Bernstein 14th Pan-European Strategic Decisions Conference

London, 28 September 2017

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Chief Financial Officer

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Please regard the "Notes" and "Glossary" at the end of the presentation.

Disclaimer: This presentation 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.

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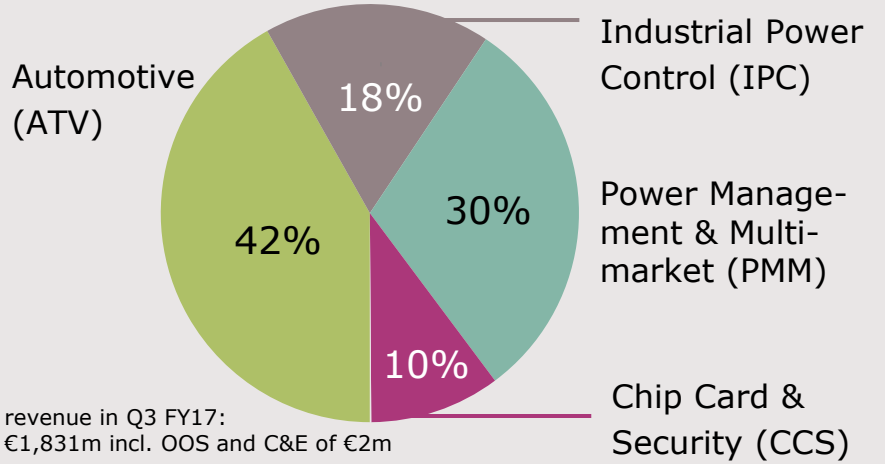
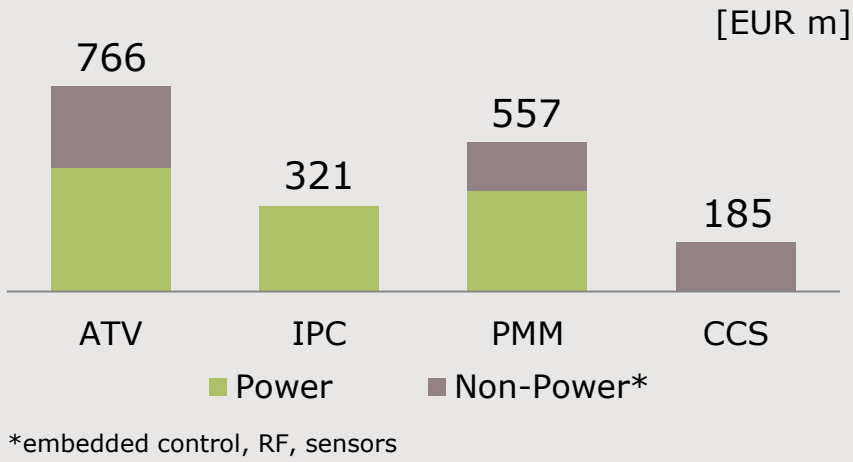
Infineon at a glance

Business Segments



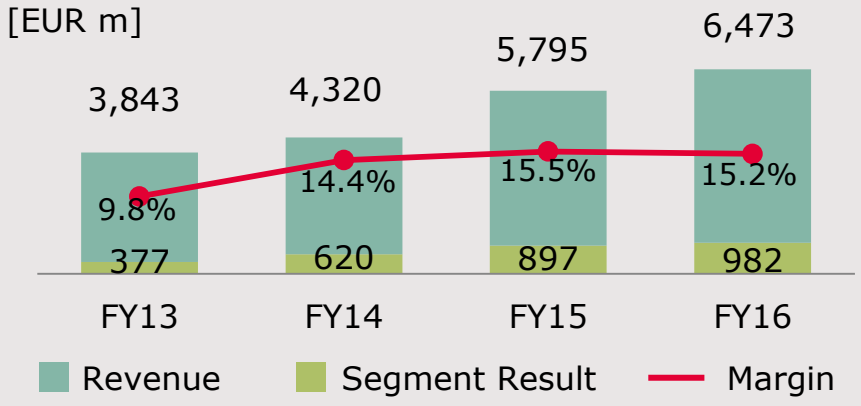
revenue in Q3 FY17:
€1,831m incl. OOS and C&E of €2m

Power represents ~60% of revenue



*embedded control, RF, sensors

Financials



Market Position

Automotive	Power	Smart card ICs
		
# 2	**# 1**	**# 1**
Strategy Analytics, April 2017	IHS Markit, Technology Group, August 2017	IHS Markit, Technology Group, July 2017

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Our strategy is targeted at value creation through sustainable organic growth

Focus	Technology leadership		System understanding
Auto	**Power**	**RF and sensors**	**Security**
System leader in automotive	#1; system and technology leader	Broad RF and sensor technology portfolio	#1 in security solutions

Average-cycle financial targets

~8% p.a.	~17%	~13%
revenue growth	Segment Result Margin	investment-to-sales (*thereof capex*: ~11%)*

Continued value creation for shareholders

Organic RoCE ~ 2x WACC

- paying out at least a constant dividend even in periods of slower growth
- continuous EPS increase

* Infineon reports under IFRS and has therefore to capitalize development assets which represents currently ~2% of sales.

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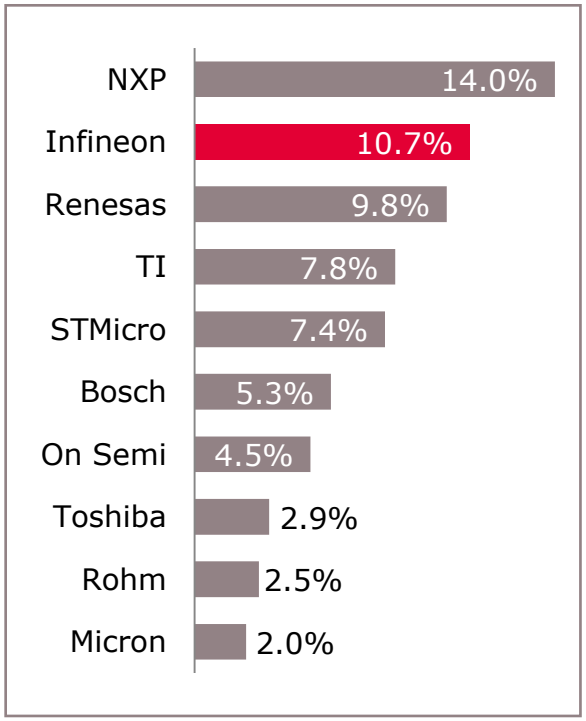
Infineon increased relative market share in power and outperformed chip card market

Automotive semiconductors

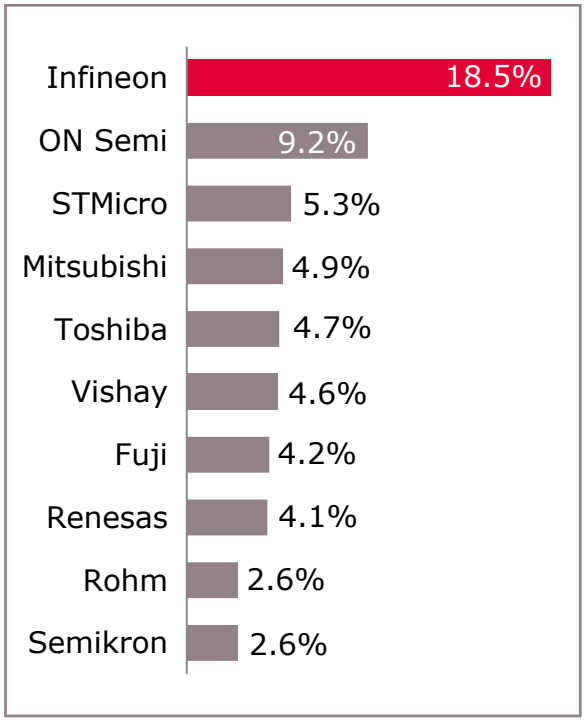
total market in 2016: $30.2bn



Source: Strategy Analytics, "2016 Automotive Semiconductor Vendor Share", April 2017

Power discretes and modules

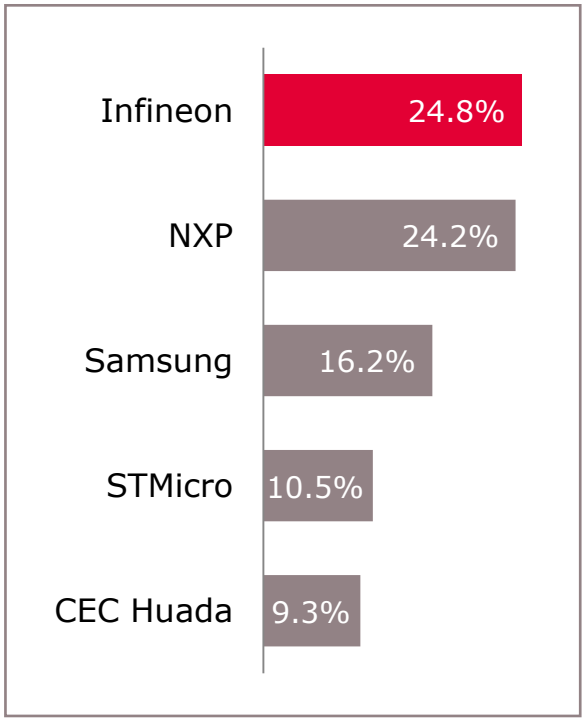
total market in 2016: $15.9bn



Source: IHS Markit, Technology Group, "Power Semiconductor Annual Market Share Report", August 2017

microcontroller-based Smart Card ICs

total market in 2016: $2.79bn



Source: IHS Markit, Technology Group, "Smart Cards Semiconductors Report", July 2017

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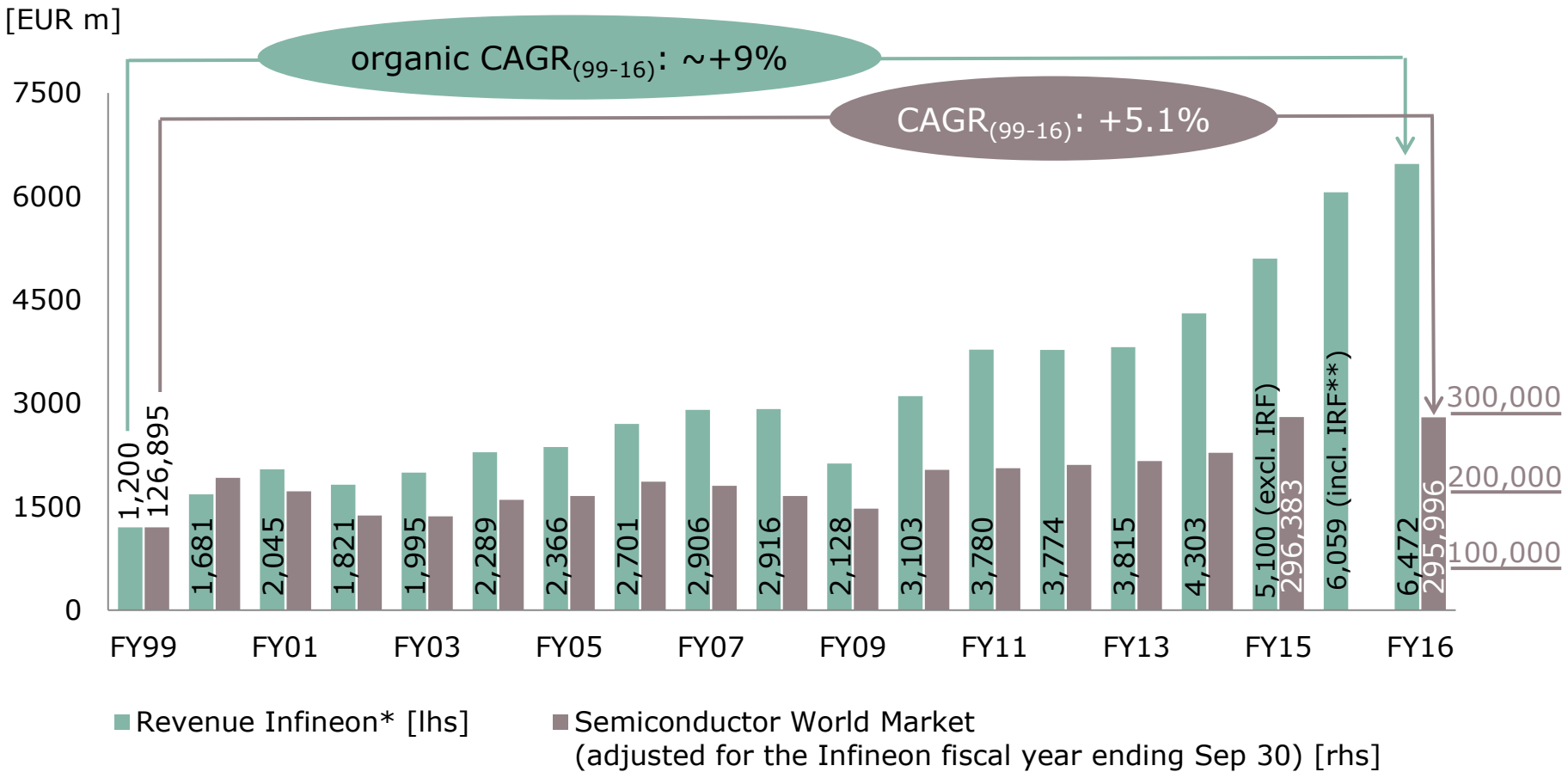
Infineon's organic revenue development clearly outperformed total semi market



* Based on Infineon's portfolio (excl. Other Operating Segments and Corporate & Eliminations) per end of FY16.

** If International Rectifier had been consolidated since 1 Oct 2014, Infineon would have recorded revenues of €6,059m in FY15.

Source: Infineon; WSTS (World Semiconductor Trade Statistics), November 2016

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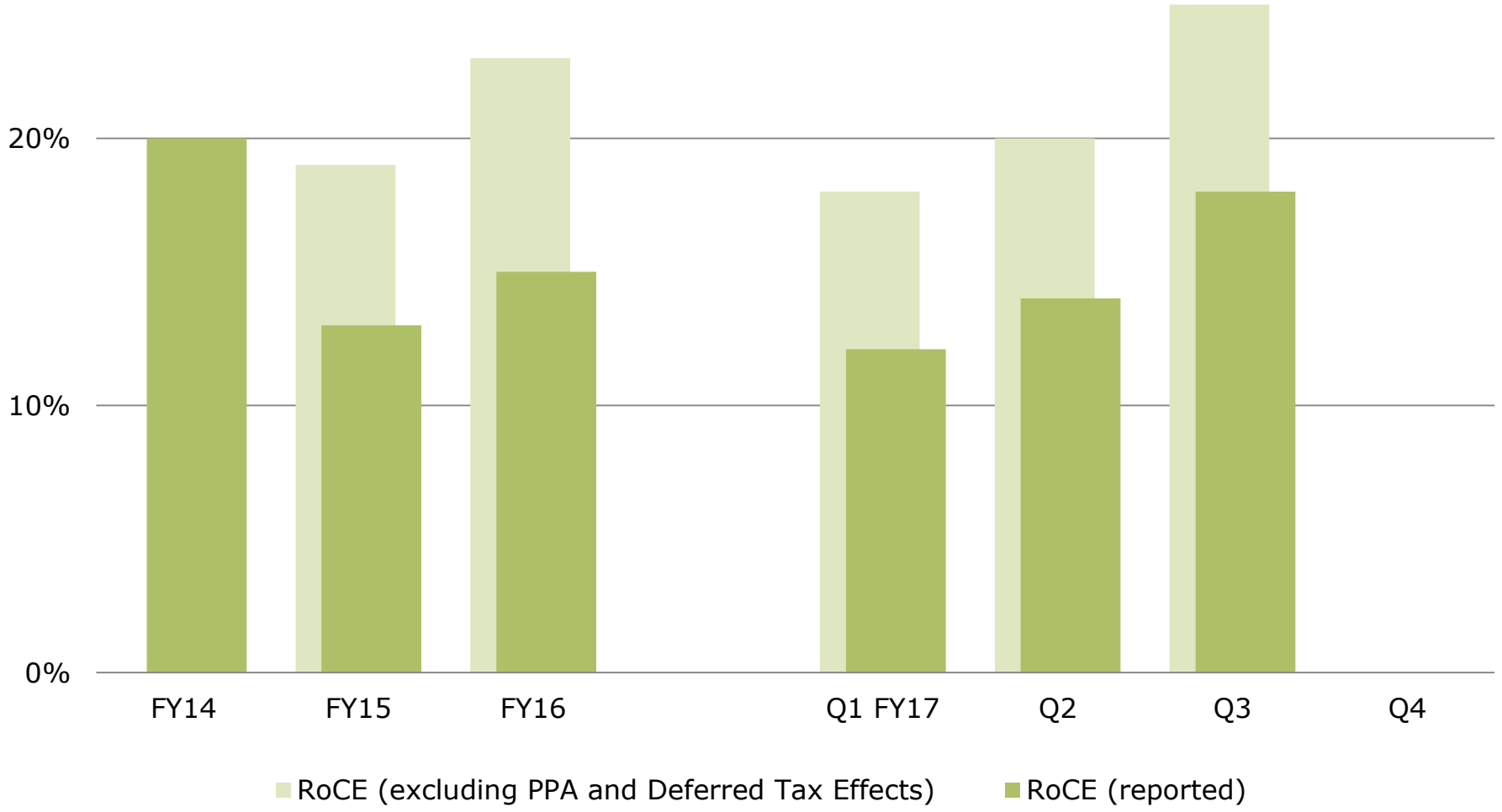
Organic RoCE as the key value metric typically amounts to ~2x WACC



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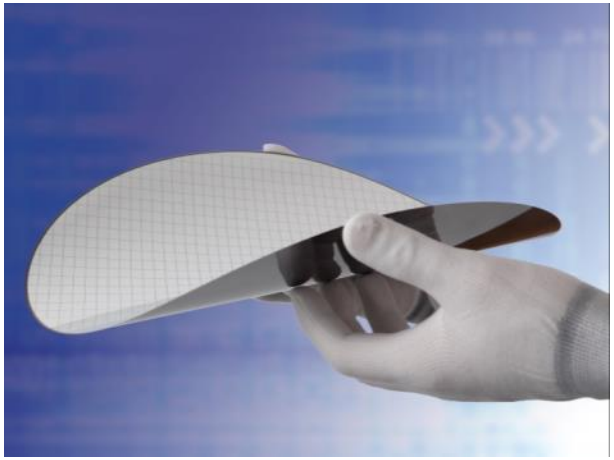
Ramp of 300 mm thin-wafer manufacturing technology on schedule



Advantages of 300 mm manufacturing of power semiconductors

- When fully loaded, frontend manufacturing cost per unit will be 20 – 30% lower than on 200 mm
- Capital intensity is 30% lower than for 200 mm



Current status of Dresden 300 mm fab

- Headwind from 300 mm-related expenses (process development, product qualification and manufacturing infrastructure) decreasing in FY17
- Cost crossover versus 200 mm expected around end of CY17 when reaching 20 – 30% area utilization

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Last major step in completing IRF integration: fab in Newport (Wales) sold to Neptune 6 Ltd.



Background: IR Newport Ltd.

- **01/2015:** Acquired as part of International Rectifier
- **04/2015:** Announcement to either close or sell the fab by the end of CY 2017
- **09/2017:** Signing of definitive agreement and handover to new owner

Key facts

- Handover of fab expected for 29 Sep 2017
- Infineon and Neptune 6 have entered into a 2-years wafer supply agreement

Strategic rationale

- Economies of scale not competitive within Infineon's manufacturing landscape
- Supply agreement ensures a mutually smooth transition phase for seller and buyer

Financial impact

- Short-term: negligible impact; avoidance of negative one-time effects from closure
- Mid-/long-term: increasingly positive effects from improved cost position

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Key market trends significantly drive increasing semiconductor content per car

ADAS/AD

- ADAS and AD are critical enabler to reduce the number of fatalities and serious injuries ("Vision Zero")

Clean cars

- To reach CO_2 emission goals, the automotive industry has to focus on
  - a higher efficiency of the classic ICE, and
  - the electrification of the drivetrain (xEV)

Connectivity/security

- Advanced connectivity is driven by making the car part of the internet
- Connectivity must be secure

ADAS/AD and clean cars will generate half of the 8% trendline growth of ATV







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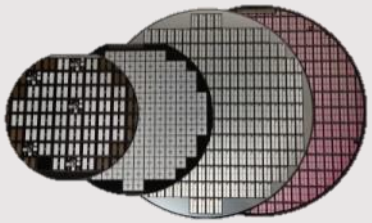
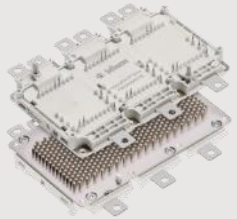
Infineon has all elements and unparalleled package expertise for all xEV applications

Bare die	Discretes	Scalable products	Plug-n-Play
 Si bare dies	 Si IGBT	  HybridPACK™ Double-Sided Cooling	 HybridPACK™ solutions  Easy modules
 SiC bare dies	 SiC MOSFET	 SiC optimized package solution	

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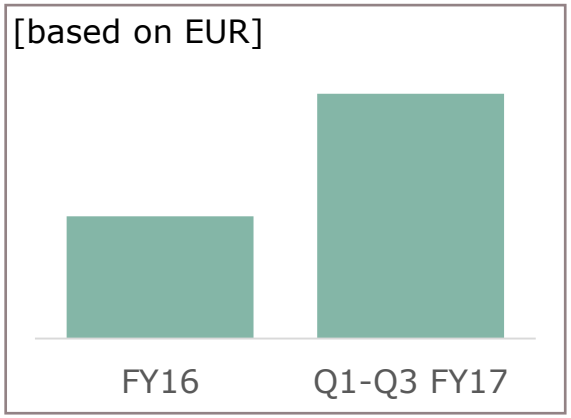
Most recent design-win successes confirms Infineon's strong market position in xEV

- Design-win momentum for xEV is accelerating
- In Q1-Q3 FY17, design-wins in xEV almost doubled compared with total FY16
- In the last three years, cumulated xEV design-wins reached about €2.5bn
- Lifetime of projects up to mid of next decade

xEV design-win volume



- Infineon holds a top position in xEV power semiconductor market
- 8 out of 10 top-selling BEV/PHEV car models powered by Infineon
- Based on recent design-win successes Infineon believes to roll-over ist strong position in xEV into upcoming wave of high-volume xEV car models



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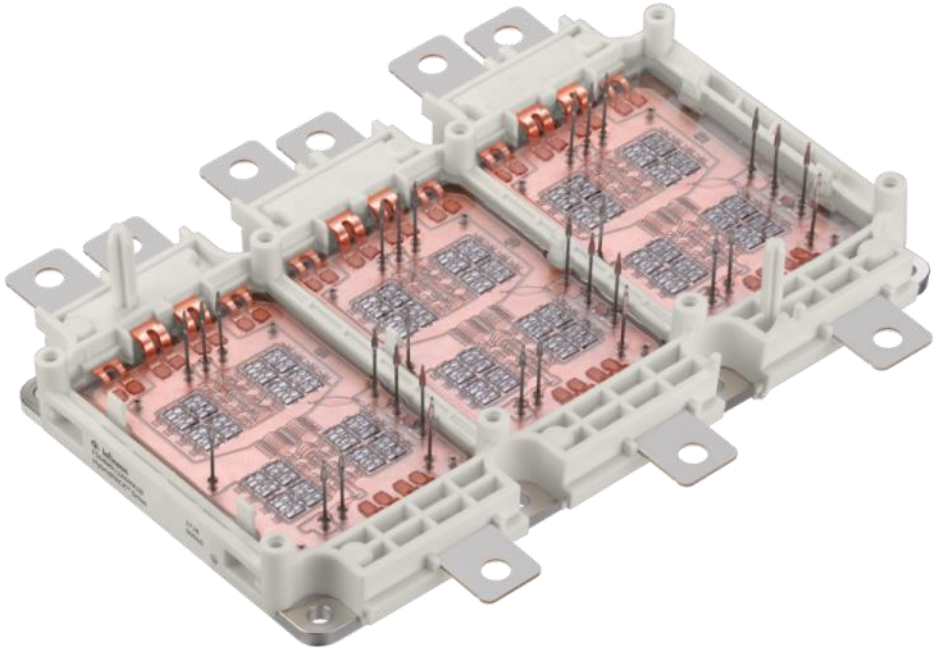
In May 2017, first SiC power module for electro-mobility demonstrated at PCIM show

Infineon demonstrated SiC power module for automotive applications



- 3-phase half-bridge module
- Power density doubled compared to IGBT
- HybridPACK™ Drive compatible
- Target applications:
  - Main inverter (300 kW)
  - High-voltage DC-DC converter

- More than 15 leading OEMs and tier-1s are evaluating the Infineon HybridPACK™ Drive CoolSiC™ MOSFET power module

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ADAS/AD, clean cars, and adoption of premium features drive growth

Vehicle production	Drivers for semiconductor content per car		
	Clean cars	ADAS/AD	Comfort, premium
			

› 2% - 3% growth p.a.	› Driven by legislation
	› Improvements of ICE (e.g. EPS)
	› Adoption of xEV
	› Higher efficiency of all electric consumers
		› Today:
		  › crash avoidance
		  › ADAS
		› Tomorrow:
		  › Autonomous Driving (AD)
			› Premium cars are early adopters of high-end comfort and safety features
			› Trickling down to mid-range

~8% p.a. through-cycle growth

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Efficiency, productivity and legislation are main market drivers for power applications

IPC

Drives



- Energy efficiency
- Automation
- Productivity increase

Renewables



- Legislation
- Growing share of renewables as part of the energy generation mix

MHA



- Energy efficiency
- Growing VSD penetration

Traction



- Growing population in mega cities
- Fast and efficient mass transport system

Industrial Power Control to grow ~8% p.a.

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Infineon leads the transition of the photovoltaic inverter market to SiC

KACO new energy



Courtesy: KACO new energy

- KACO new energy selected the Infineon CoolSiC™ technology for its latest 125 kW photovoltaic inverter *blueplanet 125 TL3* used for mid-size and large-scale systems
- Volume production starting from 2018 onwards

SMA



- SMA and Infineon are closely collaborating on photovoltaic inverters with the target of using the Infineon CoolSiC™ technology in large-scale systems
- Volume production starting from 2018 onwards

2016 market share by revenue

(1)	SMA
(2)	Huawei
(3)	SolarEdge
(4)	Sungrow
(5)	TMEIC
(6)	ABB
(7)	Enphase
(8)	Schneider
(9)	Omron
(10)	Power Electronics

Source: IHS Markit, Technology Group, "PV Inverter Market Tracker", July 2017

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Ultra high-power charging stations will use Infineon CoolSiC™ MOSFET technology

First OEM has chosen Infineon CoolSiC™ MOSFET technology for ultra high-power charging stations to shrink size and weight





- Ultra high-power charging stations will reduce charging time for 300 km reach from 3 h to 20 min
- Specification: 350 kW; 800 V; 400 A
- Just 5 full SiC power modules (plus 5 driver ICs) are required per station due to extraordinary high performance of the Infineon CoolSiC™ MOSFET
- Infineon starts to deliver in Oct 2017

The project

- A consortium of German OEMs have signed MoU to create highest-powered charging network in Europe
- Goal: quick build-up of sizable number of stations in order to enable long-distance travel for battery electric vehicle drivers through open-network charging stations along highways
- Roll-out plan:
  - start in 2017
  - initially 400 sites in Europe
  - 1,000s of charging points by 2020

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PMM's growth is built on many applications from different sectors

PMM

Computing



- Server
- PC
- Notebook
- Peripherals

Industrial



- Industrial power supplies
- xEV charger
- PV roof-top inverter
- DIY power tools
- Lighting

Consumer / Misc



- Pedelecs / eBikes
- Multicopter
- Aviation
- Space
- Oil exploration

Communications



- Handsets
- Wearables
- Cellular infrastructure

AC-DC DC-DC RFS

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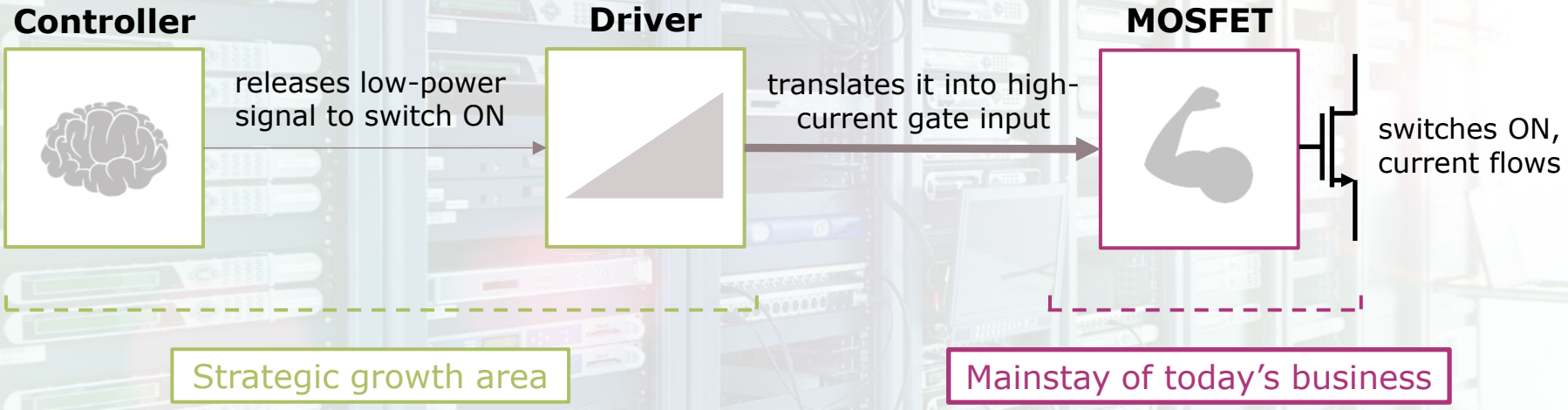
Product-to-System approach opens growth opportunities beyond MOSFETs

Essential parts of any electronic system (e.g. in an SMPS); can be realized with separate components or as an integrated power stage as system-on-chip



Driving system approach creates opportunities for further growth

- Expansion of IC product portfolio increases addressable market
- TAM in 2021: €7.0bn

Source: Infineon estimates

- MOSFETs account for ~80% of today's PMM power business
- TAM in 2021: €6.3bn

Source: IHS Markit, Technology Group, "Power Semiconductor Annual Market Share Report", October 2016; Infineon

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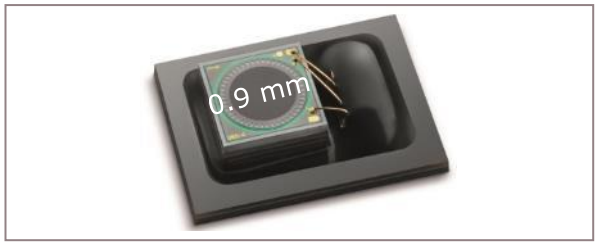
PMM is a leader in core technologies for ambient sensing, thus driving innovation

MEMS



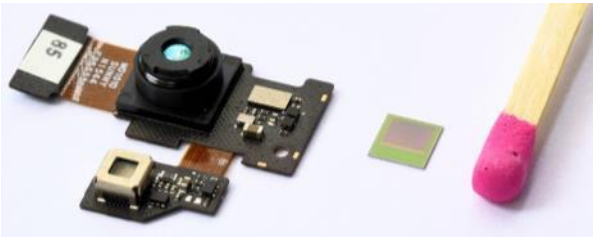
- #2 in the market (31.1%) for silicon microphones
- World's best signal-to-noise ratio
- Integration of additional sensing functions

Radar



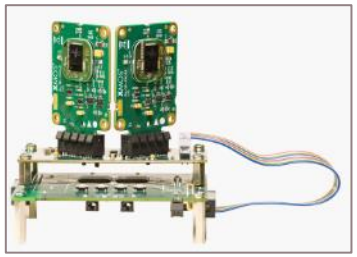
- 60 GHz radar sensors e.g. for gesture sensing (example: Google Soli)
- 24 GHz radar sensors e.g. for automotive, robotics and smart home

Time of Flight



- REAL3™ image sensor for AR/VR applications in smartphones and automotive driver monitoring
- High-resolution 3D image sensor available with 19k, 38k and 100k pixels, measuring brightness and distance for every single pixel
- Meeting the requirements of Google's Tango platform

Sensor fusion



- Combination of microphone and radar with audio processor from XMOS enables far field voice capture by audio beamforming combined with radar target presence detection.

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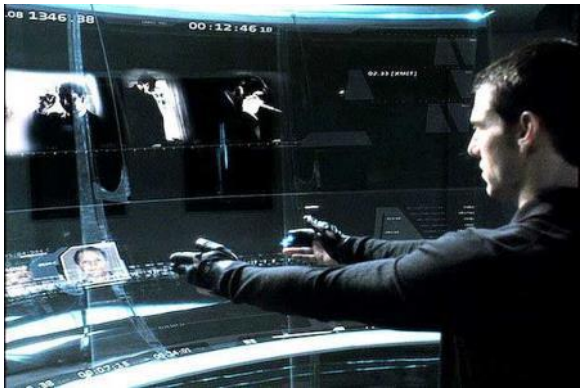
By acquiring 11% stake in XMOS Infineon intensifies its foothold in the HMI markets

Voice-user interface	Gesture sensing	Body language detection
		
Today, we already see that **speech recognition** is taking off in the market. Especially **smart speakers** are a key application for this technology.	In the **near future** we expect that **gesture sensing** will be a key tool to **interact** with **smart devices** at home, in the car and around the world.	In future we expect for example that **devices are able to understand** and **react** to our **body language**. We are already taking this trend on today.

Enabled through our **SiMics**, **60 GHz** radar and our **system understanding** we have a great basis for **success** in the HMI market.

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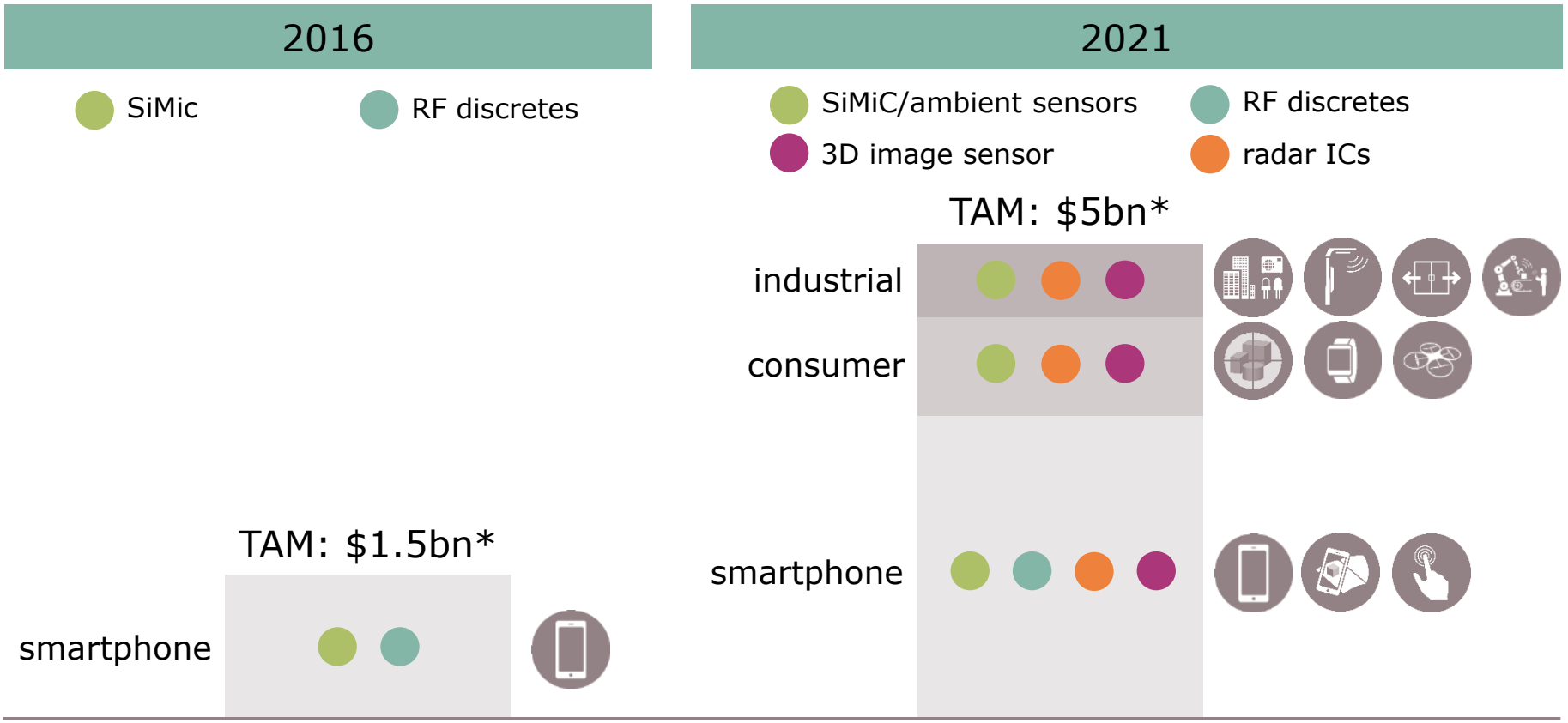
Growth in RF & Sensing is driven by broader product portfolio and emerging applications



* Infineon estimates

- **SiMic:** Integrating additional ambient sensors in upcoming generations (e.g. temperature and pressure)
- **RF discretes:** Adding a focus on antenna-centric solutions to existing LNA and switch business

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Tailored growth strategies help maintain leadership position in both major segments

Power

Current position



- Scale and technology leader in power MOSFETs
- Broadest portfolio: 25V – 900V
- Addressing all applications
- #1 holding ~1/3 of the market

Growth levers

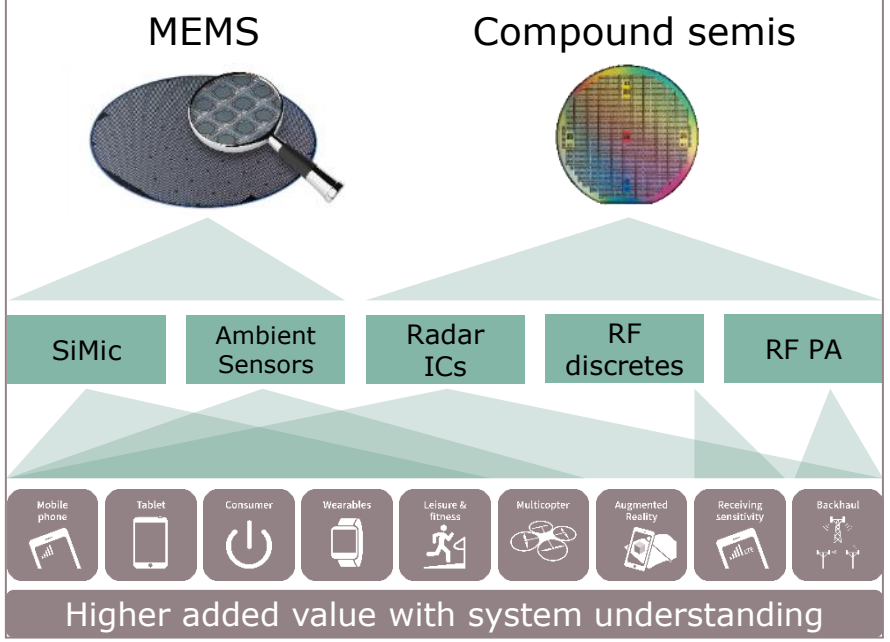


- Capitalize on scale and tech-nology leadership in discretes
- Double TAM by pushing into power management ICs

Growth of ~8% p.a.

RF & Sensing

Growth based on 3-layer-model



- Core **technologies** enable broad portfolio of **products** for even more **applications**.

Growth of ~8% p.a.

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Infineon's long-term growth is based on sustainable growth drivers

ATV	IPC	PMM	CCS
 Courtesy: Hyundai			
› CO_2 reduction › Advanced Driver Assistance Systems	› Energy efficiency › Automation › Productivity increase	› Energy efficiency › Power density › BLDC motors › Mobile device	› Security as a function › Mobile payments › Authentication › Internet of Things

~8% p.a. through-cycle growth

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