

Jochen Hanebeck

Annual General Meeting 2024

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www.infineon.com



Jochen Hanebeck

Chief Executive Officer

- Check against delivery -

Dear shareholders,
Dear broadcast audience,
Welcome to Infineon's Annual General Meeting. Thank you for joining us!

We are living in difficult times: A world in crisis. Economies and societies in upheaval. The semiconductor industry has been attracting more attention than almost any other sector. And there's a reason for this: The transformation to a stable, sustainable world is only possible with semiconductor technology.

At Infineon, we are paving the way for a CO_2-neutral and digital future. The expectations placed on us are high. As a leading global provider of semiconductor solutions for power systems and the IoT, we deliver the key building blocks for a future worth living. This is a huge task. And a huge opportunity for our company. We shape the future. With technology and innovation. With curiosity and passion. With a vision for a better world.

What did we achieve in the last fiscal year? How are we adapting to changing conditions? And above all: What are we doing to leverage the great opportunities of decarbonization and digitalization for Infineon? In short: How are we creating sustainable added value for our customers, shareholders, society and our environment? Today it is my pleasure to report to you, the Infineon shareholders, on this very topic.

Infineon had a strong 2023 fiscal year and set new records:

First, revenue increased to 16.3 billion euros, up 15 percent year-on-year.

Global semiconductor revenue shrank by around 13 percent in the same period. Our reference market – i.e. the semiconductor market excluding microprocessors and certain types of mass memory – also declined by around 1 percent.

Second: Profitability increased significantly. Segment Result Margin: 27 percent, a plus of 3.2 percentage points. Infineon has never been so profitable.

We naturally want you, as shareholders, to have an appropriate share in our business success. My Management Board colleague, Sven Schneider, will report to you on our business performance in more detail and explain our dividend proposal.

At the last Annual General Meeting, I reported that we had increased our long-term financial targets. The 2023 business figures show that we have now delivered at the higher expected level. An initial confirmation of our more ambitious course.

But our specialty is the marathon and not the sprint. The semiconductor market is cyclical. The market environment is very challenging in the current fiscal year. More on this later. The currently very challenging terrain requires adaptability and perseverance. We are convinced that we can further increase the value of our company in the long term. How are we positioning Infineon for this? What strategic steps have we taken in recent months? I would like to explain this to you in four points:

The first point is:

We are consistently focusing Infineon on decarbonization and digitalization.

Both are the defining trends of our time. They offer huge potential for Infineon. Without semiconductors, there can be no wind turbines. No electric cars. No smartphones. No connected homes. I could continue with the list. Semiconductor technology is in all the important electronic devices that make life easier, safer and greener.

At Infineon, we focus on five particularly promising key applications: Electromobility. Renewable energies. Automated driving. Data centers, especially for Artificial Intelligence. And the IoT. They are all growing rapidly. And they're characterized by increasing semiconductor demand. We have the right solutions. That's why we expect strong and, above all, sustained profitable revenue growth in the medium and long term.

The trend towards electromobility continues unabated. The "Umweltbonus", a means of state funding, has expired in Germany. However, China, being one of the most important markets, is showing unbroken momentum. Infineon is represented in many vehicle platforms there. Our semiconductors are worth between 500 and 1,300 US dollars per car in more than ten models of leading Chinese brands. These models are in high demand. We are growing with Chinese manufacturers, as well as other globally leading manufacturers.

In 2023, around 17 percent of all newly registered vehicles worldwide were electric cars. This figure is expected to rise to around 45 percent by 2030. In addition, manufacturers are equipping new models with more and more driver assistance functions for automated driving. And software is increasingly becoming the defining factor in car architecture. This is similar to what we have seen with smartphones. In the competition for customers, the car manufacturers, offering the best user experience, are the most successful.

Electromobility. Automated driving. Software-defined vehicle architecture: These three trends are significantly driving up the demand for semiconductors per vehicle. The semiconductor value will rise to as much as 2,000 US dollars for higher-value vehicles by the end of the decade. Infineon will capitalize on this development. We are the global market leader in automotive semiconductor solutions. We build on long-standing trusted customer relationships. And our system approach enables us to score points with innovative solutions at our customers all over the world.

The energy transition is also coming into full swing. The horrific Russian attack on Ukraine has opened the eyes of many in Europe. At a global level, the climate conference in Dubai in December agreed to move away from fossil fuels. A hard-won agreement. And of course, much more needs to happen. Declarations of intent must be followed by measurable results. But the fundamental change has been initiated: Out of the fossil age. Away from one-sided dependencies. Full steam ahead with the restructuring of the energy system.

The expansion of renewable energies is being actively accelerated all over the world. In Germany, more than half of electricity was generated from renewable sources for the first time last year. But the grid also needs to be made ready for the electricity transmission of the future. We need storage options. More charging points for electric vehicles. And energy-intensive industries need to switch to hydrogen.

From generation to consumption: Semiconductors are needed along the entire energy chain. And they are developed and manufactured at Infineon. For example, at our innovation site in Warstein. We are about to speak to Negar Soufi and Jens Mielke there. But first let them introduce themselves to us:

[In the video, Negar Soufi and Jens Mielke introduce themselves at the Warstein site on their way into semiconductor production.]

And now let’s go live to our Warstein site to Negar and Jens.

[Live conversation between Jochen Hanebeck and Negar Soufi and Jens Mielke. Both give viewers an insight into semiconductor production, present power semiconductor modules for electric vehicles, solar and wind power plants and illustrate how their teams contribute to decarbonization.]

Energy transition becomes reality at the Warstein site! It's people like Negar and Jens who are driving decarbonization forward with their teams. We use cutting-edge technology to make the use of resources more efficient and to reduce emissions. Measurably for our customers. And for the environment. Expressed as one number: 34. During their service lives, our products avoid 34 times the CO_2 emissions that they themselves cause during their manufacture. A considerable net benefit!

We will continue to improve this ratio in the coming years with ever more energy-efficient and intelligent semiconductor solutions. Accordingly, we are further reducing our own CO_2 footprint. We will make Infineon CO_2 -neutral by 2030. To achieve this, we are primarily working on avoiding direct emissions. However, our target also includes indirect emissions from purchased electricity and heat. Our interim target by the end of the 2025 fiscal year: 70 percent less emissions than in the base year 2019. To date, we have already more than halved emissions. Even though we've doubled our revenues since then. So: We are making very good progress.

In addition to emissions, we also want to minimize our energy consumption. After all, energy efficiency is our trademark! We make use of all technical possibilities to save electricity. And we are switching our sites to green electricity as quickly as possible: All European sites in 2021. In 2022 the North American ones. In 2023 our two largest production sites in Asia – Kulim and Melaka. During the past fiscal year, we were able to cover over 80 percent of our total demand with green electricity for the first time. By 2025, we'll have converted all production sites: 100 percent electricity from renewable sources!

And we are looking further ahead. In December, we announced another important step. We're setting ourselves a science-based climate target. This is in line with the Science-Based Targets initiative and the goals of the Paris Agreement to limit global warming. The initiative is widely regarded as a benchmark for ambitious corporate climate protection measures. We include suppliers in our efforts. We are thus expanding our climate strategy.

Now to my second point:

We are maintaining a balance in the current mixed market environment.

As I mentioned at the beginning, the market environment for Infineon is currently very challenging. The overall economic climate is difficult: Inflation, high interest rates and geopolitical risks are setting the tone. Our target markets are developing differently in this environment:

On the one hand, demand remains strong in key areas of our automotive business. On the other hand, demand for consumer, communication, computing and IoT applications remains low. Demand for industrial applications has also recently been weaker.

However, it's not unusual for the global semiconductor market to run in cycles. Demand is also dependent on global economic growth. That's why it fluctuates. At Infineon, we know how to deal with cyclical changes. We are prepared for whatever comes and can react quickly to different developments.

We are maintaining a balance in the current mixed market environment: On the one hand, we are tightening our belts on less time-critical expenditures in order to achieve our financial targets for the current fiscal year. On the other hand, we are continuing to invest in the future. We stand by our strategic projects! Because we're not confusing the weather with the climate. Even if there's now a temporary dip in demand in some application areas: Decarbonization and digitalization are long-term growth drivers for Infineon. We will use them rigorously.

Our task as the Management Board team is to manage the company sustainably. And that is exactly what we do. We act entrepreneurially. We act consistently. We act for the long term. If you want to be ahead in the race for the best technologies and innovations, you have to invest. In our industry, it's all about anticipating customer needs in three to five years. It takes almost as long to build a new factory or develop a new technology. We therefore make our strategic decisions beyond the usual time span of a semiconductor cycle.

This, dear viewers, brings me to my third point:

We are investing in customer-focused innovation, technology leadership and production capacities.

In the coming years, we want to expand our leading position in the areas of power systems and the IoT. To this end, we are driving forward our research and development activities within the company at a rapid pace. Our developers focus on one thing in particular: Customer benefit. In which applications do our customers use our solutions? What function do these solutions need to perform? How are they embedded in the systems?

“From product thinking to system understanding” is our strategic approach. We introduced it more than a decade ago. Since then, Infineon has evolved from a purely technology and product-driven company into a provider of system solutions.

In addition to our core business, we are also tapping into adjacent and new areas. The IoT in particular offers many opportunities to do this. Complete system solutions are crucial here. And we have all the important components: Sensors. Microcontrollers with hardware-based security. Connectivity solutions. The ability to develop suitable software. And, last but not least, a powerful software environment for programming and configuring the products. This makes it possible for Infineon to serve more and more applications.

Artificial intelligence is particularly exciting and a key topic for Infineon. It is being used in more and more IoT applications. Until now, machine learning capabilities were mainly found in large data centers. Now, however, technological progress is increasingly bringing artificial intelligence to end devices. Semiconductor solutions enable new, helpful functions directly on the smartphone. These solutions allow even more intuitive human machine interactions, for example based on speech and gestures.

The advantages:
- First: Speed. The function does not depend on a good data connection to the cloud. It even works without a connection.
- Second: Greater security. This is because sensitive data does not have to be transferred to the cloud. It remains on the device.
- And third: No data transfer to the cloud also means less power consumption. This means less CO_2.

We at Infineon enable and support this trend. Our teams develop solutions together with our customers, especially in such new fields of application. Step by step. In close exchange. On our development platform. We get to know customer and market requirements even faster and better. This enables us to offer tailor-made system solutions within a short period of time.

Our system philosophy is also behind the following realignment: We will further develop our sales organization. In the future, sales will no longer be based on the structure of our four divisions. Instead, it will focus on three core market segments: Automotive. Industrial & Infrastructure. And Consumer, Computing & Communication. Coupled with the cross-segment distribution business. This will make it even quicker and easier for our customers to find what they need. And with a company-wide standardized sales process, we can better market the Infineon portfolio as a whole. Our sales force will be even more effective. Another important step in positioning Infineon for long-term growth.

Decarbonization will rapidly increase the demand for power semiconductors, which are part of our core business. We are the clear number one in this market. We are the technological leader. And we offer the most comprehensive product range. In addition to silicon chips, we support our customers with a new generation of power semiconductors. With technologies based on silicon carbide and gallium nitride. The advantages: Higher power density and higher energy efficiency. Smaller size and lower costs. We are constantly expanding our portfolio to include different application areas.

Take data centers, for example: They are the backbone of digitalization. We all generate a growing amount of data in our everyday lives. Analysts assume that the global volume of data will increase more than tenfold during the present decade.

One driver: The use of what is called generative artificial intelligence. You've probably heard of ChatGPT. Or you've already used it yourself. Intelligent software that simulates dialogs using a chatbot. Enabled by a digital neural network. Generate texts. Collect ideas. Programming. The possibilities are huge. That's why large language models such as ChatGPT will be used in more and more application areas in the years to come.

The problem: AI models have to train to become better. They need a lot of computing power to do this. And they consume a lot of electricity. Large cloud providers such as Amazon, Microsoft and Google are investing heavily in expanding server capacities. According to calculations by the International Energy Agency, data centers accounted for around 2 percent of global electricity consumption in 2022. This share will increase significantly by the end of the decade. Depending on the scenario, to between 3.5 and 7 percent. 7 percent: This is comparable in size to India's current electricity consumption.

So how can we curb AI's hunger for energy and protect the climate? In addition to green energy, one important lever is to use electricity more efficiently. Modern semiconductor solutions help to significantly reduce power consumption in data centers. First, by avoiding power loss due to waste heat. And second, by reducing the amount of cooling required in the servers. Did you know that cooling in data centers accounts for around 40 percent of their electricity consumption? With efficient semiconductor solutions in place, operators can significantly reduce this factor.

Infineon offers highly energy-efficient power solutions for the entire data center energy supply chain. The potential for our company and our customers is enormous. To illustrate this for you: If all data centers worldwide were equipped with our products, around 48 terawatt hours of electricity could be saved every year. That's roughly as much electricity as Portugal consumes in a year.

The basis: Conventional servers contain power semiconductors worth between 65 and 80 US dollars. In an AI server, it's 850 to 1,800 US dollars, depending on the architecture. This corresponds to an increase in value in the order of ten times or more! With semiconductors for data centers, we expect to generate revenues in the low three-digit million euros range in the 2024 fiscal year. But in a few years' time, we expect annual revenues of around one billion euros.

Here you can see a module for efficient power supply in data centers based on silicon. And here is a module with our gallium nitride technology. This module is smaller and delivers significantly more power: Electrical output 3,000 watts. 1,000 watts more than the silicon module. High power density is particularly important in AI servers. The power supply can be realized with significantly fewer modules. Hence, more servers fit into a server rack. There is more space for other components, such as processors and memory. In short, our module enables more power and greater efficiency with less space required, allowing data center operators to significantly reduce their costs. Our solution saves electricity, money and CO_2.

Gallium nitride can prove its strengths wherever high dynamics and compact design are crucial. In data centers. But also, in smartphone chargers. In onboard chargers in electric vehicles. Or in solar inverters. This is why the demand for gallium nitride solutions will rise strongly in the coming years.

And Infineon is ready. In October, we completed the acquisition of GaN Systems. The Ottawa-based company brings to Infineon a broad portfolio of gallium nitride-based energy conversion solutions. Added to this is the first-class application expertise of more than 200 employees. We are very pleased that the GaN Systems team is now part of Infineon.

The strengths of both companies complement each other perfectly. Together, we have around 450 gallium nitride experts. We have more than 350 gallium nitride patent families. And a large number of promising customer projects. This opens up great opportunities for us in the markets I mentioned. We are significantly accelerating our development roadmap for gallium nitride solutions. We are increasing our lead in power systems.

Just like gallium nitride, silicon carbide is a particularly promising semiconductor material. Negar and Jens in Warstein have already demonstrated this to us. The market for silicon carbide chips is already much more developed than the gallium nitride market. Decarbonization will demand large quantities of power-saving silicon carbide chips in the foreseeable future. This demand will be driven initially by the automotive industry and by industrial applications. Other applications will follow.

We want to remain permanently able to deliver. Accordingly, we announced a major investment at our Kulim site in Malaysia in the summer. We are increasing the current expansion of our production there in a second phase. We want to build the world's largest and most competitive silicon carbide power semiconductor factory that uses 200-millimeter production technology. The production capacities from the first expansion stage will already be prepared to produce in the second half of the year. We are right on schedule.

The demand for semiconductors will rise steadily. This is why investing in Kulim is a safe bet. Well-known customers from the automotive industry and the renewable energy sector support our investment: We have concluded long-term supply contracts. We have agreed on multi-year advance payments of around 1 billion euros. We have reserved production capacities.

We expect our silicon carbide chips to have an annual revenue potential of around 7 billion euros by the end of the decade. Around half of this will be in the automotive sector, the other half in industrial applications. We are very confident that we can turn this potential into profitable growth for Infineon. Why? Because in the global competition for the leading position in silicon carbide technologies, we benefit from the following strengths:

- First, we use what is called trench architecture in chip production. Advantages compared to conventional architecture are: Higher material yield. 30 percent more chips per wafer, coupled with maximum reliability!
- Second, we offer the most comprehensive product and package portfolio for all markets. The largest selection for our customers!
- And third, we benefit from an outstanding system understanding and have first-class customer access. Best sales conditions!

In contrast, we see hardly any opportunities for differentiation in the production of the base material for chip manufacturing. That's why we buy it from third parties. We have established a network with suppliers from several countries. The supply is broad-based and secured for the long term. Thanks to our proprietary, laser-based cold-split technology, we can use the base material very efficiently.

Infineon is therefore excellently positioned with silicon carbide. Our company has all the key factors for sustainable success. I am confident that we will benefit from economies of scale in silicon carbide similar to those we previously enjoyed in silicon chips. And that holds for both development and production.

Dear viewers,

On our profitable growth path, we rely on a balanced mix of in-house production and external manufacturing partnerships. This combination enables us to achieve an optimum balance between investment, flexibility and costs. Our strengths and the strengths of our manufacturing partners differ and they complement each other. Where synergies bring advantages, we want to leverage them.

An important manufacturing partner is ASE Technology Holding. ASE is a leading contract manufacturer in the fields of assembly and test. Our companies have been working together successfully for many years. Yesterday we underpinned this partnership with a further agreement: We will sell two of our backend manufacturing sites to ASE, the site in Cavite, Philippines, and the site in Cheonan, South Korea.

ASE will take over the business with current employees and further develop both sites. The pooling of manufacturing volumes under a new owner will enable economies of scale and we will gain additional flexibility. Furthermore, we have signed long-term supply agreements with ASE to secure the supply of our customers.

Now to my fourth point.

We are strengthening the European semiconductor ecosystem and our supply in Europe.

The semiconductor industry is globally connected. The value chain spans the globe. A network of thousands of specialized companies. Globalization and specialization have benefited our industry for many years. This has been good for innovation and economic growth. But times have changed. The risks in the supply chain are increasing: Wars in Ukraine and the Middle East. The trade dispute between the USA and China. The smoldering conflict over Taiwan.

Geopolitical tensions are increasingly impacting the semiconductor industry. The fact is: Leading countries are intervening in the competition between semiconductor companies. Strategic interests are at stake. The global semiconductor playing field is increasingly influenced by regional rules. But when governments make massive improvements to the basic conditions for semiconductor producers in Asia and America, it is no longer enough for suppliers in Europe just to be technological leaders. The course of the game also depends on public funding. As a global company, Infineon cannot evade this.

Microelectronics is a key technology. It has a huge impact on innovation and supply security in many downstream industries. A competitive European semiconductor industry is essential for Europe. For our value chains and for our prosperity. European companies are market leaders in power semiconductors, sensors and microcontrollers. We must build on these strengths. So that Europe can reduce one-sided dependencies. So that it can drive forward the green and digital transformation. So that people can benefit from the transformation.

Everyone will have to work together to achieve this: Science. Industry. And the political sector. European government promotion of the semiconductor industry in Europe is the right thing to do. Because with taxpayers' money and companies' investments, Europe is strengthening its strengths. We are building a sustainably successful European technology ecosystem.

We have gained a strong and strategically important partner for Europe. TSMC, the Taiwan Semiconductor Manufacturing Company, the world's largest contract manufacturer for silicon chips, is coming to Germany. Infineon is investing in a joint venture together with TSMC, Bosch and NXP. The European Semiconductor Manufacturing Company is to build a new factory for state-of-the-art chips in Dresden. TSMC is to operate the factory.

This is a groundbreaking step for the entire European semiconductor industry. TSMC is a technology leader in the production of state-of-the-art digital chips. As a contract manufacturer, TSMC has been one of our most important and closest partners for many years.

The planned factory ideally complements our own production. The ongoing expansion of our sites in Kulim and Dresden improves our capacities for power semiconductors and analog/mixed-signal products. The investment in the European Semiconductor Manufacturing Company gives us access to capacity for our automotive microcontrollers and IoT semiconductors. We are making our supply more secure with an additional source in Europe. We will be even better able to meet the growing demand. The factory is another building block with which we will create added value in the coming years.

That brings me to the end. My summary:

Summary

Infineon has reached an important milestone. The successful 2023 fiscal year is an initial confirmation of our more ambitious course. The 2024 fiscal year will be a year of transition. In the current mixed market environment, we are maintaining a balance: We are reducing less time-critical expenditures but we are continuing to invest in the future. We are thinking and acting for the long term.

On behalf of the entire Management Board team, I would like to sincerely thank our more than 58,000 employees. I am impressed by their great commitment every day. I regularly visit our locations worldwide. When I do, I meet competent and highly motivated colleagues. Together, we at Infineon are driving decarbonization and digitalization forward. Out of conviction. And with power. I'd like to thank all our colleagues for your great work!

The great attention paid to Infineon and what we do as a company is an additional driver for us. The positive response also helps us to be perceived as an attractive employer. Especially among young people who are looking for a meaningful and secure job. This is an important factor in the competition for skilled workers. Infineon is growing. To achieve this, we will need many more highly capable, creative and committed employees in the coming years.

Infineon welcomes bright minds and hands-on people. We are open to everyone who wants to shape the future with us. No matter what their background! Our company stands for diversity. We stand for tolerance and respect. The different experiences and skills of our employees make Infineon better. They make us stronger. They make us successful in the long term.

Dear shareholders,

We are convinced that we can further increase the value of your company. Decarbonization and digitalization remain the stable foundation of our business. We expect continued strong growth in our key applications. We are therefore continuing to implement our strategy with determination. We are expanding our leading position in the areas of power systems and the IoT. Infineon creates sustainable added value for customers, shareholders and society.

Thank you for your support and your trust. We are delighted that you are accompanying us on our journey.

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