

Dr. Reinhard Ploss

Annual General Meeting 2021

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www.infineon.com



Chief Executive Officer

Dr. Reinhard Ploss

- The spoken word applies –

Dear Shareholders,
Dear Broadcast Viewers,
Welcome to Infineon's Annual General Meeting.
It is good to have you with us!

Infineon is a leading company in a key industry

We live in turbulent times. Mankind is facing huge tasks: The pandemic, the climate crisis, the growing world population, scarce resources. These are urgent global challenges that need solutions. At Infineon, we believe that we have a responsibility to do our part. What we do as a company is not an end in itself. We need to help make people's lives better. That is what motivates, challenges and drives us.

We work in a key industry. After all, can you imagine us mastering these challenges without electronics? I can't!

Take the pandemic: Without electronics, we would be sitting at home, unable to work, largely isolated. Economic, public and private life would not merely be restricted – it would be shut down. Thanks to digital communications, we can maintain large parts of our lives. We stay connected with friends and relatives, we can work from home, and we can learn digitally.

Of course, not all solutions are perfect. But we are much better off with them than without them. Thanks to these virtual opportunities, my colleagues and I are connected to you today. We can tell you how your company is doing and how we are developing Infineon for the future.

The climate crisis: Without electricity from renewable energy sources, humanity would emit much larger amounts of CO_2. Think of the smoking chimneys of coal-fired power plants. Our air would be much worse. Where would we be today without our advances in energy efficiency? Technology today is quite significantly helping counteract climate change. And if we get it right, we can further increase technology's contribution to climate protection. I think we need to exploit all possibilities.

Digital technology makes the difference. Semiconductors in particular are the key to solving the major challenges. And not only that. They help make life better for all of us. We all want to have a good life. And we all should have a good life – but it must be in accordance with what's right for our children and grandchildren. It is our duty to think outside the box of our time.

At Infineon, we want to use the great potential of digital technologies to do this. That is what drives us. Together with our customers and partners, we make people's lives easier, safer and greener:

- We offer solutions for the efficient use of electrical energy in all areas of life.
- Our technologies pave the way to clean, safe and intelligent mobility.
- We make the Internet of Things easier and safer for people.

With our innovations, we connect the real and the digital world.

Infineon is making a significant contribution to a better future

The climate crisis is becoming increasingly visible in many regions of the world. We are currently heading for global warming of three degrees Celsius by the year 2100. This would clearly miss the targets of the Paris Climate Agreement, with devastating consequences. This is one of the reasons why EU member states recently tightened their climate target for 2030. Our continent should be climate neutral by 2050. Other leading regions have set themselves similarly ambitious goals.

Our company is also working towards a binding target. As I announced at last year's Annual General Meeting, we want to be CO_2 neutral by 2030. We will achieve this primarily by avoiding emissions in our production and energy supply. We are making great progress in this context.

One example: At our plant in Kulim, Malaysia, we have installed additional systems to reduce greenhouse gases. In the future, they will help us reduce direct emissions by 35,000 tons of CO_2 equivalent per year. This corresponds roughly to the emissions caused each year by 12,000 cars with internal combustion engines based on an average mileage figure for Germany.

As a next major step, this year Infineon is switching the electricity consumption of its sites in Europe completely to certified green power. We are making good progress on our way to our intermediate target: By 2025, we want to reduce our CO_2 emissions by 70 percent compared to 2019.

"Achieving more with fewer resources" is Infineon's approach to enabling a greener and better future. For more than 40 years, our company has been developing technologies for energy efficiency. Today, we offer solutions for our everyday life, industry and the digital world – along the entire energy chain. We make clean energy generation possible. We contribute to stable power supplies and storage. We provide the solutions needed to use electricity efficiently everywhere – in washing machines and air conditioners, in industrial robots, in data centers, in trains and cars.

Clean and intelligent mobility is another important building block for climate protection. The need for all kinds of transportation is increasing. There are more and more people in the world. Many live in metropolitan areas. Everyone wants to be mobile. Megacities in particular urgently need solutions to make transportation more sustainable, safer and more convenient for people.

Electromobility is picking up speed worldwide. That is good for the climate and good for Infineon. We are supporting car manufacturers in reducing the cost of electric driving. This makes it even more attractive to people. As the market leader in power semiconductors, we enable electric vehicles with higher ranges and shorter charging times. For this, we offer our customers the broadest portfolio of products and technologies. And we understand electric drives. Infineon invested in this market earlier than its competitors. This is increasingly paying off. We are ideally positioned to benefit from the widespread dissemination of electromobility.

System understanding is particularly important in the Internet of Things

And, dear Shareholders, we are thinking ahead. We are moving forward. We are setting the course for your company to be successful tomorrow and beyond.

Leading technologies alone are not enough for a company to be successful in the long term. This is particularly true in the semiconductor industry. Our markets are constantly changing. The decisive factor is, therefore, our ability as a company and our will to constantly adapt to new demands – we have an appetite for new things, change is a source of energy for us!

Infineon has been following a clear strategic guideline for years. It is called: “From product thinking to system understanding”. System understanding means: We support our customers with ideas on how semiconductor innovations can decisively improve people’s lives. We do not think in terms of individual semiconductor components, not in terms of nuts and bolts. Rather, we ask ourselves, what can we achieve with these parts? What benefits can they bring? How can we combine the components into complete solutions for our customers?

This system understanding is particularly important in the Internet of Things – or IoT for short. This market is increasingly shaped by companies that focus on connecting devices, on making them intelligent by collecting and processing data. They are experts in the device, the software and the application. But they often lack the necessary hardware knowledge. Thus, they do not know what is possible with semiconductor technologies.

It is these customers in particular whom we can support in the best possible way with our understanding of the system. For example, by supplying the corresponding software along with our microchips. This way, we meet the right needs. This enables our customers to achieve their goals quickly and easily. That is why I like to call our solutions “instant electronics”. They are as easy to use as making a cup of instant coffee. Stir it once and you’re done!

A good example is our complete solution for contactless payment. It consists of powerful encryption chips, an operating system and suitable apps. It can be integrated not only into bankcards: Wearable electronics such as digital wristbands or fitness trackers can also be used to pay. This makes paying more convenient, smooth and also secure. Our solution lets us offer our customers all of this from a single source.

Infineon makes the Internet of Things easy to use, secure and real for people

With the acquisition of the semiconductor company Cypress, we have kept to our strategic guideline "From Product to System." And not only that. We are taking a giant leap forward on the way to becoming a provider of complete system solutions. We are further developing Infineon into a driving force in the Internet of Things.

The Internet of Things encompasses all areas of life. It is changing the way we live and work, how we communicate, and how we move from A to B. In cities, in buildings, in industry, in agriculture and in traffic. Connected vehicles, virtual assistants, smart refrigerators and smart robots are performing more and more tasks for us humans. By 2030, 50 billion devices are expected to be connected. An incredible number! More and more devices have sensors. They have ever-increasing computing power and are increasingly working with artificial intelligence.

This offers Infineon enormous opportunities. With Cypress, we now have all the essential building blocks we need for energy-efficient, intelligent and secure system solutions for the Internet of Things. With these components, we link the real and the digital world.

Think, for example, of a collaborative robot – or cobot for short. It works directly with us humans. It supports us in our work – for example, in industrial production, in the trades, in hospitals, in care facilities and at home. Thanks to our sensors, the robot has a human-like impression of its environment. For example, it "sees" how the person next to it is moving. Our microcontrollers process the environmental data and generate control commands. They are the robot's brain, so to speak. Our power semiconductors ensure that the robot can move its arm. This lets it lend its human colleague a hand. Using a wireless connection, the robot can exchange information with other devices and the cloud in real time. Thanks to our integrated security solutions, it is protected from unauthorized access.

We have the semiconductors, the security and the connectivity solutions, we have our own ecosystem for software development. That makes us a natural partner for many IoT companies. We make the Internet of Things what it should be for people: easy to use, secure and real. This is how we create tangible benefits for us humans.

I would now like to show you another example of what innovative system solutions from Infineon can do and how they can help us humans.

[Video Infineon CO_2 sensor]

Dear Shareholders, this example illustrates how fascinating and useful innovation can be. Good indoor air quality helps us feel better and be more productive – an important contribution to a better life.

In the current pandemic, the CO_2 sensor provides another practical benefit. Scientists have shown that the coronavirus attaches itself to aerosols, which we breathe out constantly. The risk of transmission is, therefore, particularly high in poorly ventilated rooms with many people. That is why schools, many offices and restaurants had to close.

Because the concentration of aerosols and CO_2 correlate, the CO_2 sensor can help ensure that people can once again meet safely in buildings – for example, in conference rooms, classrooms or daycare centers.

At our corporate headquarters here at Campeon, we already use the CO_2 sensor as part of our hygiene concept. It measures the CO_2 level in our meeting rooms. As soon as a critical value is reached, a signal reminds people that ventilation is necessary. A central dashboard gives an overview of all CO_2 data at Campeon. This allows our building management to keep an eye on the air quality in meeting rooms at all times and optimize room air control.

We will also equip the Munich Security Conference planned for the summer at the Bayerischer Hof with our CO_2 sensors. It makes us proud that Infineon can thus contribute to ensuring that the participants can meet with greater safety.

We will certainly get a grip on the pandemic at some point. As you saw in the video, the quality of indoor air also plays a major role beyond the coronavirus. At Infineon, we are already thinking about other possible applications for the CO_2 sensor. Environmental sensor technology is a broad field to explore. We are still at the very beginning here.

Innovation opens up new possibilities. But it is not an end in itself, of course. Not every innovation makes sense. Not everything that is technologically feasible makes our lives better. At Infineon, we act according to one guiding principle: Innovation is an idea that brings real benefits to people and is, therefore, successful.

I am convinced that if we do innovation right, technology will bring immense value. For me, getting it right means trying something out. We have to dare to make mistakes. We do not know the future. We cannot think everything ahead. But we can proceed step by step and learn as we go. Companies need this agility to develop innovations that benefit people.

Often, the most impactful technologies are the ones we barely notice in our everyday lives. Just think about how naturally we rely on our smartphones.

The Internet of Things opens up a wide field for comparably important innovations. We want to take advantage of this. Infineon is very well positioned to benefit from the accelerated digitalization occurring in all areas of life.

Infineon is significantly expanding its manufacturing capacity with the new chip factory in Villach and is bringing forward the start of production

Customer demand for semiconductors is high. And it will continue to rise in the coming years. We are preparing for this. We have started to expand our capacities ahead of our competitors.

You may remember: At the beginning of 2019, we started building a new state-of-the-art chip factory at our Villach site in Austria. At the time some people thought this was the wrong move. We knew it was the right thing to do. Now some competitors are following suit and building factories as well. However, because we started earlier, Infineon has a lead.

We are right on schedule with the construction of the factory.

[Video of new chipfactory]

Despite the difficult conditions caused by the pandemic, we have made good progress in the past months. The factory is ready. In the coming weeks, we will start equipping the clean room with production technology. And we are even bringing forward the start of production by around three months to early fall.

I am very pleased that the new factory is starting up at what is likely to be a very favorable time. The markets are recovering. Semiconductor demand is growing. Demand is picking up significantly because of digitalization in all areas of life. And Infineon can deliver.

With its increasing production capacity, Infineon can meet the growing needs of our customers – and it can do so in the long term. Once fully expanded, the new factory will be able to produce enough power semiconductors each year for example to equip the drive trains of around 25 million electric vehicles. This calculation is based on a mix of hybrid, plug-in hybrid and battery electric vehicles.

In the future, we will have two large power semiconductor manufacturing facilities producing on large 300-millimeter wafers. The plants in Dresden and Villach use the same processes and machines. This will enable us to control production at the two sites as if they were one factory. This virtual mega-factory sets a new benchmark in 300-millimeter manufacturing. The advantage for Infineon: Lower manufacturing costs. The advantage for our customers: Great flexibility. We can move production volumes for different products between sites quickly and thus respond even faster to our customers' needs. The advantage for you as shareholders: Increasing profitability. We are extending Infineon's lead in power semiconductors.

Infineon is profitable even under challenging conditions and continues to develop

Dear Viewers, the 2020 fiscal year was a difficult one, also for Infineon. We, too, did not see the pandemic coming and had to adjust to it. The fact that we managed the year very well is no coincidence. There are two main reasons for this:

First: Infineon has a robust business model. We are broadly deployed in many different target markets and all regions of the world. If things go badly in one of our markets – as in the automotive market during the last fiscal year – we can compensate for this with our presence in other markets.

Second: Infineon can adapt. We quickly adjusted to the new situation resulting from the pandemic in all areas of the company and at all locations. Our teams have acted prudently, pragmatically and decisively. I have to say that I am still impressed by how well they managed to do this. As a result, we were able to continue working smoothly despite the difficult conditions and quickly stabilized the business. Infineon can also do “Plan B”, dear Shareholders.

The figures in the 2020 fiscal year underscore this. Overall, Infineon achieved revenue of almost 8.6 billion euros. This includes around 850 million euros from Cypress – that is, from the business we gained with the acquisition. Segment Result was just under 1.2 billion euros. This corresponds to a Segment Result Margin of 13.7 percent. We were able to maintain our profitability despite the special challenges. My colleague Sven Schneider will go into these figures in more detail later.

It is important to me to emphasize that we have continued to develop Infineon even in this challenging year. There are probably not many companies that can implement the largest acquisition in their history in the middle of an unprecedented crisis. We did that with Cypress.

And not only that: Under difficult conditions with travel and contact restrictions, we successfully drove the integration of the new business units. We are already leveraging our expanded portfolio and broader customer access to achieve the planned revenue synergies.

The new Infineon is far more than the sum of its two parts. There are now 46,700 people working for Infineon worldwide. Their expertise, their ideas and not least their passion for this company are impressive. That is what makes Infineon special. Together, we make a difference in this world. That is one of the main reasons why I enjoy working for this company so much.

On behalf of the Management Board, I would like to thank our employees for their commitment. Hats off to them for their outstanding performance in a challenging 2020 fiscal year.

Dividend proposal takes into account effects of the pandemic. Infineon has made a good start to the new fiscal year

Dear Shareholders, Infineon has mastered its challenges well so far. Your company is successful. And it will continue to be successful. Because we think about tomorrow and prepare for it. This is a prerequisite for sustainably increasing the value of the company.

Our dividend policy follows this approach. We want you, our shareholders, to participate appropriately in the economic development of the company. Even if results stagnate or decline, we aim to pay out at least a constant dividend.

However, the 2020 fiscal year was a special year. Infineon's Management Board and Supervisory Board have a responsibility to take the effects of the pandemic into account. We must take into account the risks that continue to exist for our company. For the 2020 fiscal year, we are therefore proposing to the Annual General Meeting a dividend of 22 euro cents per share. This is five euro cents less than in the previous year. However, we are convinced that this is a very respectable figure in a time of enormous challenges and cutbacks at many companies. We are thinking about tomorrow and want to be well prepared. We ask you for your support to this end.

The year 2020 with its drastic events is unprecedented. However, we expect change to continue:

The pandemic is far from over. We are experiencing a second wave of infections. The virus is mutating. The long-term effects on our society and economy are not yet foreseeable.

Global technology competition between leading industrial regions is becoming fiercer. The stakes are high, and the players are raising their antes. Europe must be careful not to be caught in the crossfire of the technological competition between the United States of America and China.

We are taking these developments seriously. I assure you: We are vigilant and are keeping a close eye on how the economic and political environment for Infineon is developing. At the same time, we are convinced that we are well equipped with our strategy, our competence and our corporate culture.

Infineon has got off to a good start in the 2021 fiscal year. Demand in recently weaker target markets has picked up significantly, especially in the automotive sector. The digitalization push in all areas of life is playing into our company's hands. Despite headwinds from the weak US dollar, we made significant gains in revenue and Segment Result during the first quarter.

Substantial uncertainties remain with the pandemic and trade conflicts ongoing. These may lead to setbacks in our target markets. Nevertheless, we have full confidence in the strength of our business. Order intake is picking up significantly. Our production lines are well filled in many areas. We have therefore slightly raised our forecast for the year. Sven Schneider will explain this in more detail in his subsequent report.

Infineon develops organizationally and creates a new Management Board function

Dear Viewers, Infineon has been on a growth path for many years. We are convinced that we can continue on this path. However, the demands on our company are increasing, as Dr. Eder already explained at the beginning. Our markets are developing dynamically, competition is becoming more intense, and managing the company is hence more demanding.

The ability to master increasing complexity is essential for Infineon's success. Ms. Hufenbecher will support Infineon significantly in this regard. We therefore welcome the expansion of the Management Board very much. In this way, the Supervisory Board is creating the conditions for further developing Infineon for long-term success.

With various initiatives, we have already laid a good foundation in the company in recent years. We now want to bring these together and develop them further in a continuous transformation process.

The new structure brings Infineon's current strengths to bear and, at the same time, enables the targeted further development of our company's digital competence.

We will link the work of typical areas such as technology development and manufacturing or sales and marketing even more closely and standardize certain procedures. The knowledge that has so far been distributed throughout the company must be bundled and made available online. This will make it accessible for fast learning and rapid, well-founded decisions. Digital tools support us in this.

The new Management Board function will help us manage complexity and drive change in the digital context. It also underscores the increased importance of information technology, cyber security and data protection issues.

We are very pleased that Ms. Hufenbecher will be working on these issues for our company in the future and will complement our Management Board team. With her extensive experience, she is the ideal manager for this task. We are very much looking forward to welcoming her to Infineon in mid-April.

Summary

Dear Shareholders, let me summarize:

- Your company is successful because it makes a difference. Infineon delivers solutions to global challenges. We make life easier, safer and greener.
- In an exceptional and difficult 2020 fiscal year, Infineon has proven that it has a robust business model and is profitable.
- However, we are not resting on our laurels. Even in uncertain times, Infineon continues to evolve. With Cypress, your company is taking a giant leap forward. Infineon is becoming a driving force in the Internet of Things. This opens up new growth opportunities for us. With our expanded manufacturing capacities, we are well positioned to serve the growing demand for semiconductors.

We are creating the conditions for Infineon to grow profitably and be successful in the long term. Your trust, dear Shareholders, is supporting us on this path. Thank you very much for your support.

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