment amounting to €13 million was pledged as of September 30, 2015 (prior year: €8 million).

| Depreciation and impairment |              |            |                  |           |             |                          | Carrying amount    |                    |                    |
|-----------------------------|--------------|------------|------------------|-----------|-------------|--------------------------|--------------------|--------------------|--------------------|
| October 1, 2014             | Depreciation | Disposals  | Reclassification | Transfers | Impairments | Foreign currency effects | September 30, 2015 | September 30, 2015 | September 30, 2014 |
| (649)                       | (34)         | 2          | 1                | -         | (9)         | (4)                      | (693)              | 310                | 226                |
| (5,421)                     | (510)        | 96         | (1)              | -         | (6)         | (25)                     | (5,867)            | 1,353              | 1,108              |
| (1,029)                     | (83)         | 57         | -                | -         | -           | (4)                      | (1,059)            | 116                | 94                 |
| -                           | -            | 3          | -                | -         | (3)         | -                        | -                  | 314                | 272                |
| <b>(7,099)</b>              | <b>(627)</b> | <b>158</b> | <b>-</b>         | <b>-</b>  | <b>(18)</b> | <b>(33)</b>              | <b>(7,619)</b>     | <b>2,093</b>       | <b>1,700</b>       |

| Depreciation and impairment |              |            |                  |           |             |                          | Carrying amount    |                    |                    |
|-----------------------------|--------------|------------|------------------|-----------|-------------|--------------------------|--------------------|--------------------|--------------------|
| October 1, 2013             | Depreciation | Disposals  | Reclassification | Transfers | Impairments | Foreign currency effects | September 30, 2014 | September 30, 2014 | September 30, 2013 |
| (620)                       | (28)         | 1          | -                | -         | (1)         | (1)                      | (649)              | 226                | 240                |
| (5,122)                     | (381)        | 100        | (4)              | -         | (1)         | (13)                     | (5,421)            | 1,108              | 1,047              |
| (1,018)                     | (72)         | 58         | 4                | -         | -           | (1)                      | (1,029)            | 94                 | 101                |
| -                           | -            | -          | -                | -         | -           | -                        | -                  | 272                | 212                |
| <b>(6,760)</b>              | <b>(481)</b> | <b>159</b> | <b>-</b>         | <b>-</b>  | <b>(2)</b>  | <b>(15)</b>              | <b>(7,099)</b>     | <b>1,700</b>       | <b>1,600</b>       |



## 16 Investments accounted for using the equity method

### Infineon Technologies Bipolar GmbH & Co. KG

Effective September 30, 2007, and based on an agreement with Siemens AG (“Siemens”) dated September 28, 2007, the Company contributed all assets and liabilities of its high power bipolar business (including licenses, patents, and frontend and backend production assets) to a newly formed legal entity called Infineon Technologies Bipolar GmbH & Co. KG (“Bipolar”) located in Warstein (Germany). Siemens subsequently acquired a 40 percent interest in Bipolar. The agreement entered into by the companies grants Siemens certain contractual participating rights which inhibit Infineon from exercising control over Bipolar. Accordingly, Infineon accounts for its interest in strategically important Bipolar using the equity method. Bipolar’s fiscal year ends on September 30.

### Cryptomathic Holding ApS

The Company acquired its 25 percent share in Cryptomathic Holding ApS (“Cryptomathic”) in May 2002. Cryptomathic, through its subsidiary Cryptomathic A/S, develops and sells software and consultancy services in the field of digital security. As a result of a share buy-back, Infineon’s share increased to 34 percent. On April 20, 2015, Infineon completed the sale of its investment (34 percent) in Cryptomathic for €4 million. The sale of the investment accounted for using the equity method gave rise to a negligible pre-tax gain (€0 million). The proportional share of Cryptomathic’s net income is recorded based on interim financial statements with a three month time lag.

### Summarized financial information

The summarized financial information for associated companies accounted for using the equity method (not adjusted for the percentage ownership held by Infineon), for the years ended September 30, 2015 and 2014 is as follows:

| € in millions  | Bipolar |      | Cryptomathic |      |
|--|---------|------|--------------|------|
|  | 2015    | 2014 | 2015         | 2014 |
| Current assets   | 71      | 67   | –            | 7    |
| Non-current assets   | 11      | 10   | –            | –    |
| Current liabilities  | 15      | 14   | –            | 2    |
| Non-current liabilities  | 12      | 10   | –            | –    |
| Net debt   | 11      | 5    | –            | –    |
| Equity   | 55      | 53   | –            | 5    |
| Therein: other comprehensive income (loss) for the year, net of tax  | (1)     | (2)  | –            | –    |
| Therein: total comprehensive income (loss) for the year, net of tax  | 4       | 3    | –            | 1    |
| Revenue  | 85      | 83   | –            | 10   |
| Depreciation and amortization  | 3       | 4    | –            | –    |
| Net interest result  | –       | –    | –            | –    |
| Net income (loss)  | 5       | 5    | –            | 1    |
| Dividends received   | 2       | 1    | –            | –    |
| Share of equity  | 33      | 32   | –            | 2    |
| Other  | –       | –    | –            | 1    |
| Carrying amount of Investments accounted for using the equity method | 33      | 32   | –            | 3    |

The investment in Bipolar is allocated to the Industrial Power Control segment, and the investment in Cryptomathic was allocated to Other Operating Segments.

## 17 Other non-current assets

Other non-current assets at September 30, 2015 and 2014 consist of the following:

| € in millions                                      | 2015       | 2014       |
|--|------------|------------|
| Cash deposited as collateral                       | 76         | 75         |
| Prepaid expenses                                   | 26         | 23         |
| Assets related to the funding of employee benefits | 21         | 10         |
| Other equity investments                           | 18         | 5          |
| Long-term receivables                              | 6          | 5          |
| Securities   | 1          | 16         |
| Other  | 7          | 7          |
| <b>Total</b>                                       | <b>155</b> | <b>141</b> |

“Cash deposited as collateral” as of September 30, 2015 and September 30, 2014 consists of a rental deposit in connection with the Campeon head office of €75 million (see note 33).

## 18 Goodwill and other intangible assets

The following table presents the composition of intangible assets for the years ended September 30, 2015 and 2014. Amortization of intangible assets is mainly presented in cost of goods sold or selling, general and administrative expenses. Impairments of intangible assets are presented as other operating expense.

### Changes in goodwill and other intangible assets 2015

| € in millions                       | Cost            |                                |   |                     |             |           |                          | September 30, 2015 |
|-------------------------------------|-----------------|--------------------------------|---|---------------------|-------------|-----------|--------------------------|--------------------|
|                                     | October 1, 2014 | Additions internally developed | Additions from business combinations <sup>1</sup> | Purchased additions | Disposals   | Transfers | Foreign currency effects |                    |
| Goodwill acquired for consideration | 25              | -                              | 729   | -                   | -           | -         | 49                       | 803                |
| Capitalized development costs       | 327             | 100                            | -   | -                   | (8)         | -         | -                        | 419                |
| Customer relationships              | -               | -                              | 374   | -                   | -           | -         | 21                       | 395                |
| Technologies                        | -               | -                              | 278   | -                   | -           | -         | 16                       | 294                |
| Licenses and similar rights         | 154             | -                              | 32  | 18                  | (5)         | -         | 2                        | 201                |
| Other intangible assets             | -               | -                              | 17  | -                   | -           | -         | 1                        | 18                 |
| <b>Total</b>                        | <b>506</b>      | <b>100</b>                     | <b>1,430</b>                                      | <b>18</b>           | <b>(13)</b> | <b>-</b>  | <b>89</b>                | <b>2,130</b>       |

<sup>1</sup> For the year ended September 30, 2015, amounts shown under "Acquisitions through business combination" relate to assets acquired in connection with the acquisition of International Rectifier (see note 3).

### Changes in goodwill and other intangible assets 2014

| € in millions                       | Cost            |                                |                                      |                     |             |           |                          | September 30, 2014 |
|-------------------------------------|-----------------|--------------------------------|--------------------------------------|---------------------|-------------|-----------|--------------------------|--------------------|
|                                     | October 1, 2013 | Additions internally developed | Additions from business combinations | Purchased additions | Disposals   | Transfers | Foreign currency effects |                    |
| Goodwill acquired for consideration | 21              | -                              | 4                                    | -                   | -           | -         | -                        | 25                 |
| Capitalized development costs       | 245             | 92                             | -                                    | -                   | (10)        | -         | -                        | 327                |
| Customer relationships              | -               | -                              | -                                    | -                   | -           | -         | -                        | -                  |
| Technologies                        | -               | -                              | -                                    | -                   | -           | -         | -                        | -                  |
| Licenses and similar rights         | 136             | -                              | 8                                    | 9                   | -           | 1         | -                        | 154                |
| Other intangible assets             | -               | -                              | -                                    | -                   | -           | -         | -                        | -                  |
| <b>Total</b>                        | <b>402</b>      | <b>92</b>                      | <b>12</b>                            | <b>9</b>            | <b>(10)</b> | <b>1</b>  | <b>-</b>                 | <b>506</b>         |

Reference is made to note 2, section "Recoverability of intangible assets and other long-lived assets" with respect to the procedures and assumptions used for the annual impairment test for goodwill as well as the goodwill allocated to the individual CGUs.

No intangible assets were transferred to a third party as security or pledged as of September 30, 2015 and 2014.

The impairment to internally developed intangible assets of €12 million relates to the impairment of capitalized development projects owing to low expected contributions to earnings from these projects.

| Amortization and impairment |              |           |             |                          |                    | Carrying amounts   |                    |
|-----------------------------|--------------|-----------|-------------|--------------------------|--------------------|--------------------|--------------------|
| October 1, 2014             | Amortization | Disposals | Impairment  | Foreign currency effects | September 30, 2015 | September 30, 2015 | September 30, 2014 |
| -                           | -            | -         | -           | -                        | -                  | 803                | 25                 |
| (125)                       | (29)         | 8         | (12)        | (1)                      | (159)              | 260                | 202                |
| -                           | (52)         | -         | -           | (1)                      | (53)               | 342                | -                  |
| -                           | (32)         | -         | -           | -                        | (32)               | 262                | -                  |
| (131)                       | (17)         | 5         | (1)         | -                        | (144)              | 57                 | 23                 |
| -                           | (3)          | -         | -           | (1)                      | (4)                | 14                 | -                  |
| <b>(256)</b>                | <b>(133)</b> | <b>13</b> | <b>(13)</b> | <b>(3)</b>               | <b>(392)</b>       | <b>1,738</b>       | <b>250</b>         |

| Amortization and impairment |              |           |            |                          |                    | Carrying amounts   |                    |
|-----------------------------|--------------|-----------|------------|--------------------------|--------------------|--------------------|--------------------|
| October 1, 2013             | Amortization | Disposals | Impairment | Foreign currency effects | September 30, 2014 | September 30, 2014 | September 30, 2013 |
| -                           | -            | -         | -          | -                        | -                  | 25                 | 21                 |
| (109)                       | (25)         | 10        | (1)        | -                        | (125)              | 202                | 136                |
| -                           | -            | -         | -          | -                        | -                  | -                  | -                  |
| -                           | -            | -         | -          | -                        | -                  | -                  | -                  |
| (123)                       | (8)          | -         | -          | -                        | (131)              | 23                 | 13                 |
| -                           | -            | -         | -          | -                        | -                  | -                  | -                  |
| <b>(232)</b>                | <b>(33)</b>  | <b>10</b> | <b>(1)</b> | <b>-</b>                 | <b>(256)</b>       | <b>250</b>         | <b>170</b>         |

## 19 Trade payables

Trade payables at September 30, 2015 and 2014 consist of the following:

| € in millions                   | 2015       | 2014       |
|---------------------------------|------------|------------|
| Trade payables, third parties   | 793        | 636        |
| Trade payables, related parties | 9          | 12         |
| <b>Trade payables</b>           | <b>802</b> | <b>648</b> |

Trade payables with a maturity of more than one year are reported in other non-current liabilities (see note 23).

## 20 Provisions

Short-term and long-term provisions at September 30, 2015 consist of the following:

| € in millions  | October 1,<br>2014 | Additions  | Usage        | Reversals   | Septem-<br>ber 30, 2015 |
|--|--------------------|------------|--------------|-------------|-------------------------|
| Obligations to employees                                 | 232                | 283        | (189)        | (4)         | 322                     |
| Warranties   | 75                 | 21         | (16)         | (24)        | 56                      |
| Provisions related to Qimonda (see note 32) <sup>1</sup> | 312                | –          | (257)        | (14)        | 41                      |
| Other  | 41                 | 34         | (14)         | (6)         | 55                      |
| <b>Total provisions</b>                                  | <b>660</b>         | <b>338</b> | <b>(476)</b> | <b>(48)</b> | <b>474</b>              |
| Thereof short-term                                       | 590                |            |              |             | 402                     |
| Thereof long-term  | 70                 |            |              |             | 72                      |

<sup>1</sup> The usage of provisions related to Qimonda contains an amount of €14 million that was reclassified to other current liabilities in the 2015 fiscal year (see note 21).

Obligations to employees include, among others, costs of variable compensation, outstanding vacation and flextime, service anniversary awards, other personnel costs and social security costs.

Provisions for warranties mainly represent the estimated future cost of fulfilling contractual requirements associated with products sold.

Other provisions comprise provisions for onerous contracts, litigations (other than provisions relating to Qimonda), asset retirement obligations, delay on contracts, restructuring and miscellaneous other liabilities.

Of the total provisions as of September 30, 2015 and 2014, a cash outflow of €402 million and €590 million, respectively, is expected to occur within one year. With the exception of the service anniversary awards of €22 million and €17 million as of September 30, 2015 and 2014, respectively, the cash outflow for the majority of the remaining €50 million and €53 million as of September 30, 2015 and 2014, respectively, is expected within two to seven years.

## 21 Other current liabilities

Other current liabilities at September 30, 2015 and 2014 consist of the following:

| € in millions   | 2015       | 2014       |
|---|------------|------------|
| Payroll and similar obligations to employees                | 135        | 73         |
| Advanced payments   | 16         | 18         |
| VAT and other taxes payables                                | 14         | 9          |
| Liabilities related to Qimonda (see note 32)                | 14         | 3          |
| Deferred income   | 13         | 13         |
| Deferred grants and subsidies                               | 11         | 11         |
| Derivative financial instruments with negative fair values  | 9          | 3          |
| Accrued interest  | 8          | -          |
| Fine from the chip card antitrust proceedings (see note 32) | -          | 83         |
| Obligation to acquire own shares                            | -          | 40         |
| Related parties – financial and other payables              | 1          | 1          |
| Other   | 4          | 7          |
| <b>Total</b>  | <b>225</b> | <b>261</b> |

The obligation to acquire own shares in connection with Infineon's capital returns amounts to €40 million as of September 30, 2014 and corresponds to the discounted exercise value of outstanding put options on Infineon Technologies AG shares as at issue date plus interest up to the end of the reporting period. No remaining put options were outstanding as of September 30, 2015 (see note 24).

## 22 Debt

Debt at September 30, 2015 and 2014 consists of the following:

| € in millions   | 2015         | 2014       |
|---|--------------|------------|
| Current maturities of long-term debt, weighted average interest rate: 3.48% (2014: 3.04%) | 25           | 35         |
| Loans payable to banks, weighted average interest rate: 4.35%                             | 8            | -          |
| <b>Short-term debt and current maturities of long-term debt</b>                           | <b>33</b>    | <b>35</b>  |
| Loans payable to banks:   |              |            |
| Unsecured loans, weighted average interest rate 1.76% (2014: 1.18%), due 2016 – 2023      | 968          | 151        |
| Bond €300 million, coupon 1.00%, due 2018   | 298          | -          |
| Bond €500 million, coupon 1.50%, due 2022   | 494          | -          |
| <b>Long-term debt</b>   | <b>1,760</b> | <b>151</b> |
| <b>Total</b>  | <b>1,793</b> | <b>186</b> |

In connection with the acquisition of International Rectifier, Infineon Technologies AG entered into a financing agreement with several domestic and international banks in August 2014. The financing consisted of two senior, unsecured tranches:

- › a credit facility of US\$934 million with a term of five years (term loan) and
- › a credit facility of €800 million with a term of one year and two extension options for Infineon each of six months (bridge financing).

Upon closing of the acquisition (see note 3) both credit facilities were fully drawn. The term loan in the amount of US\$934 million was still outstanding as at September 30, 2015. The bridge financing was repaid in full, mainly out of the proceeds of the bond issue described below.

On March 10, 2015 the Company issued two senior, unsecured bonds with a total nominal amount of €800 million in an offering to institutional and private investors in Europe:

- › a bond with a nominal value of €300 million due in 2018 and bearing annual interest of 1.0 percent, and
- › a bond with a nominal value of €500 million due in 2022 and bearing annual interest of 1.5 percent.

The bonds are listed on the Luxemburg Stock Exchange.

The US\$934 million term loan and the bonds totaling €800 million are recorded as other financial liabilities at amortized cost less directly attributable transaction costs.

Other financial liabilities as of September 30, 2015 primarily consist of financing at Infineon Technologies Austria AG.

In addition, Infineon has established several independent financing arrangements in the form of both short- and long-term credit facilities, in order to finance operating business requirements.

The total lines of credit as of September 30, 2015 are summarized in the following table:

| € in millions | As of September 30, 2015 |              |           | As of September 30, 2014 |            |              |
|---------------|--------------------------|--------------|-----------|--------------------------|------------|--------------|
|               | Aggregate facility       | Drawn        | Available | Aggregate facility       | Drawn      | Available    |
| Short-term    | 110                      | 33           | 77        | 103                      | 35         | 68           |
| Long-term     | 968                      | 968          | –         | 1,685                    | 151        | 1,534        |
| <b>Total</b>  | <b>1,078</b>             | <b>1,001</b> | <b>77</b> | <b>1,788</b>             | <b>186</b> | <b>1,602</b> |

Aggregate amounts of debt and interest maturing in the coming years are as follows:

| € in millions     | As of September 30, 2015 |            | As of September 30, 2014 |          |
|-------------------|--------------------------|------------|--------------------------|----------|
|                   | Debt                     | Interest   | Debt                     | Interest |
| Less than 1 year  | 33                       | 29         | 35                       | 3        |
| 1 – 2 years       | 16                       | 28         | 16                       | 2        |
| 2 – 3 years       | 303                      | 28         | 13                       | 1        |
| 3 – 4 years       | 943                      | 27         | 4                        | 1        |
| 5 years and after | 514                      | 22         | 118                      | 1        |
| <b>Total</b>      | <b>1,809</b>             | <b>134</b> | <b>186</b>               | <b>8</b> |

## 23 Other non-current liabilities

Other non-current liabilities as of September 30, 2015 and 2014 consist of the following:

| € in millions  | 2015      | 2014      |
|--|-----------|-----------|
| Personnel liabilities  | 28        | 19        |
| Deferred income and liabilities from the linearization of expenses | 16        | 28        |
| Deferred grants and subsidies                                      | 14        | 13        |
| Other  | 28        | 12        |
| <b>Total</b>   | <b>86</b> | <b>72</b> |



## 24 Equity

### Ordinary share capital

The ordinary share capital of Infineon Technologies AG increased during the 2015 fiscal year by €3,064,502. 1,532,251 new shares were issued, all of which resulted from the exercise of employee stock options (2014: 484,260). As of September 30, 2015 the ordinary share capital stood at €2,258,542,962 divided into 1,129,271,481 no par value registered shares, each representing €2 of the Company's ordinary share capital. Each share grants the holder one vote and an equal portion of the profits in the form of a dividend as resolved by the Annual General Meeting. As of September 30, 2015, of the above-mentioned total number of issued shares the Company held 6 million own shares (2014: 6 million). Own shares held by the Company as at the date of the Annual General Meeting carry no voting rights and are not entitled to dividend.

### Additional paid-in capital

Additional paid-in capital reported in the Consolidated Statement of Financial Position decreased by €201 million in the 2015 fiscal year, of which €202 million related to the dividend paid in February 2015. Additional paid-in capital decreased by €10 million as a result of the acquisition of LSPS (see note 3). The exercise of employee stock options increased additional paid-in capital by €9 million. Expenses amounting to €6 million for share-based compensation were recorded in the 2015 fiscal year, additional paid-in capital increased by the same amount (see note 26).

Additional paid-in capital reported in the Consolidated Statement of Financial Position decreased by €135 million in the 2014 fiscal year, of which €129 million related to the dividend paid in February 2014. The Company repurchased for €35 million and cancelled subordinated convertible bonds that were to become due in 2014 with a nominal value of €11 million during the 2014 fiscal year. €21 million, net of tax, was recorded directly as a reduction of additional paid-in capital reflecting the repurchase of conversion rights for 4.7 million shares associated with the convertible bond repurchase, measured on the basis of the conversion ratio at the time of repurchase (see note 22). Additional paid-in capital was increased by €3 million in the 2014 fiscal year as a result of option premiums received in connection with put options on own shares. The exercise of employee stock options increased additional paid-in capital by €0.3 million. Expenses amounting to €6 million for share-based compensation were recorded in the 2014 fiscal year, additional paid-in capital increased by the same amount (see note 26).

### Authorized share capital

The previous Authorized Share Capitals 2010/I and 2010/II were cancelled by the Annual General Meeting on February 12, 2015. Only the Authorized Share Capital 2010/I was at the same time replaced by a new Authorized Share Capital 2015/I totaling up to €676,000,000:

Section 4(4) of the Articles of Association provides that the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in the period until its expiry in February 11, 2020 once or in partial amounts by a total of up to €676,000,000 through the issue of new no par value registered shares, carrying a dividend right as of the beginning of the fiscal year in which they are issued, against contributions in cash or in kind (Authorized Capital 2015/I). The Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in certain cases. In accordance with German law, cash capital increases with subscription rights excluded pursuant to section 186, paragraph 3, fourth sentence of the AktG, are not permitted to exceed 10 percent of a company's share capital – neither at the time of the authorization becoming effective nor at the time of its exercise. For share capital increases against contributions in kind or a combination of cash contributions and contributions in kind, the authorization further provides an upper limit of 20 percent of the share capital, again measured either at the time the authorization becomes effective or, if the number is lower, at the time of its exercise.

### Conditional capital

As of September 30, 2015, the Company's Articles of Associations provide for three conditional capitals amounting to up to €309,357,082 (the previous Conditional Capital 2009/I was cancelled by the Annual General Meeting on February 12, 2015):

- › Conditional Capital III (registered in the Commercial Register as “Conditional Capital 2001/I”) pursuant to section 4(5) of the Articles of Association of up to €25,357,082 that may be used to issue up to 12,678,541 new registered no par value shares in connection with the Company's stock option plans “Infineon Technologies AG 2001 International Long Term Incentive Plan” and “Infineon Technologies AG Aktienoptionsplan 2006” (“Stock Option Plan 2006”) (see note 26). During the 2015 fiscal year, a total of 389,298 new no par value shares with a proportionate amount of €2 per share were issued out of the Conditional Capital III as a result of the exercise of share options in connection with the Stock Option Plan 2006. Conditional Capital III decreased accordingly by €778,596 to €24,578,486. The corresponding change to the Articles of Association was submitted after the end of the reporting period and entered into the Commercial Register as requested. As since June 3, 2015 no further stock options may be exercised under the Stock Option Plan 2006, the Conditional Capital III is no longer required and so the Management Board and the Supervisory Board will propose to the Annual General Meeting that the Conditional Capital III should be cancelled.
- › Conditional Capital 2010/I pursuant to section 4(10) of the Articles of Association of up to €24,000,000 that may be used to issue up to 12,000,000 new no par value registered shares in connection with the Company's “Infineon Technologies AG Aktienoptionsplan 2010” (“Stock Option Plan 2010”) (see note 26). During the 2015 fiscal year, a total of 1,142,953 new non-par shares with a proportionate amount of €2 per share were issued out of the Conditional Capital 2010/I as a result of the exercise of share options in connection with the Stock Option Plan 2010. Conditional Capital 2010/I decreased accordingly by €2,285,906 to €21,714,094. The corresponding change to the Articles of Association was submitted after the end of the reporting period and entered into the Commercial Register as requested.
- › Conditional Capital 2014 pursuant to section 4 (11) of the Articles of Association of up to €260,000,000 that may be used to issue up to 130,000,000 new no par value registered shares to satisfy the rights of the holders of warrants or convertible bonds, which the Company may issue at any time prior to February 12, 2019.

### Other reserves

Changes in other reserves during the 2015 and 2014 fiscal years are as follows:

| € in millions   | 2015      |          |               | 2014      |          |               |
|---|-----------|----------|---------------|-----------|----------|---------------|
|   | Pretax    | Tax      | Net after tax | Pretax    | Tax      | Net after tax |
| Foreign currency translation differences                  | 100       | –        | 100           | 12        | –        | 12            |
| Deal Contingent Forward                                   | (39)      | –        | (39)          | 39        | –        | 39            |
| Realized losses resulting from hedge accounting           | 6         | –        | 6             | 6         | –        | 6             |
| Unrealized gains (losses) resulting from hedge accounting | (3)       | 2        | (1)           | (2)       | –        | (2)           |
| Realized (gains) losses resulting from securities         | (4)       | 1        | (3)           | –         | –        | –             |
| Unrealized (losses) resulting from securities             | (1)       | –        | 1             | –         | –        | –             |
| <b>Total</b>  | <b>59</b> | <b>3</b> | <b>62</b>     | <b>55</b> | <b>–</b> | <b>55</b>     |

### Accumulated deficit

The following table shows a reconciliation of accumulated deficit as of September 30, 2015 and 2014:

| € in millions   |                |
|---|----------------|
| As of October 1, 2013   | (3,907)        |
| Net income attributable to shareholders of Infineon Technologies AG             | 535            |
| Actuarial loss on post employment benefit obligations net of tax of €3 million  | (130)          |
| <b>As of September 30, 2014</b>   | <b>(3,502)</b> |
| Net income attributable to shareholders of Infineon Technologies AG             | 632            |
| Actuarial gains on post employment benefit obligations net of tax of €1 million | (27)           |
| <b>As of September 30, 2015</b>   | <b>(2,897)</b> |

### Put options on own shares and own shares

On May 9, 2011 Infineon Technologies AG resolved to make use of the authorization to repurchase shares given by shareholders at the Annual General Meeting on February 17, 2011 and to set up a corresponding capital returns program. During the 2013 fiscal year up to the end of the program on March 31, 2013, put options for 6 million shares were exercised which were still on hand as of September 30, 2015, and for which the Company paid €38 million to the holders of the options.

In November 2013 the Company resolved upon a new capital returns program of up to €300 million. In the course of this program the Company issued put options on own shares with a total volume of €85 million, all of which had lapsed by the end of the program on September 30, 2015.

The following table contains an overview of put options issued, lapsed and exercised during the 2015 and 2014 fiscal year:

| In each case stated in millions                         | Exercise value<br>in € | Underlying number of shares<br>(in units) |
|---|------------------------|---|
| <b>Outstanding put options as of October 1, 2013</b>    | -                      | -   |
| Put options issued in the 2014 fiscal year              | 85                     | 14  |
| Less: put options lapsed in the 2014 fiscal year        | (45)                   | (8)                                       |
| Less: put options exercised in the 2014 fiscal year     | -                      | -   |
| <b>Outstanding put options as of September 30, 2014</b> | <b>40</b>              | <b>6</b>                                  |
| Put options issued during the 2015 fiscal year          | -                      | -   |
| Less: put options lapsed in the 2015 fiscal year        | (40)                   | (6)                                       |
| Less: put options exercised in the 2015 fiscal year     | -                      | -   |
| <b>Outstanding put options as of September 30, 2015</b> | <b>-</b>               | <b>-</b>                                  |

### Dividends

Under the German Stock Corporation Act (Aktiengesetz), the amount of dividends available for distribution to shareholders is based on the level of unappropriated profit (Bilanzgewinn) of the parent company, as determined in accordance with the HGB. All dividend payments must be approved by the Annual General Meeting.

For the 2014 fiscal year, a cash dividend of €0.18 per share (total amount: €202 million) was paid in accordance with the resolution passed at the Annual General Meeting on February 12, 2015. For the 2013 fiscal year, a cash dividend of €0.12 per share (total amount: €129 million) was paid in accordance with the resolution passed at the Annual General Meeting on February 13, 2014.

A dividend of €0.20 for each share entitled to a dividend shall be proposed to be paid from the €226 million of distributable profits of Infineon Technologies AG for the 2015 fiscal year. Taking into account the fact that own shares held by the Company at the time of the Annual General Meeting are not entitled to receive a dividend, this would result in an expected distribution of approximately €225 million. Since payment of the dividend depends on approval being given by the Annual General Meeting which is set to take place on February 18, 2016, a liability has not been recognized in the Consolidated Financial Statements.

## 25 Capital management

Infineon's principal capital management objective is to ensure financial flexibility on the basis of a solid capital structure. As with comparable companies in the semiconductor industry, it is of prime importance that sufficient cash funds are available to finance operating activities and planned investments throughout all phases of the business cycle. On the other hand, debt should only constitute a modest proportion of the financing mix. Based on these principles Infineon has defined the following three key objectives for capital management which are still being pursued following the acquisition of International Rectifier:

- › gross cash position of between 30 and 40 percent of revenue,
- › positive net cash position and
- › gross debt of not more than 2x EBITDA (earnings from continuing operations before tax, depreciation and amortization).

Infineon is not subject to any statutory capital requirements, nor are any such defined in the Articles of Association.

Capital management as well as the corresponding objectives and definitions are based on ratios which in turn are based on the consolidated IFRS financial statements. Infineon defines its net cash position, or net debt position, as gross cash less short-term and long-term debt (gross debt). Gross cash is defined as the total of cash, cash equivalents and financial investments. Infineon defines EBIT as earnings (loss) from continuing operations before interest and taxes and EBITDA as EBIT plus depreciation/amortization.

As of September 30, 2014, Infineon had a net cash position of €2,232 million. As a result of the acquisition of International Rectifier and the payment made by Infineon of a total of €343 million relating to the Qimonda partial settlement and the fine imposed by the European Commission (described in detail in note 32), there was a temporary net debt position in the second quarter of the 2015 fiscal year. As at September 30, 2015 Infineon had returned to a net cash position of €220 million.

The gross cash position decreased from €2,418 million as of September 30, 2014, to €2,013 million as of September 30, 2015 (for details see the chapter "Review of liquidity" in the Combined Management Report). Based on revenue of €5,795 million, the ratio of gross cash to revenue was 34.7 percent as of September 30, 2015 (56.0 percent in 2014) and thus within the targeted range.

The gross debt to EBITDA ratio was 1.4 as of September 30, 2015 (0.2 in 2014). Infineon continues to have sufficient financial flexibility to ensure that in addition to financing its planned investments it is also able to pay regular dividends (see note 24).

Infineon has entered into a number of standard covenants as a result of the financing of the acquisition of International Rectifier. The covenants contain, among other things, change of control clauses as well as the compliance with a debt cover ratio. This covenant ratio, which provides for a certain relationship between the size of debt (adjusted) and earnings (adjusted), was complied with in the 2015 fiscal year, indeed Infineon reached considerably stronger ratio than the minimum requirement. The entire outstanding loan which amounted to US\$934 million as at September 30, 2015 (see note 22) can become immediately repayable if the covenant agreement is not complied with by Infineon.

## 26 Share-based compensation

In order to provide share-based compensation the Company has in place the Stock Option Plan 2006, the Stock Option Plan 2010 and, from the 2014 fiscal year, the Performance Share Plan.

### Share-based compensation expenses

Share-based compensation expenses for the 2015 and 2014 fiscal years amounted to €6 million, respectively.

### Performance share plan

A new Long Term Incentive Plan (LTI) consisting of a “performance share” plan was developed for the Management Board and selected senior executives as a successor to the Stock Option Plan 2010.

Under this plan, (virtual) performance shares are initially provisionally allocated on October 1 for the fiscal year starting on that date according to a pre-determined LTI allocation amount in euro. With the allotment of a virtual performance share, the participant in the plan acquires the right to receive (real) Infineon shares once a personal investment in Infineon shares has reached a four-year holding period. The level of personal investment is dependent on position and LTI allocation.

50 percent of the performance shares are performance-related, 50 percent are not dependent on performance. The performance-related shares are only finally allocated if the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) during the period between the date of the provisional allocation and the end of the holding period. If at the end of the holding period the requirements for an allocation of performance shares – either all or only those that are not performance related – are fulfilled, then the entitlement to the transfer of the corresponding number of (real) Infineon shares is acquired. The value of the performance shares ultimately assigned to members of the Management Board may not exceed 250 percent of the respective LTI allocation; above this level performance shares are forfeited.

The fair value of the performance shares at the date of allocation is determined by an external expert using a recognized financial-mathematical method (Monte Carlo simulation model). Variations in the underlying assumptions have no material effect on the fair value.

The following is an overview of the allocations made:

| Tranche                            | End of the waiting period | Average share price of the nine months before grant in € | Number of performance shares at September 30, 2015 | Fair Value per performance share in € |
|------------------------------------|---------------------------|--|--|---------------------------------------|
| Fiscal year 2015: Employees        | September 30, 2018        | 8.49   | 1,040,198  | 5.44                                  |
| Fiscal year 2015: Management Board | September 30, 2018        | 8.49   | 100,702  | 5.31                                  |
| Fiscal year 2014: Employees        | September 30, 2017        | 6.62   | 1,235,370  | 5.72                                  |
| Fiscal year 2014: Management Board | September 30, 2017        | 6.62   | 114,046  | 5.20                                  |

As at 1 October, 2015 80,964 (virtual) performance shares were allocated to the Management Board and 1,301,206 (virtual) performance shares were allocated to employees.

### Stock Option Plan 2006 and Stock Option Plan 2010

There are no material changes with respect to the stock option plans described in the consolidated financial statements as of September 30, 2013.

The fair value of the stock options of the Stock Option Plans 2006 and 2010 is determined by an external expert using a recognized financial-mathematical method (Monte Carlo simulation model).

The development of the 2006 and 2010 stock option plans during the 2014 and 2015 fiscal years is presented below:

|   | Number of options<br>(in millions) | Weighted-average<br>exercise price<br>(in €) |
|---|------------------------------------|--|
| Options outstanding as of September 30, 2013        | 11.8                               | 7.11   |
| Granted   | -                                  | -  |
| Exercised   | (0.5)                              | 2.72   |
| Forfeited and expired                               | (0.1)                              | 7.94   |
| <b>Options outstanding as of September 30, 2014</b> | <b>11.2</b>                        | <b>7.29</b>                                  |
| Exercisable at September 30, 2014                   | 0.4                                | 2.72   |
| Options outstanding as of September 30, 2014        | 11.2                               | 7.29   |
| Granted   | -                                  | -  |
| Exercised   | (1.5)                              | 7.11   |
| Forfeited and expired                               | (0.2)                              | 6.32   |
| <b>Options outstanding as of September 30, 2015</b> | <b>9.5</b>                         | <b>7.33</b>                                  |
| Exercisable at September 30, 2015                   | 1.9                                | 8.62   |

## 27 Supplemental cash flow information

There were no significant non-cash transactions from acquisition or financing activities during the 2015 and 2014 fiscal years.

Cash and cash equivalents reported as of September 30, 2015 and 2014 totaling €673 million and €1,058 million, respectively, include €85 million and €53 million, respectively, which were subject to legal transfer restrictions and so were not available for general use by Infineon. This amount represents cash and cash equivalents of consolidated companies located in countries where the transfer of cash is legally restricted, for example the People's Republic of China.

## 28 Transactions with related companies and persons

Infineon has transactions in the normal course of business with associated and other related companies (collectively, "related companies"). The related companies which are controlled or significantly influenced by Infineon are disclosed in note 35. Related persons are persons in key management positions in particular members of the Management and Supervisory Board (see note 35) and their close relatives (collectively "related persons").

### Related companies

Infineon purchases certain raw materials and services from, and sells certain products and services to related companies. These purchases from and sales to related companies are generally effected at arm's length.

Related companies receivables and payables consist exclusively of trade and other receivables and payables from and to associated and other related companies.

Related companies receivables and payables as of September 30, 2015 and 2014 consist of the following:

| € in millions               | September 30, 2015 |                         | September 30, 2014 |                         |
|-----------------------------|--------------------|-------------------------|--------------------|-------------------------|
|                             | Associates         | Other related companies | Associates         | Other related companies |
| Trade and other receivables | 1                  | 1                       | 3                  | 1                       |
| Financial receivables       | -                  | -                       | -                  | 1                       |
| Trade and other payables    | 8                  | 1                       | 10                 | 2                       |
| Financial payables          | -                  | 1                       | -                  | 1                       |

Sales and service charges to and products and services received from related companies in the 2015 and 2014 fiscal years consist of the following:

| € in millions                  | 2015       |                         | 2014       |                         |
|--------------------------------|------------|-------------------------|------------|-------------------------|
|                                | Associates | Other related companies | Associates | Other related companies |
| Sales and service charges      | 5          | 1                       | 15         | 2                       |
| Products and services received | 80         | 20                      | 81         | 29                      |

As of September 30, 2015, related parties sales and services relationships with related companies resulted in purchase commitments of €1 million.

### Related persons

The active members of the Management Board in the 2015 fiscal year received total fixed non-performance-related compensation for their services of €2.7 million (2014: €2.4 million). In addition, the members of the Management Board received variable performance-related compensation for their services in the 2015 fiscal year totaling €3.9 million (2014: €2.5 million). This comprised a Short Term Incentive of €2.0 million (2014: €1.3 million), and a Mid Term Incentive of €1.9 million (2014: €1.2 million). Furthermore, the Management Board received a Long Term Incentive (LTI) which, in 2015, took the form of performance shares. Previously the LTI was granted in the form of stock options based on the Stock Option Plan 2010. The expense resulting from the LTI amounted to €0.5 million (2014: €0.6 million). The total compensation granted to active members of the Management Board amounted to €7.1 million in the 2015 fiscal year (2014: €5.5 million).

The total compensation of the members of the Supervisory Board of Infineon Technologies AG in the 2015 fiscal year, including attendance fees, amounted to €1.5 million (2014: €1.2 million). Employee representatives in the Supervisory Board who are employed by Infineon also receive a salary for their activities as employees.



Former members of the Management Board received total payments of €1.1 million (especially pension payments) in the 2015 fiscal year (2014: €1.1 million).

As of September 30, 2015, pension liabilities for former members of the Management Board amounted to €60.2 million (2014: €59.5 million).

Neither Infineon Technologies AG nor any of its subsidiaries have granted loans to any member of the Supervisory or Management Boards.

Disclosure of the individual remuneration of the members of the Management Board and the Supervisory Board as required by section 315a (1) in connection with section 314 (1) no. 6a, sentences 5 to 8 of the German Commercial Code, is provided in the Compensation Report which is part of the Combined Management Report.

In the 2015 and 2014 fiscal years there were no transactions between Infineon and related persons which fall outside of the scope of the existing employment, service or appointment terms, or of the contractual arrangements for their remuneration.

## 29 Pension plans

### Defined benefit pension plans

Infineon's employee benefit plans consist of domestic and foreign defined benefit and defined contribution pension plans providing retirement, disability and surviving dependents' benefits. For the Infineon Group, the significant benefit plans in Germany pertain to Infineon Technologies AG, and among the foreign benefit plans to Infineon Technologies Austria AG.

In Germany Infineon primarily offers defined contribution benefits which provide for the employees when they reach retirement age, or in the event of disability or death. With the Infineon pension plan new entrants receive a defined contribution benefit which is funded by Infineon. Payments by the Infineon pension plan are generally made in twelve installments. For active employees who were, before the Infineon Pension Plan came into force, entitled to benefits in the form of an annuity, this commitment is the overriding one and thereby the possibility of an annuity is guaranteed. Together with former employees, whose pension benefit obligations are no longer transferred into the Infineon Pension Plan, this group makes up the largest part of the obligation at this time. The statutory framework is provided by the Company Pension Act (in German: Betriebsrentengesetz or BetrAVG) and by employment law in general. An appropriate provision is recorded for the German defined benefit pension plans, which are partly backed by plan assets. Individual agreements are in place for the members of the Management Board which are backed by pension reinsurance policies (detailed in the "Compensation Report" chapter).

The benefit obligation of some foreign plans is measured according to the income in the last month or year of service, others are dependent on average income over the service period. Furthermore, in certain countries Infineon makes severance payments irrespective of the reason for the termination of employment, these payments are usually defined by law in the relevant country. The liabilities arising from foreign defined benefit pension plans are partly covered by plan assets.

The valuation date of the German and foreign pension plans is September 30, respectively.

The Group defined benefit pension plans are exposed to risks arising from changes to actuarial assumptions such as interest rates, salary and pension trends, investment risks and longevity risks. A low discount rate leads to higher pension liabilities. Equally, a lower than expected growth in plan assets could lead to a deterioration of the funded status, or require the payment of additional contributions.

The development of Infineon's German (domestic) and non-German (foreign) pension plans and the plan assets to September 30, 2015 and 2014 is presented in the following table:

| € in millions   | 2015           |               |              | 2014           |               |              |
|---|----------------|---------------|--------------|----------------|---------------|--------------|
|   | Domestic plans | Foreign plans | Total        | Domestic plans | Foreign plans | Total        |
| <b>Change in defined benefit obligations taking into account future salary increases:</b> |                |               |              |                |               |              |
| Present value at beginning of year  | (730)          | (131)         | (861)        | (573)          | (108)         | (681)        |
| Current service cost  | (21)           | (4)           | (25)         | (15)           | (3)           | (18)         |
| Past service income   | -              | 3             | 3            | -              | -             | -            |
| Interest cost   | (17)           | (5)           | (22)         | (20)           | (4)           | (24)         |
| Actuarial gains (losses) for:   |                |               |              |                |               |              |
| Experience adjustments  | (27)           | (3)           | (30)         | -              | (3)           | (3)          |
| Adjustments to demographic assumptions  | -              | (1)           | (1)          | -              | (2)           | (2)          |
| Adjustments to financial assumptions  | 8              | (2)           | 6            | (134)          | (15)          | (149)        |
| Acquisitions  | -              | (3)           | (3)          | -              | (1)           | (1)          |
| Curtailments  | -              | -             | -            | -              | 5             | 5            |
| Plan settlements  | -              | 7             | 7            | -              | -             | -            |
| Benefits paid by Infineon   | 14             | 4             | 18           | 12             | 3             | 15           |
| Foreign currency effects  | -              | (6)           | (6)          | -              | (3)           | (3)          |
| <b>Present value of defined benefit obligation at end of year</b>                         | <b>(773)</b>   | <b>(141)</b>  | <b>(914)</b> | <b>(730)</b>   | <b>(131)</b>  | <b>(861)</b> |
| <b>Change in fair value of plan assets:</b>   |                |               |              |                |               |              |
| Fair value of plan assets at beginning of year  | 430            | 52            | 482          | 394            | 43            | 437          |
| Expected return on plan assets  | 10             | 2             | 12           | 14             | 2             | 16           |
| Actuarial gains (losses)  | (2)            | (3)           | (5)          | 22             | 2             | 24           |
| Contributions from Infineon   | 13             | 6             | 19           | 12             | 6             | 18           |
| Benefits paid   | (14)           | (4)           | (18)         | (12)           | (3)           | (15)         |
| Plan settlements  | -              | (7)           | (7)          | -              | -             | -            |
| Foreign currency effects  | -              | 5             | 5            | -              | 2             | 2            |
| <b>Fair value of plan assets at end of year</b>   | <b>437</b>     | <b>51</b>     | <b>488</b>   | <b>430</b>     | <b>52</b>     | <b>482</b>   |
| <b>Net pension liability</b>  | <b>(336)</b>   | <b>(90)</b>   | <b>(426)</b> | <b>(300)</b>   | <b>(79)</b>   | <b>(379)</b> |
| Thereof: Infineon Technologies AG   | (313)          | -             | (313)        | (281)          | -             | (281)        |
| Thereof: Infineon Technologies Austria AG   | -              | (40)          | (40)         | -              | (37)          | (37)         |

Pension obligations are reported in the Consolidated Statement of Financial Position under "Pension plans and similar commitments".

Since no asset ceilings applied, the funded status of the Infineon pension plans corresponds to the amounts reported in the Consolidated Statement of Financial Position as at September 30, 2015 and 2014.

The funding of the defined benefit obligations is as follows:

| € in millions                          | 2015           |               |            | 2014           |               |            |
|--|----------------|---------------|------------|----------------|---------------|------------|
|  | Domestic plans | Foreign plans | Total      | Domestic plans | Foreign plans | Total      |
| Plans that are wholly unfunded         | 10             | 71            | 81         | 10             | 63            | 73         |
| Plans that are wholly or partly funded | 763            | 70            | 833        | 720            | 68            | 788        |
| <b>Total</b>                           | <b>773</b>     | <b>141</b>    | <b>914</b> | <b>730</b>     | <b>131</b>    | <b>861</b> |

### Actuarial assumptions

The weighted-average assumptions used in calculating the actuarial values for the pension plans are as follows:

| in %  | 2015           |               | 2014           |               |
|---|----------------|---------------|----------------|---------------|
|   | Domestic plans | Foreign plans | Domestic plans | Foreign plans |
| Discount rate at the end of the fiscal year | 2.4            | 3.2           | 2.4            | 3.4           |
| Rate of salary increase                     | 2.0            | 2.4           | 2.0            | 2.3           |
| Projected future pension increases          | 2.0            | 0.7           | 2.0            | 0.7           |

Discount rates are derived from high-grade fixed interest corporate bonds from issuers carrying a very high credit rating.

### Sensitivity analysis

The following sensitivity analysis table shows how the present value of all defined benefit pension obligations would be affected by changes in the aforementioned actuarial assumptions. In each case they reflect the effect of changes in one actuarial assumption holding all other assumptions constant.

| € in millions   | 2015           |               |       | 2014           |               |       |
|---|----------------|---------------|-------|----------------|---------------|-------|
|   | Domestic plans | Foreign plans | Total | Domestic plans | Foreign plans | Total |
| <b>Present value of defined benefit pension plans with:</b> |                |               |       |                |               |       |
| a 50 basis points higher discount rate                      | 708            | 131           | 839   | 669            | 117           | 786   |
| a 50 basis points lower discount rate                       | 847            | 152           | 999   | 800            | 136           | 936   |
| a 50 basis points higher expected rate of salary increase   | 783            | 145           | 928   | 736            | 130           | 866   |
| a 50 basis points lower expected rate of salary increase    | 765            | 137           | 902   | 724            | 122           | 846   |
| a 50 basis points higher expected rate of pension increase  | 795            | 146           | 941   | 746            | 129           | 875   |
| a 50 basis points lower expected rate of pension increase   | 754            | 136           | 890   | 715            | 123           | 838   |
| Increase in life expectancy by one year                     | 790            | 143           | 933   | 745            | 129           | 874   |

The 2005 G actuarial tables by Dr. Klaus Heubeck were used for Germany, and for Austria the AVÖ 2008-P (Ang.) tables were applied.

### Investment strategies

The pension plans' assets are invested with several fund managers. The investment guidelines require a mix of active and passive investment management programs covering different asset classes. Taking the duration of the underlying liabilities into account, a portfolio of investments of plan assets in equity, debt and other securities, and reinsurance policies is targeted to maximize the total long-term return on assets for a given level of risk. Investment risk is monitored on an ongoing basis through periodic portfolio reviews, coordination with investment managers and annual liability measurements. Investment policies and strategies are periodically reviewed to ensure the objectives of the plans are met, taking into account any changes in benefit plan design, market conditions or other material items. Furthermore, Infineon periodically commissions detailed asset/liability studies to be performed by third-party professional investment advisors and actuaries, the results of which are incorporated into the investment strategy.

### Plan asset allocation

As of September 30, 2015 and 2014 the allocation of invested plan assets to the major asset categories is as follows:

| € in millions             | 2015                       |                                | 2014                       |                                |
|---------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                           | Quoted in an active market | Not quoted in an active market | Quoted in an active market | Not quoted in an active market |
| Government bonds          | 146                        | -                              | 153                        | -                              |
| Corporate bonds           | 130                        | 3                              | 109                        | -                              |
| Equity securities         | 78                         | -                              | 75                         | -                              |
| Cash and cash equivalents | 33                         | -                              | 53                         | -                              |
| Reinsurance policies      | -                          | 33                             | -                          | 33                             |
| Property                  | 3                          | 23                             | -                          | 26                             |
| Other                     | 24                         | 15                             | 25                         | 8                              |
| <b>Total</b>              | <b>414</b>                 | <b>74</b>                      | <b>415</b>                 | <b>67</b>                      |

The position "Other" in the table above comprises mainly commodity funds.

As a matter of policy Infineon's pension plans do not invest in shares of Infineon.

The actual return on plan assets in the fiscal year ended September 30, 2015 was €7 million (2014: €40 million).

### Amounts recognized in profit or loss and in total comprehensive income

The expenses and income of defined benefit plans for the years ended September 30, 2015 and 2014 comprise the following:

| € in millions  | 2015           |               |             | 2014           |               |             |
|--|----------------|---------------|-------------|----------------|---------------|-------------|
|  | Domestic plans | Foreign plans | Total       | Domestic plans | Foreign plans | Total       |
| Current service cost                                     | (21)           | (4)           | (25)        | (15)           | (3)           | (18)        |
| Interest cost  | (17)           | (5)           | (22)        | (20)           | (4)           | (24)        |
| Expected return on plan assets                           | 10             | 2             | 12          | 14             | 2             | 16          |
| Amortization of unrecognized past service (cost) benefit | -              | 3             | 3           | -              | -             | -           |
| Curtailement gain recognized                             | -              | -             | -           | -              | 5             | 5           |
| <b>Pension cost</b>                                      | <b>(28)</b>    | <b>(4)</b>    | <b>(32)</b> | <b>(21)</b>    | <b>-</b>      | <b>(21)</b> |

Service costs are recorded within cost of goods sold to the extent that they relate to production employees, otherwise they are recorded as research and development or selling, general and administrative expenses. Interest costs and expected return on plan assets were recorded net as part of financial expense.

Actuarial losses of €30 million and actuarial losses of €130 million have been recognized outside of the Consolidated Statement of Operations in Other Comprehensive Income for the years ended September 30, 2015 and 2014, respectively.

As of September 30, 2015 and 2014, cumulative actuarial losses amounted to €322 million and €292 million, respectively. In addition, cumulative actuarial losses amounting to €5 million, resulting from deferred compensation and health care plans, are also recognized directly in Other Comprehensive Income.

In the 2016 fiscal year, payments of €21 million are expected to be made to plan assets of which €20 million relates to benefits paid directly to pension recipients by the Group companies, and €1 million is contributions to plan assets.

The weighted average duration of defined benefit plans is around 18 and 17 years as of September 30, 2015 and 2014, respectively.

The following table shows the expected disbursements for defined benefit plans for the next ten fiscal years as at September 30, 2015 and 2014:

| € in millions    | 2015       | 2014       |
|------------------|------------|------------|
| Less than 1 year | 21         | 18         |
| 1 – 2 years      | 21         | 18         |
| 2 – 5 years      | 82         | 70         |
| 5 – 10 years     | 197        | 175        |
| <b>Total</b>     | <b>321</b> | <b>281</b> |

### Defined contribution plans

In connection with defined contribution plans, fixed contributions are made to external insurance providers or funds. Infineon has no further performance obligations or risks with regard to these pension plans in excess of the fixed contributions paid. Additionally the Group makes contributions to government pension schemes. Expenses for defined contribution plans amounted to €134 million and €114 million in the fiscal years ended September 30, 2015 and 2014, respectively.

### 30 Additional disclosures on financial instruments

The following table presents the carrying amounts and the fair values of financial instruments by their respective classes, and a breakdown by category of financial instruments as defined by IAS 39.

| € in millions                           | Categories of financial assets |                                      |                    |                       |                             | Fair value   |
|---|--------------------------------|--------------------------------------|--------------------|-----------------------|-----------------------------|--------------|
|   | Carrying amount                | At fair value through profit or loss | Available for sale | Loans and receivables | Designated cash flow hedges |              |
| <b>Financial assets</b>                 |                                |                                      |                    |                       |                             |              |
| <b>Balance as of September 30, 2015</b> |                                |                                      |                    |                       |                             |              |
| Current assets:                         |                                |                                      |                    |                       |                             |              |
| Cash and cash equivalents               | 673                            | -                                    | -                  | 673                   | -                           | 673          |
| Financial investments                   | 1,340                          | -                                    | 184                | 1,156                 | -                           | 1,340        |
| Trade receivables                       | 742                            | -                                    | -                  | 742                   | -                           | 742          |
| Other current assets                    | 74                             | 1                                    | -                  | 73                    | -                           | 74           |
| Non-current assets:                     |                                |                                      |                    |                       |                             |              |
| Other non-current assets                | 129                            | -                                    | 32                 | 97                    | -                           | 129          |
| <b>Total</b>                            | <b>2,958</b>                   | <b>1</b>                             | <b>216</b>         | <b>2,741</b>          | <b>-</b>                    | <b>2,958</b> |
| <b>Balance as of September 30, 2014</b> |                                |                                      |                    |                       |                             |              |
| Current assets:                         |                                |                                      |                    |                       |                             |              |
| Cash and cash equivalents               | 1,058                          | -                                    | -                  | 1,058                 | -                           | 1,058        |
| Financial investments                   | 1,360                          | -                                    | 64                 | 1,296                 | -                           | 1,360        |
| Trade receivables                       | 581                            | -                                    | -                  | 581                   | -                           | 581          |
| Other current assets                    | 115                            | 2                                    | -                  | 74                    | 39                          | 115          |
| Non-current assets:                     |                                |                                      |                    |                       |                             |              |
| Other non-current assets                | 118                            | -                                    | 21                 | 97                    | -                           | 118          |
| <b>Total</b>                            | <b>3,232</b>                   | <b>2</b>                             | <b>85</b>          | <b>3,106</b>          | <b>39</b>                   | <b>3,232</b> |

| € in millions  | Categories of financial liabilities |                                      |  |   | Fair value   |
|--|-------------------------------------|--------------------------------------|--|---|--------------|
|  | Carrying amount                     | At fair value through profit or loss | Other financial liabilities (amortized cost) | Designated hedging instruments (cash flow hedges) |              |
| <b>Balance as of September 30, 2015</b>                  |                                     |                                      |  |   |              |
| Current liabilities:                                     |                                     |                                      |  |   |              |
| Short-term debt and current maturities of long-term debt | 33                                  | –                                    | 33   | –   | 33           |
| Trade payables   | 802                                 | –                                    | 802  | –   | 802          |
| Other current liabilities                                | 137                                 | 7                                    | 128  | 2   | 137          |
| Non-current liabilities:                                 |                                     |                                      |  |   |              |
| Long-term debt   | 1,760                               | –                                    | 1,760  | –   | 1,759        |
| Other non-current liabilities                            | 32                                  | –                                    | 32   | –   | 32           |
| <b>Total</b>   | <b>2,764</b>                        | <b>7</b>                             | <b>2,755</b>                                 | <b>2</b>  | <b>2,763</b> |
| <b>Balance as of September 30, 2014</b>                  |                                     |                                      |  |   |              |
| Current liabilities:                                     |                                     |                                      |  |   |              |
| Short-term debt and current maturities of long-term debt | 35                                  | –                                    | 35   | –   | 35           |
| Trade payables   | 648                                 | –                                    | 648  | –   | 648          |
| Other current liabilities                                | 179                                 | 1                                    | 176  | 2   | 179          |
| Non-current liabilities:                                 |                                     |                                      |  |   |              |
| Long-term debt   | 151                                 | –                                    | 151  | –   | 151          |
| Other non-current liabilities                            | 15                                  | –                                    | 15   | –   | 15           |
| <b>Total</b>   | <b>1,028</b>                        | <b>1</b>                             | <b>1,025</b>                                 | <b>2</b>  | <b>1,028</b> |

For assets measured at amortized costs categorized as “Loans and receivables”, it is assumed that the fair values correspond to their carrying amounts. The same assumption applies to liabilities resulting from trade payables and other current liabilities categorized as “Other financial liabilities (amortized cost)”.

Financial instruments measured at fair value are allocated to the following measurement levels in accordance with IFRS 13. The allocation to the different levels is based on the market proximity of the valuation parameters used in the determination of the fair value:

- › Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities,
- › Level 2: valuation parameters whose prices are not the ones considered in Level 1, but which can be observed either directly or indirectly for the assets or liabilities,
- › Level 3: valuation parameters for assets and liabilities which are not based on observable market data.



The allocation to the levels as of September 30, 2015 and 2014 is as follows:

| € in millions             | Fair value | Fair value by category |            |           |
|---------------------------|------------|------------------------|------------|-----------|
|                           |            | Level 1                | Level 2    | Level 3   |
| <b>2015 Fiscal year</b>   |            |                        |            |           |
| Current assets:           |            |                        |            |           |
| Financial investments     | 184        | 122                    | 62         | -         |
| Other current assets      | 1          | -                      | 1          | -         |
| Non-current assets:       |            |                        |            |           |
| Other non-current assets  | 32         | 19                     | -          | 13        |
| <b>Total</b>              | <b>217</b> | <b>141</b>             | <b>63</b>  | <b>13</b> |
| Current Liabilities       |            |                        |            |           |
| Other current liabilities | 9          | -                      | 9          | -         |
| <b>Total</b>              | <b>9</b>   | <b>-</b>               | <b>9</b>   | <b>-</b>  |
| <b>2014 Fiscal year</b>   |            |                        |            |           |
| Current assets:           |            |                        |            |           |
| Financial investments     | 64         | -                      | 64         | -         |
| Other current assets      | 41         | -                      | 41         | -         |
| Non-current assets:       |            |                        |            |           |
| Other non-current assets  | 21         | 16                     | -          | 5         |
| <b>Total</b>              | <b>126</b> | <b>16</b>              | <b>105</b> | <b>5</b>  |
| Current Liabilities       |            |                        |            |           |
| Other current liabilities | 3          | -                      | 3          | -         |
| <b>Total</b>              | <b>3</b>   | <b>-</b>               | <b>3</b>   | <b>-</b>  |

There is no active market for the securities included in financial investments. The fair value is calculated as the present value of future expected cash flows, taking into account valuation parameters which can be observed in the market (Level 2).

Other current liabilities contain derivative financial instruments, including cash flow hedges. Their fair value is determined by discounting future cash flows according to the discounted cash flow method. Where possible, valuation parameters observed on the reporting date in the relevant markets (such as currency rates or commodity prices) drawn from reliable external sources are used (Level 2).

Other non-current assets include equity holdings and investments in funds. Where these are traded on an active market, the fair value is based on the actual market price (Level 1). For equity investments where no actively traded market price is available, the fair value is determined by considering existing contractual arrangements based on externally observable dividend policy (Level 3).

In addition, other non-current assets include an option to sell shares in an equity holding for a fixed price. The option is recognized as a derivative financial instrument and is not designated as a hedging instrument. The fair value is determined using the Black-Scholes option pricing model (Level 3).

In the 2015 and 2014 fiscal years there were no reclassifications between the levels.

The net gain or loss on financial instruments within continuing operations in the Group Statement of Operations amounted to the following:

| € in millions                                     | 2015        | 2014       |
|---|-------------|------------|
| Available-for-sale financial assets               | 5           | 3          |
| Loan and receivables                              | 64          | 36         |
| Held for trading                                  | (21)        | –          |
| Other financial liabilities                       | (77)        | (40)       |
| Designated hedging instruments (cash flow hedges) | (6)         | (7)        |
| <b>Total</b>                                      | <b>(35)</b> | <b>(8)</b> |

The currency effects included within net gains and losses amount to negative €2 million (2014: negative €4 million). This net currency effect arose exclusively from financial instruments according to IFRS 7.

Interest income from financial instruments not measured at fair value through profit and loss amounted to €6 million in the 2015 fiscal year (2014: €10 million); interest expense from such financial instruments amounted to €39 million (2014: €11 million).

Infineon does not net financial instruments. The Infineon Group conducts derivative transactions according to the global netting agreement (Master Agreement) of the International Swaps and Derivatives Association (ISDA) and other comparable national framework agreements. These agreements contain no legally enforceable requirement for netting.

#### Derivative financial instruments and hedging activities

Infineon holds derivative financial instruments exclusively for hedging purposes. This includes the use of forward exchange contracts and commodity swaps. The objective is to reduce the impact of exchange rate and commodity price fluctuations on future net cash flows.

The nominal values and fair values of Infineon's derivative instruments as of September 30, 2015 and 2014 are as follows:

| € in millions                        | 2015      |            | 2014      |            |
|--------------------------------------|-----------|------------|-----------|------------|
|                                      | Par value | Fair value | Par value | Fair value |
| Forward exchange contracts sold      | 171       | (2)        | 25        | –          |
| Forward exchange contracts purchased | 145       | (4)        | 116       | 1          |
| Deal Contingent Forward              | –         | –          | 1,146     | 39         |
| Commodity swaps                      | 41        | (2)        | 42        | (2)        |
| <b>Total</b>                         |           | <b>(8)</b> |           | <b>38</b>  |

Foreign exchange derivatives are entered into by Infineon to offset the exchange risk from anticipated cash receipts from operating activities. In 2015 as in 2014 no foreign exchange derivatives used to hedge ongoing business were designated as cash flow hedges.

The Euro/US Dollar foreign currency forward contract contingent on closing of the acquisition of International Rectifier (Deal Contingent Forward) entered into in August 2014 gave partial protection against exchange rate risks arising from the purchase price obligation (see note 3) and became due upon completion of the acquisition. Amounts previously recorded in other reserves for this hedge were fully taken into account when calculating the purchase price in euros. No ineffectiveness was recorded in the Consolidated Statement of Operations for this hedge relationship. Additionally, for the aforementioned hedging purpose, holdings in US Dollars (US\$196 million) generated from operating business activities in the 2015 fiscal year were also designated as cash flow hedges. Here too, amounts previously recorded in other reserves were fully taken into account when calculating the purchase price in euros. This hedging relationship also had no effect on the Consolidated Statement of Operations.

To offset the price risks of highly probable gold purchases in the coming fiscal years, Infineon entered into swaps which are designated as cash flow hedges. The fair value of these swaps amounted to negative €2 million as of September 30, 2015 and negative €2 million as of September 30, 2014. €3 million of unrealized losses arose from these transactions in the 2015 fiscal year (2014: €3 million unrealized losses), these reduced other reserves by a corresponding amount. At the same time, €3 million of gains were realized in the 2015 fiscal year on swap transactions concluded in the previous year (2014: €4 million of gains); this amount was transferred from other reserves into the Consolidated Statement of Operations.

As in the previous year, no hedge ineffectiveness was recorded in the Consolidated Statement of Operations for the aforementioned hedging relationships. As in the previous year, no gains or losses were transferred from other reserves to profit or loss as a result of cash flow hedges for future raw material purchases being cancelled following the decision that the occurrence of the hedged transaction had become unlikely.

## 31 Financial risk management

Infineon's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Infineon's financial risk management program seeks to minimize potential adverse effects on its profitability and liquidity. Infineon uses derivative financial instruments to hedge certain risks to which it is exposed. Financial risk management is carried out by the central Finance & Treasury (FT) department in accordance with policies approved by the Chief Financial Officer. The FT department identifies, evaluates and hedges financial risks in close cooperation with the operating units. The FT department's policy contains principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

### Market risk

Market risk is defined as the risk of losses resulting from adverse changes in the market prices of financial instruments, including those related to foreign exchange rates, interest rates and other price risks.

Infineon is exposed to various market risks in the ordinary course of business, primarily resulting from changes in foreign exchange rates and interest rates. Infineon enters into a range of derivative financial transactions with various counterparties to limit such risks. Derivative instruments are used only for hedging purposes and not for trading or speculative purposes.

### Foreign exchange risk

Foreign exchange risk within the meaning of IFRS is the risk arising from changes to foreign exchange rates. Accordingly, foreign exchange risks are associated with monetary financial instruments that are denominated in a foreign currency that is one that does not correspond to the functional currency, and the foreign currency represents the relevant risk variable. Risks arising from the translation into Infineon's reporting currency are not risks within the meaning of IFRS 7.

Although Infineon prepares the Consolidated Financial Statements in euros, a varying but significant portion of its revenue as well as cost of goods sold, research and development and product distribution costs are denominated in currencies other than the euro, primarily the US dollar. Fluctuations in the exchange rates of these currencies compared to the euro had an effect on the results of Infineon in the 2015 and 2014 fiscal years.

The Management Board has established policies that require Infineon's individual legal entities to manage the foreign exchange risk with respect to their functional currency. Group entities prepare a monthly rolling cash flow forecast by currency in order to determine foreign exchange risks. The net foreign exchange positions determined in these forecasts are required to be hedged, usually by entering into internal hedging contracts. Infineon's policy with respect to limiting short-term foreign currency exposure is to hedge at least 75 percent of its estimated net cash flow for the following two months, at least 50 percent of its estimated net cash flow for the third month and, depending on the nature of the underlying transactions, a portion for the periods thereafter. Part of the foreign currency risk cannot be mitigated due to differences between actual and forecasted amounts. Infineon calculates this remaining risk based on net cash flows considering items in the Statement of Financial Position, actual orders received or placed and all other planned cash receipts and payments. Entities acquired as a result of the acquisition of International Rectifier which still follow their own hedging strategy were excepted from this policy in the 2015 fiscal year.

For the net result related to foreign currency derivatives and foreign currency transactions included within net income see note 30.

The following table shows the effects on profit or loss and equity for continuing operations of a 10 percent shift in the currency exchange rates for the major foreign currencies (which can be found in note 2) as of September 30, 2015 and 2014. The assumed exchange rate changes relate only to financial instruments within the meaning of IFRS 7.

| € in millions      | Profit or Loss |       | Equity |       |
|--------------------|----------------|-------|--------|-------|
|                    | +10%           | (10%) | +10%   | (10%) |
| September 30, 2015 | 11             | (13)  | -      | -     |
| September 30, 2014 | (2)            | 3     | (11)   | -     |

#### Interest rate risk

In accordance with IFRS 7 "Financial Instruments: Disclosures", interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Infineon is exposed to interest rate risk through its financial assets and debt instruments resulting from bond issuances and debt financing. Due to the cyclical nature of its core business and the need to maintain high operational flexibility, Infineon holds a relatively high level of liquid financial assets that are invested in short-term fixed-interest instruments. These investments generally have a contract duration of between one and twelve months in order to achieve short-term interest rate returns. The risk to these assets of changing interest rates is partially offset by financial liabilities, some of which are based on variable interest rates.

To reduce the net remaining risks caused by changes in interest rates, Infineon is able to make use of interest rate derivatives in order to align the fixed interest periods of assets and liabilities.

IFRS 7 requires a sensitivity analysis showing the effect of possible changes in market interest rates on profit or loss and equity. Infineon prepares this using the iteration method. Infineon does not hold any fixed-rate financial assets or liabilities that are measured at fair value through profit or loss. Furthermore, Infineon did not hold any fixed-rate available-for-sale financial assets either in 2015 or 2014.

Changes in market interest rates affect interest income and interest expense on variable rate financial instruments. Assuming an increase (decrease) of 100 basis points in market interest rates in 2015, interest income in the 2015 fiscal year would have been worse (better) by €9 million; assuming an increase (decrease) of 100 basis points in market interest rates in 2014, interest income in the 2014 fiscal year would have been worse (better) by €0 million.

### Other price risk

According to IFRS 7 “Financial Instruments: Disclosures”, other price risk is defined as the risk that the fair value or future cash flows of a financial instrument could fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), irrespective of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Infineon held financial instruments that are exposed to market price risks. A change in the relevant market prices would have no significant impact on the result of the 2015 and 2014 fiscal years.

Additionally, Infineon is exposed to price risks with respect to raw materials upon which it is dependent. Infineon seeks to minimize these risks through its procurement policy (including the use of multiple sources, where possible) and its operating procedures. In line with these measures Infineon concluded additional financial derivative contracts for certain commodity supplies (gold) for the following fiscal year in order to mitigate the remaining risk arising from the fluctuation of commodity prices. The change in relevant market prices as of September 30, 2015 and September 30, 2014 had no significant impact on equity of the 2015 and 2014 fiscal years.

### Credit risk

Credit risk arises when a customer or other counterparty of a financial instrument fails to discharge its contractual obligations. Infineon is exposed to this risk as a consequence of its ongoing operations, the financial investments and certain financing activities. Infineon’s credit risk arises primarily from trade receivables, cash and cash equivalents, financial investments and derivative financial instruments. Excluding the impact of any collateral received, the carrying amount of financial investments, cash and cash equivalents and trade receivables corresponds to the maximum credit risk.

Credit risk with respect to trade receivables is limited by the large number and geographic diversity of the customer base. Infineon controls credit risk through comprehensive credit evaluations for all major customers, the use of credit limits and monitoring procedures. New customers are evaluated for creditworthiness in accordance with Infineon guidelines. Credit limits are also in place for individual customers and creditworthiness and credit limits are constantly monitored. A further measure taken to reduce credit risk is the use of reservation of title clauses. However, despite continuous monitoring, Infineon cannot fully exclude the possibility of a loss arising from the default of one of its contract parties.

Worldwide foreign exchange and interest hedging contracts as well as the investment of liquid assets in cash equivalents and financial investments are entered into with major financial institutions worldwide that have high credit ratings. Infineon assesses the creditworthiness of banks using a methodology that establishes investment limits for individual banks that are updated on a daily basis based on current ratings (Standard & Poor’s, Moody’s or Fitch) and credit default swap premiums. Any possible breaches of stipulated investment thresholds result in an immediate notification and a call to reduce the risk.

Infineon has spread its cash investments over more than 10 banks. At September 30, 2015 no financial institution was responsible for more than 15 percent (2014: 14 percent) of Infineon’s cash investments. This gives rise to a maximum risk of €203 million (2014: €190 million) in the event of the default of a single financial institution assuming no deposit insurance scheme is in place. Infineon also holds derivative financial instruments with a positive fair value of €1 million (2014: €41 million, of which €39 million related to the Deal Contingent Forward).

## Financing and liquidity risk

Financing and liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities.

Liquidity risk could arise from a potential inability of Infineon to meet maturing financial obligations. Infineon's liquidity management provides that sufficient levels of cash and other liquid assets are available as well ensuring the availability of funding through adequate levels of committed credit facilities.

The following table discloses the maturity profile for non-derivative financial liabilities and a cash flow analysis for derivative financial instruments with negative fair values. The table shows the undiscounted contractually agreed cash flows that result from the respective financial liability. Cash flows are recognized at the date when Infineon becomes a contractual partner to the financial instrument. Amounts in foreign currencies are translated using the closing rate at the reporting date. The value of financial instruments with variable interest payments is determined using the interest rate from the last interest fixing date before September 30, 2015. The cash outflows of financial liabilities that can be repaid at any time are assigned to the period in which the earliest redemption is possible.

| € in millions                        | Contractual cash flows |              |           |            |            |           |             |
|--------------------------------------|------------------------|--------------|-----------|------------|------------|-----------|-------------|
|                                      | 2015                   | 2016         | 2017      | 2018       | 2019       | 2020      | beyond 2020 |
| Non derivative financial liabilities | 2,906                  | 1,004        | 46        | 332        | 970        | 14        | 540         |
| Derivative financial liabilities:    |                        |              |           |            |            |           |             |
| Cash outflow                         | 209                    | 209          | -         | -          | -          | -         | -           |
| Cash inflow <sup>1</sup>             | (201)                  | (201)        | -         | -          | -          | -         | -           |
| <b>Total</b>                         | <b>2,914</b>           | <b>1,012</b> | <b>46</b> | <b>332</b> | <b>970</b> | <b>14</b> | <b>540</b>  |

|                                      | 2014         | 2015       | 2016      | 2017      | 2018     | 2019       | beyond 2019 |
|--------------------------------------|--------------|------------|-----------|-----------|----------|------------|-------------|
| Non derivative financial liabilities | 1,032        | 865        | 21        | 16        | 6        | 107        | 17          |
| Derivative financial liabilities:    |              |            |           |           |          |            |             |
| Cash outflow                         | 60           | 53         | 7         | -         | -        | -          | -           |
| Cash inflow <sup>1</sup>             | (57)         | (50)       | (7)       | -         | -        | -          | -           |
| <b>Total</b>                         | <b>1,035</b> | <b>868</b> | <b>21</b> | <b>16</b> | <b>6</b> | <b>107</b> | <b>17</b>   |

<sup>1</sup> Cash inflows from derivative financial liabilities that arise upon settlement of the instrument.

## 32 Legal risks

### Litigation and government inquiries

#### Smartcard antitrust litigation

In October 2008, the EU Commission initiated an investigation into the Company and other manufacturers of chips for smartcards for alleged violations of antitrust laws. On September 3, 2014, the EU Commission imposed a fine of €83 million on Infineon which was paid in October 2014. Infineon rejects the allegations as unfounded. Moreover Infineon believes its procedural rights to have been violated by the EU Commission and brought an action against the decision to fine before the European Court of Justice in Luxembourg in mid-November 2014.

Two class actions for damages in connection with the EU Commission investigative proceedings have been filed in Canada: The first action was filed in the state of British Columbia in July 2013, and the second in the state of Quebec in September 2014. The actions followed the press reports on the investigation and subsequent decision of the EU Commission. No dates have been set for court proceedings.

In December 2014, an indirect customer filed a lawsuit against Infineon and Renesas in London (Great Britain) which was served upon the Company on April 20, 2015. In this lawsuit the plaintiff claims for damages in an amount still to be determined in connection with the allegations of the EU Commission.

Any further statements about these matters by the Company could seriously compromise the Company's position in these proceedings.

#### *Proceedings in relation to Qimonda*

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out from Infineon and transferred to Qimonda in the form of a non-cash contribution with economic effect from May 1, 2006. Qimonda filed an application at the Munich Local Court to commence insolvency proceedings on January 23, 2009. On April 1, 2009, the insolvency proceedings formally opened. The insolvency of Qimonda has given rise to various disputes between the administrator and Infineon.

#### *Partial settlement on September 11, 2014*

On September 11, 2014 the Company and the administrator reached a partial settlement which was closed on October 9, 2014. On the closing day the Company paid €260 million to the administrator.

The partial settlement includes the acquisition by Infineon of Qimonda's patent business including the entire patent portfolio. On the closing day, the administrator transferred the patent business including the ownership of the patents to Infineon. With the exception of the proceedings mentioned below, the payment on the closing day by mutual consent ends the actions with respect to the continuing use of the Qimonda patents and Infineon's ownership of the license.

With the partial settlement insolvency law proceedings contesting intercompany payments were also by mutual consent brought to a close.

Additionally, further out-of-court claims of right to contest under insolvency law, as well as any other claims made by the administrator are settled, apart from those relating to the proceedings in connection with the alleged activation of a shell company and liability for impairment of capital.

#### *Alleged activation of a shell company and liability for impairment of capital*

The administrator filed a request for declaratory judgment in an unspecified amount against Infineon Technologies AG and, by way of third party notice, Infineon Technologies Holding B.V. and Infineon Technologies Investment B.V., at Regional Court Munich I in November 2010. This requested that Infineon be deemed liable to make good the deficit balance of Qimonda as it stood when the insolvency proceedings in respect of the assets of Qimonda began, i.e., to refund to Qimonda the difference between the latter's actual business assets when the insolvency proceedings began and its share capital (in German: "Unterbilanzhaftung"). The administrator contended that the commencement of operating activities by Qimonda amounted to what is considered in case law to be the activation of a shell company (in German: "Wirtschaftliche Neugründung"), and that this activation of a shell company was not disclosed in the correct manner. On March 6, 2012, with respect to another matter, the German Federal High Court issued a ruling on principle that any liability resulting from the activation of a shell company only depends on the situation at the date of the activation of a shell company and not, as asserted by the administrator, on the situation at the date on which insolvency proceedings are opened.

In addition to the request for declaratory judgment against Infineon in an unspecified amount, on February 14, 2012 the administrator also lodged a request for payment based on an alternative claim (in German: "Hilfsantrag"), as well as making other additional claims. In conjunction with this alternative claim, the administrator has requested the payment of at least €1.71 billion plus interest in connection with the alleged activation of a shell company. On June 15, 2012 the insolvency administrator increased his request for payment of February 14, 2012 on the grounds of activation of a shell company to at least approximately €3.35 billion plus interest. Furthermore, the insolvency administrator continues to base a substantial part of his alleged payment claims, as already asserted out of court against Infineon in August 2011 for an unspecified amount, on so-called liability for impairment of capital (in German "Differenzhaftung"). This claim is based on the allegation that, from the very beginning, the carved-out memory products business had a negative billion euro value. The administrator therefore asserts that Infineon is obliged to make good the difference between this negative value and the lowest issue price (in German: "geringster Ausgabebetrag") of the subscribed stock. Additionally, the insolvency administrator has asserted a claim for repayment of allegedly unjustly charged consultancy fees in an amount of €10 million in connection with the flotation of Qimonda.



The alleged impairment of capital runs contrary to two valuations prepared as part of the preparatory documentation for the capital increase by independent auditing companies, one of which had been engaged by Infineon and the other of which was acting in the capacity of a court-appointed auditor of non-cash contributions and post-formation acquisitions. The auditing company engaged by Infineon concluded in its valuation that the business area contributed had a value of several times the lowest issue price of the shares issued, while the court-appointed auditor of non-cash contributions and post-formation acquisitions confirmed to the court that the lowest issue price of the shares issued was covered – as legally required – by the value of the non-cash contributions. Additionally, in the course of its defense against the claims asserted by the administrator, Infineon has commissioned several expert opinions all of which arrive at the same conclusion, that the objections raised by the administrator against the valuation of the non-cash contribution are not valid.

The legal dispute has, in the meantime, focused on the claims asserted for alleged lack of value. On August 29, 2013 the court appointed an independent expert in order to clarify the valuation issues raised by the administrator. Furthermore, an additional expert has yet to be appointed to deal with technical questions.

The legal dispute is being pursued with great effort by both parties, and many extensive written submissions have already been exchanged between the parties. Both sides have engaged numerous specialists and experts who are supporting the respective parties with assessments and opinions.

Due to the highly complex nature of the issues to be decided and the level of the claims asserted, it is not clear at this stage if this legal dispute can be ended with an out-of-court settlement, and absent a settlement when a first-instance court decision would be reached.

#### *Residual liability of Infineon as former shareholder of Qimonda Dresden GmbH & Co. OHG*

Infineon was a shareholder with personal liability of Qimonda Dresden until the carve-out of the memory business; as a result certain long-standing creditors have residual liability claims against Infineon. These claims, which include the potential repayment of public subsidies, trade tax demands, receivables of service providers and suppliers and employee-related claims such as salaries and social security contributions, can only be exercised by the administrator acting in the name of the creditors concerned. In the meantime, settlements have been concluded with many of the residual liability creditors, in particular with respect to the employee-related claims.

#### *Liabilities, provisions and contingent liabilities relating to Qimonda*

Infineon recognizes provisions and liabilities for such obligations and risks which it assesses at the end of each reporting period are more likely than not to be incurred (that is where, from Infineon's perspective at the end of each reporting period, the probability of having to settle an obligation or risk is greater than the probability of not having to) and the obligation or risk can be estimated with reasonable accuracy at this time.

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions and liabilities in connection with some of the above-mentioned matters totaling €55 million as of September 30, 2015 (2014: €315 million). Of the provisions and liabilities recorded as of September 30, 2015, €32 million has been provided in connection with the residual liability as former shareholder of Qimonda Dresden. For the defense of the proceedings still pending for the alleged activation of a shell company and liability for impairment of capital, the Company has recorded a provision of €18 million as of September 30, 2015. Remaining provisions in connection with the Qimonda insolvency total €5 million as of September 30, 2015. In October 2015 the Company paid €14 million to the insolvency administrator for selected settlement agreements for residual liability claims for former employees of Qimonda Dresden.

There can be no certainty that the provisions recorded for Qimonda will be sufficient to cover all of the liabilities that could ultimately be incurred in relation to the insolvency of Qimonda and, in particular, the matters discussed above. In addition, it is possible that liabilities and risks materialize that are currently considered to be unlikely to do so, and accordingly represent contingent liabilities that are not included in provisions. This applies in particular to the legal dispute for alleged activation of a shell company and liability for impairment of capital described above. Should the alleged claims prove to be valid, substantial financial obligations could arise for Infineon which could have a material adverse effect on its business and its financial condition, liquidity position and results of operations. Any further statements about these matters by the Company could seriously compromise the Company's position in these proceedings.

#### Other

Infineon is also involved in various other legal disputes and proceedings in connection with its existing or previous business activities. These can relate to products, services, patents, environmental issues and other matters. Furthermore, since the acquisition of International Rectifier Infineon is at present and may also in the future become subject to various legal disputes and proceedings and exposed to risks related to current or previous activities of International Rectifier. In particular these include litigation and claims for environmental issues in which International Rectifier has been named as a defendant or a potentially responsible party or has made voluntary disclosures; in some instances with the involvement of governmental authorities and in others with non-governmental parties.

Based on its current knowledge, Infineon does not believe that the ultimate resolution of these other pending legal disputes and proceedings will have a material adverse effect on Infineon's financial condition, liquidity position and results of operations. However future revisions to this assessment cannot be ruled out and any reassessment of the miscellaneous legal disputes and proceedings could have a material adverse effect on the financial condition, liquidity position and results of operations, particularly in the period in which re-assessment is made.

Furthermore, in connection with its existing or previous business operations, Infineon is also exposed to numerous legal risks which have until now not resulted in legal disputes. These include risks related to product liability, environment, capital market, anti-corruption, competition and antitrust legislation as well as other compliance regulations. Claims could also be made against Infineon in connection with these matters in the event of breaches of law committed by individual employees or third parties.

#### Provisions and contingent liabilities for legal proceedings and other uncertain legal issues

Provisions relating to legal proceedings and other uncertain legal issues are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. To the extent that liabilities arising from legal disputes and other uncertain legal positions are not probable or cannot be reliably estimated, then they qualify as contingent liabilities.

Any potential liability is reviewed again as soon as additional information becomes available and the estimates are revised if necessary. Provisions with respect to these matters are subject to future developments or changes in circumstances in each of the matters, which could have a material adverse effect on Infineon's financial condition, liquidity position and results of operations.

A settlement or adverse judicial decision in any of the matters described above could result in significant financial liabilities for Infineon and other adverse effects, and these in turn could have a material adverse effect on its business and financial condition, liquidity position and results of operations. Irrespective of the validity of the allegations and the success of the aforementioned claims and other matters described above, Infineon could incur significant costs in the defense of these matters.

### 33 Contingent liabilities and other financial commitments

#### Contingent liabilities

Contingent liabilities relate to possible future events, the occurrence of which would result in an obligation. The occurrence of these obligations is considered to be unlikely at the reporting date, but cannot be ruled out entirely.

The following table summarizes Infineon's contingent liabilities with respect to external parties, excluding possible liabilities arising from litigation, as of September 30, 2015 and 2014:

| Payments due in<br>(€ in millions)     | Total | Less than<br>1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | After 5 years |
|--|-------|---------------------|-----------|-----------|-----------|-----------|---------------|
| Guarantees<br>as of September 30, 2015 | 72    | 14                  | 8         | 16        | 4         | 2         | 28            |
| Guarantees<br>as of September 30, 2014 | 110   | 13                  | 11        | 7         | 47        | 4         | 28            |

In total, Infineon has guarantees outstanding to third parties as of September 30, 2015 amounting to €72 million. Guarantees are mainly issued for the payment of import duties, rentals of buildings, and contingent obligations related to government grants received.

#### Other financial obligations and other risks

In addition to provisions, liabilities and contingent liabilities, Infineon also has other financial obligations, relating in particular to lease and long-term rental arrangements, and unconditional purchase commitments. These are explained in more detail below.

Undiscounted future minimum operating lease and rental payments arising from operating lease contracts at September 30, 2015 amounted to €446 million (September 30, 2014: €402 million). The corresponding payment obligations fall due as follows:

| Payments due in<br>(€ in millions)           | Total      | Less than<br>1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | After 5 years |
|--|------------|---------------------|-----------|-----------|-----------|-----------|---------------|
| Payment obligations as of September 30, 2015 |            |                     |           |           |           |           |               |
| Payments arising<br>from lease contracts     | 594        | 100                 | 72        | 61        | 59        | 53        | 249           |
| Payments arising<br>from sub-lease contracts | (148)      | (17)                | (15)      | (15)      | (15)      | (14)      | (72)          |
| <b>Total</b>                                 | <b>446</b> | <b>83</b>           | <b>57</b> | <b>46</b> | <b>44</b> | <b>39</b> | <b>177</b>    |
| Payment obligations as of September 30, 2014 |            |                     |           |           |           |           |               |
| Payments arising<br>from lease contracts     | 567        | 93                  | 81        | 55        | 49        | 48        | 241           |
| Payments arising<br>from sub-lease contracts | (165)      | (17)                | (16)      | (15)      | (15)      | (15)      | (87)          |
| <b>Total</b>                                 | <b>402</b> | <b>76</b>           | <b>65</b> | <b>40</b> | <b>34</b> | <b>33</b> | <b>154</b>    |

Total rental expenses under operating lease contracts amounted to €67 million and €68 million in the 2015 and 2014 fiscal years, respectively, and related mainly to minimum lease payments.

The total income arising from sub-lease contracts amounted to €16 million and €18 million for the years ended September 30, 2015 and 2014, respectively.

Contracts already entered into for commenced or planned investments in property, plant and equipment (purchase commitments) at September 30, 2015 amounted to €200 million (September 30, 2014: €122 million).

Purchase commitments for planned investments in intangible assets at September 30, 2015 amounted to €2 million (September 30, 2014: €2 million).

Long-term purchase commitments are in place for the supply of commodities and raw materials, in particular for wafers, semiconductor intermediate products, electricity and gas. Overall, these minimum purchase commitments give rise to other financial obligations amounting to approximately €728 million as at the reporting date (September 30, 2014: €519 million). These contracts generally have terms of between one and seven years. Purchases under these agreements are recorded as incurred in the normal course of business. Infineon assesses its anticipated purchase requirements on a regular basis in order to meet customer demand for its products. An assessment of potential losses under these purchase contracts is made on a regular basis for example in the event that anticipated purchase quantities fall below the minimum contractual quantities.

In conjunction with its investing activities, Infineon receives government grants and subsidies related to the construction and financing of certain of its production facilities. Grants are also received for selected research and development projects. These amounts are recognized upon the achievement of specified criteria. Certain of these grants have been received contingent upon Infineon complying with certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to maintaining these requirements, and from today's perspective Infineon expects to be able to do so. Nevertheless, should such requirements not be met, as of September 30, 2015, a maximum of €71 million (September 30, 2014: €66 million) of these subsidies could be refundable. This amount does not include any potential liabilities for Qimonda-related subsidies (see note 32).

Infineon, through certain of its sales and other agreements may, in the normal course of business, be obligated to indemnify its counterparties under certain conditions for warranties, patent infringement or other matters. The maximum amount of potential future payments under these types of agreements is not predictable with any degree of certainty, since the potential obligation is contingent on events that may or may not occur in the future, and depends on certain facts and circumstances specific to each agreement. Historically, payments made by Infineon under these types of agreements have not had a material adverse effect on Infineon's financial condition, liquidity position and results of operations.

On December 23, 2003, the Company entered into a long-term lease contract with MoTo Objekt Campeon GmbH & Co. KG ("MoTo"). This included an agreement to lease our office complex south of Munich, Campeon, whose construction was completed by MoTo in the second half of 2005. Infineon has no obligations with respect to financing MoTo and has taken over no guarantees related to the construction. The Company took on Campeon under an operating lease arrangement in October 2005 and completed the move of its employees to this new location in the 2006 fiscal year. The complex was leased by the Company for a period of 20 years. After 15 years the Company has the option to acquire the complex or otherwise continue the lease for the remaining period of five years. Pursuant to the agreement, the Company placed a rental deposit of €75 million in escrow, which was included in cash deposited as collateral as part of other non-current assets in the Consolidated Statement of Financial Position as of September 30, 2015 (see note 17). Lease payments are subject to limited adjustments based on specified financial ratios related to Infineon. The agreement was classified as an operating lease, in accordance with IAS 17, with monthly lease payments expensed on a straight-line basis over the lease term.

## 34 Segment reporting

### Identification of Segments

Infineon identifies reportable segments on the basis of the differences between the types of products and their applications.

During the 2015 fiscal year, Infineon's business was structured on the basis of four operating segments, namely Automotive, Industrial Power Control, Power Management & Multimarket and Chip Card & Security. Additionally Infineon differentiates between Other Operating Segments and Corporate and Eliminations.

International Rectifier's various lines of business have been fully integrated into Infineon's existing Automotive, Industrial Power Control and Power Management & Multimarket segments, whereby the largest proportion by far has been allocated to the Power Management & Multimarket segment.

#### Automotive

The Automotive segment designs, develops, manufactures and markets semiconductors for use in automotive applications.

#### Industrial Power Control

The Industrial Power Control segment designs, develops, manufactures and markets semiconductors for the generation, transmission and savings in the consumption of electric power.

#### Power Management & Multimarket

The Power Management & Multimarket segment designs, develops, manufactures and markets semiconductors for energy-efficient power supplies as well as for mobile devices and mobile phone network infrastructures.

#### Chip Card & Security

The Chip Card & Security segment designs, develops, manufactures and markets semiconductor-based security products for card applications and networked systems.

#### Other Operating Segments

Other Operating Segments comprises the remaining activities of businesses that have been disposed of, and other business activities. Since the closing of the sale of the Wireline Communications business and the Wireless mobile phone business, supplies of product to Lantiq and Intel Mobile Communications under the corresponding production agreements, other than those assigned to discontinued operations, are included in this segment.

#### Corporate and Eliminations

Corporate and Eliminations reflects the elimination of intragroup revenue and profits/losses to the extent that these arise between the segments.

Similarly, certain items are included in Corporate and Eliminations which are not allocated to the other segments. These include certain corporate headquarter costs and specific strategic technology initiatives, such as the 300-millimeter thin-wafer technology, which are not allocated to the segments since they arise from corporate decisions not within the direct control of segment management.

Furthermore, raw materials, supplies and work in progress of the common production frontend facilities, and raw materials and supplies of the common backend facilities, are not under the control or responsibility of the operating segment management and are therefore allocated to corporate functions. Only work in progress of backend facilities and finished goods are allocated to the operating segments.

### Chief Operating Decision Maker, definition of Segment Result and allocation of assets and liabilities to the individual segments

The Management Board, as joint Chief Operating Decision Maker, decides how resources are allocated to the segments.

Based on revenue and Segment Result, the Management Board assesses performance and defines operating targets and budgets for the segments.

Segment Result is defined as the operating income (loss) excluding: asset impairments (net of reversals); impact on earnings of restructuring measures and closures; share-based compensation expense; acquisition-related depreciation/amortization and other expenses; gains (losses) on sales of assets, businesses, or interests in subsidiaries and other income (expense), including the costs of legal proceedings.

Decisions relating to financing and the investment of cash funds are taken at a Group level and not at a segment level. For this reason, financial income and financial expense (including interest income and expense) are not allocated to the segments.

Neither assets, liabilities nor cash flows per segment are reported to the Management Board, nor is segment performance assessed on this basis.

The exception to this approach is certain inventory information which is regularly analyzed at a segment level. Infineon also allocates depreciation and amortization expense to the operating segments based on production volume and products produced using standard costs.

### Segment Information

The following tables present selected segment data:

| € in millions                  | 2015         | 2014         |
|--------------------------------|--------------|--------------|
| <b>Revenue:</b>                |              |              |
| Automotive                     | 2,351        | 1,965        |
| Industrial Power Control       | 971          | 783          |
| Power Management & Multimarket | 1,794        | 1,061        |
| Chip Card & Security           | 666          | 494          |
| Other Operating Segments       | 14           | 22           |
| Corporate and Eliminations     | (1)          | (5)          |
| <b>Total</b>                   | <b>5,795</b> | <b>4,320</b> |

The operating segments do not currently have any trading relationships with one another. Accordingly, there was no intersegment revenue during the 2015 and 2014 fiscal years. Costs are recharged if applicable without impact on profit or loss.

| € in millions                  | 2015       | 2014       |
|--------------------------------|------------|------------|
| <b>Segment Result:</b>         |            |            |
| Automotive                     | 300        | 259        |
| Industrial Power Control       | 122        | 144        |
| Power Management & Multimarket | 352        | 172        |
| Chip Card & Security           | 121        | 43         |
| Other Operating Segments       | 5          | 6          |
| Corporate and Eliminations     | (3)        | (4)        |
| <b>Total</b>                   | <b>897</b> | <b>620</b> |

The following table provides the reconciliation of Segment Result to income from continuing operations before income taxes:

| € in millions   | 2015       | 2014       |
|---|------------|------------|
| <b>Segment Result</b>   | <b>897</b> | <b>620</b> |
| Plus/minus:   |            |            |
| Impairment on assets including assets classified as held for sale, net of reversals | (31)       | (3)        |
| Impact on earnings of restructuring and closures, net                               | (13)       | (8)        |
| Share-based compensation expense  | (6)        | (6)        |
| Acquisition-related depreciation/amortization and other expenses                    | (274)      | (8)        |
| Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net    | (2)        | 2          |
| Other income and expense, net <sup>1</sup>  | (16)       | (72)       |
| <b>Operating income</b>   | <b>555</b> | <b>525</b> |
| Financial income  | 10         | 10         |
| Financial expenses  | (49)       | (19)       |
| Gain (loss) from investments accounted for using the equity method, net             | 4          | 3          |
| <b>Income from continuing operations before income taxes</b>                        | <b>520</b> | <b>519</b> |

<sup>1</sup> Included in the 2014 fiscal year is the €83 million fine imposed on Infineon by the EU-Commission in their chip card antitrust investigations.

Of the €274 million “acquisition-related depreciation/amortization and other expenses” incurred in the 2015 fiscal year, €143 million is attributable to cost of goods sold, €15 million to research and development expenses and €116 million to selling, general and administrative expenses.

| € in millions  | 2015       | 2014       |
|--|------------|------------|
| <b>Depreciation and amortization:</b>                          |            |            |
| Automotive   | 284        | 228        |
| Industrial Power Control                                       | 112        | 101        |
| Power Management & Multimarket                                 | 165        | 111        |
| Chip Card & Security   | 82         | 61         |
| Other Operating Segments                                       | 3          | 5          |
| <b>Depreciation and amortization allocated to the segments</b> | <b>646</b> | <b>506</b> |
| Depreciation and amortization not allocated to the segments    | 114        | 8          |
| <b>Total depreciation and amortization</b>                     | <b>760</b> | <b>514</b> |

Income from associated companies accounted for using the equity method totaled €4 million and €3 million in the 2015 and 2014 fiscal years, respectively, and was recognized in the Industrial Power Control segment. This allocated income is however not included in the Segment Result.

| € in millions                  | 2015         | 2014       |
|--------------------------------|--------------|------------|
| <b>Inventories:</b>            |              |            |
| Automotive                     | 321          | 214        |
| Industrial Power Control       | 126          | 104        |
| Power Management & Multimarket | 228          | 112        |
| Chip Card & Security           | 58           | 40         |
| Other Operating Segments       | –            | –          |
| Corporate and Eliminations     | 396          | 237        |
| <b>Total</b>                   | <b>1,129</b> | <b>707</b> |



### Entity-wide disclosures in accordance with IFRS 8

The following is a summary of revenue and of non-current assets by geographic area for the years ended September 30, 2015 and 2014:

| € in millions                | 2015         | 2014         |
|------------------------------|--------------|--------------|
| <b>Revenue:</b>              |              |              |
| Europe, Middle East, Africa  | 2,020        | 1,707        |
| Therein: Germany             | 942          | 859          |
| Asia-Pacific (without Japan) | 2,666        | 1,845        |
| Therein: China               | 1,337        | 868          |
| Japan                        | 399          | 284          |
| Americas                     | 710          | 484          |
| Therein: USA                 | 568          | 367          |
| <b>Total</b>                 | <b>5,795</b> | <b>4,320</b> |

The attribution of revenues from external customers is based on the customers' billing location. The average number of employees by geographic region is provided in note 6.

No single customer accounted for more than 10 percent of Infineon's revenue during the 2015 fiscal year. For the 2014 fiscal year revenue with one single customer amounted to €441 million. This revenue is allocated to all four operating segments of Infineon.

| € in millions                | 2015         | 2014         |
|------------------------------|--------------|--------------|
| <b>Non-current assets:</b>   |              |              |
| Europe                       | 1,504        | 1,321        |
| Therein: Germany             | 982          | 862          |
| Asia-Pacific (without Japan) | 939          | 670          |
| Therein: China               | 31           | 22           |
| Japan                        | 1            | 1            |
| Americas                     | 1,449        | 16           |
| Therein: USA                 | 1,402        | 16           |
| <b>Total</b>                 | <b>3,893</b> | <b>2,008</b> |

Non-current assets do not include financial instruments, deferred tax assets and assets from employee benefits.

## 35 Additional information in accordance with HGB

### Application of exemption regulations

The entities listed below have entered into control and profit and loss transfer agreements with Infineon Technologies AG, and intend to make use of the option contained in section 264 paragraph 3 HGB exempting incorporated companies from certain requirements relating to the preparation, audit and publication of annual financial statements:

- › Hitex GmbH, Karlsruhe,
- › Infineon Technologies Finance GmbH, Neubiberg,
- › Infineon Technologies Akquisitionsgesellschaft 1 mbH, Neubiberg,
- › Infineon Technologies Akquisitionsgesellschaft 2 mbH, Neubiberg,
- › Infineon Technologies Mantel 21 GmbH, Neubiberg and
- › Infineon Technologies Mantel 27 GmbH, Neubiberg,

make use of the possibility of exemption from the publication requirements for annual financial statements according to section 325 HGB.

Infineon Technologies Dresden GmbH makes use of the possibility of exemption from the obligation to prepare a management report, and the exemption from the requirements of governing the publication of annual financial statements (section 325 HGB).

Due to the insolvency, Qimonda and its subsidiaries are not included in the Company's Consolidated Financial Statements. Infineon has no information as to whether Qimonda draws up Consolidated Financial Statements or makes use of the possibility of exemptions with respect to their preparation.

### Information pursuant to section 161 Stock Corporation Act (AktG)

The Declaration of Compliance prescribed by section 161 AktG was drawn up by the Management Board and the Supervisory Board and made permanently available to the public on the internet at [www.infineon.com](http://www.infineon.com) ("About Infineon/Investor/Corporate Governance/Declaration of Compliance").

### Accounting fees pursuant to section 314 paragraph 1 no. 9 HGB

#### Year-end audit fees

At the Annual General Meeting held on February 12, 2015, the shareholders elected KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), Munich, as auditor for the 2015 financial statements and the Consolidated Financial Statements of Infineon Technologies AG. The audit fees charged by KPMG in the 2015 fiscal year amounted to €1.7 million for the audit of the Consolidated Financial Statements and various separate financial statements.

#### Fees for other advisory services

In addition to the amounts described above, KPMG charged an aggregate of €0.4 million in the 2015 fiscal year for other audit services. These services consisted primarily of services rendered in connection with the review of quarterly financial statements.

#### Fees for tax advisory services

In addition to the amounts described above, KPMG charged the Company an aggregate of €22 thousand in the 2015 fiscal year for professional services relating to tax.

#### Fees for other services

Fees of €0.1 million were charged by KPMG in the 2015 fiscal year for other services.

### Management Board and Supervisory Board

#### Management compensation in the 2015 fiscal year

The remuneration of the individual members of the Management Board and the Supervisory Board, as required by section 314 (1) no. 6a, sentences 5 to 8 HGB, is disclosed in the Compensation Report which is part of the Combined Management Report.

## Management Board

The members of the Management Board during the 2015 fiscal year were as follows:

| Name               | Age | Term expires       | Position  | Membership of Supervisory Boards and governing bodies of domestic and foreign companies (as at September 30, 2015)   |
|--------------------|-----|--------------------|---|--|
| Dr. Reinhard Ploss | 59  | September 30, 2020 | Chairman of the Management Board, Chief Executive Officer, Labor Director         | Member of the Supervisory Board<br><ul style="list-style-type: none"> <li>› Infineon Technologies Austria AG, Villach, Austria (Chairman)</li> </ul> Member of the Board of Directors<br><ul style="list-style-type: none"> <li>› Infineon Technologies (Kulim) Sdn. Bhd., Kulim, Malaysia (Chairman)</li> </ul>   |
| Dominik Asam       | 46  | December 31, 2018  | Member of the Management Board, Executive Vice President, Chief Financial Officer | Member of the Supervisory Board<br><ul style="list-style-type: none"> <li>› EPCOS AG, Munich</li> <li>› Infineon Technologies Austria AG, Villach, Austria</li> </ul> Member of the Board of Directors<br><ul style="list-style-type: none"> <li>› Infineon Technologies Asia Pacific Pte., Ltd., Singapore</li> <li>› Infineon Technologies China Co., Ltd., Shanghai, People's Republic of China</li> <li>› Infineon Technologies North America Corp., Wilmington, Delaware, USA</li> <li>› International Rectifier Corporation, Wilmington, Delaware, USA (since January 13, 2015)</li> </ul> |
| Arunjai Mittal     | 44  | December 31, 2019  | Member of the Management Board, Executive Vice President                          | Member of the Supervisory Board<br><ul style="list-style-type: none"> <li>› tesa SE, Hamburg</li> </ul> Member of the Board of Directors<br><ul style="list-style-type: none"> <li>› Infineon Technologies Asia Pacific Pte., Ltd., Singapore (Chairman)</li> <li>› Infineon Technologies India, Pvt. Ltd., Bangalore, India</li> <li>› Infineon Technologies North America Corp., Wilmington, Delaware, USA (Chairman)</li> <li>› Infineon Technologies Japan K.K., Tokyo, Japan</li> <li>› International Rectifier Corporation, Wilmington, Delaware, USA (since January 13, 2015)</li> </ul>  |

## The Supervisory Board

The members of the Supervisory Board during the 2015 fiscal year, the Supervisory Board position held by them, their occupation, their membership of other supervisory and governing bodies and their ages are as follows (as at September 30, 2015):

| Name   | Age | Term expires                | Occupation   | Membership of Supervisory Boards and comparable governing bodies of domestic and foreign companies   |
|--|-----|-----------------------------|--|--|
| Wolfgang Mayrhuber<br>Chairman   | 68  | Annual General Meeting 2020 | Management Consultant  | Member of the Supervisory Board<br><ul style="list-style-type: none"> <li>› Deutsche Lufthansa AG, Köln (Chairman)</li> <li>› BMW AG, Munich (until May 13, 2015)</li> <li>› Münchener Rückversicherungs-Gesellschaft AG, Munich</li> </ul> Member of the Board of Directors<br><ul style="list-style-type: none"> <li>› Heico Corporation, Hollywood, Florida, USA</li> </ul> |
| Johann Dechant <sup>1</sup><br>Deputy Chairman (since February 12, 2015) | 50  | Annual General Meeting 2020 | Chairman of the Infineon Works Council, Regensburg, Infineon Technologies AG | Member of the Administrative Board<br><ul style="list-style-type: none"> <li>› BKK of Siemens AG, Heidenheim</li> </ul>  |
| Peter Bauer<br>(since February 12, 2015)                                 | 55  | Annual General Meeting 2020 | Management Consultant  | Member of the Supervisory Board<br><ul style="list-style-type: none"> <li>› OSRAM Licht AG, Munich (Chairman)</li> <li>› OSRAM GmbH, Munich (Chairman)</li> <li>› Kontron AG, Eching (until August 31, 2015)</li> </ul>  |

| Name   | Age | Term expires                | Occupation  | Membership of Supervisory Boards and comparable governing bodies of domestic and foreign companies   |
|--|-----|-----------------------------|---|--|
| Dr. Herbert Diess<br>(since February 12, 2015)                   | 56  | Annual General Meeting 2020 | Member of the Management Board<br>Volkswagen AG, Wolfsburg  |  |
| Annette Engelfried <sup>1</sup><br>(since February 12, 2015)     | 50  | Annual General Meeting 2020 | Labor union secretary IG Metall district management, Berlin-Brandenburg-Saxony                                      | Member of the Supervisory Board<br>› Infineon Technologies Dresden GmbH, Dresden   |
| Peter Gruber <sup>1</sup><br>Representative of Senior Management | 54  | Annual General Meeting 2020 | Senior Vice President Operations Finance<br>Infineon Technologies AG  | Member of the Supervisory Board<br>› Infineon Technologies Dresden GmbH, Dresden<br><br>Member of the Board of Directors<br>› Infineon Technologies (Kulim) Sdn. Bhd., Kulim, Malaysia |
| Gerhard Hobbach <sup>1</sup>                                     | 53  | Annual General Meeting 2020 | Member of the Infineon Works Council, Campeon, Infineon Technologies AG   |  |
| Hans-Ulrich Holdenried   | 64  | Annual General Meeting 2020 | Management Consultant   | Member of the Supervisory Board<br>› Integrata AG, Stuttgart (until February 10, 2015)<br>› Wincor Nixdorf AG, Paderborn   |
| Prof. Dr. Renate Köcher  | 63  | Annual General Meeting 2020 | Managing Director Institut für Demoskopie Allensbach GmbH, Allensbach   | Member of the Supervisory Board<br>› Allianz SE, Munich<br>› BMW AG, Munich<br>› Robert Bosch GmbH, Gerlingen<br>› Nestlé Deutschland AG, Frankfurt am Main                            |
| Dr. Susanne Lachenmann <sup>1</sup><br>(since February 12, 2015) | 48  | Annual General Meeting 2020 | Development Engineer  |  |
| Dr. Manfred Puffer   | 52  | Annual General Meeting 2020 | Management Consultant   | Member of the Board of Directors<br>› Athene Holding Ltd., Pembroke, Bermuda<br>› Athene Life Re Ltd., Pembroke, Bermuda   |
| Prof. Dr. Doris Schmitt-Landsiedel                               | 62  | Annual General Meeting 2020 | Professor Munich Technical University   |  |
| Jürgen Scholz <sup>1</sup>                                       | 54  | Annual General Meeting 2020 | First authorized agent of IG Metall, Regensburg   | Member of the Supervisory Board<br>› Kronos AG, Neutraubling<br><br>Member of the Administrative Board<br>› BKK of BMW AG, Dingolfing  |
| Kerstin Schulzendorf <sup>1</sup><br>(since February 12, 2015)   | 53  | Annual General Meeting 2020 | Independent works council representative of the Infineon Works Council, Dresden, Infineon Technologies Dresden GmbH |  |
| Dr. Eckart Süner   | 71  | Annual General Meeting 2020 | Independent Attorney  | Member of the Supervisory Board<br>› K+S AG, Kassel  |
| Diana Vitale <sup>1</sup><br>(since February 12, 2015)           | 40  | Annual General Meeting 2020 | Deputy Chairwoman of the Infineon Works Council, Warstein, Infineon Technologies AG                                 |  |
| <b>Former members of the Supervisory Board</b>                   |     |                             |   |  |
| Wigand Cramer <sup>1</sup>                                       | 62  | February 12, 2015           | Labor union secretary IG Metall, Berlin   |  |
| Reinhard Gottinger <sup>1</sup>                                  | 54  | February 12, 2015           | Chairman of the Central Works Council Infineon Technologies AG  |  |
| Gerd Schmidt <sup>1</sup>  | 61  | February 12, 2015           | Chairman of the Infineon Works Council, Regensburg, Infineon Technologies AG  |  |

<sup>1</sup> Employee representative

## Supervisory Board committees

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### Mediation Committee

Wolfgang Mayrhuber (Chairman)

Johann Dechant

Hans-Ulrich Holdenried

Jürgen Scholz

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### Executive Committee

Wolfgang Mayrhuber (Chairman)

Johann Dechant

Gerhard Hobbach

Hans-Ulrich Holdenried

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### Investment, Finance and Audit Committee

Dr. Eckart Sünner (Chairman)

Johann Dechant

Annette Engelfried

Wolfgang Mayrhuber

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### Strategy and Technology Committee

Prof. Dr. Doris Schmitt-Landsiedel (Chairwoman)

Peter Gruber

Hans-Ulrich Holdenried

Dr. Susanne Lachenmann

Wolfgang Mayrhuber

Jürgen Scholz

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### Nomination Committee

Wolfgang Mayrhuber (Chairman)

Prof. Dr. Renate Köcher

Dr. Manfred Puffer

The members of the Company's Supervisory Board, individually or in aggregate, do not own, directly or indirectly, more than 1 percent of Infineon Technologies AG's outstanding share capital as of September 30, 2015.

The business address of each member of the Supervisory Board is: Infineon Technologies AG, Am Campeon 1 – 12, D-85579 Neubiberg (Germany).

## Subsidiaries, associated companies and other related companies as of September 30, 2015

| Name of company   | Registered office                     | Share-<br>holdings<br>in % | Equity<br>(€ in<br>millions) | Net result<br>(€ in<br>millions) | Foot-<br>note |
|---|---------------------------------------|----------------------------|------------------------------|----------------------------------|---------------|
| <b>Fully consolidated subsidiaries:</b>   |                                       |                            |                              |                                  |               |
| DICE Danube Integrated Circuit Engineering GmbH & Co. KG  | Linz, Austria                         | 72                         | 1.52                         | 1.47                             | 3             |
| Hitex GmbH  | Karlsruhe, Germany                    | 100                        | 2.16                         | 0.00                             | 3             |
| Infineon Integrated Circuit (Beijing) Co., Ltd.   | Beijing, People's Republic of China   | 100                        | 16.30                        | 1.06                             | 6             |
| Infineon Semiconductors (Wuxi) Co. Ltd.   | Wuxi, People's Republic of China      | 100                        | 13.71                        | (0.01)                           | 12            |
| Infineon Technologies (Advanced Logic) Sdn. Bhd.  | Malacca, Malaysia                     | 100                        | 20.62                        | 1.46                             | 3             |
| Infineon Technologies (Kulim) Sdn. Bhd.   | Kulim, Malaysia                       | 100                        | 128.86                       | 19.19                            | 3             |
| Infineon Technologies (Malaysia) Sdn. Bhd.  | Malacca, Malaysia                     | 100                        | 125.01                       | 12.08                            | 3             |
| Infineon Technologies (Wuxi) Co., Ltd.  | Wuxi, People's Republic of China      | 100                        | 135.74                       | 12.29                            | 6             |
| Infineon Technologies (Xi'an) Co., Ltd.   | Xi'an, People's Republic of China     | 100                        | 6.92                         | 0.32                             | 6             |
| Infineon Technologies Akquisitionsgesellschaft 1 mbH (prior Infineon Technologies Mantel 19 GmbH) | Neubiberg, Germany                    | 100                        | 0.05                         | 0.00                             | 3             |
| Infineon Technologies Akquisitionsgesellschaft 2 mbH (prior Infineon Technologies Mantel 25 GmbH) | Neubiberg, Germany                    | 100                        | 0.02                         | 0.00                             | 3             |
| Infineon Technologies Asia Pacific Pte. Ltd   | Singapore, Singapore                  | 100                        | 162.23                       | 41.11                            | 3             |
| Infineon Technologies Australia Pty. Ltd.   | Bayswater, Australia                  | 100                        | 1.05                         | 0.13                             | 3             |
| Infineon Technologies Austria AG  | Villach, Austria                      | 100                        | 495.59                       | 118.75                           | 3             |
| Infineon Technologies Batam PT  | Batam, Indonesia                      | 100                        | 16.23                        | 1.45                             | 3             |
| Infineon Technologies Cegléd Kft.   | Cegléd, Hungary                       | 100                        | 13.54                        | (0.49)                           | 3             |
| Infineon Technologies Center of Competence (Shanghai) Co., Ltd.                                   | Shanghai, People's Republic of China  | 100                        | 3.37                         | 0.24                             | 6             |
| Infineon Technologies China Co., Ltd.   | Shanghai, People's Republic of China  | 100                        | 138.96                       | 14.70                            | 6             |
| Infineon Technologies Dresden GmbH  | Dresden, Germany                      | 100                        | 224.27                       | 0.00                             | 3             |
| Infineon Technologies Finance GmbH  | Neubiberg, Germany                    | 100                        | 369.89                       | 0.00                             | 3             |
| Infineon Technologies France S.A.S.   | St. Denis, France                     | 100                        | 11.43                        | 0.23                             | 3             |
| Infineon Technologies Holding B.V.  | Rotterdam, The Netherlands            | 100                        | 2,087.90                     | 250.79                           | 3             |
| Infineon Technologies Hong Kong Sales Limited   | Hong Kong, People's Republic of China | 100                        | 15.89                        | 3.16                             | 5             |
| Infineon Technologies Hong Kong, Ltd.   | Hong Kong, People's Republic of China | 100                        | 1.37                         | 0.17                             | 3             |
| Infineon Technologies India, Pvt. Ltd.  | Bangalore, India                      | 100                        | 14.47                        | 1.73                             | 4             |
| Infineon Technologies Investment B.V.   | Rotterdam, The Netherlands            | 100                        | 0.13                         | 0.00                             | 3             |
| Infineon Technologies Italia s.r.l.   | Milan, Italy                          | 100                        | 1.73                         | 0.40                             | 3             |
| Infineon Technologies IT-Services GmbH  | Klagenfurt, Austria                   | 100                        | 6.42                         | 3.57                             | 3             |
| Infineon Technologies Japan K.K.  | Tokyo, Japan                          | 100                        | 8.44                         | 2.35                             | 3             |
| Infineon Technologies Korea Co., Ltd.   | Seoul, Republic of Korea              | 100                        | 3.85                         | 0.73                             | 3             |
| Infineon Technologies Neu-Isenburg Vertriebs GmbH   | Neu-Isenburg, Germany                 | 100                        | 7.94                         | 1.85                             | 5             |
| Infineon Technologies Nordic AB   | Kista, Sweden                         | 100                        | 6.03                         | 0.83                             | 3             |
| Infineon Technologies North America Corp.   | Wilmington, Delaware, USA             | 100                        | 112.30                       | 2.58                             | 3             |
| Infineon Technologies Philippines, Inc.   | Muntinlupa City, Philippines          | 100                        | 0.18                         | 0.17                             | 5             |
| Infineon Technologies Romania & Co. Societate in Comandita  | Bucharest, Romania                    | 100                        | 0.89                         | 0.85                             | 3             |
| Infineon Technologies Shared Service Center, Unipessoal Lda.                                      | Maia, Portugal                        | 100                        | 1.34                         | 0.23                             | 3             |
| Infineon Technologies Southeast Asia Pte, Ltd.  | Singapore, Singapore                  | 100                        | 55.19                        | 1.38                             | 5             |
| Infineon Technologies Taiwan Co., Ltd.  | Taipei, Taiwan                        | 100                        | 2.17                         | 0.54                             | 3             |
| Infineon Technologies U.K. Ltd.   | Bristol, Great Britain                | 100                        | 2.38                         | 0.57                             | 3             |
| Infineon Technologies US HoldCo Inc.  | Wilmington, Delaware, USA             | 100                        | 0.06                         | 0.00                             | 11            |
| Infineon Technologies US InterCo LLC  | Wilmington, Delaware, USA             | 100                        | 0.00                         | 0.00                             | 11            |

| Name of company   | Registered office                    | Share-<br>holdings<br>in % | Equity<br>(€ in<br>millions) | Net result<br>(€ in<br>millions) | Foot-<br>note |
|---|--------------------------------------|----------------------------|------------------------------|----------------------------------|---------------|
| International Rectifier Company (Great Britain), Ltd.                     | Newport, Great Britain               | 100                        | 182.06                       | 14.14                            | 5             |
| International Rectifier Corporation                                       | Wilmington, Delaware, USA            | 100                        | 1,238.56                     | (256.59)                         | 5             |
| International Rectifier HiRel Products, Inc.                              | Wilmington, Delaware, USA            | 100                        | 41.07                        | (52.22)                          | 5             |
| International Rectifier Japan Co., Ltd.                                   | Tokyo, Japan                         | 100                        | 12.13                        | 5.32                             | 5             |
| International Rectifier Korea   | Seoul, Republic of Korea             | 100                        | 1.04                         | 0.02                             | 5             |
| International Rectifier Malaysia Sdn Bhd                                  | Kuala Lumpur, Malaysia               | 100                        | 0.41                         | 0.00                             | 5             |
| International Rectifier Mauritius, Inc.                                   | Curepipe, Mauritius                  | 100                        | 3.16                         | 0.02                             | 5             |
| International Rectifier Power Management Private Limited (in liquidation) | Bangalore, India                     | 100                        | 0.16                         | 0.00                             | 7             |
| IR Denmark Aps  | Skovlunde (Kopenhagen, Denmark)      | 100                        | 1.49                         | 0.10                             | 5             |
| IR EPI Services, Inc.   | Wilmington, Delaware, USA            | 100                        | 36.71                        | (48.65)                          | 5             |
| IR France SAS   | Les Ulis (Courtaboeuf), France       | 100                        | 1.19                         | 0.22                             | 5             |
| IR Infotech Private, Ltd. in liquidation                                  | Mumbai, India                        | 100                        | 0.92                         | 0.00                             | 8             |
| IR Italy s.r.l.   | Milan, Italy                         | 100                        | 1.86                         | 0.06                             | 5             |
| IR Newport Limited  | Newport, Great Britain               | 100                        | 181.63                       | (2.86)                           | 5             |
| IR Taiwan Co., Ltd.   | Taipei, Taiwan                       | 100                        | 0.40                         | 0.15                             | 5             |
| IR UK Holdings Limited  | Newport, Great Britain               | 100                        | 41.94                        | 17.66                            | 5             |
| LS Power Semitech Co., Ltd.   | Cheonan, Republic of Korea           | 100                        | 8.36                         | (0.75)                           | 3, 9          |
| Molstanda Vermietungsgesellschaft mbH                                     | Neubiberg, Germany                   | 94                         | 14.56                        | 2.39                             | 6             |
| Rectificadores Internacionales, S.A. de C.V.                              | Tijuana, Mexico                      | 100                        | 9.37                         | (28.36)                          | 5             |
| Shanghai International Rectifier Trading, Ltd.                            | Shanghai, People's Republic of China | 100                        | 2.90                         | (0.90)                           | 6             |
| <b>Associated companies:</b>  |                                      |                            |                              |                                  |               |
| Infineon Technologies Bipolar GmbH & Co. KG                               | Warstein, Germany                    | 60                         | 68.92                        | 2.62                             | 3             |
| Infineon Technologies Bipoláris Kft.                                      | Cegléd, Hungary                      | 60                         | 1.54                         | 0.20                             | 3             |
| <b>Other companies (non consolidated):<sup>1</sup></b>                    |                                      |                            |                              |                                  |               |
| Advanced Power Electronics Corp.  | Hsinchu County, Taiwan               | N.A.                       | N.A.                         | N.A.                             | 13            |
| CHiL Semiconductors Corporation   | Wilmington, Delaware, USA            | 100                        | 0.00                         | 0.00                             | 5             |
| DICE Danube Integrated Circuit Engineering GmbH                           | Linz, Austria                        | 72                         | 0.10                         | 0.00                             | 3             |
| EPOS embedded core & power systems GmbH & Co. KG                          | Duisburg, Germany                    | 100                        | 0.49                         | 0.20                             | 3             |
| EPOS embedded core & power systems Verwaltungs GmbH                       | Duisburg, Germany                    | 100                        | 0.05                         | 0.00                             | 3             |
| eupec Thermal Management Inc. in liquidation                              | Wilmington, Delaware, USA            | 51                         | 0.02                         | 0.01                             | 3             |
| Haus der Zukunft gGmbH  | Berlin, Germany                      | N.A.                       | N.A.                         | N.A.                             | 13            |
| Hitex (UK) Limited  | Coventry, Great Britain              | 88                         | 2.31                         | 0.41                             | 3             |
| Infineon Technologies Austria Pensionskasse AG                            | Villach, Austria                     | 100                        | 0.80                         | (0.03)                           | 6             |
| Infineon Technologies Bipolar Verwaltungs GmbH                            | Warstein, Germany                    | 60                         | 0.03                         | 0.00                             | 3             |
| Infineon Technologies Canada, Inc.  | St. John, New Brunswick, Canada      | 100                        | 0.00                         | 0.00                             | 3             |
| Infineon Technologies Delta GmbH  | Neubiberg, Germany                   | 100                        | 0.02                         | 0.00                             | 3             |
| Infineon Technologies Gamma GmbH  | Neubiberg, Germany                   | 100                        | 0.02                         | 0.00                             | 3             |
| Infineon Technologies Iberia S.L.U.                                       | Madrid, Spain                        | 100                        | 0.14                         | 0.03                             | 3             |
| Infineon Technologies Ireland Ltd.  | Dublin, Ireland                      | 100                        | 0.42                         | 0.10                             | 3             |



| Name of company  | Registered office                    | Shareholdings in % | Equity (€ in millions) | Net result (€ in millions) | Foot-note |
|--|--------------------------------------|--------------------|------------------------|----------------------------|-----------|
| Infineon Technologies Mantel 21 GmbH                         | Neubiberg, Germany                   | 100                | 0.03                   | 0.00                       | 3         |
| Infineon Technologies Mantel 24 GmbH                         | Neubiberg, Germany                   | 100                | 0.02                   | 0.00                       | 3         |
| Infineon Technologies Mantel 26 AG                           | Neubiberg, Germany                   | 100                | 0.04                   | 0.00                       | 3         |
| Infineon Technologies Mantel 27 GmbH                         | Neubiberg, Germany                   | 100                | 0.03                   | 0.00                       | 10        |
| Infineon Technologies Romania s.r.l.                         | Bucharest, Romania                   | 100                | 0.04                   | 0.01                       | 6         |
| Infineon Technologies RUS LLC                                | Moscow, Russian Federation           | 100                | 0.09                   | 0.03                       | 6         |
| Infineon Technologies Schweiz GmbH                           | Zurich, Switzerland                  | 100                | 0.22                   | 0.03                       | 3         |
| Infineon Technologies South America Ltda.                    | São Paulo, Brazil                    | 100                | 0.03                   | (0.04)                     | 3         |
| IR International Holdings China, Inc.                        | Wilmington, Delaware, USA            | 100                | 0.00                   | 0.00                       | 5         |
| IR International Holdings, Inc.                              | Wilmington, Delaware, USA            | 100                | 0.00                   | 0.00                       | 5         |
| KAI Kompetenzzentrum Automobil- und Industrieelektronik GmbH | Villach, Austria                     | 100                | 0.10                   | 0.00                       | 6         |
| KFE Kompetenzzentrum Fahrzeug Elektronik GmbH                | Lippstadt, Germany                   | 24                 | 2.04                   | 0.14                       | 6         |
| MicroLinks Technology Corp.                                  | Kaohsiung, Taiwan                    | N.A.               | N.A.                   | N.A.                       | 13        |
| OSPT IP Pool GmbH  | Neubiberg, Germany                   | 100                | 0.02                   | 0.00                       | 3         |
| R Labco, Inc.  | Wilmington, Delaware, USA            | 100                | 0.00                   | 0.00                       | 5         |
| Schweizer Electronic AG                                      | Schramberg, Germany                  | 9                  | 48.44                  | 5.58                       | 6         |
| TTTech Computertechnik AG                                    | Wien, Austria                        | N.A.               | N.A.                   | N.A.                       | 13        |
| Xi'an IR PERI Company, Ltd.                                  | Xi'an, People's Republic of China    | 50                 | N.A.                   | N.A.                       |           |
| <b>Qimonda AG and its subsidiaries: <sup>2</sup></b>         |                                      |                    |                        |                            |           |
| Celis Semiconductor Corp.                                    | Colorado Springs, Colorado, USA      | 17                 | -                      | -                          | 2         |
| Itarion Solar Lda.   | Vila do Conde, Portugal              | 40                 | -                      | -                          | 2         |
| Qimonda (Malaysia) Sdn. Bhd. in liquidation                  | Malacca, Malaysia                    | 77                 | -                      | -                          | 2         |
| Qimonda AG in insolvency                                     | Munich, Germany                      | 77                 | -                      | -                          | 2         |
| Qimonda Asia Pacific Pte. Ltd.                               | Singapore, Singapore                 | 77                 | -                      | -                          | 2         |
| Qimonda Belgium BVBA in insolvency                           | Leuven, Belgium                      | 77                 | -                      | -                          | 2         |
| Qimonda Beteiligungs GmbH in insolvency                      | Munich, Germany                      | 77                 | -                      | -                          | 2         |
| Qimonda Bratislava s.r.o. in liquidation                     | Bratislava, Slovakia                 | 77                 | -                      | -                          | 2         |
| Qimonda Dresden GmbH & Co. OHG in insolvency                 | Dresden, Germany                     | 77                 | -                      | -                          | 2         |
| Qimonda Dresden Verwaltungsgesellschaft mbH in insolvency    | Dresden, Germany                     | 77                 | -                      | -                          | 2         |
| Qimonda Europe GmbH in liquidation                           | Munich, Germany                      | 77                 | -                      | -                          | 2         |
| Qimonda Finance LLC in insolvency                            | Wilmington, Delaware, USA            | 77                 | -                      | -                          | 2         |
| Qimonda Flash Geschäftsführungs GmbH in liquidation          | Dresden, Germany                     | 77                 | -                      | -                          | 2         |
| Qimonda Flash GmbH in insolvency                             | Dresden, Germany                     | 77                 | -                      | -                          | 2         |
| Qimonda France SAS in liquidation                            | St. Denis, France                    | 77                 | -                      | -                          | 2         |
| Qimonda Holding B.V. in insolvency                           | Rotterdam, The Netherlands           | 77                 | -                      | -                          | 2         |
| Qimonda International Trade (Shanghai) Co. Ltd.              | Shanghai, People's Republic of China | 77                 | -                      | -                          | 2         |
| Qimonda Investment B.V.                                      | Rotterdam, The Netherlands           | 77                 | -                      | -                          | 2         |
| Qimonda IT (Suzhou) Co., Ltd. in liquidation                 | Suzhou, People's Republic of China   | 77                 | -                      | -                          | 2         |
| Qimonda Italy s.r.l. in liquidation                          | Padua, Italy                         | 77                 | -                      | -                          | 2         |
| Qimonda Korea Co. Ltd. in liquidation                        | Seoul, Republic of Korea             | 77                 | -                      | -                          | 2         |
| Qimonda Licensing LLC  | Fort Lauderdale, Florida, USA        | 77                 | -                      | -                          | 2         |

| Name of company  | Registered office                  | Share-<br>holdings<br>in % | Equity<br>(€ in<br>millions) | Net result<br>(€ in<br>millions) | Foot-<br>note |
|--|------------------------------------|----------------------------|------------------------------|----------------------------------|---------------|
| Qimonda Memory Product Development Center (Suzhou) Co., in liquidation | Suzhou, People's Republic of China | 77                         | –                            | –                                | 2             |
| Qimonda North America Corp. in insolvency                              | Wilmington, Delaware, USA          | 77                         | –                            | –                                | 2             |
| Qimonda Richmond LLC in insolvency                                     | Wilmington, Delaware, USA          | 77                         | –                            | –                                | 2             |
| Qimonda Solar GmbH   | Dresden, Germany                   | 77                         | –                            | –                                | 2             |
| Qimonda Taiwan Co. Ltd. in liquidation                                 | Taipei, Taiwan                     | 77                         | –                            | –                                | 2             |
| Qimonda UK Ltd. in liquidation   | High Blantyre, Scotland            | 77                         | –                            | –                                | 2             |

1 Certain immaterial subsidiaries were not consolidated in the 2015 and 2014 fiscal years. Infineon evaluates the significance of these subsidiaries annually at each reporting date. Net income, external revenue and total assets of all subsidiaries deemed to be immaterial were in total less than 1 percent of the respective Group values.

2 On January 23, 2009 Qimonda AG applied to the Munich District Court for insolvency proceedings to be opened. Insolvency proceedings were formally opened on April 1, 2009. The equity and earnings of Qimonda AG and its subsidiaries are not disclosed due to the substantial and ongoing restriction of Infineon's rights as a result of Qimonda AG's insolvency. In addition, the list of subsidiaries held by Qimonda AG was based on information from September 30, 2010, since Infineon had not received any further information from the insolvency administrator of Qimonda AG with respect to the insolvency or liquidation of Qimonda companies. Since all Qimonda-related investments were written down in full in previous years, this has no effect on Infineon's net assets, financial position and results of operations.

3 Equity and net result as of September 30, 2014.

4 Equity and net result as of March 31, 2014.

5 Equity and net result as of June 30, 2014.

6 Equity and net result as of December 31, 2014.

7 Equity and net result as of March 31, 2015.

8 Equity and net result as of May 13, 2013 (period from April 1, 2013 until May 13, 2013).

9 Equity and net result as of September 30, 2014 (short fiscal year from January 1, 2014 until September 30, 2014).

10 Opening balance as of October 16, 2014.

11 Opening balance as of November 1, 2014 (the company was founded on October 21, 2014 and consolidated for the first time as of November 1, 2014).

12 Opening balance as of June 30, 2015 (the company was founded on April 17, 2015 and consolidated for the first time as of June 30, 2015).

13 Share of less than 5 percent.

The values in the above table represent financial statements prepared according to local requirements and are, in some cases, provisional.

Neubiberg, November 20, 2015

Infineon Technologies AG  
Management Board

Dr. Reinhard Ploss

Dominik Asam

Arunjai Mittal

# Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which has been combined with the Management Report for Infineon Technologies AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Neubiberg, November 24, 2015

Infineon Technologies AG

Dr. Reinhard Ploss

Dominik Asam

Arunjai Mittal

# Auditor's Report

We have audited the consolidated financial statements prepared by the Infineon Technologies AG, Neubiberg, comprising the statements of financial position, operations, comprehensive income, cash flows and changes in equity, together with the management report of the Company and the Group for the business year from October 1, 2014 to September 30, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the Managing Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, November 20, 2015

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Braun  
Wirtschaftsprüfer

Wolper  
Wirtschaftsprüfer

## Financial Data 2011 – 2015

| € in millions, except otherwise stated  | 2015         | 2014         | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CONSOLIDATED STATEMENTS OF OPERATIONS DATA</b>   |              |              |              |              |              |
| <b>Revenue by region</b>  |              |              |              |              |              |
| Europe, Middle East, Africa   | 2,020        | 1,707        | 1,567        | 1,732        | 1,920        |
| Therein: Germany  | 942          | 859          | 795          | 908          | 1,090        |
| Asia-Pacific (w/o Japan)  | 2,666        | 1,845        | 1,560        | 1,470        | 1,450        |
| Therein: China  | 1,337        | 868          | 710          | 637          | 663          |
| Japan   | 399          | 284          | 227          | 252          | 202          |
| Americas  | 710          | 484          | 489          | 450          | 425          |
| Therein: USA  | 568          | 367          | 368          | 332          | 315          |
| <b>Revenue by Segment</b>   |              |              |              |              |              |
| Automotive  | 2,351        | 1,965        | 1,714        | 1,660        | 1,552        |
| Industrial Power Control  | 971          | 783          | 651          | 728          | 797          |
| Power Management & Multimarket  | 1,794        | 1,061        | 987          | 929          | 1,003        |
| Chip Card & Security  | 666          | 494          | 463          | 457          | 428          |
| Other Operating Segments  | 14           | 22           | 26           | 125          | 216          |
| Corporate and Eliminations  | (1)          | (5)          | 2            | 5            | 1            |
| <b>Total Revenue</b>  | <b>5,795</b> | <b>4,320</b> | <b>3,843</b> | <b>3,904</b> | <b>3,997</b> |
| <b>Gross profit</b>   | <b>2,080</b> | <b>1,647</b> | <b>1,323</b> | <b>1,427</b> | <b>1,654</b> |
| Gross margin  | 35.9%        | 38.1%        | 34.4%        | 36.6%        | 41.4%        |
| Research and development expenses   | (717)        | (550)        | (525)        | (455)        | (439)        |
| Selling, general and administrative expenses  | (778)        | (496)        | (440)        | (475)        | (449)        |
| Other operating income and expense, net   | (30)         | (76)         | (33)         | (42)         | (30)         |
| <b>Operating income</b>   | <b>555</b>   | <b>525</b>   | <b>325</b>   | <b>455</b>   | <b>736</b>   |
| Net financial result  | (39)         | (9)          | (21)         | (23)         | (26)         |
| Income (loss) from investments accounted for using the equity method                                      | 4            | 3            | 2            | (1)          | 4            |
| Income tax  | 102          | (31)         | (23)         | 1            | 30           |
| <b>Income from continuing operations</b>  | <b>622</b>   | <b>488</b>   | <b>283</b>   | <b>432</b>   | <b>744</b>   |
| Income (loss) from discontinued operations, net of income taxes   | 12           | 47           | (11)         | (5)          | 375          |
| <b>Net income</b>   | <b>634</b>   | <b>535</b>   | <b>272</b>   | <b>427</b>   | <b>1,119</b> |
| <b>Basic earnings (loss) per share attributable to shareholders of Infineon Technologies AG (in €):</b>   |              |              |              |              |              |
| Basic earnings per share from continuing operations (in €)  | 0.55         | 0.44         | 0.26         | 0.40         | 0.68         |
| Basic earnings (loss) per share from discontinued operations (in €)                                       | 0.01         | 0.04         | (0.01)       | -            | 0.35         |
| Basic earnings per share (in €)   | 0.56         | 0.48         | 0.25         | 0.40         | 1.03         |
| <b>Diluted earnings (loss) per share attributable to shareholders of Infineon Technologies AG (in €):</b> |              |              |              |              |              |
| Diluted earnings per share from continuing operations (in €)  | 0.55         | 0.44         | 0.26         | 0.39         | 0.66         |
| Diluted earnings (loss) per share from discontinued operations (in €)                                     | 0.01         | 0.04         | (0.01)       | -            | 0.32         |
| Diluted earnings per share (in €)   | 0.56         | 0.48         | 0.25         | 0.39         | 0.98         |
| Adjusted earnings per share (in €) – diluted  | 0.60         | 0.48         | -            | -            | -            |
| <b>Key Data for the Consolidated Statement of Operations</b>  |              |              |              |              |              |
| Return on sales <sup>2</sup>  | 10.9%        | 12.4%        | 7.1%         | 10.9%        | 28.0%        |
| EBIT <sup>3</sup>   | 562          | 528          | 327          | 453          | 740          |
| EBIT margin <sup>4</sup>  | 9.7%         | 12.2%        | 8.5%         | 11.6%        | 18.5%        |
| EBITDA <sup>5</sup>   | 1,322        | 1,042        | 793          | 881          | 1,104        |
| <b>Segment Result</b>   |              |              |              |              |              |
| Automotive  | 300          | 259          | 167          | 219          | 279          |
| Industrial Power Control  | 122          | 144          | 38           | 118          | 202          |
| Power Management & Multimarket  | 352          | 172          | 144          | 142          | 242          |
| Chip Card & Security  | 121          | 43           | 39           | 56           | 54           |
| Other Operating Segments  | 5            | 6            | (9)          | 5            | 14           |
| Corporate and Eliminations  | (3)          | (4)          | (2)          | (13)         | (5)          |
| <b>Segment Result:</b>  | <b>897</b>   | <b>620</b>   | <b>377</b>   | <b>527</b>   | <b>786</b>   |
| Segment Result Margin   | 15.5%        | 14.4%        | 9.8%         | 13.5%        | 19.7%        |

| € in millions, except otherwise stated  | 2015          | 2014          | 2013          | 2012          | 2011          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA</b>                          |               |               |               |               |               |
| <b>Total assets</b>   | <b>8,741</b>  | <b>6,438</b>  | <b>5,905</b>  | <b>5,898</b>  | <b>5,873</b>  |
| Gross cash position   | 2,013         | 2,418         | 2,286         | 2,235         | 2,692         |
| Net cash position   | 220           | 2,232         | 1,983         | 1,940         | 2,387         |
| Inventories   | 1,129         | 707           | 609           | 567           | 507           |
| Assets classified as held for sale  | –             | –             | –             | 5             | 5             |
| Property, plant and equipment   | 2,093         | 1,700         | 1,600         | 1,731         | 1,343         |
| Goodwill and other intangible assets  | 1,738         | 250           | 170           | 146           | 111           |
| Debt  | 1,793         | 186           | 303           | 295           | 305           |
| Provisions  | 474           | 660           | 721           | 740           | 836           |
| <b>Total liabilities</b>  | <b>4,076</b>  | <b>2,280</b>  | <b>2,129</b>  | <b>2,323</b>  | <b>2,518</b>  |
| <b>Total equity</b>   | <b>4,665</b>  | <b>4,158</b>  | <b>3,776</b>  | <b>3,575</b>  | <b>3,355</b>  |
| <b>Statement of Financial Position Ratios</b>                                     |               |               |               |               |               |
| Equity ratio  | 53.4%         | 64.6%         | 63.9%         | 60.6%         | 57.1%         |
| Return on equity  | 13.6%         | 12.9%         | 7.2%          | 11.9%         | 33.4%         |
| Return on assets  | 7.3%          | 8.3%          | 4.6%          | 7.2%          | 19.1%         |
| Return on Capital Employed (RoCE)   | 12.8%         | 20.3%         | 14.1%         | 22.3%         | 62.1%         |
| <b>CONSOLIDATED STATEMENTS OF CASH FLOWS DATA</b>                                 |               |               |               |               |               |
| Net cash provided by operating activities from continuing operations              | 957           | 988           | 610           | 667           | 983           |
| Net cash used in investing activities from continuing operations                  | (2,593)       | (272)         | (328)         | (1,013)       | (2,499)       |
| Net cash provided by (used in) financing activities from continuing operations    | 1,363         | (179)         | (165)         | (199)         | (352)         |
| Net increase in cash and cash equivalents from discontinued operations            | (140)         | (8)           | (10)          | (40)          | 1,206         |
| Depreciation and amortization   | 760           | 514           | 466           | 428           | 364           |
| Purchases of property, plant and equipment and intangible assets and other assets | (785)         | (668)         | (378)         | (890)         | (887)         |
| Cash flow   | (413)         | 529           | 107           | (585)         | (662)         |
| Free cash flow  | (1,654)       | 317           | 235           | (219)         | 106           |
| <b>The IFX Share (as of September 30)</b>   |               |               |               |               |               |
| Dividend per share <sup>7</sup> in €  | 0.20          | 0.18          | 0.12          | 0.12          | 0.12          |
| Dividend <sup>7</sup> in € million  | 225           | 202           | 129           | 129           | 130           |
| Closing price Xetra Trading System in €   | 10.06         | 8.19          | 7.40          | 4.94          | 5.59          |
| Closing price OTCQX in US\$   | 11.31         | 10.30         | 9.98          | 6.44          | 7.39          |
| Shares issued in million  | 1,129         | 1,128         | 1,081         | 1,080         | 1,087         |
| Market capitalization € in millions   | 11,294        | 9,190         | 7,950         | 5,335         | 6,073         |
| Market capitalization US\$ in millions  | 12,704        | 11,554        | 10,729        | 6,957         | 8,031         |
| <b>Infineon employees (as of September 30 in total figures)</b>                   | <b>35,424</b> | <b>29,807</b> | <b>26,725</b> | <b>26,658</b> | <b>25,720</b> |

1 The Industrial & Multimarket segment was split into two separate segments effective January 1, 2012, namely the Industrial Power Control segment and the Power Management & Multimarket segment. Prior year figures have been adjusted accordingly.

2 Return on sales = net income/loss divided by revenue.

3 EBIT = earnings from continuing operations before interest and tax.

4 EBIT margin = EBIT divided by revenue.

5 EBITDA = EBIT plus scheduled depreciation and amortization.

6 Return on assets = net income (loss) divided by total assets.

7 A cash dividend of €0.20 per share for the 2015 fiscal year will be proposed at the Annual General Meeting. This would result in a distribution of approximately €225 million.

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# Financial Glossary

## Adjusted EPS

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions as well as by other exceptional items. In order to enable better comparability of operating performance over time, Infineon computes adjusted earnings per share by excluding extraordinary effects including the tax effect on them.

## ADS

American Depositary Shares – ADSs are U.S.-traded securities represented by an American Depositary Receipt for non-U.S. issuers. These securities simplify the access to U.S. capital markets for non-U.S.-based companies, and in turn provide U.S. investors with investment opportunities in non-U.S. securities. Since the delisting from the New York Stock Exchange (“NYSE”), the Infineon ADSs have been traded over the counter on the OTCQX International Premier market as a sponsored Level 1 program with the ticker symbol IFNNY.

## Associated Companies

An entity in which the Company has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Significant influence is generally presumed when the Company holds between 20 percent and 50 percent of the voting rights.

## Carve-Out

Legal separation of business operations (e.g. business units).

## Cash flow

The cash-effective balance arising from inflows and outflows of funds over the fiscal year. The Consolidated Statement of Cash Flows is part of the Consolidated Financial Statements and shows how the Company generated cash during the period and where it spent cash, in terms of operating activities (cash the Company made by purchasing/selling goods and services), investing activities (cash the Company spent for investment, or cash it raised from divestitures), and financing activities (cash the Company raised by selling stocks, bonds and loans or spent for the redemption of stocks or bonds).

## Convertible bond

Convertible notes/bonds are interest-bearing securities which normally – in addition to the right to receive interest and repayment of the nominal amount – give the bearer a conversion option. During the term of the option (conversion period), the bearer can exchange the convertible bond/note for a specified number of shares of the issuing entity. The conversion ratio is stipulated and is typically adjusted for transactions affecting the shareholders, such as dividend payments. If the bondholder/noteholder does not convert the bond/note into shares during the conversion period, the issuer redeems the bond/note at the end of the term at its nominal amount.

## DAX

Deutscher Aktienindex – The German Stock Index tracking the 30 major German companies traded on the Frankfurt Stock Exchange, in terms of order volume or market capitalization.

## Deferred tax

Since tax laws often differ from the recognition and measurement requirements of financial accounting standards, differences can arise between (a) the amount of taxable income and pre-tax financial income for a year and (b) the tax bases of assets or liabilities and their reported amounts in financial statements. A deferred tax liability and corresponding expense results from income that has already been earned for accounting purposes but not for tax purposes. Conversely, a deferred tax asset and corresponding benefit results from amounts deductible in future years for tax purposes but that have already been recognized for accounting purposes.

## Defined benefit obligations (DBO)

A measure of a pension plans' liability at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future.

## Derivate

A financial instrument that derives its value from the price, price fluctuations or expected price of an underlying asset (e.g. a security, currency or bond).

## EPS

Earnings Per Share. Basic earnings per share is calculated by dividing net income (loss) by the weighted average number of ordinary shares outstanding during the period. For the calculation of diluted earnings per share the weighted average number of ordinary shares outstanding is increased by all additional ordinary shares that would have been outstanding if potentially dilutive instruments had been converted into ordinary shares.

## Equity Method

Valuation method for interests in associated companies in which the investor has the ability to exercise significant influence over the investee's operating and financial policies.

## Fair Value

The fair value is defined as price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Forward contract

A forward transaction taking place on a set future date with individually negotiated contract terms where the delivery and payment of a security is effected with the rate set on the day the transaction is concluded; in the case of a foreign exchange forward, the exchange of one currency for another at a fixed rate.

## Free cash flow

Cash flow from operating and investing activities from continuing operations excluding cash flows related to the purchase or sale of financial investments.

**Goodwill**

An intangible asset of the Company that results from a business acquisition, representing the excess of the purchase price (cost) paid for the acquired business over the fair value of the separately identifiable assets acquired and liabilities and contingencies assumed. Under IFRS, goodwill is not reduced through scheduled amortization, but rather written down to its fair value if impaired. An impairment assessment is performed at least once a year.

**Gross cash position**

Total of cash and cash equivalents plus financial investments.

**Gross profit**

Revenues less cost of goods sold.

**IFRS**

International Financial Reporting Standards; Infineon prepares its Consolidated Financial Statements in accordance with IFRS, as adopted by the European Union.

**Joint Venture**

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

**Net cash position**

Gross cash position less short-term and long-term debt.

**OTCQX**

One of three marketplaces for trading over-the-counter stocks provided and operated by the OTC Markets Group.

**Profit or loss and capital-share attributable to non-controlling interests**

Proportional share in net income and equity attributable to outside shareholders, and not to shareholders of the Infineon Group's parent company.

**Put options**

In the case of a put option, the buyer acquires a contractual right to sell a stipulated quantity of an underlying asset (e.g. a share) at a predetermined date (European option) at a specified price (underlying price). In return, the issuer receives an option premium from the buyer of the put option.

**Registered shares**

Shares registered in the name of a certain person. This person's details and number of shares are registered in the Company's share ledger in accordance with securities regulations. Only individuals registered in the Company's share ledger are considered shareholders of the Company and are, for example, able to exercise their rights at the Company's Annual General Meeting.

**RoCE**

Return on Capital Employed is defined as the operating result after tax from continuing operations divided by capital employed. RoCE shows the linkage between profitability and capital resources required to run the business.

**Segment Result**

Infineon defines Segment Result as operating income (loss) excluding: the net amount of asset impairments and reversals thereof; the impact on earnings of restructuring and closures; share-based compensation expense; acquisition-related depreciation/amortization and other expenses; gains (losses) on sales of assets, businesses, or interests in subsidiaries as well as other income (expense), including litigation costs. This is the measure that Infineon uses to evaluate the operating performance of its segments.

**Segment Result Margin**

An indicator of operating performance, calculated as the percentage of Segment Result in relation to revenue.

**Working capital**

Working capital consists of current assets less cash and cash equivalents, financial investments and assets held for sale less current liabilities excluding short-term debt and current maturities of long-term debt excluding liabilities classified as held for sale.

# Technology Glossary

## 300-millimeter technology

Comprehensive term for the manufacture and processing of wafers with a diameter of 300 millimeters.

## 40-/65-/90-nanometer technology

Manufacturing technology can be described by feature size, such as 90, 65, or 40 nanometers. The smaller the structures, e.g. lines and pitches, the smaller the chip and the cheaper its manufacturing. The 40 nanometer technology succeeds the 65 nanometer technology, which followed the 90 nanometer technology.

## ABS

The anti-lock braking system is an electronic vehicle safety feature that prevents the wheels from locking during heavy braking.

## AC-DC conversion

Alternating Current (AC) to Direct Current (DC) conversion. This is a generic term for power supplies in which alternating current from the mains is converted to direct current, which often then needs to be precisely converted to a lower current (see also "DC-DC conversion").

## Analog-mixed-signal

"Mixed-signal" is a generic term for integrated circuits that operate simultaneously with analog and digital signals. Owing to similar requirements in terms of development and manufacturing processes, they are generally grouped together with integrated circuits operating exclusively with analog signals, hence giving rise to the combination "analog-mixed-signal".

## ASIC

Application Specific Integrated Circuit. Logic IC specially constructed for a specific application and customer; implemented on an integrated circuit.

## ASSP

Application Specific Standard Product. Standard product designed for a specific use that can be used by many customers; implemented on an integrated circuit.

## AURIX™

Infineon brand name for the 32-bit multicore automotive microcontroller family.

## Authentication

Authentication means the ability to prove one's own identity, i.e., proof of the authentic original. However, authentication does not necessarily refer to people only, but also to any tangible or intangible object, such as a device or an electronic document. A user can be authenticated in any one of three different ways: 1.) By providing a certain piece of information, i.e., the user knows something, such as a password; 2.) Through the use of a possession, i.e., the user possesses something, such as a key; 3.) Through the direct presence of the user, i.e., the user is someone or something, such as in the form of a biometric feature.

## Backend manufacturing

The part of the semiconductor manufacturing process that happens after the wafer has left the cleanroom (frontend manufacturing). This includes testing the chips at wafer level, repairing the chips if necessary, dicing the wafers and packaging the individual chips. There is a growing trend among semiconductor manufacturers to outsource the assembly, and sometimes even the testing, to independent assembly companies. Much of the assembly capacity is based in the Pacific Rim countries.

## Bare die

A bare die is a single, unpackaged chip. Bare die business means the sale of fully processed, unpackaged chips. The packaging and subsequent testing of the packaged chips is performed by the customer. Bare die business is mostly conducted with IGBT module manufacturers that produce their own modules but not their own semiconductors.

## Bipolar

A power bipolar transistor is a specialized version of a bipolar transistor that is optimized for conducting and blocking large electric currents (up to several hundred amperes) and very high voltages (up to several 1,000 volts). In industry, the power bipolar transistor – like the power MOSFET (see MOSFET) often used as an alternative – constitutes an important industrial semiconductor component for influencing electric current.

## Bit

Information unit; can take one of two values "true"/"false" or "0"/"1".

## Breakthrough voltage

The breakthrough voltage for semiconductor components is the voltage that, when exceeded, the current increases sharply and can ultimately lead to the destruction of the component. The breakthrough voltage can be determined by the doping of the semiconductor layers.

### Brushless DC motor

An important type of electric motor is the so-called brushless DC motor (BLDC motors). Commutation in BLDC motors is performed electronically, depending on the rotor position, the rotor speed and the torque. The rotor position and torque can be measured via sensors, such as magnetic field sensors. Depending on this positional information, the windings, which generate the torque in the rotor, are controlled via appropriate power semiconductors.

The electronic commutation does not cause wear and tear in BLDC motors, such as in standard DC motors. Moreover, BLDC motors do not require maintenance. Major advances in the field of power electronics and circuit design in recent years have made it possible to manufacture BLDC motors at a reasonable market price.

### Byte

Unit of information in data processing components. One byte is equivalent to eight bits (see bit).

### Cloud computing

Cloud computing is the provision of processing capacity, data storage, network capacity and ready-to-use software via a network with supply matched dynamically to demand. The IT infrastructure functions accessed appear remote and opaque from the user's perspective, as if enveloped in a cloud. The remote systems of the cloud are accessed via a network, usually the internet, using a terminal such as a netbook or tablet (see tablet).

### CMOS

Complementary Metal Oxide Semiconductor. Standard semiconductor manufacturing technology used to manufacture microchips with low power usage and a high level of integration.

### Common Criteria

Common Criteria for Information Technology Security Evaluation, generally known as Common Criteria for short, constitute an international standard for evaluating and certifying the security of computer systems with regard to data security. The Common Criteria define seven levels of reliability (Evaluation Assurance Level, EAL1 to EAL7, i.e., the highest level), which describe the correctness of the implementation and the depth of inspection of the system being evaluated.

### Compound Semiconductor

In contrast to silicon-based semiconductors, compound semiconductors consist of several chemical elements. The combination of materials from the chemical main group III (e.g. gallium) and V (e.g. nitrogen) have the electrical conductivity of semiconductors. This also applies to the combination of materials from the main group IV (carbon, silicon). These compound semiconductors (e.g. gallium nitride or silicon carbide) are therefore of highest importance in technical applications in semiconductor technology, especially for power semiconductors.

### Converter

Control unit that can convert AC voltages of various rates and frequencies. This is achieved by means of power electronics. Converters are used in wind turbines, for example, in order to feed fluctuating wind energy into the power network with a voltage of constant frequency. In electric drive technology, for example in engine controllers and trains, a converter is used to generate an output voltage of variable, load-dependent frequency from a mains supply of constant frequency.

### CoolMOS™

High-voltage power transistor for voltages from 300 to 1,200V.

### DC-DC conversion

Direct Current (DC) to Direct Current (DC) conversion. A high DC input voltage is converted to a mostly lower, highly precise DC output voltage. The DC-DC conversion is usually positioned on the motherboard in close proximity to the electrical consumer. These consumers can be, for example, the microprocessors of a PC or server, the graphics controller of a graphics card or the network processor of a telecommunications facility.

### Driver Assistance Systems

A driver assistance system is an electronic system integrated into a vehicle. It supports the driver in his driving task by providing information and warnings and – if designed for this – by actively intervening with the driving in a regulatory capacity. The driver has to consciously activate or deactivate the system. The driver assistance system can be overruled by the driver at any time.

### Embedded flash

A nonvolatile memory that is integrated on a chip together with a microcontroller processor core. The nonvolatile memory contains the program code.

**Epitaxy**

From the Greek epi “upon” and taxis “arrangement” or “orientation”. Epitaxy is a form of crystalline growth that occurs both in nature (such as in minerals) and in the technical world. In semiconductor technology, epitaxy is the artificial growth of crystalline layers on a substrate, which is usually a wafer. Epitaxy enables various doping profiles for transistors to be created, which are not feasible using other methods such as diffusion or ion implantation.

**EPS**

Electric Power Steering is an electrically-driven power steering system, which is equipped with an electric motor as opposed to hydraulically driven systems. The advantage is that the power steering can be tailored to suit the current requirement. In other words, it is only activated as needed during steering operations, which leads to greater fuel economy compared with hydraulic power steering systems.

**ESD**

Electrostatic discharge. ESD is a spark or disruptive discharge caused by a large potential difference in an electrically isolating material that causes a very short, high electrical current impulse capable of destroying electronic devices such as mobile telephones. The cause of the potential difference is mostly a static electricity charge, which can happen, for example, when walking over a carpet and can charge a person with up to 30,000 volts.

**ESC**

Electronic Stability Control. A vehicular technology system that uses sensors and computers to brake individual wheels in order to prevent skidding.

**Euro NCAP**

European New Car Assessment Programme. The Euro NCAP carries out crash tests and provides automobile buyers with a realistic, independent assessment of the safety features of many of the most sold vehicles in Europe. Euro NCAP was founded in 1997 and is meanwhile supported by seven European governments as well as automobile and consumer organizations from all EU states.

**Exa**

A decimal prefix for usage in the international system of units, Exa stands for  $10^{18} = 1$  quintillion, abbreviated “E”, for example exabyte (EByte).

**FACTS**

Flexible AC Transmission System – control systems used in electrical engineering. They are used in the field of electrical power supply to specifically control power transmission and distribution in AC networks, in which in principle components of power electronics and therefore power semiconductors such as IGBT modules are used. The controlling of power transfers can be implemented in alternating current networks by changing the idle and active power by means of capacitor batteries or compensation coils.

**Firmware**

Firmware is software that is embedded in electronic devices. It is mostly embedded in the memory of a microcontroller and cannot usually be replaced by the user. The term derives from the fact that firmware is functionally firmly connected with the hardware, which means that neither one can function without the other. It occupies an intermediate position between hardware and the application software.

**Frontend manufacturing**

Frontend process is the designation for all process steps in cleanrooms that the entire wafer must complete. These are lithography, diffusion, ion implantation and application of circuitry levels. Some stations must be completed a number of times. At the end of the frontend process, the wafer may have been through as many as 500 individual process steps. After the conclusion of the frontend manufacturing, the processed wafers are transferred to backend manufacturing for testing and packaging (see Backend manufacturing).

**Gallium nitride**

Gallium nitride (abbreviated to GaN) is a compound semiconductor material made from gallium (chemical symbol Ga) and nitrogen (chemical symbol N). GaN is used for components including radio-frequency power MOSFETs (see MOSFET) on account of the material’s special properties (such as good thermal conductivity and high electron mobility).

**Giga**

A decimal prefix for usage in the international system of units, Giga stands for  $10^9 = 1$  billion, abbreviated to “G”, for example gigabyte (GByte).

**GMR**

Giant Magneto-Resistance. The GMR effect is utilized in sensors for the purpose of measuring magnetic fields. GMR sensors are employed in a range of applications, e.g. as steering angle sensors in automobiles.

**GPS**

Global Positioning System. Satellite-based location identification and positioning system based on the transit time differences of received signals.

**Hall sensor**

A sensor based on the Hall principle, used for measuring magnetic fields, named after the US physicist Edwin Herbert Hall (1855 – 1938). Hall sensors are used in automobiles, for example, for detecting pedal positions or for measuring the speed at which shafts rotate.

**Hertz**

Hertz (Hz) is the unit for frequency, and is named after the German physicist Heinrich Rudolf Hertz (1857 – 1894). The Hertz determines the number of oscillations per second, or more generally speaking, the number of repetitive processes per second. Frequently used units are kilohertz (one thousand oscillations per second), megahertz (one million oscillations per second) and gigahertz (one billion oscillations per second).

**HEV/EV**

Hybrid electric vehicle/electric vehicle: collective terms for vehicles powered partly or entirely by an electric motor (see hybrid car).

**HVDC**

High-voltage direct-current transmission. HVDC transmission is a method of transmitting electrical energy at high direct-current voltages of up to 800,000 volts over distances of more than 1,000 kilometers. HVDC transmission is also used for connecting offshore wind farms to the electricity grid on the mainland.

**Hybrid car**

A hybrid car is usually understood to be a motor vehicle that is driven by at least one electric motor, as well as a combustion engine. The hybrid drive is used in standard car construction to enhance efficiency, reduce consumption of fossil fuels or increase performance at lower engine speeds. In full hybrid cars the vehicle can be driven solely by the electric motor. In mild hybrid cars, the electric motor is simply used to support the combustion engine, for example when accelerating.

**Hybrid technology**

The word “hybrid” comes from the Greek for “mixed” or “originating from two different sources”. It has come to be used to denote the heart of a new drive technology in the automotive industry: hybrid vehicles operate with a combination of a diesel or gas engine and an electric motor.

**IC**

Integrated Circuit. Electronic Component parts composed of semiconductor materials such as silicon; numerous components, including transistors, resistors, capacitors and diodes can be integrated into ICs and interconnected.

**IGBT Module**

Insulated Gate Bipolar Transistor Module. IGBTs are semiconductor components used increasingly in power electronics due to their robustness, high blocking voltage, and their ability to be triggered with negligible power. Modules are formed using several IGBTs in parallel within a single casing. These modules are used to drive electric motors both in automotive and industrial applications. Motor speed and torque can be regulated along a gradual scale. Trains such as Germany’s ICE and France’s TGV use IGBT modules for an efficient and rapid electrical drive control.

**Industrial Internet, Industry 4.0**

Industrial Internet, in Germany commonly referred to as “Industrie 4.0”, describes the gradual evolution towards the smart, efficient and flexible factory of the future. It is characterized by high degrees of automation, deep horizontal and vertical integration of production and logistics processes, and the use of advanced “big data” analytics. Or simply put: Industrial Internet = Industrial Automation + Internet of Things (see Internet of Things).

**Internet of Things**

The Internet of Things (IoT) is the network of physical objects that contain embedded electronics to compute, sense, actuate and communicate. There is no clearly defined “IoT market”, instead the term IoT describes an ongoing and long-term trend that affects many applications, some of which exist today with different names and many additional applications that might exist sometime in the future. For Infineon we currently see IoT-related opportunities mainly in mobility, industry, energy, consumer and ICT (Information and Communication Technology) infrastructure markets.

**Integrity Guard**

Integrity Guard (IG) is a revolutionary security technology designed for chip cards and security applications, with which Infineon is ringing in a new era in the field of hardware-based security. IG was specially developed for sophisticated, long-life applications such as payment cards and government identification documents. IG enables a security controller for the first time to provide complete error detection and comprehensive encryption of all chip functions across the entire data path within the chip. For this reason it is known as “digital security”. IG is used in the security controllers of the SLE 77 and 78 families and has won numerous international awards.

**Inverter**

An inverter, also called a DC/AC converter, is an electrical device for converting DC voltage into AC voltage, or direct current into alternating current. Inverters are used in solar power plants, for example, for converting the DC voltage generated in the solar modules into AC voltage, which is then fed into the electricity network.

**ISO 26262**

ISO 26262 is an ISO standard for safety-related electrical and electronic systems in various types of vehicle. ISO 26262 defines a procedure model together with required activities and methods to be used in development and production. The implementation of the standard is designed to guarantee the functional safety of systems that include electrical and electronic components in vehicles. The standard is used by carmakers, automotive suppliers and testing institutions.

**Kilo**

A decimal prefix for usage in the international system of units, kilo stands for  $10^3 = 1,000$ , or abbreviated to “k”. In the world of information technology, Kilo stands for  $2^{10} = 1,024$ , or “K” for short, e.g. kilobyte (KByte).

**LDMOS**

Laterally Diffused MOS transistor. The increasingly stringent standards concerning the electrical properties of field-effect transistors (MOSFETs) have led to the development of variations of the planar MOSFET in recent decades. They frequently differ in the design of their doping profile or the selection of material. For instance, there is a difference between lateral (i.e., those aligned parallel to the surface) and vertical designs. Whereas lateral transistors (LDMOS) are primarily used in radio-frequency applications for telecommunications, the vertical design is mainly used in the field of power electronics.

**Mega**

Decimal prefix for usage in the international system of units. Mega stands for  $10^6 = 1,000,000 = 1$  million, or “M” for short. In the world of information technology, Mega stands for  $2^{20} = 1,048,576$ , e.g. megabyte (MByte).

**MEMS**

Micro-electro-mechanical system. A micro-electro-mechanical system, or simply a microsystem, is a miniaturized device, assembly or part that contains components of minute dimensions (only measurable in micrometers) that work together as a system. Usually a microsystem consists of one or more sensors, actuators and control electronics on one chip. Infineon manufactures microphones as MEMS. Due to their diminutive size, low power consumption, good shielding from interfering signals and low-cost production, these types of microphone are being increasingly installed in mobile devices such as smartphones, tablets, cameras, and accessories such as headsets and hearing aids.

**Microcontroller**

A microprocessor integrated into a single IC combined with memory and interfaces, which functions as an embedded system. Logic circuits of the highest complexity can be designed in a microcontroller and controlled by software.

**Micron (Micrometer)**

Metric linear measure, corresponding to the millionth part of a meter ( $10^{-6}$ ). Symbol:  $\mu\text{m}$ . As an example, the diameter of a single human hair is 0.1 millimeters, or 100  $\mu\text{m}$ .

**MOSFET**

Metal-Oxide-Semiconductor Field-Effect Transistor. MOSFET is currently the most widely used transistor architecture. MOSFETs are used both in highly integrated circuits and in power electronics as special power MOSFETs.

**Nanometer**

Metric unit of length. Corresponds to the billionth part of a meter ( $10^{-9}$ ); the symbol is nm. The diameter of deoxyribonucleic acid (DNA) is roughly 2 nanometers. Fabrication features in the semiconductor industry are now measured in nanometers (see 40-/65-/90-nanometer technology).

**NFC**

Near field communication. An international communication standard for contactless data exchange over short distances. The initial drafts of the communication standard appeared several years ago, but the technology did not break through until 2011 when it was included in the first smartphones. NFC can be used as an access key to content on terminals and for services such as cashless payment and paperless ticketing.

**On-state resistance**

The term used to describe the minimal resistance of a field-effect transistor. The correct way to write it is  $R_{\text{DS(on)}}$ . The R stands for the electrical resistance. The index DS stands for the connections to the field-effect transistor, which are known as Drain (D) and Source (S). “On” stands for the state of the field-effect transistor.

**OptiMOS™**

Infineon’s brand name for low-voltage power transistors for voltages between 20 and 300 V.

**Peta**

Decimal prefix for usage in the international system of units. Peta stands for  $10^{15} = 1$  quadrillion, abbreviated “P”, for example petabyte (PByte).



**Plug-in hybrid electric vehicle (PHEV)**

Plug-in hybrid electric vehicles combine the advantages of battery-powered vehicles with those powered by combustion engines. On short trips and in urban traffic, the vehicle is driving purely electrically, and, therefore, quietly, emission-free and economically. The electric power is supplied by the battery. The combustion engine is used on longer trips or whenever the battery needs recharging, making it possible to drive much further. The battery can be charged either using mains power or via the recuperation of braking energy.

**Power semiconductor**

Over the last 30 years power semiconductors have mostly replaced electromechanical solutions in the areas of drive technology as well as power management and supply, due to their ability to form high energy flows almost at will. The advantage of these components is their ability to switch extremely rapidly (typically within a fraction of a second) between the “open” and the “closed” state. With the fast sequences of on/off pulses, almost any form of energy flow can be created, e.g. a sinus wave.

**Power transistor**

Power transistor is a term used in electronics to refer to a transistor for switching or controlling large voltages, currents and outputs. There is no standard method of differentiating between transistors for signal processing and power transistors. Power transistors are mainly produced in packages that enable installation on heat sinks, as it is otherwise impossible to handle the dissipation loss of several kilowatts that occurs with some types and applications (see power semiconductor).

**Repowering**

Repowering in a renewables context generally refers to the replacement of old wind turbines with newer, more powerful and more efficient models. This is done in order to make better use of the available locations and increase the installed capacity while simultaneously reducing the number of turbines.

**Schottky diode**

A special diode that has a metal-semiconductor junction rather than a semiconductor-semiconductor junction. The most frequently used semiconductor material up to 250 Volts is silicon. Silicon carbide (SiC) is used for voltages in excess of 300 Volts (see Silicon Carbide). SiC Schottky diodes offer a number of advantages over conventional diodes in power electronics. When used together with IGBT transistors, it is possible to dramatically reduce switching losses in the diode itself, as well as in the transistor. The name derives from the German physicist Walter Schottky (1886 – 1976).

**Semiconductor**

Crystalline material. Its electrical conductivity can be changed as desired by the application of doping materials (most often boron or phosphorus). Semiconductors include silicon or germanium. The term is also applied to ICs made of these materials.

**Shrink**

A shrink in the context of semiconductor manufacturing is the process of scaling manufacturing down from an existing feature size to the next smaller feature size. The move to smaller structures generally involves shrinking all semiconductor circuit elements equally, although there are some exceptions. Chip function is unchanged, but since the chips are smaller, more can be squeezed onto each wafer and manufacturing costs fall.

**Silicon**

A chemical element with semiconducting characteristics. Silicon is the most important raw material in the semiconductor industry.

**Silicon Carbide**

Compound semiconductor made from silicon (chemical symbol Si) and carbon (chemical symbol C). The abbreviation is SiC. Because of its special material properties (e.g. good thermal conductivity), SiC is used for Schottky diodes, as well as elsewhere (see Schottky diode).

**SIM cards**

Subscriber Identity Module cards. Chip cards that are inserted into mobile phones in order to identify the user within the network. They are used by mobile phone networks to provide connections to their customers.

**Smartcard**

Plastic card with built-in memory chip and/or microcontroller, which can be combined with a Personal Identification Number (PIN).

**Smartphone**

A smartphone is an internet-ready mobile telephone that provides more computer functionality and connectivity than a modern conventional mobile telephone. Current smartphones generally allow users to upgrade their device with new functions by installing additional programs known as apps.

### Smart Power Technology

Apart from the generally improved robustness of power semiconductor components with regard to high current and voltage peaks and the reduction of on-state resistance, an increasing number of functions are being integrated in the component. These components are then commonly known as Smart Power Devices and, apart from protective circuitries (such as thermal and overcurrent protection), they also contain more complex functions such as simple microcontrollers or analog-digital converters. The special technology needed to produce Smart Power Devices is known as Smart Power Technology, such as SPT9 from Infineon.

### Switch-mode power supply

A switch-mode power supply is an electronic module that transforms an AC voltage into a DC voltage. Switch-mode power supplies are more efficient than mains transformers and can be more compact and lighter than conventional power supplies containing a heavy transformer with a ferrous core. Switch-mode power supplies are mainly used in PCs, notebooks and servers. However, they also achieve a very high level of efficiency even at low power, so they are increasingly found in plug-in power supply units, for example as chargers for mobile phones.

### Tablet

A portable computer that can be used in a number of ways including as a note pad. The tablet is operated by applying a stylus or, increasingly, finger contact directly onto a touch-sensitive screen. Recently tablets have come to be used primarily for internet access and hence as a terminal for cloud computing (see cloud computing).

### Tera

Decimal prefix for usage in the international system of units. Tera stands for  $10^{12} = 1$  trillion, abbreviated "T", for example terabyte (TByte).

### Thin wafer

A wafer (see Wafer) is typically around 350 microns ( $\mu\text{m}$ ; see Micron) thick when sawn into individual chips. A thin wafer is one that has been polished down to less than 200 microns thick (a human hair or a sheet of paper, by comparison, is about 60 microns thick). Thin wafer technology offers benefits: Thinner chips mean losses can be reduced and the heat generated can be dissipated more effectively. Another advantage is that electrically active patterns can be produced on the backside as well, enabling the chip to provide completely new functions. Thin wafer chips also allow more compact packages.

### TPM

Trusted Platform Module. A chip that adds elementary security functions such as license and data protection to a computer or similar device. TPMs can be integrated into tablet PCs, smartphones and consumer electronics as well as PCs and notebooks. A trusted computing platform (see Trusted Computing) can be created by combining a specially configured operating system and appropriate software with a device containing a TPM.

### Transistor

A transistor is an electronic component for switching and amplifying electrical signals. Transistors are used in fields including telecommunications, computer systems and power electronics both as discrete components and by the million in integrated circuits.

### Trusted Computing

Trusted Computing means that the hardware and software used in PCs, as well as other computer-controlled systems, such as mobile phones, can be controlled. This is achieved by means of an additional chip, the Trusted Platform Module (TPM), which can use cryptography to measure the integrity of the hardware and of the software data structures, while also saving these values in a verifiable way.

### VSD

Variable Speed Drive. Electronic control units for controlling the speed (revolutions per minute) of electric motors.

### Wafer

Thin slice of semiconductor material from which the actual chip is produced. Typical diameters for wafers currently are 200 millimeters and 300 millimeters.

### Zetta

A decimal prefix for usage in the international system of units. Zetta stands for  $10^{21} = 1$  sextillion, abbreviated "Z", for example zettabyte (ZByte).

## Memberships and partnerships

Infineon is engaged in numerous industry associations and standardization organizations – some examples:

### Industry associations

- › World Semiconductor Council (WSC; organization of regional semiconductor associations)
- › Global Semiconductor Alliance (GSA)
- › Industrial Internet Consortium (IIC)
- › European Semiconductor Industry Association (ESIA)
- › Association representing the Smart Security Industry (EUROSMART)
- › China Semiconductor Industry Association (CSIA)
- › US Semiconductor Industry Association (SIA)
- › Federal Association for Information Technology, Telecommunications and New Media (BITKOM)
- › German Electrical and Electronic Manufacturers' Association (ZVEI)
- › German Association of the Automotive Industry (VDA)

### Standardization organizations

- › International Electrotechnical Commission (IEC)
- › International Organization for Standardization (ISO)
- › Global Standards for the Microelectronics Industry (JEDEC)
- › Universal Serial Bus Implementers Forum (USB-IF)
- › TCG-Trusted Computing Group (Computer Security Standards)
- › European Telecommunications Standards Institute (ETSI)
- › Automotive Open System Architecture (AUTOSAR)
- › German Institute for Standardization (DIN)
- › German Commission for Electrical, Electronic & Information Technologies of DIN and VDE (DKE)

### Others

- › United Nations Global Compact

# GRI G4 Content Index



## General Standard Disclosures

|   | Issue   | Page  | Remarks   | External Audit |
|---|---|---|---|----------------|
| <b>STRATEGY AND ANALYSIS</b>                      |   |   |   |                |
| G4-1  | Statement from the Management Board                                       | 10-13   |   |                |
| <b>ORGANIZATIONAL PROFILE</b>                     |   |   |   |                |
| G4-3  | Name of the organization  | Cover page  |   | ●              |
| G4-4  | Primary brands, products, and services                                    | Cover page<br>"Infineon at a glance"                        |   | ●              |
| G4-5  | Organization's headquarters   | 124-125   |   | ●              |
| G4-6  | Countries where the organization operates                                 | 124-125   |   | ●              |
| G4-7  | Nature of ownership and legal form  | 118-121   |   | ●              |
| G4-8  | Markets served  | 57, 61, 65, 69  |   | ●              |
| G4-9  | Scale of the organization   | Cover page<br>"Infineon at a glance"                        |   | ●              |
| G4-10   | Employee structure  | 110-111, 114-115  |   | ●              |
| G4-11   | Percentage of total employees covered by collective bargaining agreements | 94  |   | ●              |
| G4-12   | Organization's supply chain   | 85, 105-106   |   | ●              |
| G4-13   | Significant changes during the year under report                          | 116-117   |   | ●              |
| G4-14   | Consideration of precautionary approach                                   | 28-31, 128-129  |   | ●              |
| G4-15   | Externally developed charters, principles and initiatives                 | 2-3   |   | ●              |
| G4-16   | Memberships   | 296   |   |                |
| <b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b> |   |   |   |                |
| G4-17   | Structure of the organization   | 124-125, 278-281  |   | ●              |
| G4-18   | Report's boundaries and limitations on its scope                          | 2-3   |   | ●              |
| G4-19   | Material aspects  | 4-7   |   | ●              |
| G4-20   | Description of material aspects within the organization                   | 4-7   |   | ●              |
| G4-21   | Description of material aspects outside the organization                  | 4-7   |   | ●              |
| G4-22   | Effect of any restatements of information                                 | 128-129, Explanatory Notes (www.infineon.com/csr_reporting) |   | ● ●            |
| G4-23   | Significant changes in the scope of the Report                            | 2-3, Explanatory Notes (www.infineon.com/csr_reporting)     |   | ●              |
| <b>STAKEHOLDER ENGAGEMENT</b>                     |   |   |   |                |
| G4-24   | Overview of stakeholder groups  | 92  | At Infineon stakeholders are involved continuously. | ●              |
| G4-25   | Selection of stakeholders   | 3-4, 92-93  |   | ●              |

● Audit of the consolidated financial statements    ● Limited Assurance

|                             | Issue   | Page  | Remarks   | External Audit |
|-----------------------------|---|---|---|----------------|
| G4-26                       | Stakeholder engagement                                    | 3-4, 92-93  | For the definition of our stakeholders we evaluated international sustainability guidelines and directives, such as the OECD Guidelines for Multinational Enterprises, and applied the EFQM (European Foundation for Quality Management) Model for Excellence and the UN Global Compact Blueprint. For those activities included in chart 36, in which the frequency of engagement is not described, Infineon engagement is carried out regularly whenever required. The following topics require a special frequency of engagement:<br><ul style="list-style-type: none"> <li>› Great Place to Work Assessment: is carried out every two years.</li> <li>› Suppliers' evaluation: is carried out for new suppliers. For specific supplier groups it is also carried out on an annual basis.</li> <li>› Principles of Purchasing: part of contractual negotiations.</li> <li>› Annual Report and yearly financial statements: on a yearly basis.</li> </ul> | ●              |
| G4-27                       | Consideration of key concerns raised through stakeholders | 3-4, 92-93  |   | ●              |
| <b>REPORT PROFILE</b>       |   |   |   |                |
| G4-28                       | Reporting period  | 2   |   | ●              |
| G4-29                       | Date of most recent previous report                       | 2   |   | ●              |
| G4-30                       | Reporting cycle   | 2   |   | ●              |
| G4-31                       | Contact point   | 302 (Back cover)                                  |   |                |
| G4-32                       | GRI Content Index   | 297-300   |   |                |
| G4-33                       | External verification                                     | 283, CSR website (www.infineon.com/csr_reporting) |   | ● ●            |
| <b>GOVERNANCE</b>           |   |   |   |                |
| G4-34                       | Governance structure of the organization                  | 180-185   |   | ●              |
| <b>ETHICS AND INTEGRITY</b> |   |   |   |                |
| G4-56                       | Principles, standards and norms of behavior               | 93-95, 174  | The reference to the external audit of G4-56 is only relevant for the pages 93-95.  | ●              |

## Specific Standard Disclosures

|                                  | Issue  | Page                 | Remarks   | External Audit |
|----------------------------------|--|----------------------|---|----------------|
| <b>PRESENCE IN LOCAL MARKETS</b> |  |                      |   |                |
|                                  | Management approach  | 5                    |   | ●              |
| G4-EC4                           | Financial assistance received from governments   | 224                  | Splitting of "received benefits" by country is not relevant. Governments do not participate in Infineon.  | ● ●            |
| G4-EC8                           | Significant identified positive and negative indirect economic impacts                 | 32-36                | Through the use of products in which our semiconductors are used, Infineon has indirect economic impacts, for example in efficiency improvements. The significance of those impacts, was - due to external parameters - not determined in each individual case. | ●              |
| G4-EC7                           | Development of significant infrastructure investments and services supported           | 106-107              |   | ●              |
| G4-EN8                           | Total water withdrawn by source  | 98                   | Indicator applicable due to the production site placed in a water-stressed area and the associated specific local requirements.   | ●              |
| G4-SO1                           | Operations related to local community engagement                                       | 106-107              |   | ●              |
| G4-SO2                           | Operations with significant actual and potential negative impacts on local communities | GRI G4 Content Index | During the 2015 fiscal year our worldwide citizenship representatives did not find any adverse effects.   | ●              |

| Issue                                       | Page  | Remarks                                      | External Audit   |     |
|---|---|--|--|-----|
| <b>LONG-TERM VIABILITY OF CORE BUSINESS</b> |   |  |  |     |
| Management approach                         | 4   |  | ●  |     |
| G4 – EC1                                    | Direct economic value generated and distributed   | Cover page “Infineon key data”, 89, 106, 224 | Retained economic value is not reported. Splitting EVG&D by region or market is not relevant.  | ● ● |
| G4 – EC2                                    | Risks and opportunities posed by climate change   | 158, 159                                     |  | ● ● |
| G4 – EC8                                    | Significant positive and negative indirect economic impacts   | 32 – 36                                      | Through the use of products in which our semiconductors are used, Infineon has indirect economic impacts, for example in efficiency improvements. The significance of those impacts, was – due to external parameters – not determined in each individual case.  | ●   |
| G4 – PR2                                    | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products | GRI G4 Content Index                         | During the 2015 fiscal year, Infineon could not identify any incidents of non-compliance with regulations and voluntary codes related to the impacts of products and services on health and safety.  | ●   |
| <b>RESPONSIBLE MANUFACTURING</b>            |   |  |  |     |
| Management approach                         | 4   |  | ●  |     |
| G4 – EN3                                    | Energy consumed inside of the organization  | 100  |  | ●   |
| G4 – EN4                                    | Energy consumed outside of the organization   | 100, 102                                     | The description of the Scope 3 emissions is based on the Infineon CO <sub>2</sub> balance, which includes the whole energy consumption of Infineon, and is reported in metric tons of CO <sub>2</sub> equivalents. The other steps, that is, the use phase of the products by the customer as well as their disposal, cannot be automatically calculated due to the different potential applications and fields of use of Infineon products. | ●   |
| G4 – EN5                                    | Energy intensity  | 100  | Due to the confidentiality of specific information, Infineon reported the specific energy consumption in gigawatt hours per euro (chart 49).   | ●   |
| G4 – EN6                                    | Reductions in energy consumption  | 100  |  | ●   |
| G4 – EN7                                    | Reductions in the energy requirements of sold products  | 103  |  | ●   |
| G4 – EN8                                    | Total volume of water withdrawn   | 98   |  | ●   |
| G4 – EN10                                   | Total volume of water recycled and reused   | 98   |  | ●   |
| G4 – EN15                                   | Direct (Scope 1) GHG emissions  | 101 – 103                                    |  | ●   |
| G4 – EN16                                   | Indirect (Scope 2) GHG emissions  | 101, 103                                     |  | ●   |
| G4 – EN17                                   | Other indirect (Scope 3) GHG emissions  | 101, 103                                     |  | ●   |
| G4 – EN18                                   | GHG emissions intensity   | 102  | Reported by the NER (Normalized Emission Rate). Herewith only PFC emissions were taken into account, since these are the most significant source of CO <sub>2</sub> emissions.   | ●   |
| G4 – EN19                                   | GHG emissions reductions achieved   | 100  | The avoided CO <sub>2</sub> emissions were reported in the form of energy under the indicator EN6. These are equivalent to 2,814.60 tCO <sub>2</sub> e.  | ●   |
| G4 – EN21                                   | Other significant air emissions   | 103  |  | ●   |
| G4 – EN22                                   | Volume of water discharges  | 97 – 98                                      |  | ●   |
| G4 – EN23                                   | Total weight of hazardous and non-hazardous waste, by disposal methods  | 99   |  | ●   |
| G4 – EN27                                   | Activities to minimize the environmental impacts of products and services   | 103 – 104                                    |  | ●   |
| G4 – HR6                                    | Measures taken intended to contribute to the elimination of all forms of forced or compulsory labor in the supply chain               | 105 – 106                                    |  | ●   |

| Issue                                  | Page   | Remarks        | External Audit  |
|--|--|----------------|---|
| <b>PRODUCT SUSTAINABLE VALUE</b>       |  |                |   |
| Management approach                    | 6  |                | ●   |
| G4-EN7                                 | Reductions in the energy requirements of sold products   | 103            | ●   |
| G4-EN30                                | Significant environmental impacts of transporting products and other goods and materials   | 101, 103 – 104 | ●   |
| G4-PR1                                 | Significant product and service categories for which health and safety impacts are assessed for improvement  | 104            | ●   |
| G4-PR3                                 | Legally required information about product and services labeling   | 104            | ●   |
| <b>DIVERSITY AND EQUAL OPPORTUNITY</b> |  |                |   |
| Management approach                    | 5  |                | ●   |
| G4-LA12                                | Governance bodies by diversity categories  | 110 – 111, 114 | ●   |
| G4-LA13                                | Wage differences by gender   | 113            | ●   |
| G4-HR3                                 | Incidents of discrimination and measures taken   | 94             | ●   |
| <b>BUSINESS ETHICS</b>                 |  |                |   |
| Management approach                    | 7  |                | ●   |
| G4-SO4                                 | Percentage of employees trained in anti-corruption   | 95             | Compliance training is carried out in particular at management level and Board level. Splitting training participation by individual regions or employees category is not an indicator relevant to the management process for Infineon. ●   |
| G4-SO7                                 | Legal actions for anti-competitive behavior  | 264 – 265      | ●   |
| G4-HR2                                 | Employee training on human rights  | 94             | Infineon, including International Rectifier led 5,850 training hours on the individual “codes of conduct”. This included information on human rights. In the last two years all employees were compulsorily trained. ●  |
| G4-HR3                                 | Incidents of discrimination and measures taken   | 94             | ●   |
| <b>LABOR RELATIONS</b>                 |  |                |   |
| Management approach                    | 7  |                | ●   |
| G4-EC3                                 | Coverage of benefit plans  | 252 – 256      | ● ●   |
| G4-EC7                                 | Infrastructure investments and services provided   | 106 – 107      | ●   |
| G4-LA1                                 | Employee turnover by age group, gender and region and new employee hires   | 115            | ●   |
| G4-LA2                                 | Benefits provided to full-time employees   | 113            | ●   |
| G4-LA5                                 | Committees are in place that also offer employers, employees and/or employee representatives the opportunity to discuss on topics relating to environmental protection, and occupational safety and health | 94             | ●   |
| G4-LA6                                 | Work-related accidents and lost days   | 96 – 97        | In addition to the general accident data, in the 2015 fiscal year we began sorting the information by gender. The female employees had an IR of 0.45 and LDR of 7.39 and the male employees had an IR of 0.47 and LDR of 4.49. Reporting of the accident rate and lost days rate by region is not a global steering-relevant figure. Infineon has currently no globally harmonized information for the reporting of occupational diseases. The absenteeism rate is not a global steering-relevant figure. ● |



# Financial calendar

## Tuesday, February 2, 2016<sup>1</sup>

Publication of first quarter 2016 results

## Thursday, February 18, 2016

Annual General Meeting 2016

(Start 10:00 a.m. CET)

ICM – International Congress Center Munich

(Germany)

## Tuesday, May 3, 2016<sup>1</sup>

Publication of second quarter 2016 results

## Tuesday, August 2, 2016<sup>1</sup>

Publication of third quarter 2016 results

## Wednesday, November 30, 2016<sup>1</sup>

Publication of fourth quarter and

fiscal year 2016 results

<sup>1</sup> preliminary

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## Imprint

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### Note

The following were brand names of Infineon Technologies AG in the 2015 fiscal year: Infineon, the Infineon logo, .dp digital power, AURIX, CoolMOS, OPTIGA, OptiMOS, REAL3, SOLID FLASH, XHP.

### Forward-looking statements

This Report contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

These statements are based on assumptions and projections resting upon 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.

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