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Annual Press Conference

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- The spoken word prevails -

Dear members of the press, dear viewers,

Welcome to Infineon's annual press conference, here on site in our video studio and in our livestream! We're glad you could join us.

Introduction

Infineon met expectations in the 2025 fiscal year – despite challenging macroeconomic and geopolitical conditions. The year was characterized by prolonged weakness in the majority of our target markets. End customers and distribution partners have significantly reduced their inventory levels. In view of geopolitical instability and the ongoing tariff turbulence, our customers are cautious about the future development of demand. This has led to short-term ordering behavior for semiconductors. In addition, the unfavorable currency effect has slowed our revenue growth for several quarters.

Given the ongoing geopolitical and tariff-related uncertainties, it is difficult to predict how strong and how broad the upturn in the semiconductor markets will be in the 2026 fiscal year. Therefore, we are adopting a prudent outlook.

Our priorities at Infineon remain unchanged: First, we are capturing existing opportunities for profitable growth and are expanding our production capacities in a very targeted manner to this end. Second, we are making focused and forward-looking investments in future technologies and in our expertise. Third, we are keeping our expenditures under control.

We remain confident about our medium-to-long-term development. We are making good progress in improving our cost competitiveness. At the same time, we are accelerating innovations with clear customer benefits and strengthening our position in growth markets such as software-defined

vehicles and AI data centers. More on this shortly. Infineon is well positioned for a coming market upswing.

Before we look ahead, let us first take a brief look at our business development in the past fiscal year:

Infineon concludes the 2025 fiscal year with revenue and profitability growth in the last quarter

In the **fourth quarter**, Group revenue increased to 3 billion 943 million euros. This is an increase of 6 percent compared to the previous quarter, despite a stronger headwind from the weaker US dollar. The exchange rate rose from 1.14 to 1.17 US dollars per euro. As expected, the fourth quarter was the strongest in the 2025 fiscal year in terms of revenue. We were able to increase the Segment Result to 717 million euros. The Segment Result Margin reached 18.2 percent, compared to 18.0 percent in the previous quarter. The slight improvement is mainly due to volume growth. This enabled us to compensate for the unfavorable currency development.

For the **2025 fiscal year**, revenue amounts to 14 billion 662 million euros. This is a decrease of 2 percent compared to the 2024 fiscal year. The weaker US dollar was an important factor in this development. At constant currencies our revenue would have remained almost stable compared to the previous year. This is a respectable result for a fiscal year that was characterized by substantial inventory corrections on the part of customers and by unprecedented trade conflicts.

The Segment Result Margin reached 17.5 percent after 20.8 percent in the 2024 fiscal year. Hence, the margin was in the forecasted high teens-percentage range. We were able to partially offset price declines, negative currency effects and rising idle costs with positive margin effects from our structural improvement program Step Up.

The Free Cash Flow was minus 1 billion 51 million euros. The adjusted Free Cash Flow, which excludes investments in large front-end buildings and major acquisitions such as Marvell's Automotive Ethernet business, amounted to plus 1 billion 803 million euros. This corresponds to approximately 12.3 percent of revenue.

All three figures – revenue, margin and Free Cash Flow – were in the lower range of our Target Operating Model, applicable during cyclical downturns. In a world full of uncertainty, Infineon remains on course.

This is primarily due to the commitment of our teams worldwide. On behalf of the entire Management Board team, I would like to thank all our employees for their strong performance. Their commitment, passion and collaboration are key to Infineon's success – even and especially during challenging times. Together we have achieved a lot. And together we are also tackling the current fiscal year, creating new things and shaping the future of our company.

Our dividend policy is aimed at paying out an unchanged dividend, even in the event of stagnating or declining earnings. We will propose a stable dividend of 35 eurocents per share to Infineon's shareholders at the upcoming Annual General Meeting. We want our shareholders to participate appropriately in Infineon's success and at the same time we want to maintain the financial leeway necessary to further develop our company.

We are focusing on promising growth areas, especially in the field of artificial intelligence. AI will continue to drive the structural need for semiconductors and the demand for our solutions in the coming years.

AI is driving structural semiconductor demand. Infineon delivers the right solutions in future markets

AI functionalities are indeed evolving at an incredible pace. They are changing industries and shaping all areas of life. Generative AI, which can generate images, text, code and more, is increasingly being complemented by agentic AI: artificial intelligence that can perceive, reason, plan and act. And the next big development step is already in sight: physical AI. It enables autonomous systems, for example cars or humanoid robots, to perceive and understand the physical world and carry out complex actions.

The use of AI requires enormous computing power that far exceeds the capacities of existing data centers. These requirements are increasing rapidly. Even before 2030, capacities of one megawatt and more per IT rack will be required. To put this into perspective: one megawatt is equivalent to the power of around 500 clothes irons.

The large US tech companies in particular are driving the construction of specialized AI data centers worldwide. These data centers are reaching power levels in the gigawatt range – so we're talking about the power of 500,000 irons and upwards. One gigawatt is roughly equivalent to the full load of a nuclear power plant reactor unit.

Meta, Amazon, Alphabet and Microsoft plan to invest over 300 billion US dollars in AI technologies and infrastructure this year. The announced projects alone represent an estimated output of up to 10 gigawatts. More will follow.

Power is the backbone of every AI data center. There is no AI without efficient power electronics. We supply fitting and scalable power solutions for the entire energy conversion chain – from the power grid to the AI processor in the data center. Infineon is a leader in this field.

We are also rapidly developing our range of efficient and scalable solutions. In doing so, we are working closely with leading companies in the industry. An excellent example is our collaboration with Nvidia in the development of a centralized 800-volt power supply architecture for future AI data centers. The new system architecture significantly improves energy-efficient power distribution in

the data center and enables even more efficient power conversion directly at the AI chip. As a technology leader, we want to shape the rapidly growing market in the coming years.

The fact that our solutions address an urgent and growing demand is also reflected in our business performance. We were able to almost triple our revenues from power supply solutions for AI data centers in the 2025 fiscal year – reaching over 700 million euros. This is around 100 million euros more than we had forecast, despite negative currency effects. We are also raising our revenue forecast for the 2026 fiscal year from one billion euros to around 1.5 billion euros, which would mean more than doubling the revenues of the previous fiscal year. We also expect dynamic medium-term growth in this area. We expect the addressable market for Infineon to reach 8 to 12 billion euros by the end of the decade.

In addition, AI is increasingly developing beyond centralized cloud systems. Edge AI, the intelligent processing and analysis of data directly in the device or in its immediate vicinity, is becoming an important driver for our business.

Infineon supports developers of Edge AI applications with a complete system based on our specialized microcontroller PSOC™ Edge, which combines machine learning, advanced human-machine interaction, low energy consumption and integrated security. Added to this are our complementary sensor portfolio and our own Edge AI development platform DEEPCRAFT™ AI Suite. We offer a comprehensive set of hardware and software solutions for easy implementation of AI functionalities in IoT devices. Our customers can either develop their own AI models from scratch or integrate ready-made models and solutions into their products, thereby reducing time to market.

As already mentioned, we are on the verge of the next big technological step in the AI revolution: physical AI. Take cars as an example. With the trend towards software-defined vehicles, the automotive industry is paving the way to a new era of mobility. Software – supported by AI – is at the heart of the vehicle. This enables new automated driving functions and enhanced safety features. Issues can be resolved without the need for a visit to the car repair shop, simply via software updates "over the air".

Software-defined vehicles lead to a new level of flexibility and efficiency. However, the necessary change of vehicle architecture is complex. Conventional electric and electronic vehicle architectures with a large number of distributed control units in the vehicle will not be enough. The automotive industry is therefore moving towards a more centralized approach. Infineon is playing a key role in this development. We are working together closely with many customers and partners to drive the development of software-defined vehicles.

In addition to our system expertise, we benefit from our global market leadership in automotive semiconductors. We have consistently expanded our position in recent years. Our rapidly growing business with microcontrollers for automotive applications has contributed significantly to this

development. These products are becoming increasingly important for controlling various critical vehicle functions in software-defined vehicles.

We want to expand our leading position in microcontrollers for the automotive industry. The acquisition of the automotive Ethernet business of the US company Marvell Technology, which we successfully completed last summer, was strategically important to this end. Ethernet is a key technology in software-defined vehicles. The technology is a perfect addition to our existing product portfolio. In combination with our AURIX™ microcontroller family, it lets us offer a comprehensive product range that includes both communication solutions and real-time control. In addition to the car, Ethernet technology is also essential to promising applications in the Internet of Things, especially humanoid robots.

Quantum computing: Infineon is shaping the quantum era

Dear viewers,

Infineon is shaping the future with solutions that deliver added value to the economy and society. One technology with great potential for value creation is quantum computing – likely the next disruptive technology to follow artificial intelligence.

Quantum computers use the laws of quantum mechanics to solve certain, particularly complex tasks much more efficiently and quickly than conventional computers can. This opens up completely new possibilities in various application areas, from materials research to developing new drugs and optimizing supply chains.

At Infineon, we have key competencies for quantum computing. Our strategic partners include Quantinuum, a company in which Nvidia also holds a stake, and IonQ, the quantum company with the highest market capitalization at present. Together, we are now taking the technology from the lab into application, pushing the boundaries of quantum computing. I'd like to offer deeper insight by sharing voices from our partners in academia and industry. Please, have a look for yourself!

[Video on quantum computing]

You've heard it: quantum computing is no longer a distant vision. It is becoming a reality.

Quantum computing and artificial intelligence are two of the most exciting and forward-looking technologies of our time. Above all, their interaction promises enormous progress in areas where conventional computers are reaching their limits. These two key technologies reinforce each another.

Firstly, artificial intelligence accelerates quantum computers by improving error correction, calibration and control of quantum hardware. This removes major hurdles to the scaling of quantum computing. At the same time, quantum computers accelerate AI by generating precise output data

that serves as the basis for AI, for example, in developing new molecules for drugs, batteries and materials. Other potential applications range from optimization problems in logistics to cybersecurity and financial analysis. Quantum computing therefore does not replace AI but rather expands its possibilities – thus opening new perspectives for data-driven innovations.

And here you can see one of our wafers with trapped ion quantum processors, which we are already delivering to our lead customers.

Three things are crucial for industrial-grade quantum computers: the quality of the qubits, replicability and scalability. Our quantum platform and our semiconductor production bring precisely these characteristics to the quantum ecosystem. For our customers, this means a clear path from research to application.

A complete picture of quantum computing also includes a look at cybersecurity.

Powerful quantum computers will be able to break established encryption methods within a few years – an enormous security risk for ID documents and payment cards. For software-based devices and applications, for example in industry, vehicles and aerospace. In particular, durable products are at risk. That's why we are already supporting our customers today with solutions for post-quantum cryptography, based on the principle of protecting data today that must remain confidential tomorrow – in the quantum age.

And we back this up with certified security: Infineon is the first manufacturer worldwide to receive the "Common Criteria" certification for the implementation of a post-quantum cryptography algorithm on a security controller. "Common Criteria" is an internationally recognized standard that independent experts use to systematically test and certify the security of IT products. Thus, we are sending a strong signal of trust and security at the highest level.

Dear viewers,

Before moving on to our outlook for the 2026 fiscal year, a note for our guests on site: Following this press conference, we cordially invite you to visit our exhibition in the Kubus foyer. You will have the opportunity to discuss the topic of quantum computing in greater depth with our experts. Richard Kuncic, Head of our Power Switches business line, and Clemens Rössler from our Ion Trap Systems team will be happy to assist you. Many thanks to both colleagues.

Outlook for the 2026 fiscal year: Focus, discipline, vision

Now, to our expectations for 2026. We continue to operate in an environment in which short-term ordering behavior limits the transparency of demand trends. This makes predicting business development for an entire fiscal year a challenging task. Inventories in the supply chains have largely normalized. It is end customer demand that will determine the extent and pace of the

recovery in the semiconductor markets. We anticipate that volume growth will return over the course of the fiscal year and that we will see a gradual upturn.

In the current **first quarter**, we expect revenues of around 3.6 billion euros. This forecast is based on an exchange rate of 1.15 US dollars to the euro. The Segment Result Margin will be in the mid-to-high-teens percentage range. This would correspond to a revenue decline of around 9 percent compared to the previous quarter, above our typical seasonality. We see a short-term risk that some automotive suppliers and manufacturers will reduce their inventories to no longer viable levels by the end of the calendar year. We also expect our industrial customers to reduce their inventories very significantly towards the end of December.

However, market transparency is low. Therefore, we must consider a certain range of possible outcomes for the **2026 fiscal year**. In our base case, we anticipate moderate revenue growth. The negative effects of the expected, usual price declines and unfavorable currency developments are likely to slow down revenue growth. We expect a US dollar to euro exchange rate of 1.15. This is a weaker dollar compared to the average exchange rate of 1.11 in the 2025 fiscal year. According to our rule of thumb, this effect will reduce our revenues by around 400 million euros.

The market environment remains mixed. We are cautious regarding the automotive semiconductor market in view of various factors: we expect trade and tariff conflicts to have a negative impact on vehicle prices and customer demand. Growth in the electric vehicle market in China is likely to slow, now that the share of electric vehicles in new car sales has exceeded 50 percent and government subsidies are being reduced. Momentum in Europe is likely to increase, while in the US it will probably slow considerably due to the expiration of tax incentives. As a result, some Western manufacturers are postponing the launch of several new electric vehicle platforms in favor of combustion models.

However, the outlook for software-defined vehicles is more favorable. We expect market momentum to accelerate from the second half of the fiscal year as increasingly more software-defined vehicle models come onto the market. This development means that more and more semiconductors are being installed in vehicles.

We see a mixed picture for industrial applications: macroeconomic uncertainty is delaying the recovery in demand for industrial drives. Similarly, there are still no clear signs of an upturn in air conditioning systems or household applications. In renewable energies, record levels of solar and wind energy installations are forecast for 2025, particularly in China. However, growth in this market is likely to slow down in the future. We do not expect other world regions to fully compensate for this development.

Nevertheless, we see the structural semiconductor demand for the expansion of energy infrastructures increasing. A higher share of renewable energy in the overall energy mix and investments in AI data centers in various parts of the world necessitate a significant expansion and

strengthening of the power grid. As already mentioned, we expect to more than double our revenues with our power supply solutions for AI data centers to around 1.5 billion euros in the current fiscal year.

Growth momentum in consumer-related applications is still subdued. Overall economic risks are dampening both consumer confidence and corporate spending. Thus, demand for IoT and security solutions also remains weak.

Now to our profitability outlook: The Segment Result Margin in the 2026 fiscal year is expected to come in at a high-teens percentage range. The positive effect of volume growth will be offset by unfavorable currency developments and the usual price declines. We expect further positive effects from our Step Up program as an increasing number of our measures take effect. At the same time, the high level of cyclical idle costs in our production facilities is likely to recede only very slowly.

We are planning investments of around 2.2 billion euros for the 2026 fiscal year. A focus area will be finalizing the construction of our Smart Power Fab in Dresden and equipping it – just in time to meet strongly growing customer demand for our AI power solutions. We are making good progress with the construction of the Smart Power Fab. In October, we reached the "Ready for Equipment" milestone. We are ahead of our schedule and expect to be already able to officially open the factory in summer 2026.

Free Cash Flow adjusted for investments in frontend buildings is expected to be around 1.6 billion euros and the reported Free Cash Flow is expected to be around 1.1 billion euros.

Conclusion

Dear viewers,

Let me summarize:

First, Infineon has met expectations in the 2025 fiscal year despite challenging macroeconomic and geopolitical conditions. In the current fiscal year, we expect a gradual market recovery and moderate revenue growth.

Second, artificial intelligence is driving semiconductor demand. Our revenue from power solutions for AI data centers is growing rapidly. We continue to further develop our portfolio of efficient and scalable solutions at high speed.

Third, quantum computing is becoming the next potentially disruptive technology. We are shaping the quantum age with semiconductor solutions for industrial-grade quantum computing and post-quantum cryptography.

Thank you for listening. Together with the Management Board team, I will now be happy to answer any questions you may have.