

Fourth Quarter FY 2014 Quarterly Update

Infineon Technologies AG
Investor Relations



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■ Growth Drivers

■ Results and Outlook

Disclaimer:

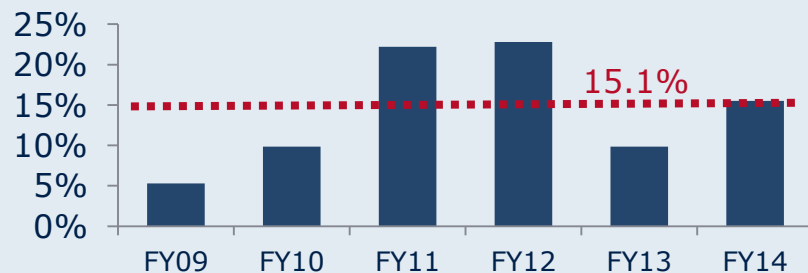
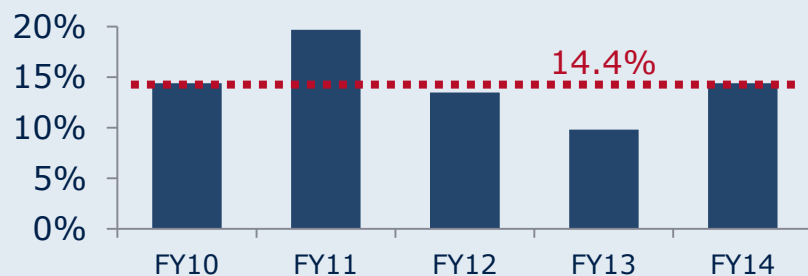
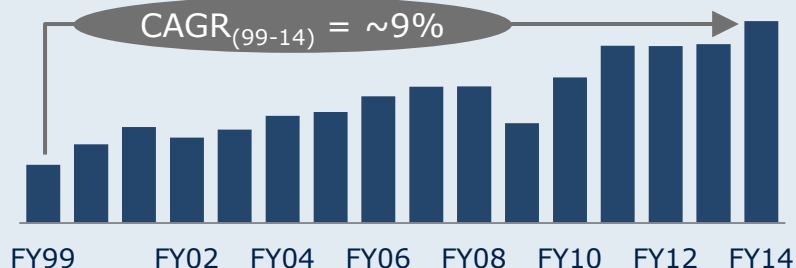
This presentation contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

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.

Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

Average Cycle Financial Targets

Historical



Going forward

Revenue Growth:

~8%

Segment Result Margin:

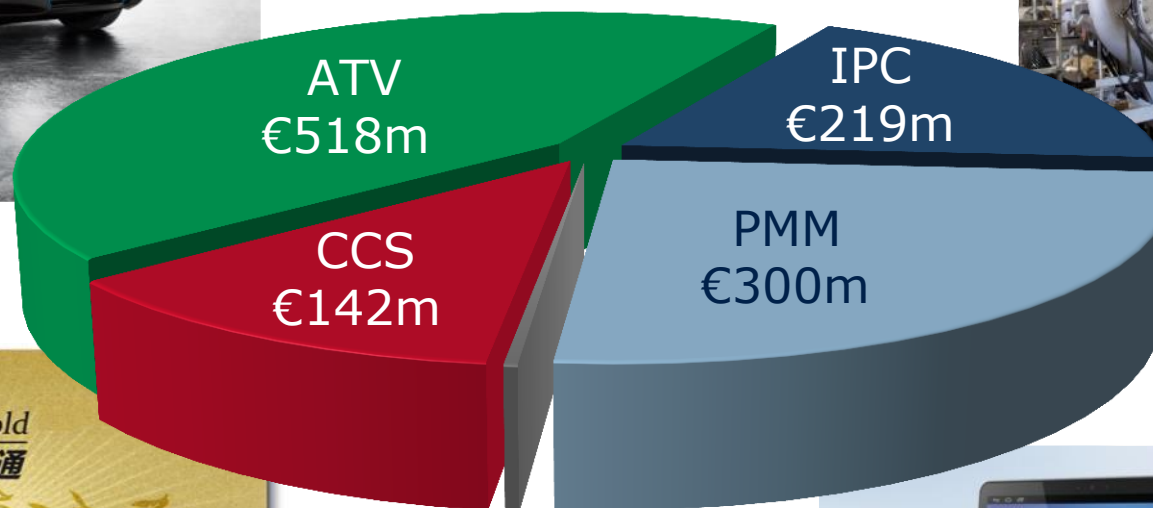
~15%

Investment-to-Sales:

~13%

Revenue Split by Division

Q4 FY 2014 revenue: EUR 1,175m



OOS+C&E*
€-4m

*Other Operating Segments;
Corporate and Eliminations.



Tight Customer Relationships are Based on System Know-how and App Understanding

ATV



IPC



PMM



CCS



EMS partners

FLEXTRONICS FOXCONN

Distribution partners

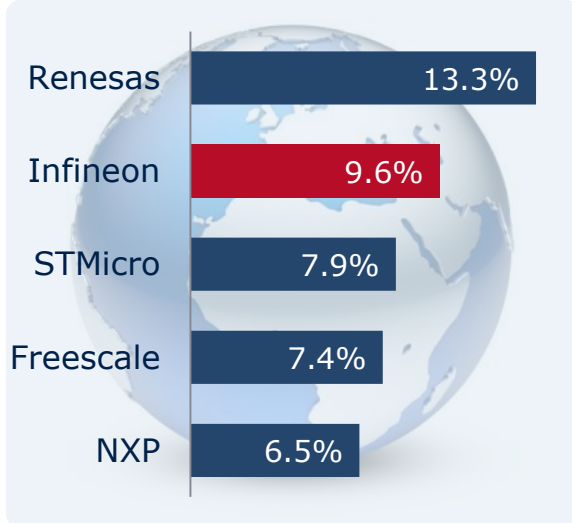


Infineon Holds Top Positions in All Major Product Categories



Automotive semiconductors

total market in 2013:
\$25.1bn

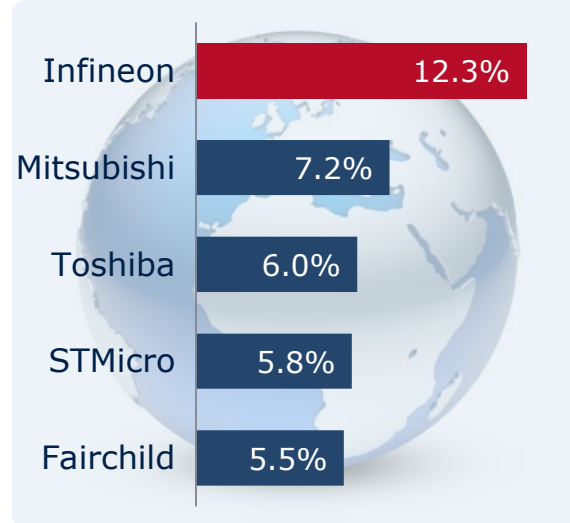


Automotive semiconductors incl. semiconductor sensors.

Source: Strategy Analytics, April 2014

Power semiconductors

total market in 2013:
\$15.4bn

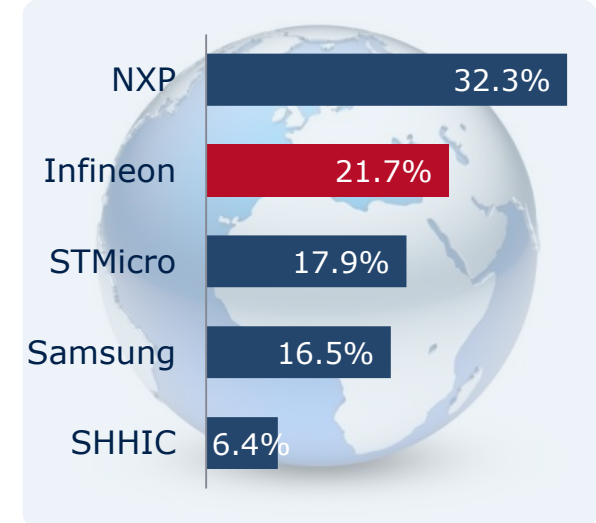


Discrete power semiconductors and power modules.

Source: IHS Inc., September 2014

Smart card ICs

total market in 2013:
\$2.48bn



Microcontroller-based smart card ICs.

Source: IHS Inc., July 2014

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■ Infineon at a Glance

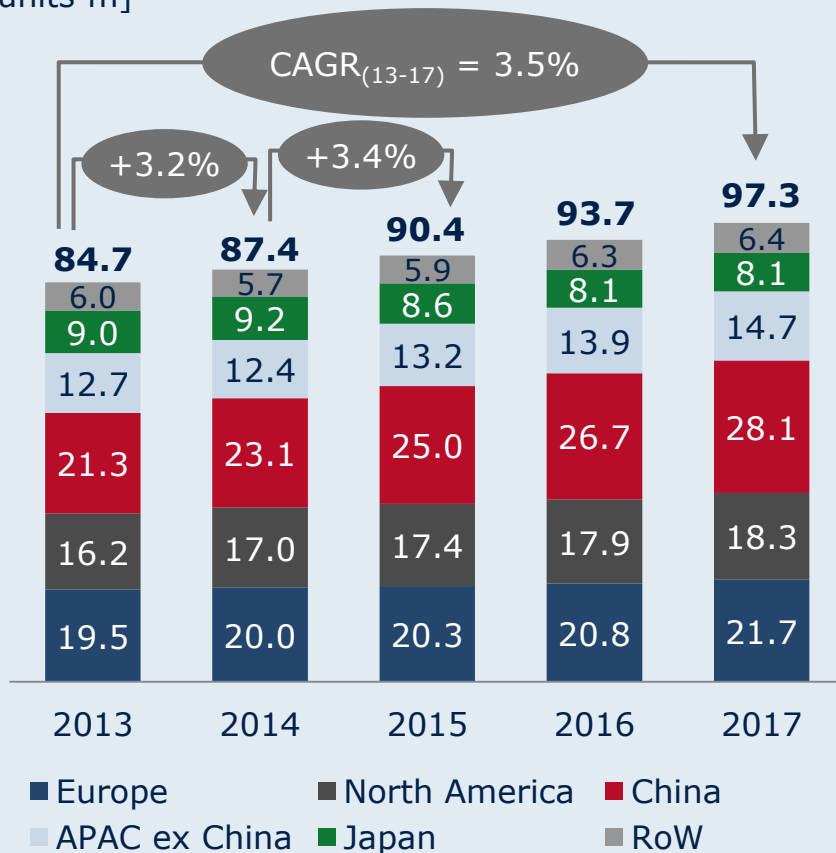
■ Growth Drivers

■ Results and Outlook

Growth in Car Production and Content-per-Car Continues Unabated

Global car production (cars \leq 6t)

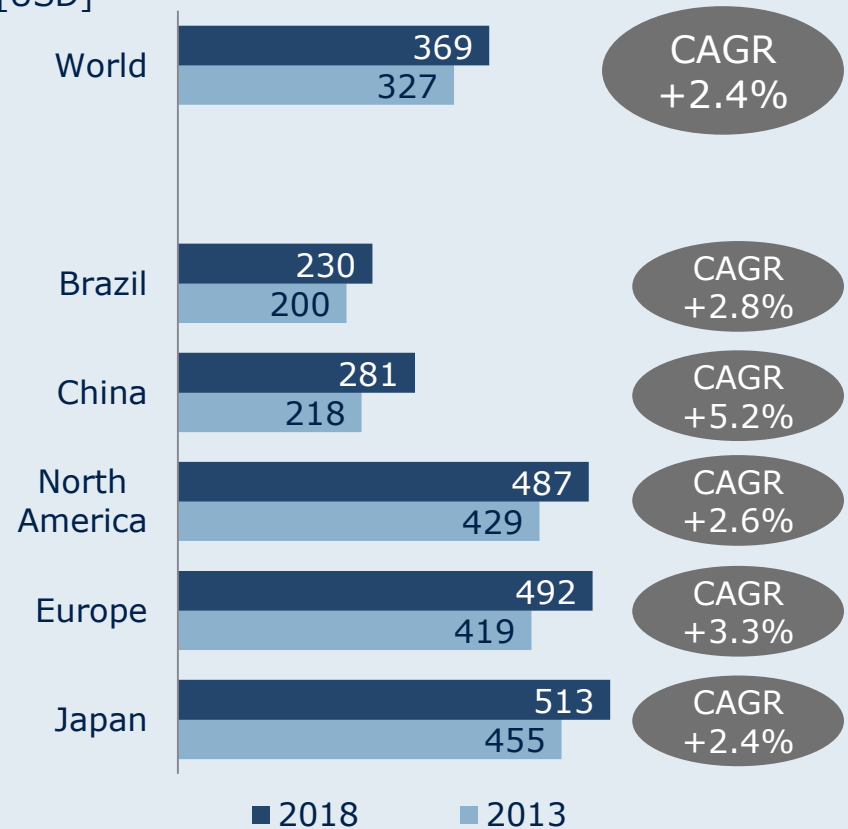
[units m]



Source: IHS Inc., "Annual Light Vehicle Production and Sales 2007 – 2019", October 2014 update

Semiconductor value per car

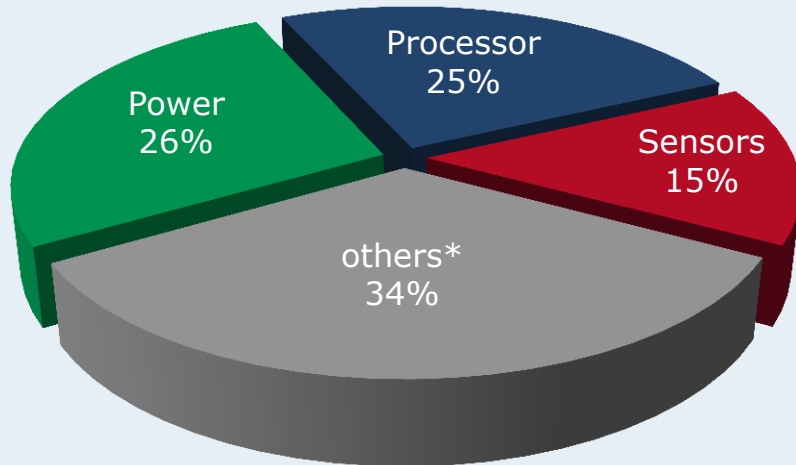
[USD]



Source: Strategy Analytics, "Automotive Semiconductor Demand Forecast 2012 – 2021", incl. semiconductor sensors, October 2014 update

In 2013, Infineon Gained Market Share in All Addressed Product Categories

2013 automotive semiconductor market by product category (\$25.1bn)

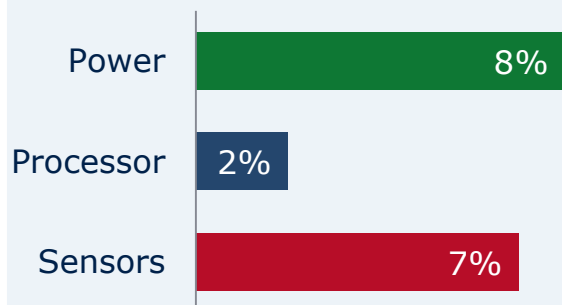


- "Power" and "Sensors" were the fastest growing product categories with 8% and 7% growth y-y, respectively.
- Infineon remained market leader in "Power" with 21.3% market share.
- Strong product portfolio in pressure and Hall sensors led to significant market share gain in "Sensors" of 1.0%-point.

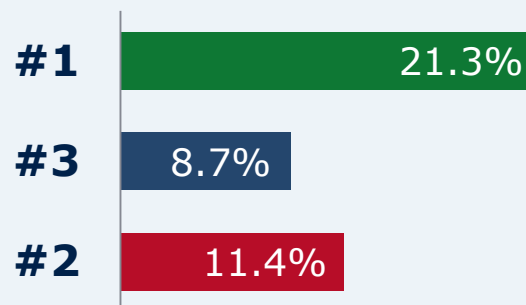
Source: Strategy Analytics, April 2014.

* "others" include: opto, small-signal discretes, logic ICs, non-power analog, memory, and other.

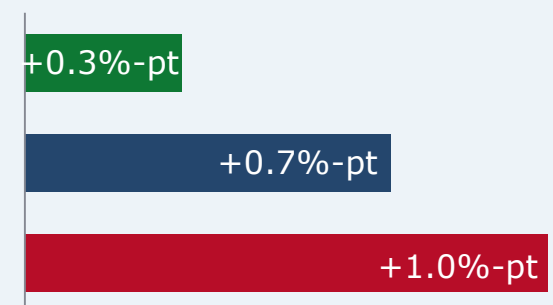
Market growth y-y



Infineon's position 2013



Infineon's change y-y



In Addition to Powertrain, AURIX™ Is Gaining Traction in Safety Applications



- Increasingly complex applications and more stringent requirements on functional safety fuel transition from 16-bit to 32-bit microcontrollers.
- AURIX™ continues TriCore™-based success story in powertrain applications: design-win for next-generation AURIX™ for powertrain and transmission applications at leading European Tier-1.
- AURIX™ enters area of safety applications: About half of all AURIX™ design-wins in FY14 already related to safety applications.
- Volume production of 65nm-based AURIX™ devices started at TSMC end of FY14.



AURIX™ design-wins in safety applications

- Electric power steering (EPS).
- Electronic stability control (ESC).
- “Classical” braking, autonomous emergency braking (AEB).
- Camera-based object recognition.
- Radar-based distance warning.



Courtesy: Bosch

Wide Adoption of Premium Features, ADAS and CO₂ Reduction Drive ATV's Growth

Vehicle production



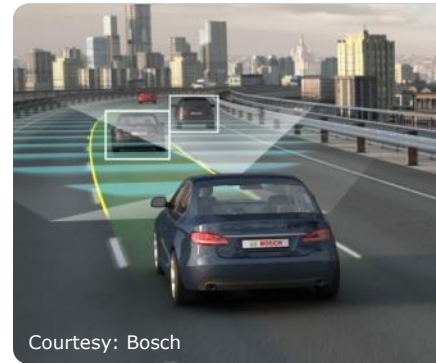
~4% p.a.

Semiconductor content per car

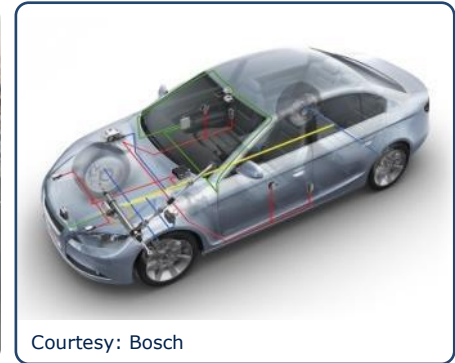
CO₂ reduction



ADAS*



Comfort, Premium



2 – 4% p.a.

ATV:

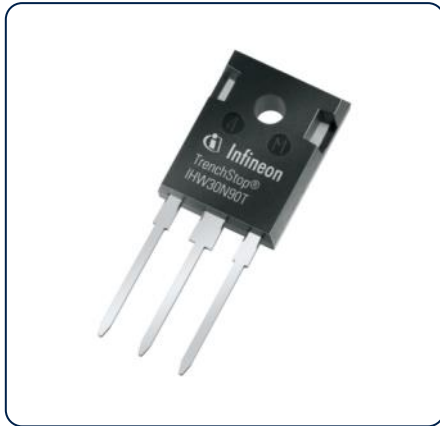
~8% p.a.

* ADAS: Advanced Driver Assistance Systems.

Sources: IHS Inc., Strategy Analytics, Infineon. All figures refer to mid-term compound annual growth rate of the respective market.

Increasing Inverterization Drives Demand for Power Semis in Home Appliances

RC-H5



CIPOS™



- Biggest home appliances market for IGBT modules is air conditioning.
- Efficiency programs led and still lead to higher VSD* penetration rate.
- “Energy efficiency” labeling is key differentiator vs competition.

Penetration of VSD*

[units m]	2011	2016	CAGR
electric motor-based home appliances	420	514	4%
VSD* penetration	~20%	~40%	
total VSD* appliances	86	205	19%

Source: IHS Inc., “Major Home Appliances – World 2013”, October 2013.

* VSD: variable speed drive.

Drives, Home Appliances and Others Show Strongest Growth Rates

Drives

Renewables

Traction

**Home
Appliances**

Others



Expected growth of market segments

~10% p.a.

> 5% p.a.

~5% p.a.

> 10% p.a.

> 10% p.a.

IPC:

~10% p.a.

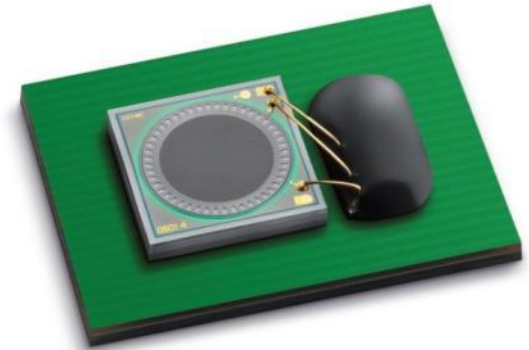
Sources: IHS Inc., Infineon. All figures refer to mid-term compound annual growth rate of the respective market.

System Understanding Becomes Key Success Factor for Next-Gen Si-Mic Design

Trends for higher number of silicon microphones

- Acoustic performance becomes differentiator and enabler for new capabilities, e.g. command recognition, driving number of microphones per device (up to four in today's smartphones to improve signal quality).
- New applications using microphones on the rise: tablets, smart watches, wearables, etc.

Silicon microphone



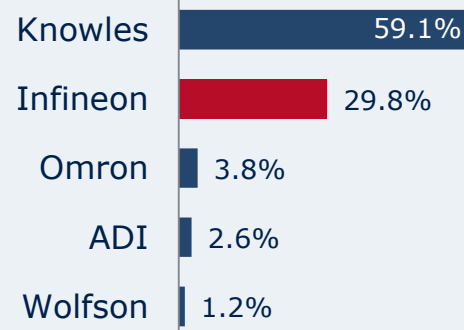
Track record of IFX's market share



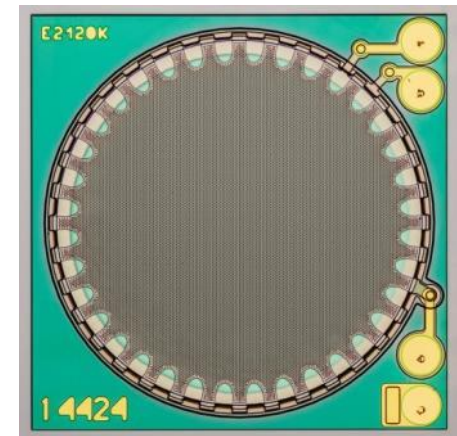
Source: IHS Inc., "MEMS Microphone Report – 2014", April 2014.

All data refer to units of silicon MEMS microphones excluding ASICs for signal conversion.

Ranking 2013



Membrane



PMM Aims to Outgrow Its Core Markets

Power Management

Mobile Communications

Computing

Charger

Lighting

Mobile devices

Cell. infrastructure



Expected growth of market segments

> 7% p.a.

> 7% p.a.

PMM:

~10% p.a.

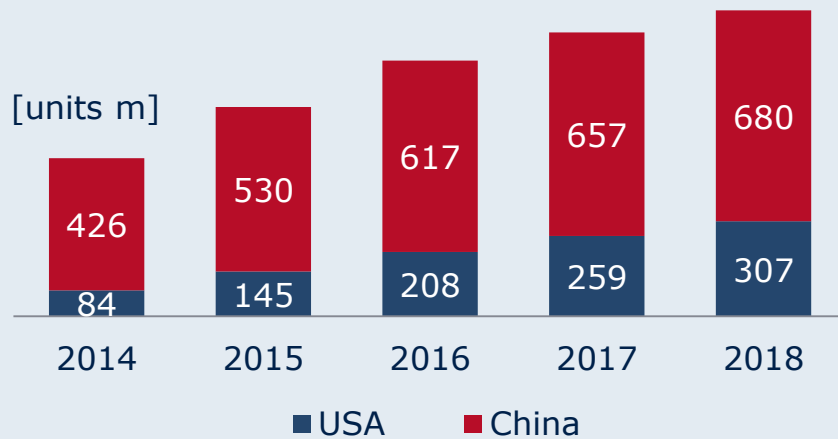
Sources: IHS Inc., ABI Research, Infineon. All figures refer to mid-term compound annual growth rate of the respective market.

Strong Growth in Payment Business; Design-wins in Government ID Projects



Strong momentum for Infineon's payment business

- Payment business grew by ~50% year-on-year in FY14.
- Roll-out of chip-based banking cards in China and the US will fuel further growth of this business.



Source: IHS Inc., "Payment & Banking Cards Report – 2014", May 2014.

Worldwide government ID projects in all major applications

- Infineon won contracts for government ID projects in several European as well as Asian, African and Latin American countries in Q4 FY14.
- With this, Infineon provides chips to more than 75% of all eID projects in Europe and to more than 70% of all ePassport projects in APAC.
- Infineon is present in more than 130 reference projects across all Government ID applications* in 61 countries representing 75% of the world's population.

* ePassport, National eID, eHealth Card, eResidence Permit, eDriving Licence, MilitaryID and Road Toll.

CCS is Well Positioned to Grow Faster Than the Market

High-end Mobile Communications



Payment



Government Identification



IoT Security



Expected growth of market segments

~0% p.a.

~5% p.a.

~10% p.a.

~20 - 25% p.a.

CCS:

6 – 9% p.a.

All figures refer to security microcontrollers.

Sources: IHS Inc., Infineon. All figures refer to mid-term compound annual growth rate of the respective market.

Expected Growth Broadly In Line With Historical Averages



ATV



Courtesy: BMW Group

IPC



Courtesy: Siemens AG

PMM



CCS



~8% p.a.

~10% p.a.

~10% p.a.

6-9% p.a.

Infineon:

~8% p.a.

Sources: IHS Inc., Strategy Analytics, ABI Research, Infineon.

All figures refer to mid-term compound annual growth rate of the respective market.

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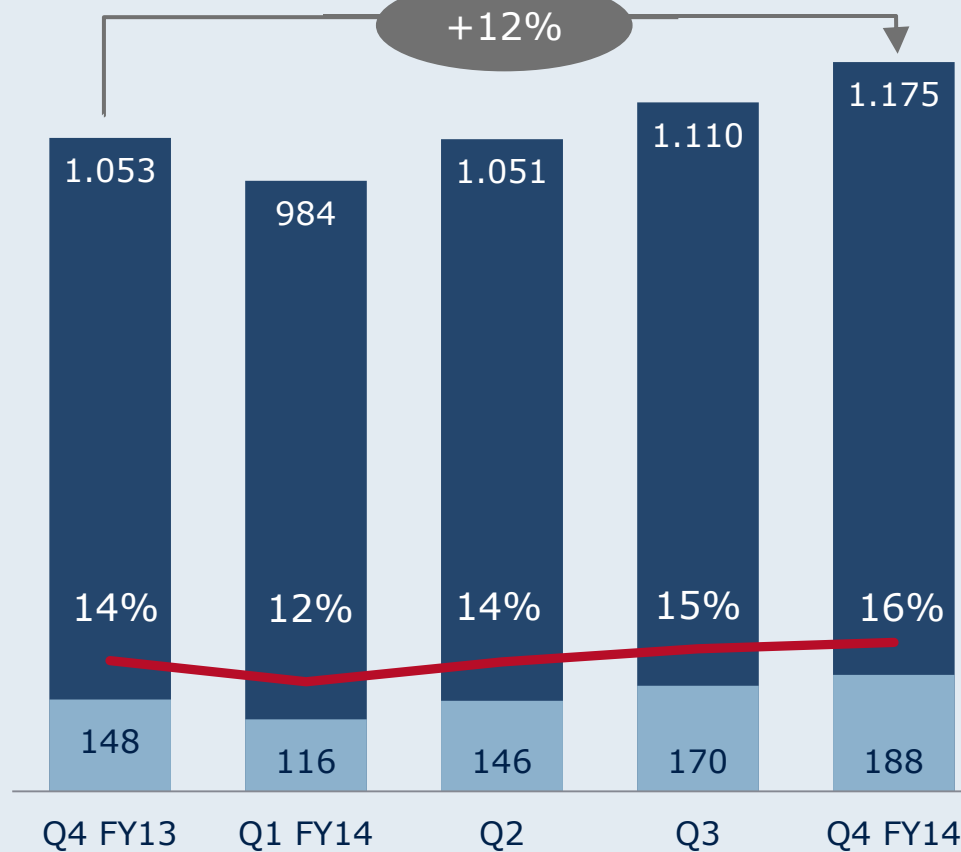
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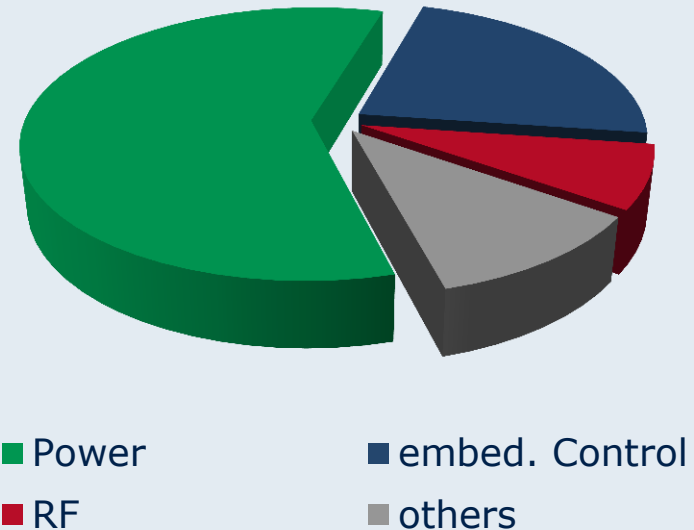
Q4 FY14 Was Sixth Consecutive Quarter of Year-On-Year Growth

Revenue and Segment Result

[EUR m]



FY 2014 revenue split by product category

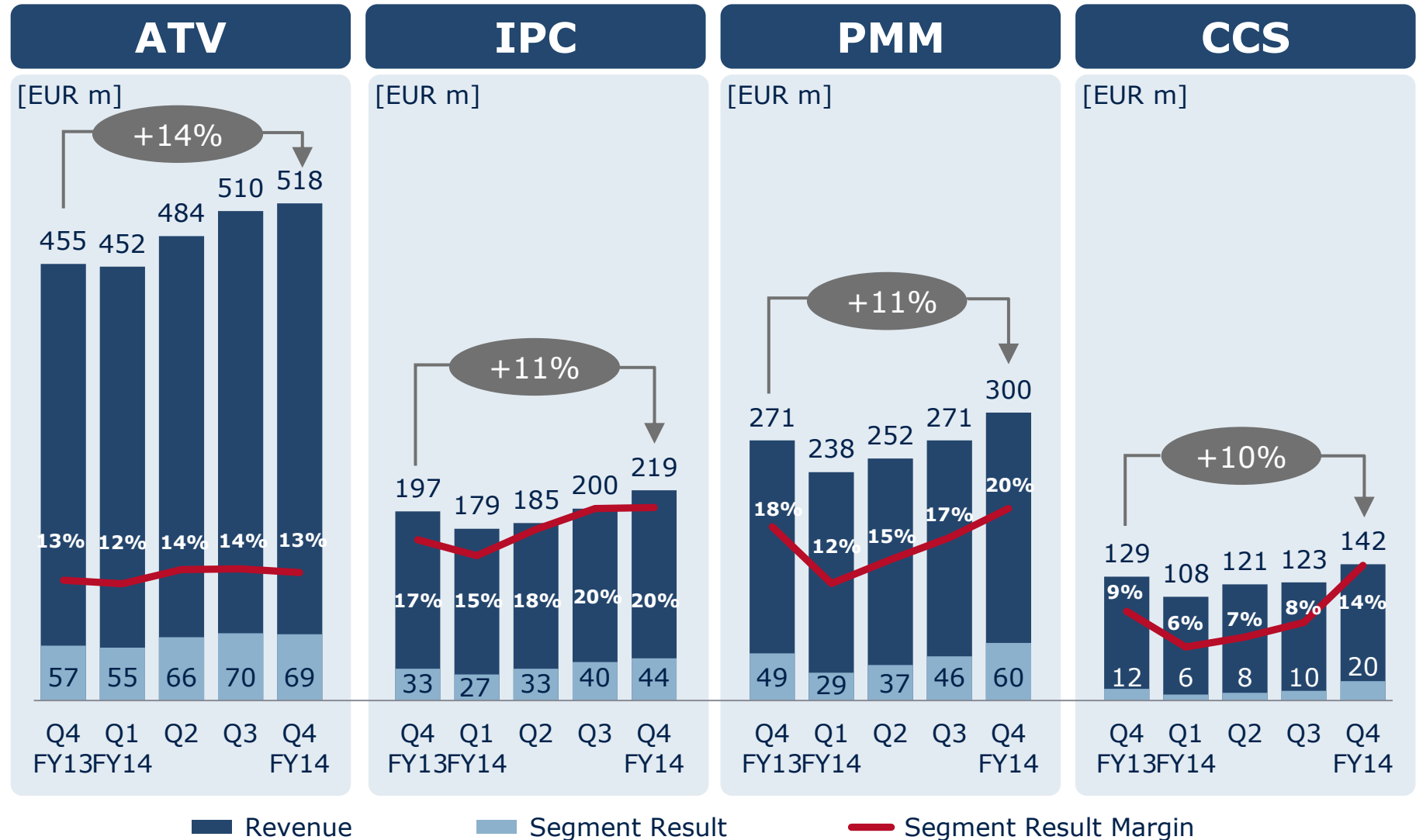


■ Revenue

■ Segment Result

— Segment Result Margin

Strong Q-Q-Growth in IPC, PMM and CCS; ATV Stable Q-Q on High Revenue Level



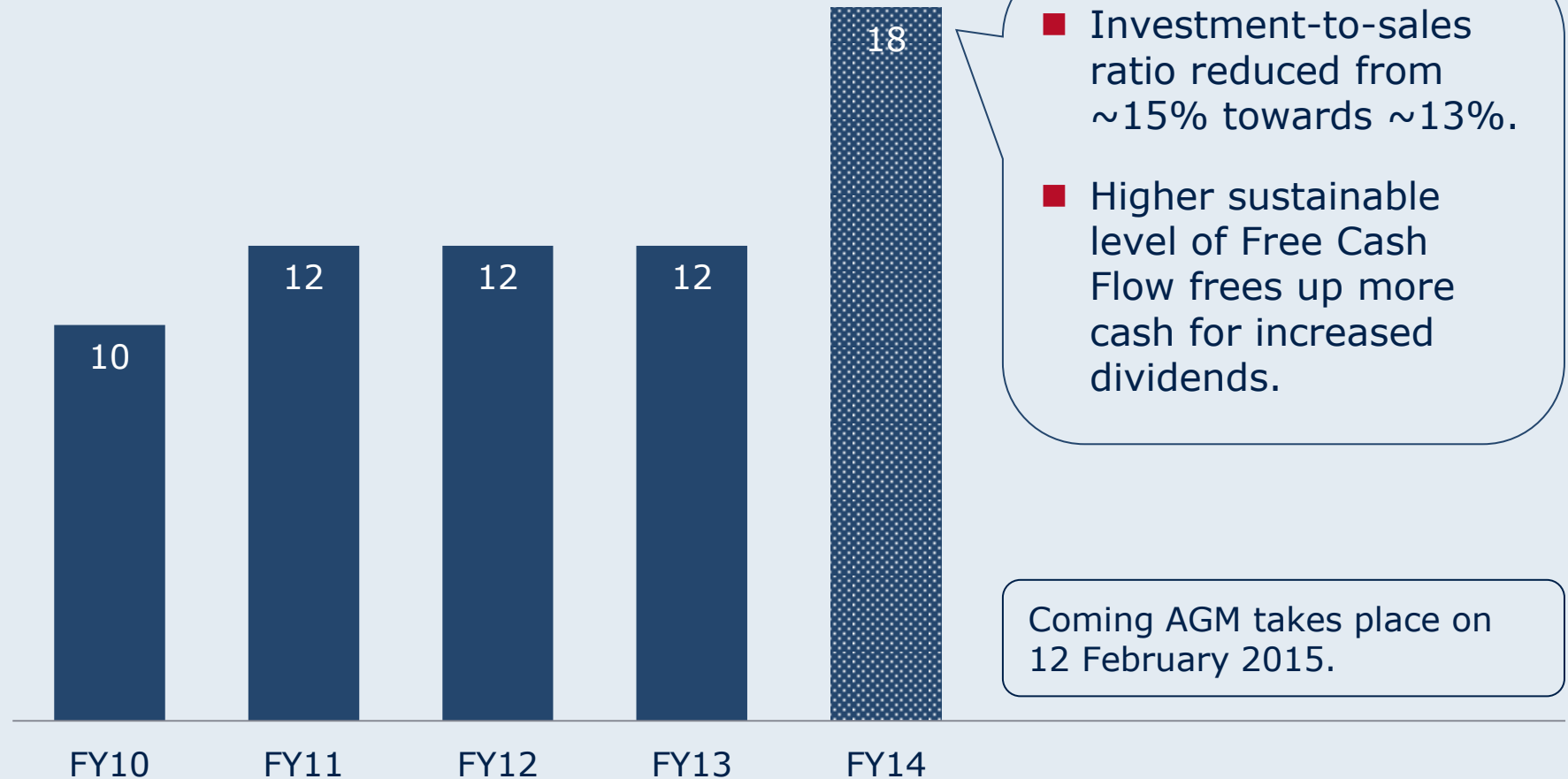
Guidance for Q1 FY15 and FY 2015

	Outlook Q1 FY15 (compared to Q4 FY14)	Outlook FY 2015 (compared to FY 2014)
Revenue	Decline between 5% and 9%	Increase of 8% +/- 2%-points
Segment Result Margin	Between 10% and 13%	About 14% (At the mid-point of the revenue guidance)
Investments in FY 2015	About €700m (Including €60m to €70m for Kulim 2 and €20m for Qimonda IP.)	
D&A in FY 2015	About €600m	

Increase of Dividend by 6 €-Cents Will Be Proposed by Management at Coming AGM

Dividend payments

[€-Cents]





ENERGY EFFICIENCY MOBILITY SECURITY

Innovative semiconductor solutions for energy efficiency, mobility and security.



Opex-to-Sales-Ratio Well Within Target Range

S, G&A¹⁾

R&D²⁾

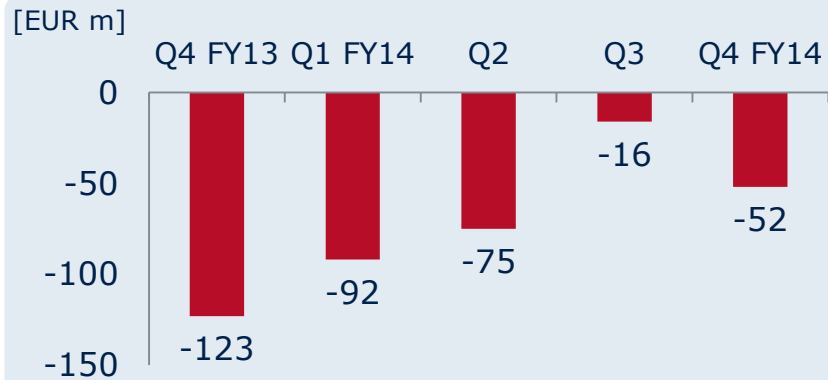


1) Target range for SG&A: „Low teens percentage of sales“.

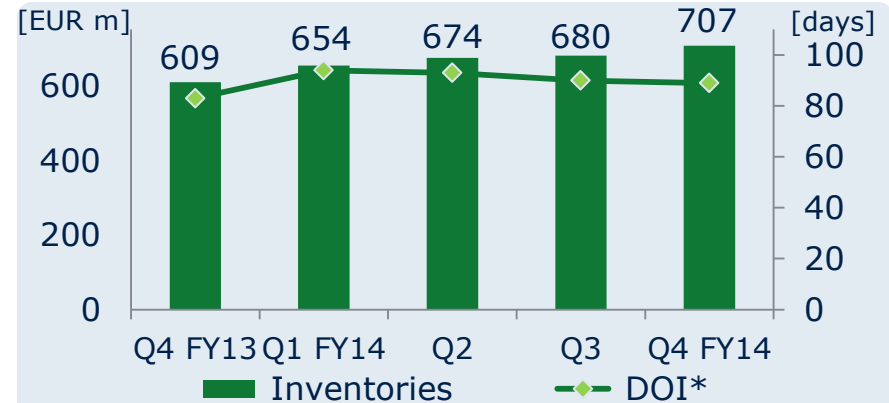
2) Target range for R&D: „Low to mid teens percentage of sales“.

DOI, DSO and DPO in Line With Our Targets

Working capital*



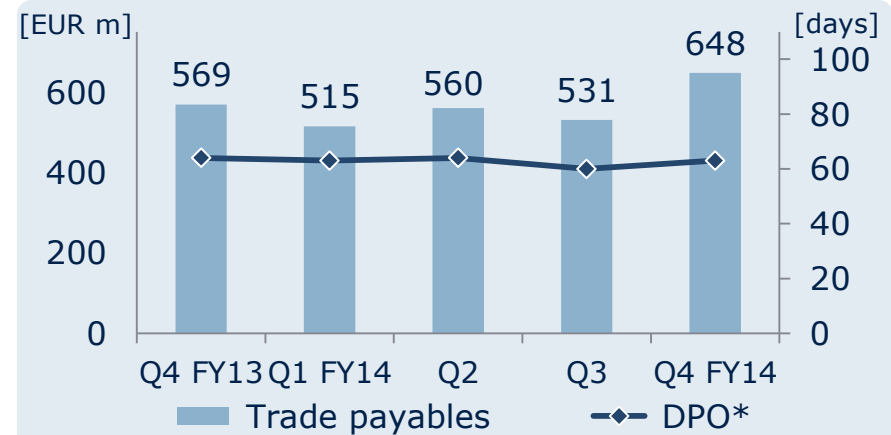
Inventories



Trade receivables



Trade payables



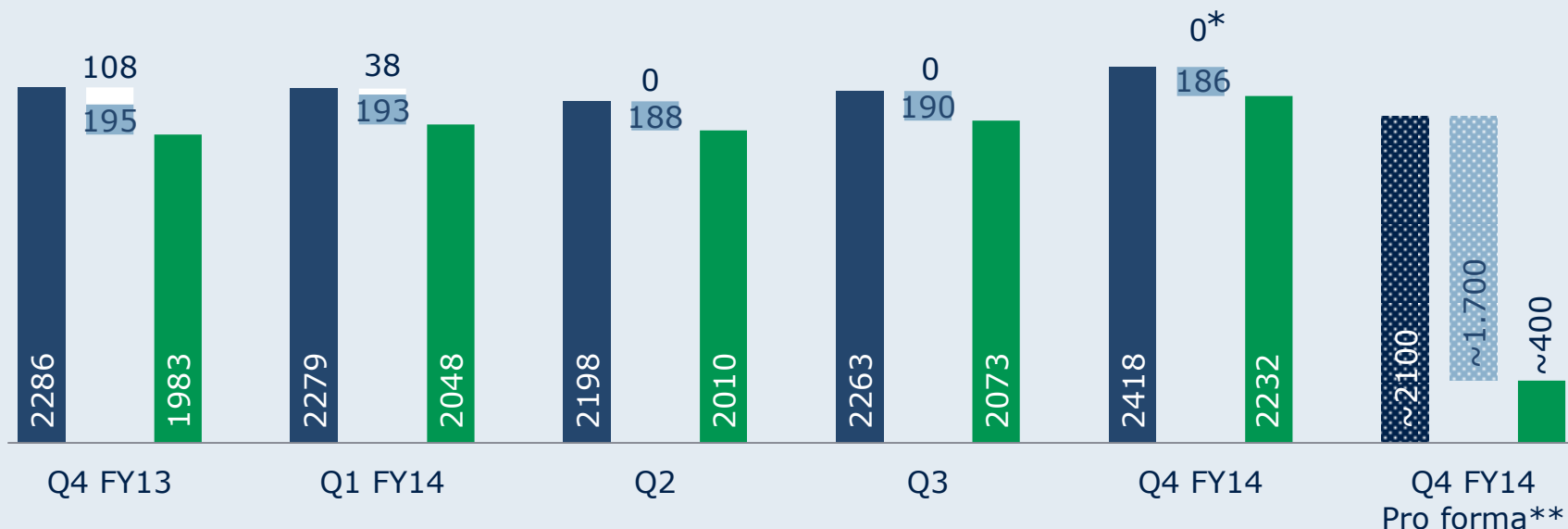
* For definition please see page 31.

Pro Forma Gross Cash and Net Cash Including International Rectifier

Liquidity Development

[EUR m]

■ Gross Cash ■ Debt ■ Equity-linked ■ Net Cash



* The remaining outstanding convertible bonds were converted by the end of January 2014.

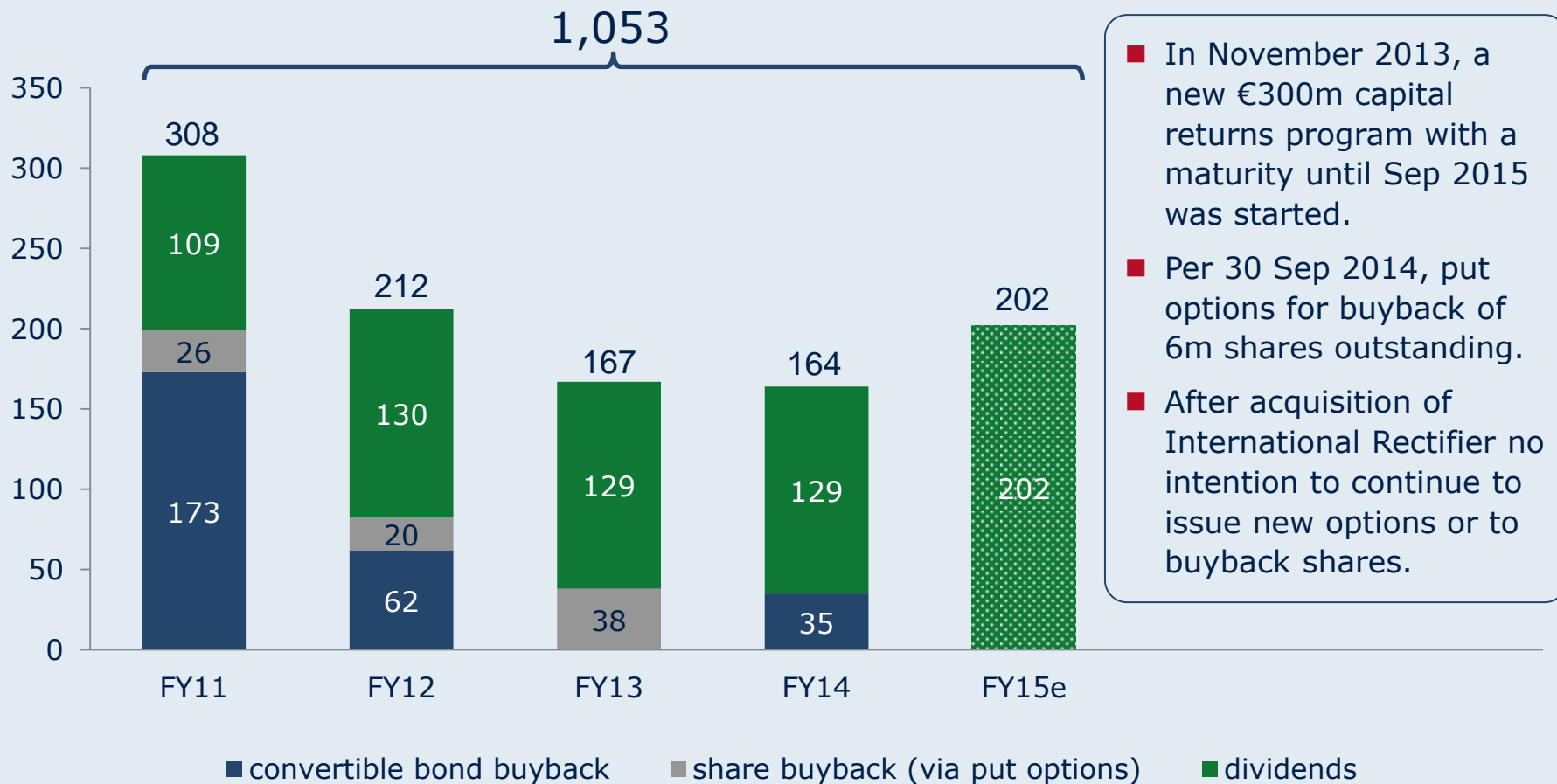
** Pro forma calculation incl. gross cash and net cash of International Rectifier.

- Payment of €83m due to the antitrust fine and €260m for the settlement with Qimonda insolvency administrator will have negative effect on Gross Cash and Net Cash of €343m in the December quarter.

Proposal of Dividend of €0.18 Will Increase Capital Returns by €202m in February

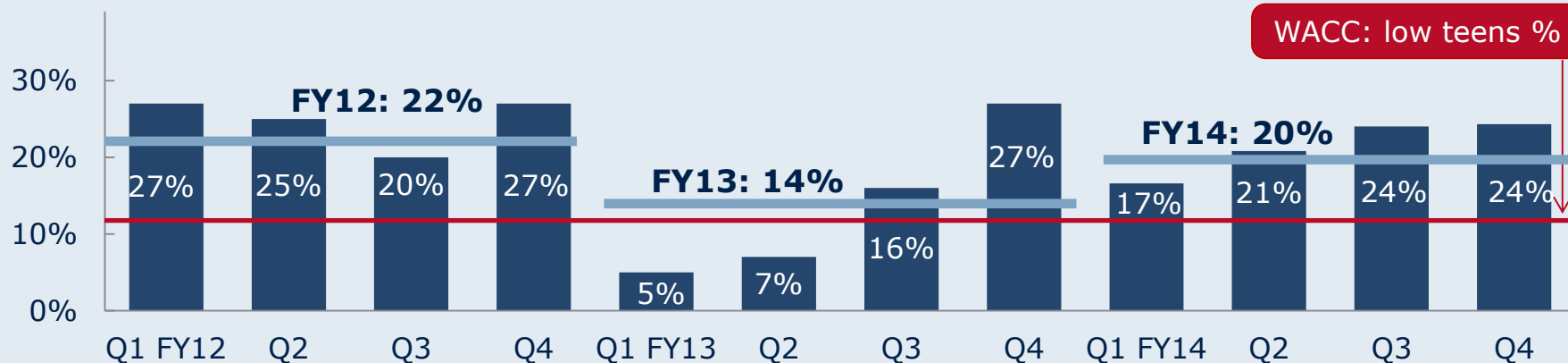
Total gross capital returns history

[EUR m]



Target: 'RoCE Above WACC' Over the Cycle

RoCE* history



Capital Employed* history

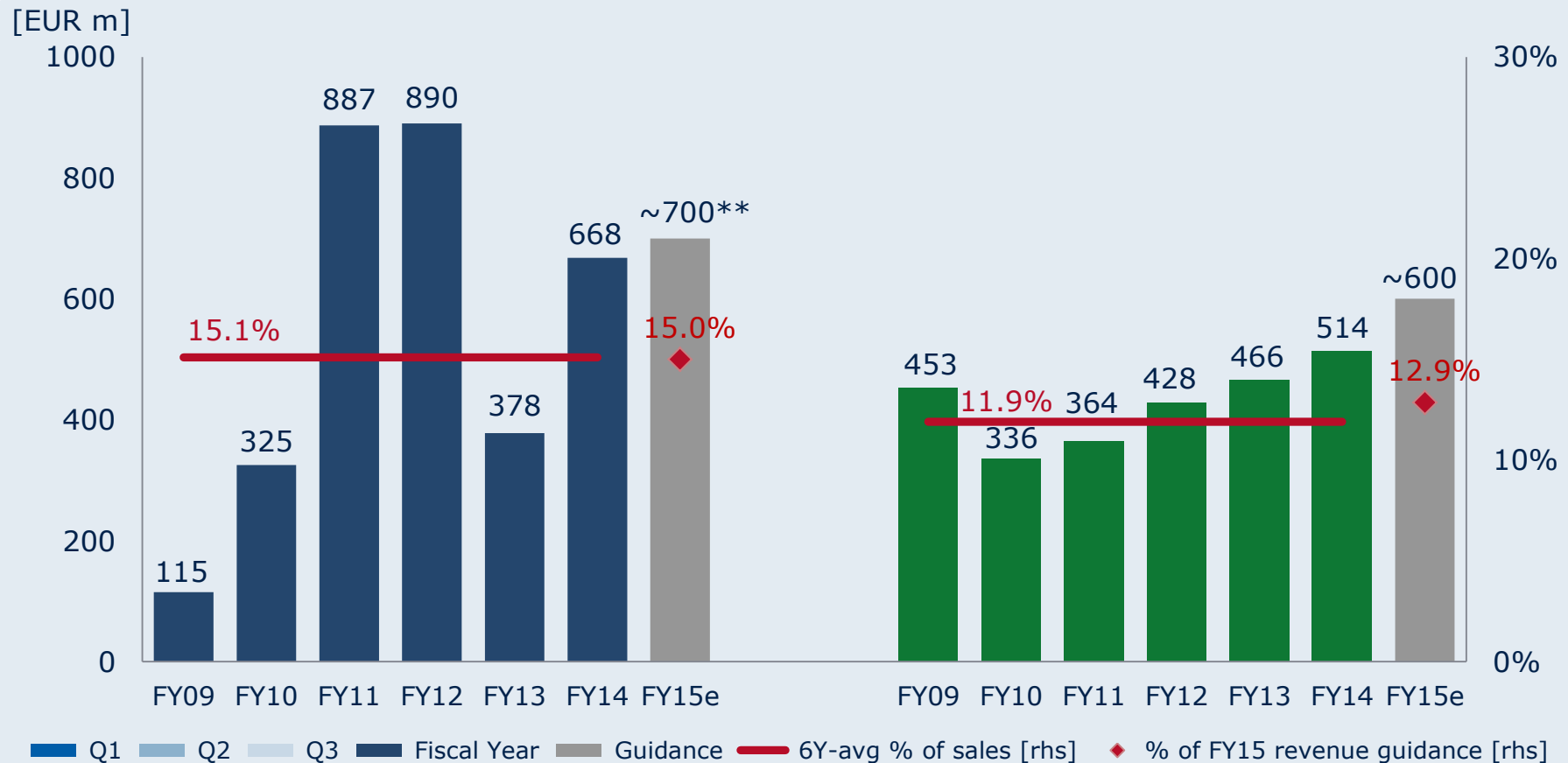


* For definition please see page 31.

FY15 Investments Ratio excl. Kulim 2 and Qimonda IP Would Be Down to ~13%

Investments*

D&A



* For definition please see page 31.

** Includes €60m to €70m for Kulim 2 and €20m for Qimonda IP.

Notes

Investments =

- 'Purchase of property, plant and equipment'
- + 'Purchase of intangible assets and other assets' *incl. capitalization of R&D expenses*

Capital Employed =

- 'Total assets'
- 'Cash and cash equivalents'
- 'Financial investments'
- 'Assets classified as held for sale'
- ('Total Current liabilities'
 - 'Short-term debt and current maturities of long-term debt'
 - 'Liabilities classified as held for sale')

Please note:

All positions in ' ' refer to the respective accounting position and therefore should be applied with the positive or negative sign used in the relevant accounting table.

RoCE =

- NOPAT / Capital Employed =
- ('Income from continuing operations'
 - 'financial income'
 - 'financial expense')
- / Capital Employed

Working Capital =

- ('Total current assets'
 - 'Cash and cash equivalents'
 - 'Financial investment'
 - 'Assets classified as held for sale')
- ('Total current liabilities'
 - 'Short term debt and current maturities of long-term debt'
 - 'Liabilities classified as held for sale')

DOI (days of inventory; quarter-to-date) =
 ('Net Inventories' / 'Cost of goods sold') * 90

DSO (days sales outstanding; quarter-to-date) =
 ('Trade receivables' / 'revenue') * 90

DPO (days payables outstanding; quarter-to-date) =
 ('Trade payables' / ['Cost of goods sold' + 'Purchase of property, plant and equipment']) * 90

Infineon is a Long-standing Member of Europe's Leading Sustainability Indices



Infineon's most recent achievements

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 

- January 2014: Infineon is listed in the Sustainability Yearbook for the fourth consecutive year and according to RobecoSAM, listed among the top 15% most sustainable companies worldwide.
- 11 September 2014: Infineon was listed in the Dow Jones Sustainability Index for the fifth consecutive year.

- September 2014: Infineon was listed in the STOXX® Global ESG Leaders Indices, which serves as an indicator of the quality of Infineon's performance in the governance, social and environmental areas (ESG).



FTSE4Good

- Infineon was added to the FTSE4Good Index Series in 2001 and has been confirmed as a member since then.

Financial Calendar

Date	Location	Event
02 – 03 Dec 2014	Scottsdale, AZ	Credit Suisse TMT Conference
29 Jan 2015*		Q1 FY15 Results
12 Feb 2015	Munich	Annual General Meeting
05 May 2015*		Q2 FY15 Results
30 Jul 2015*		Q3 FY15 Results
26 Nov 2015*		Q4 FY15 and FY 2015 Results

* preliminary

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