

Fourth Quarter FY 2016 Quarterly Update

Infineon Technologies AG
Investor Relations



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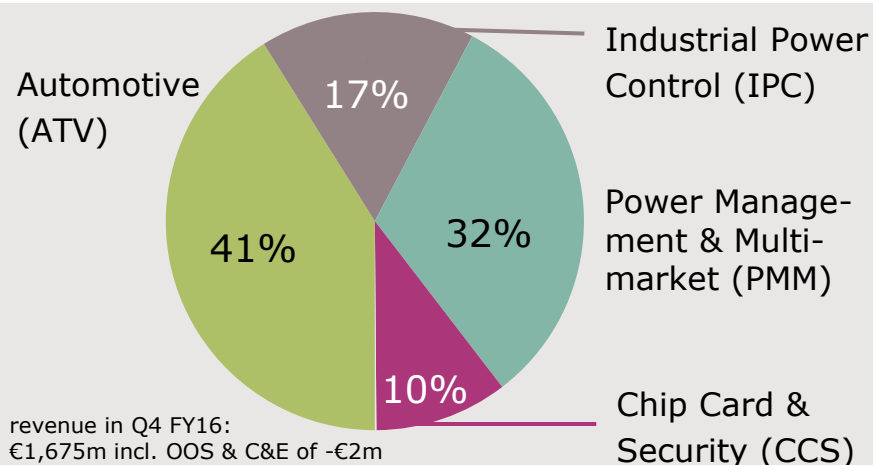
Growth Drivers

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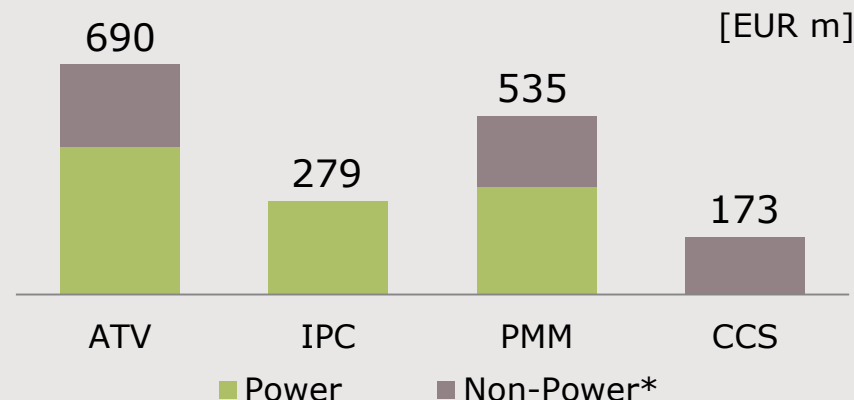
Results and Outlook

Infineon at a glance

Business Segments

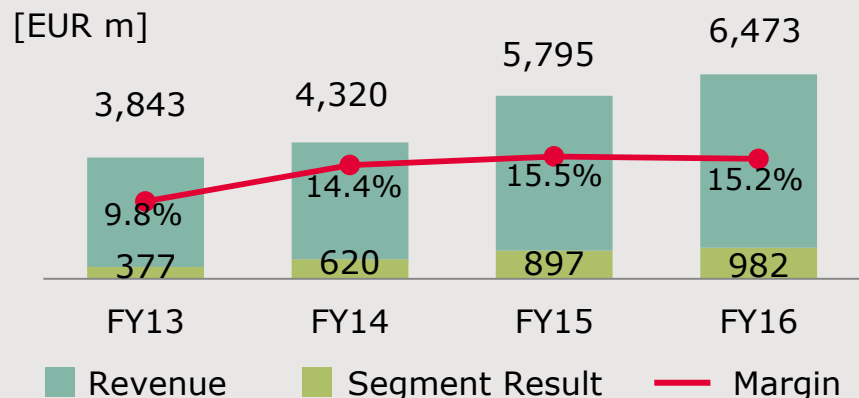


Power represents ~60% of revenue



*embedded control, RF, sensors

Financials



Market Position

Automotive



2

Strategy Analytics,
April 2016

Power



1

IHS Markit,
October 2016

Smart card ICs



2

IHS Markit,
July 2016

Technology leadership and system understanding fosters growth and profitability



Competitive advantages

Auto

system leader in automotive

Power

#1, system and technology leader

RF

broadest technology portfolio; #1 in SiGe; become #1 in base stations with 5G

Security

Leader in security solutions

Average-cycle financial targets

Revenue Growth:

~8%

Segment Result Margin:

~17%

Investment-to-Sales:

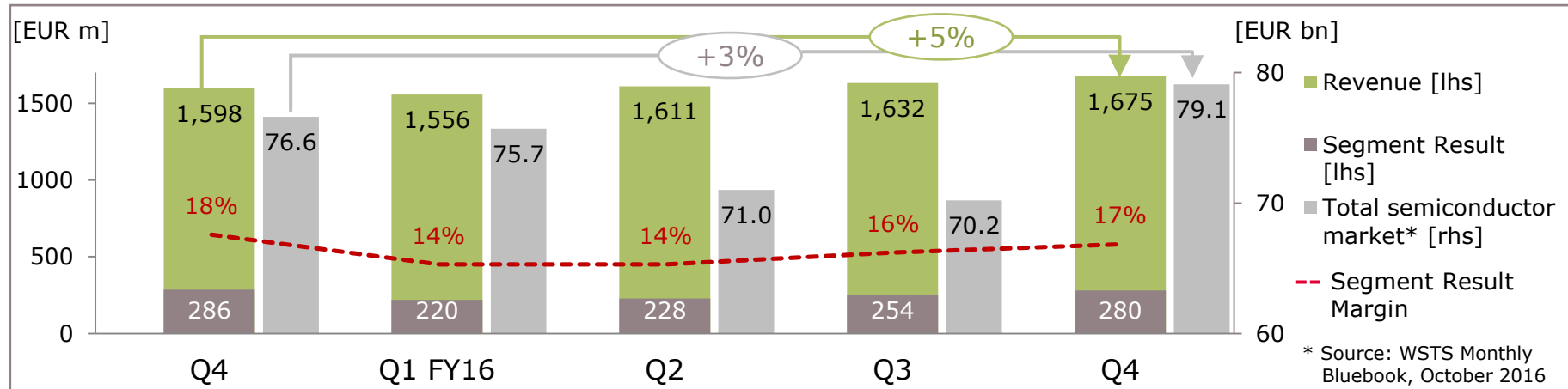
~13%

(Capex*: ~11%; capital. R&D*: ~2%)

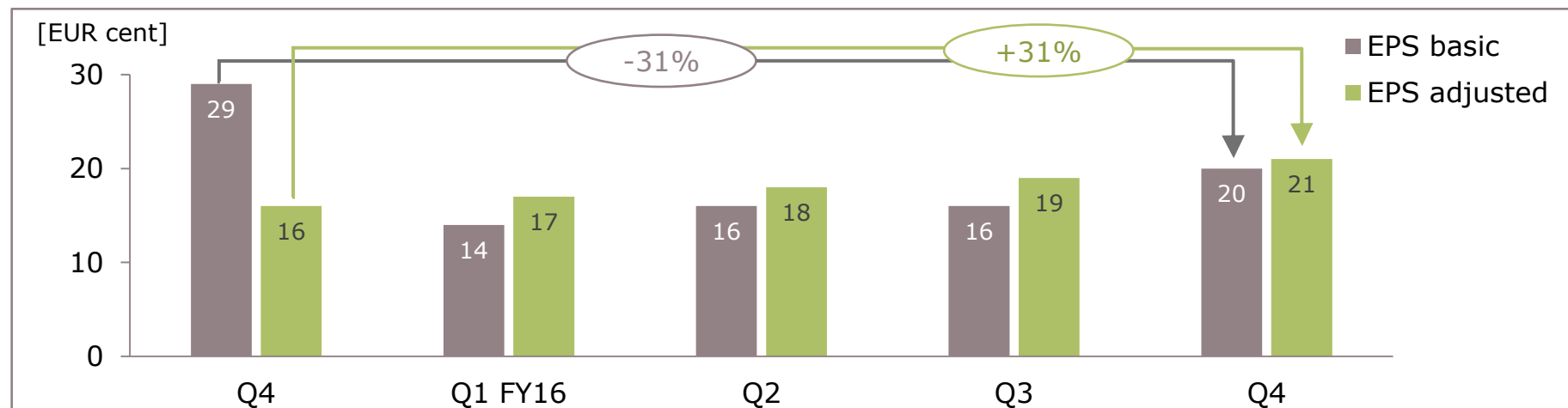
* Infineon reports under IRFS

Our promise to investors (I): Continued value creation through growth

Q4 FY16 y-y revenue growth exceeds market by 2%-points

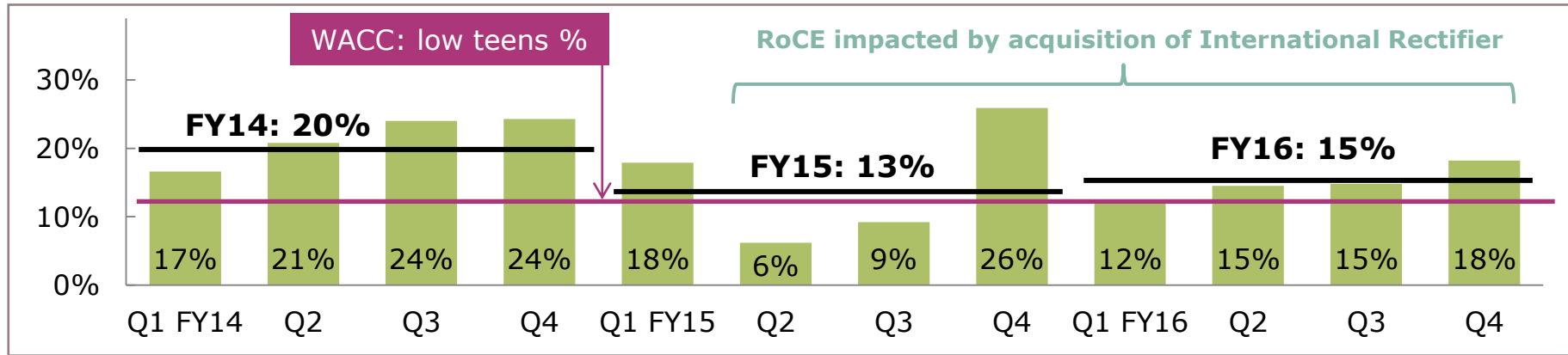


Earnings-per-share (EPS) growth

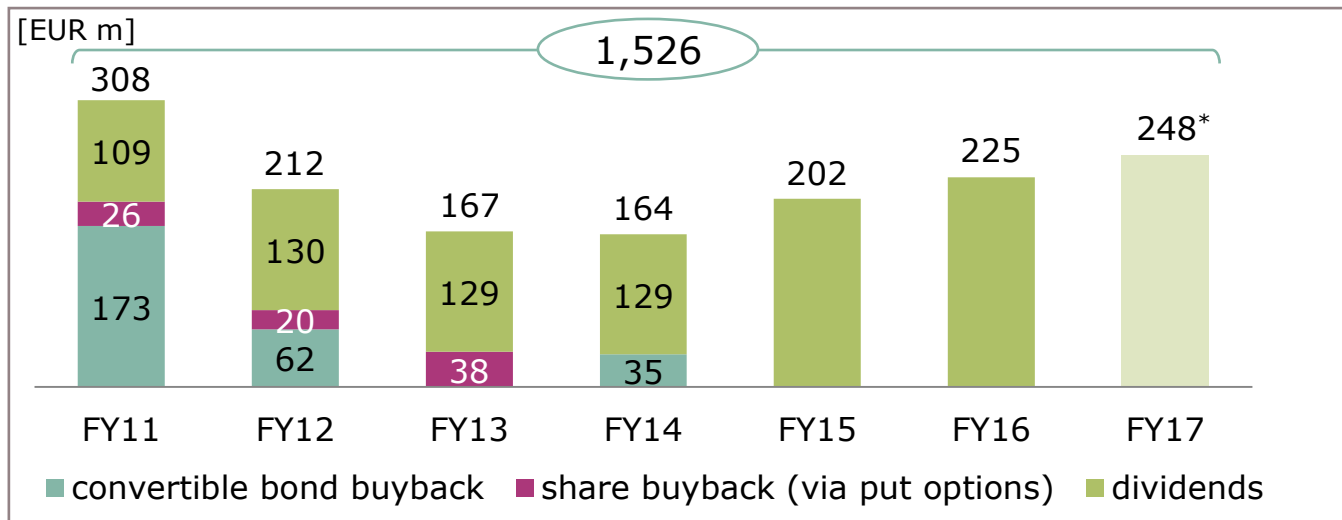


Our promise to investors (II): Continued value creation through growth

RoCE as key value metric



Total cash return to shareholders



- Policy of sustainable dividend payout.
- Increase of dividend from €0.20 to €0.22*.
- Payout of €248m*.

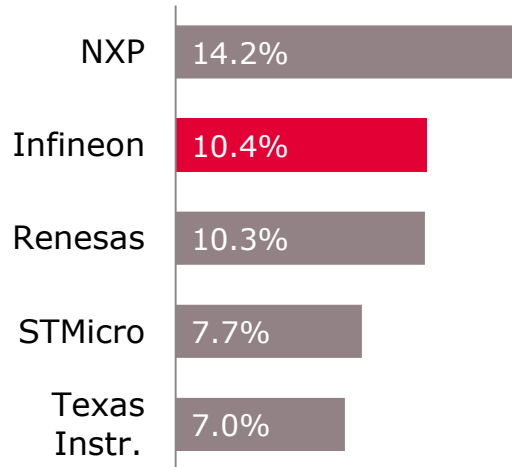
* Proposal to the AGM to be held on 16 Feb 2017.

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



Automotive semiconductors

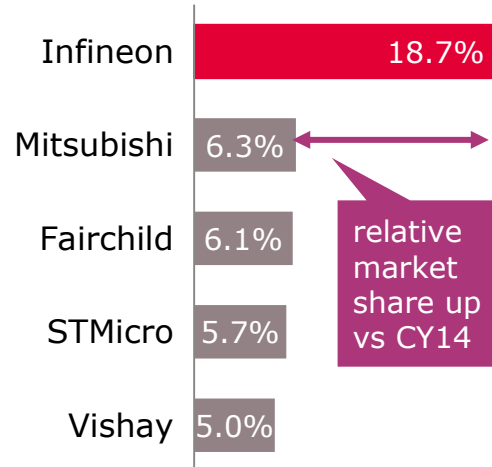
total market in 2015: \$27.4bn



Source: Strategy Analytics, April 2016

Power discretes and modules

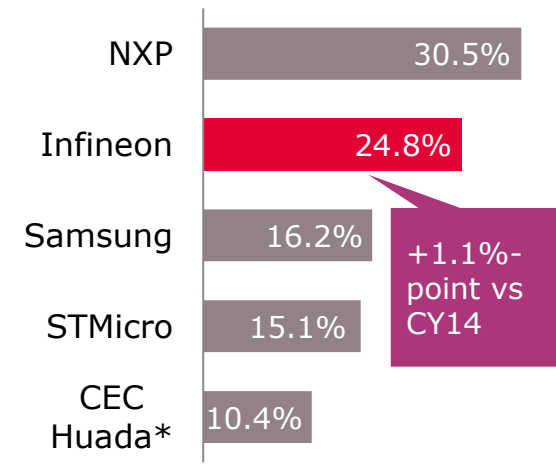
total market in 2015: \$14.8bn



Source: IHS Markit, October 2016

Smart Card ICs

total market in 2015: \$2.72bn



Source: IHS Markit, July 2016

* including SHHIC (in 2015, SHHIC was acquired by CEC Huada.)

Tight customer relationships are based on system know-how and app understanding

| ATV | IPC | PMM | CCS |
|--------------|-----------------------|-----|-----|
| | | | |
| EMS partners | Distribution partners | | |
| | | | |

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Growth Drivers

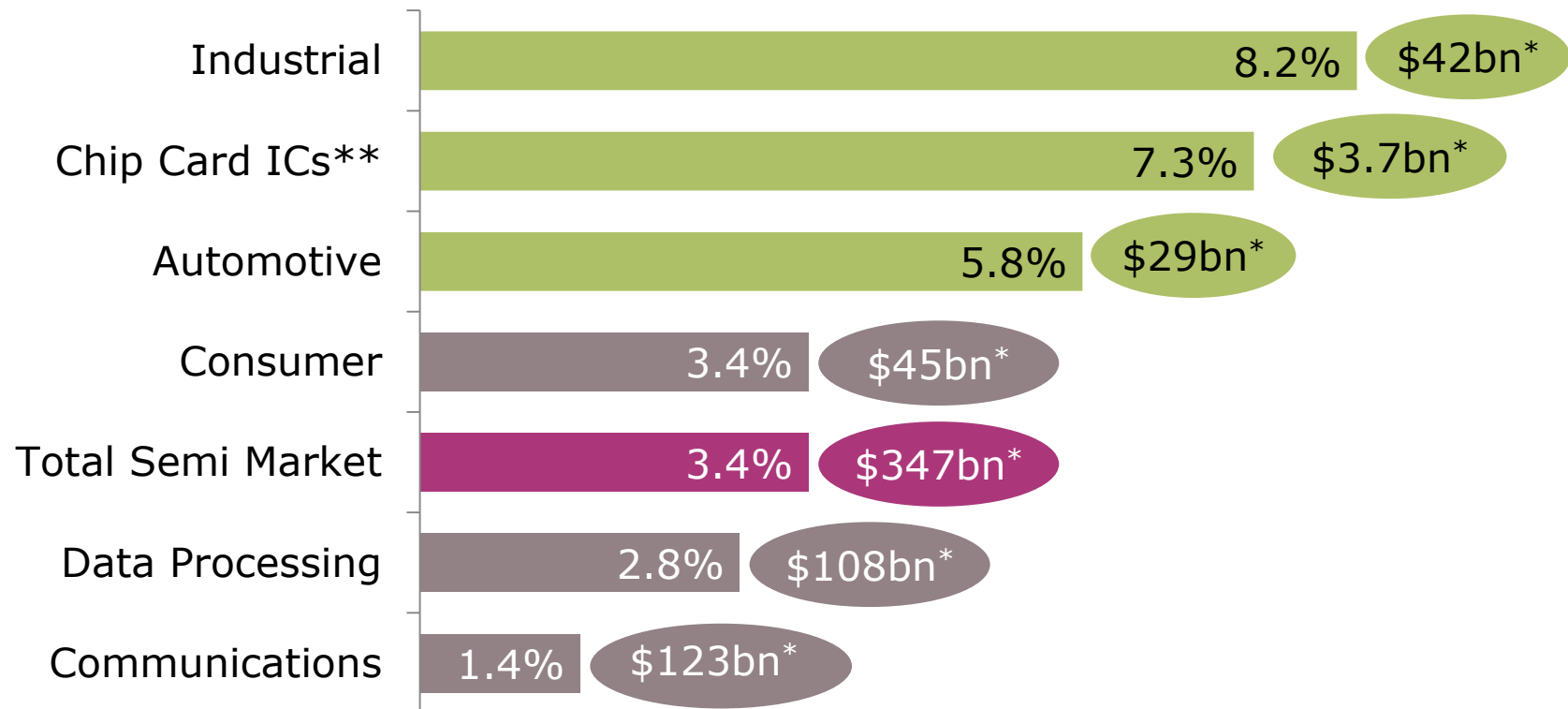
3

Results and Outlook

Infineon benefits from industrial, auto and security, the by far fastest growing segments



CAGR 2015 – 2020 by Semiconductor Industry Segment



Source: IHS Markit, "Worldwide Semiconductor Shipment Forecast", October 2016

* In calendar year 2015

** Source: ABI Research, "Secure Smart Card & Embedded Security IC Technologies", September 2016; microcontroller ICs

Infineon is system leader in automotive; making cars clean, safe and smart



#2 with market share gains in power and sensors:

- › #1 in power semiconductors**
- › #2 in sensors**
- › #3 in microcontrollers** (#1 in powertrain***)

Most balanced portfolio with sensors, micro-controllers and power for system approach

Leader in electric drivetrain and CO₂ reduction
- *making cars clean*

Leader in ADAS
- *making autonomous driving safe and reliable*

Leading product portfolio of sensors and security ICs for individual convenience and connectivity
- *making cars smart*

Focus on sustainable high-bill-of-material areas: powertrain, safety/ADAS/autonomous cars, body

Infineon is ideally positioned to benefit from ADAS*/AD*, xEV, connected cars and to gain further market share in Automotive

* See glossary; ** Source: Strategy Analytics, April 2016; *** own estimate.

Reference to web presentations

For full automotive story please refer to

a.) Update on ATV Presentation on 02 Aug 2016:

www.infineon.com/auto-slides

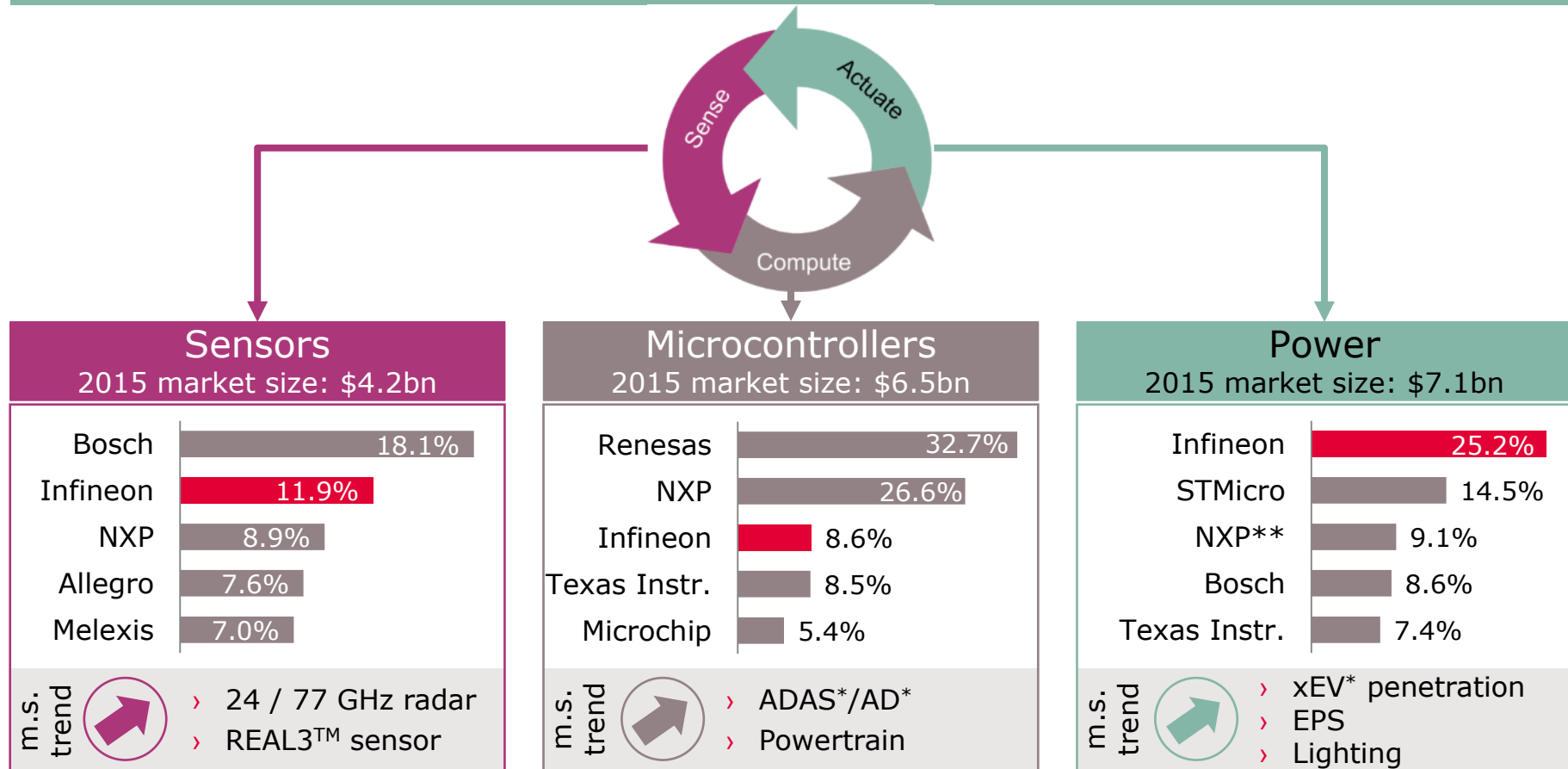
b.) ATV Division Call by Peter Schiefer on 11 Oct 2016:

www.infineon.com/atv-call



Infineon is system leader with most balanced portfolio in the market

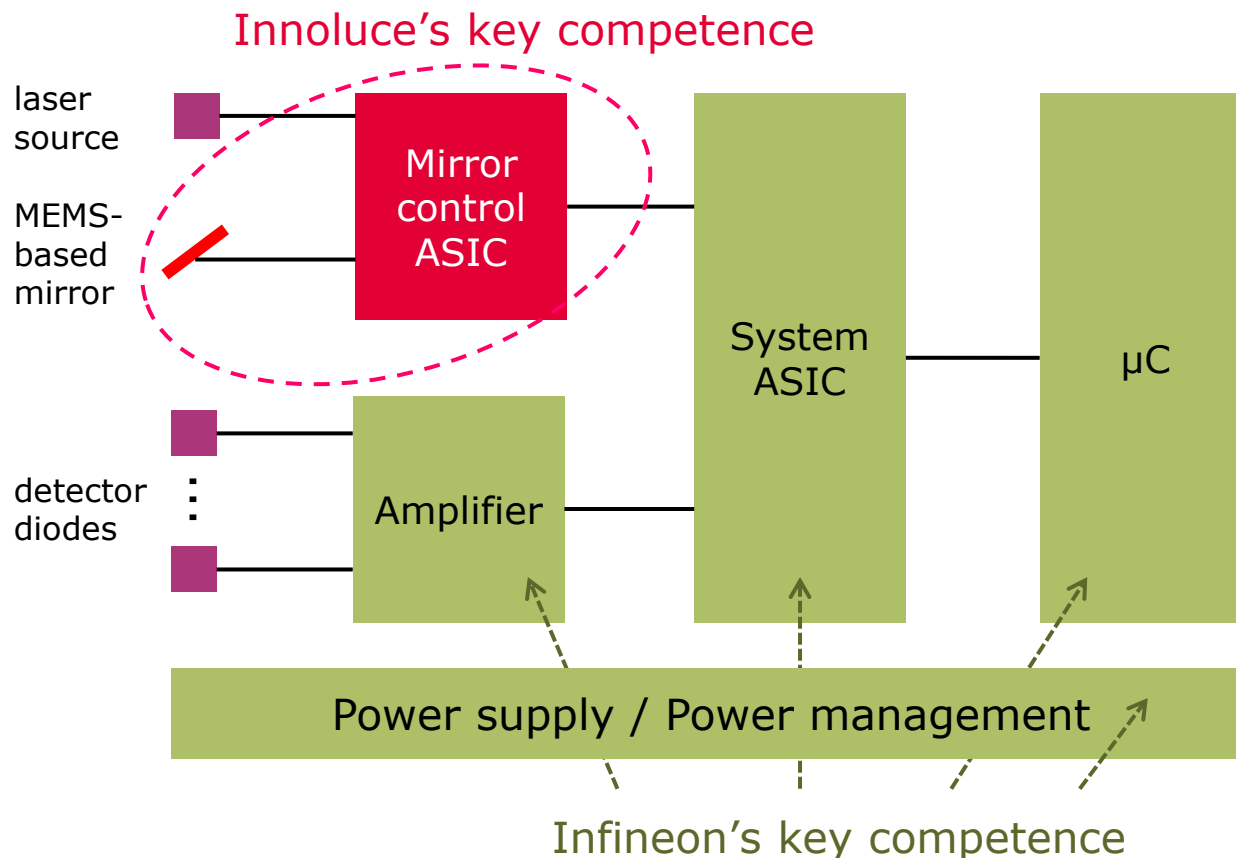
Infineon covers the entire control loop in powertrain, safety/ADAS, and comfort/body



Source: Strategy Analytics, "Automotive Semiconductor Vendor Market Shares", April 2016

Infineon goes beyond radar and camera targeting mass-deployable lidar systems

MEMS-based lidar reference design



- › The first lidar systems introduced in premium cars within the next couple of years are based on mechanical scanning mirrors which are bulky and less robust
- › In order to enter the car mass market lidar must get rid of mechanical parts
- › MEMS-based lidar systems are
 - › more compact
 - › more cost-effective
 - › more robust

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

Vehicle production



- › ~2% growth p.a.

Drivers for semiconductor content per car

Clean cars



- › Driven by legislation
- › Improvements of ICE* (e.g. EPS*)
- › Adoption of xEV*
- › Higher efficiency of all electric consumers

ADAS*/AD*



- › Today:
 - › crash avoidance
 - › ADAS*
- › Tomorrow:
 - › AD*

Comfort, premium



- › Premium cars are early adopters of high-end comfort and safety features
- › Trickle down to mid-range

~8% p.a. through-cycle growth

* See glossary

Infineon is #1 and technology leader in power semiconductors



#1 in the market*

Broadest product and technology portfolio

Addressing broadest range of applications

300 mm thin-wafer manufacturing for power semiconductors

System leader with digitalization of the control loop and functional integration

Leader in next-generation power semiconductor materials GaN and SiC

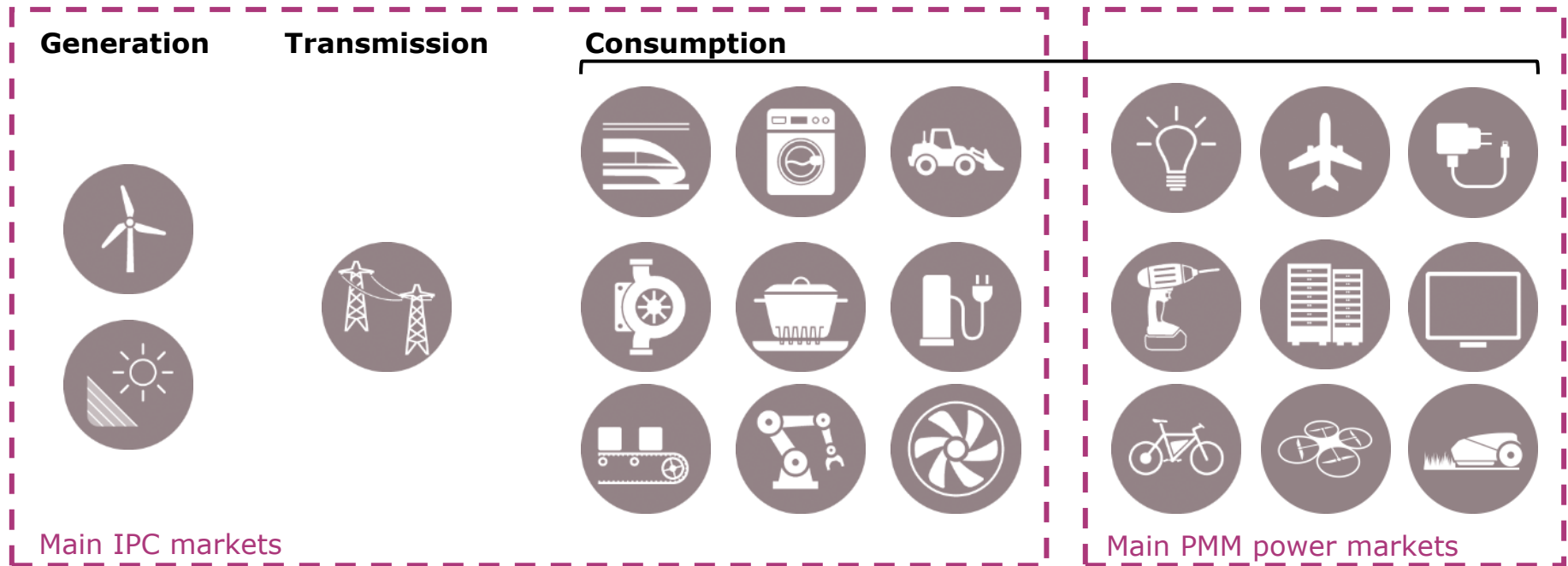
Infineon is ideally positioned to gain further market share and earn superior margins in power semiconductors

* Source: IHS Markit, "Power Semiconductor Discretes & Modules Report – 2016", October 2016

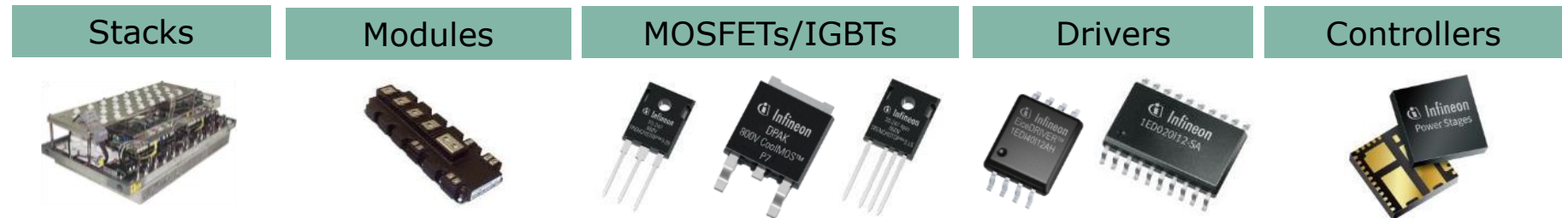
As system leader in power, Infineon has broadest application and technology reach



Covering the entire power chain



System competence for highest reliability and highest efficiency



Infineon further strengthened its market positions

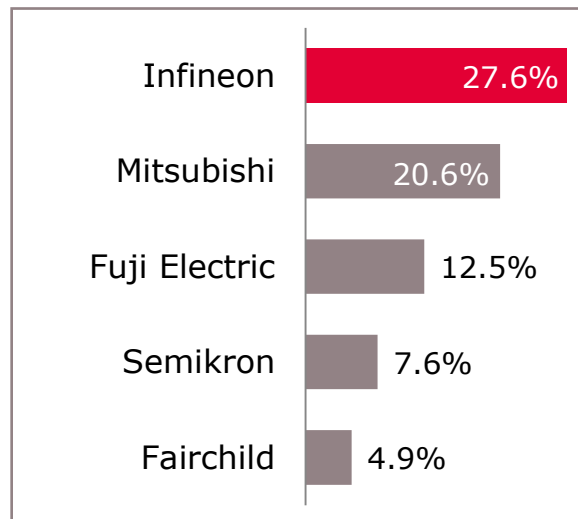


IGBT components*
(discretes and modules)
total market in 2015: \$3.94bn

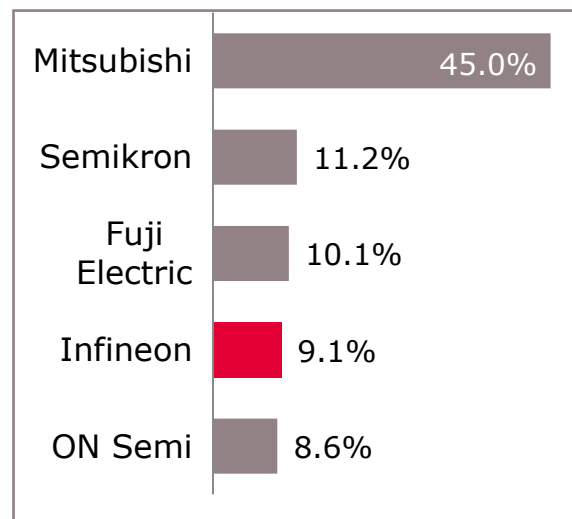
therein: IPMs
total market in 2015: \$1.10bn

Discrete standard
MOSFETs
total market in 2015: \$5.48bn

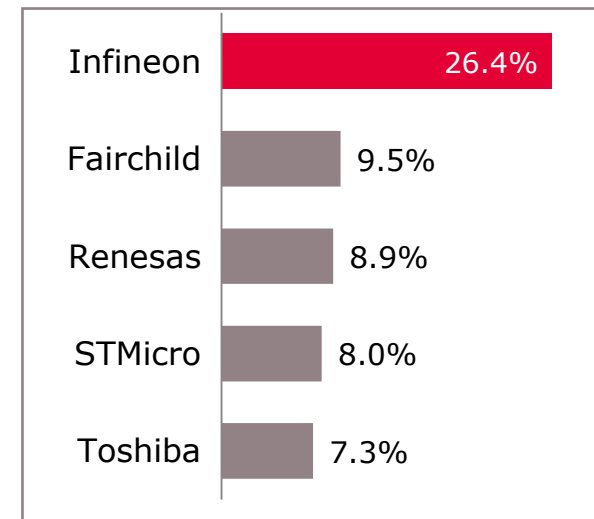
Stronger #1 position



New #4 position



rms** unchanged



* The market for IGBT components (\$3,944m) includes discrete IGBTs (\$853m), Standard IGBT modules (\$1,692m), CIB/PIM (\$299m), and IPMs (\$1,101m).

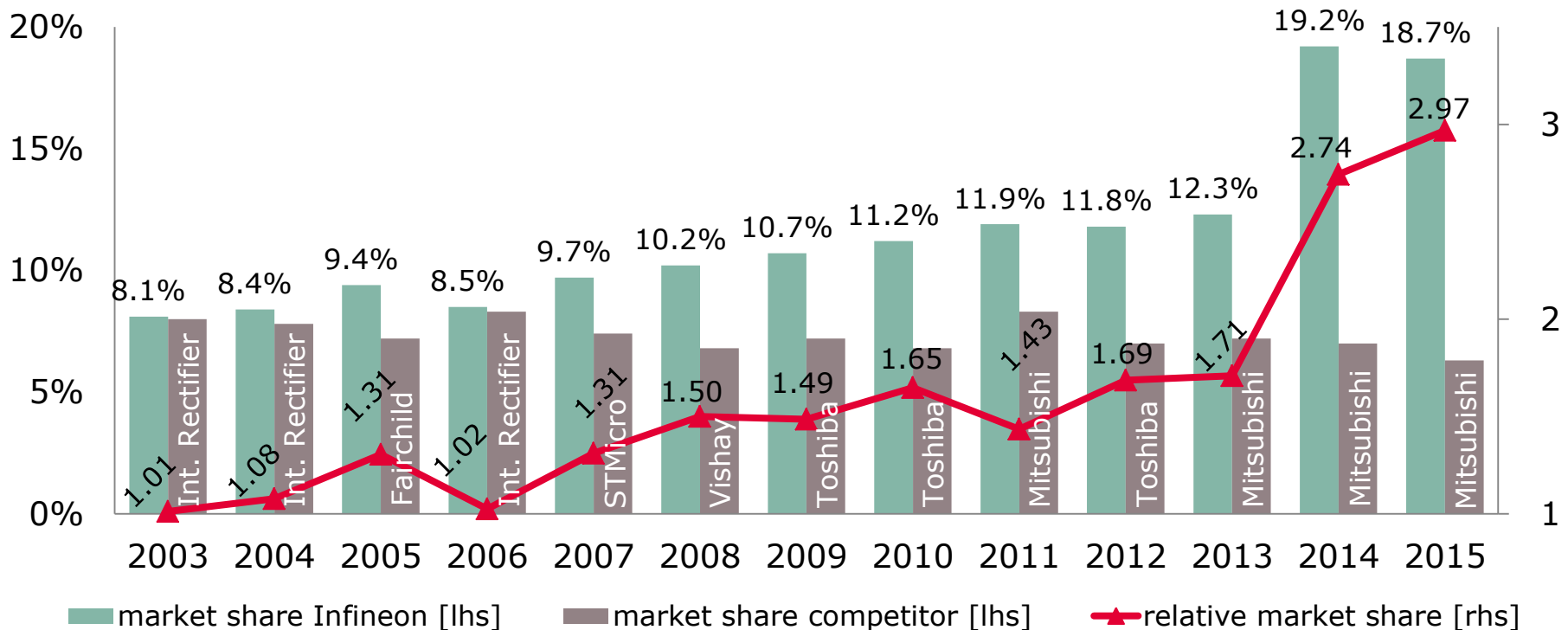
** relative market share

Source: IHS Markit, "Power Semiconductor Discretes & Modules Report", October 2016

Infineon continuously improved relative market share in power



Relative market share* of 3 in the total power semiconductor market



* The relative market share is defined as the proportion of the market share held by the market leader (in all years presented for Infineon) compared to the market share of the second largest competitor in the relevant year.

Source: IHS Markit, several reports from 2004 through 2016

Strong #1 position in power allows driving of key areas of differentiation and innovation









Unique 300 mm thin wafer power semiconductor manufacturing

Compound semiconductors SiC and GaN

Digitalization of the power control loop

Functional integration of IGBT modules

Efficiency and digitalization are main market drivers for power applications

| IPC | | | | PMM | |
|--|--|---|---|---|---|
| Drives | Renewables | Traction | MHA | AC-DC | DC-DC |
|  |  |  |  |  |  |
| <ul style="list-style-type: none">› Energy efficiency› Automation› Productivity increase | <ul style="list-style-type: none">› Legislation› Growing share of renewable energies as part of the energy generation mix | <ul style="list-style-type: none">› Growing population in metropolitan areas› Fast and efficient mass transport system | <ul style="list-style-type: none">› Energy efficiency› Growing VSD penetration | <ul style="list-style-type: none">› Energy efficiency› Charging time› Compactness (power density)› DPM | <ul style="list-style-type: none">› Energy efficiency› Compactness (power density)› DPM› Brushless DC motors |

DPM = Digital Power Management

MHA = Major Home Appliances

VSD = Variable Speed Drive

Infineon is the leader in security solutions for the connected world



#2 in microcontroller-based smart card ICs*

#1 in embedded digital security**

Complete portfolio of hardware, software, services and turn-key solutions

Leading in growth segments payment, government ID, connected car security, IoT, and Information and Communications Technology security

Infineon is ideally positioned to benefit from the growth trends in the security controller market

* Source: IHS Markit, July 2016
** Source: IHS Markit, December 2015

CCS is enabling security for the connected world

Smart card applications



Infineon holds leading positions in security solutions markets

#2

market size:
\$2.72bn

microcontroller-based
smart card ICs

#1*

market size: \$698m

Embedded secure
microcontrollers

- › Smart card payment
- › Electronic passports and ID documents
- › Mobile communication
- › Transport ticketing

- › Mobile device security and payment
- › Information and Communications Technology security
- › Industrial and automotive security
- › IoT connected device security



Source: IHS Markit, Dec 2015, July 2016; * based on units; USD-ranking not provided

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



ATV



Courtesy: Hyundai

- › CO₂ reduction
- › Advanced Driver Assistance Systems

IPC



- › Energy efficiency
- › Automation
- › Productivity increase

PMM



- › Energy efficiency
- › Power density
- › BLDC motors
- › Mobile device and LTE growth

CCS



- › Security as a function
- › Mobile payments
- › Authentication
- › Internet of Things

~8% p.a. through-cycle growth

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Infineon at a Glance

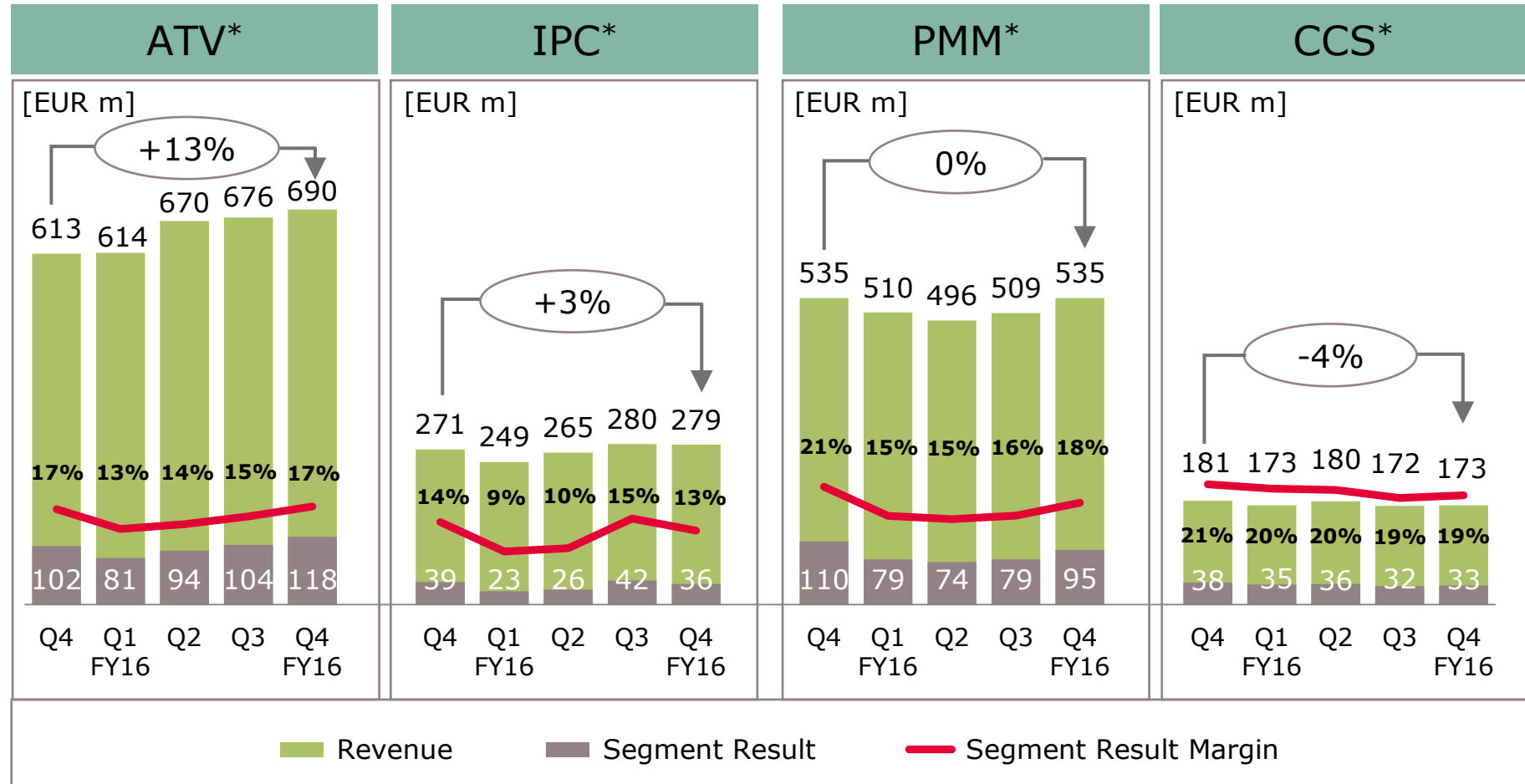
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Growth Drivers

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Results and Outlook

Strong growth in ATV due to ADAS and electro-mobility



* The business with XMC industrial microcontrollers developed by ATV and CCS was transferred to PMM and IPC with effect from 1 October 2015. The previous year's figures have been adjusted accordingly.

Guidance for Q1 FY17 and FY17

| | Outlook Q1 FY17* (compared to Q4 FY16) | Outlook FY17* (compared to FY16) |
|-----------------------------|---|---|
| Revenue | Decrease of 4% +/- 2%-points | Increase of 6% +/- 2%-points |
| Segment Result Margin | At the mid-point of the revenue guidance: 14% | At the mid-point of the revenue guidance: 16% |
| Investments in FY17 | | About €950m** |
| D&A in FY17 | | About €830m*** |

* Based on an assumed average exchange rate of \$1.10 for €1.00.

** Including approximately €35m for a new building at Infineon's headquarters in Neubiberg near Munich.

*** Including D&A on tangible and intangible assets from purchase price allocation of International Rectifier.



Part of your life. Part of tomorrow.



Solid Investment Grade rating assigned by S&P in connection with revised capital structure targets



Revised capital structure targets announced by Infineon in February 2016:

a.) Gross Cash

› "€1bn plus 10% to 20% of revenue"

b.) Gross Debt

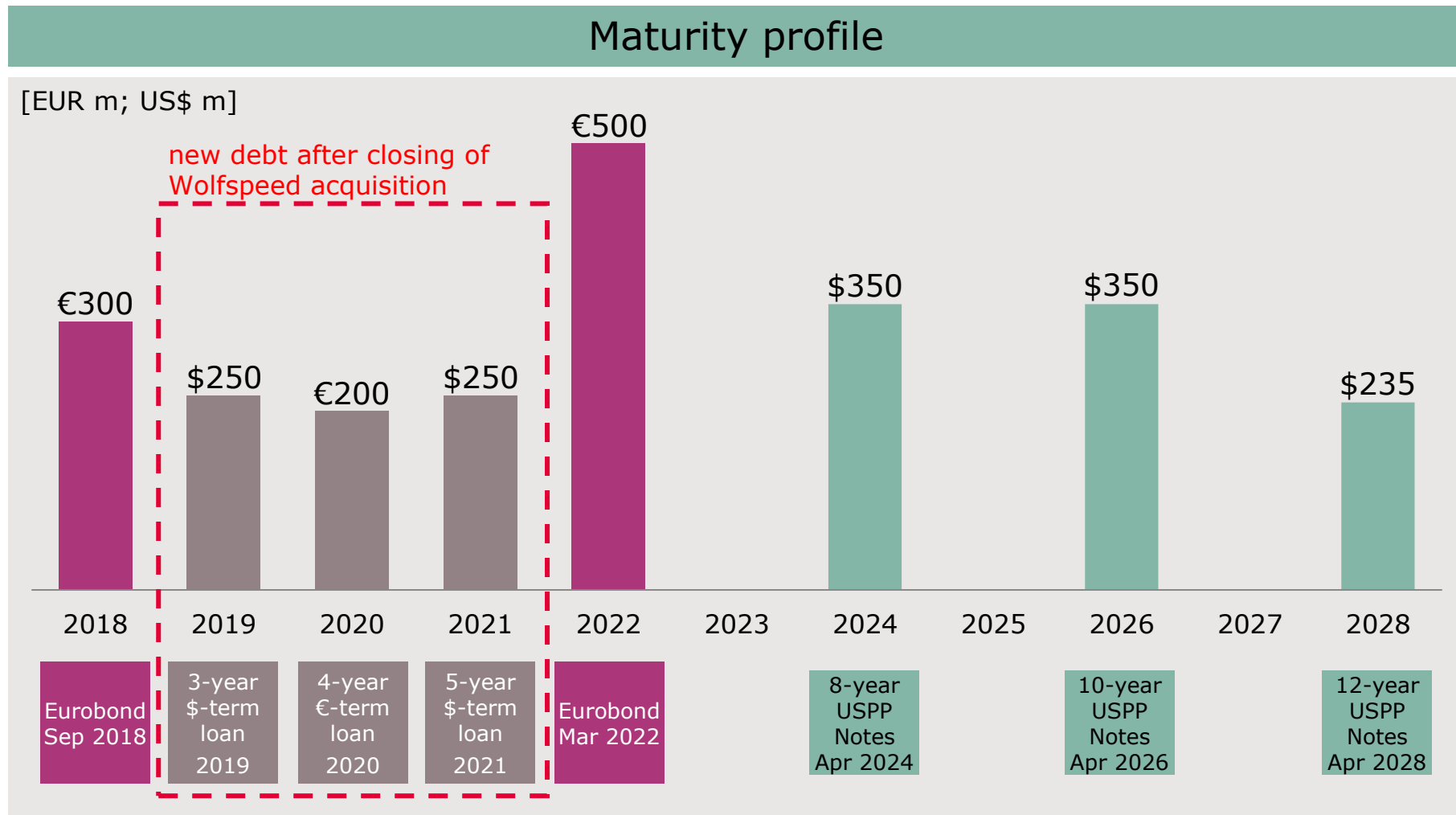
› "less than 2.0x EBITDA"

S&P Global
Ratings

Infineon's revised capital structure targets are reflected in the Corporate Credit Rating of **BBB** (outlook: „stable“) assigned by S&P in February 2016.

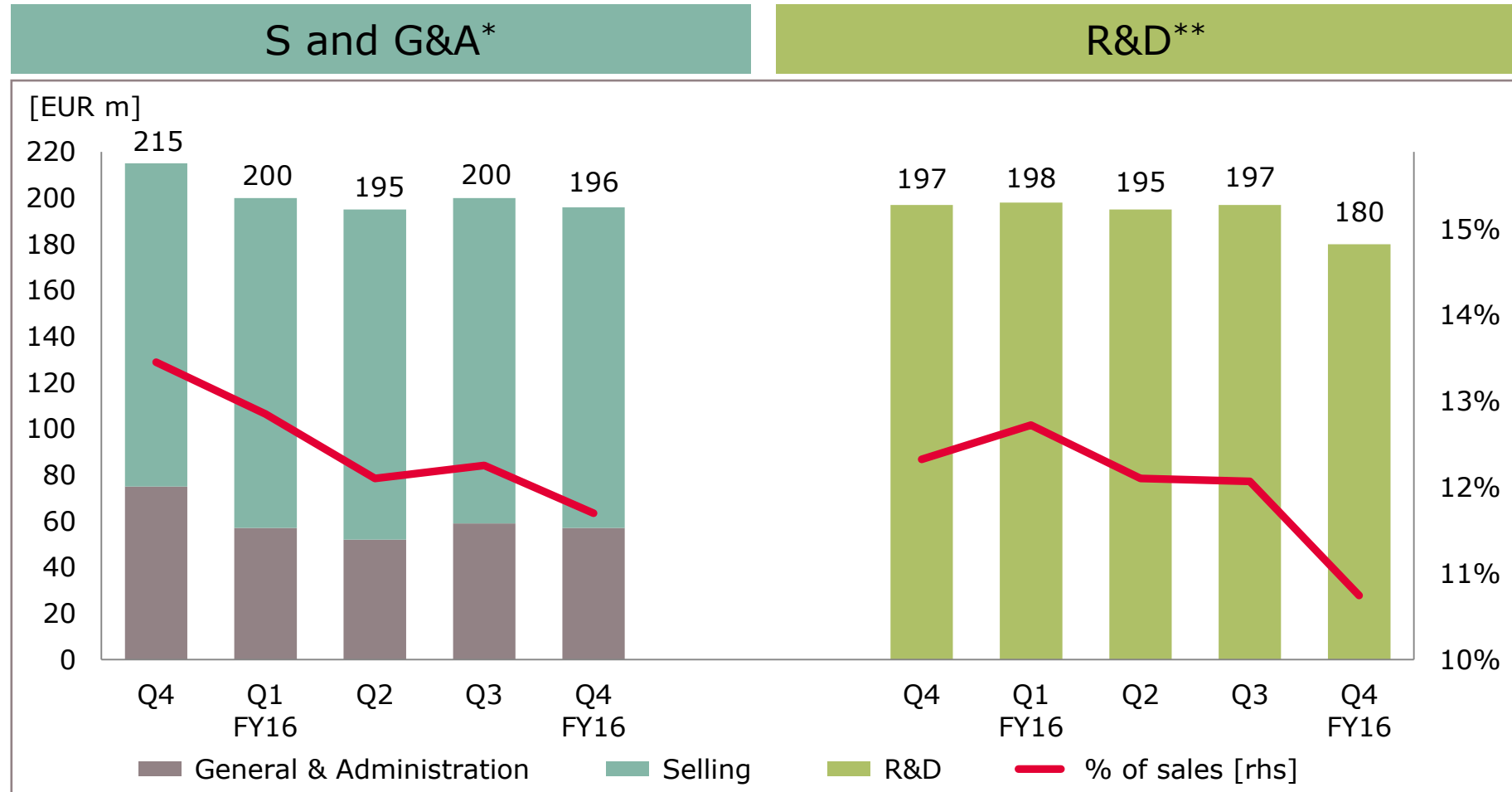
› Rating not changed after announcement of planned Wolfspeed acquisition

Infineon has a well balanced maturity profile



Note: Other debt with maturities between 2017 and 2023 totaling €145m.

SG&A still includes noticeable acquisition-related costs that are incrementally declining

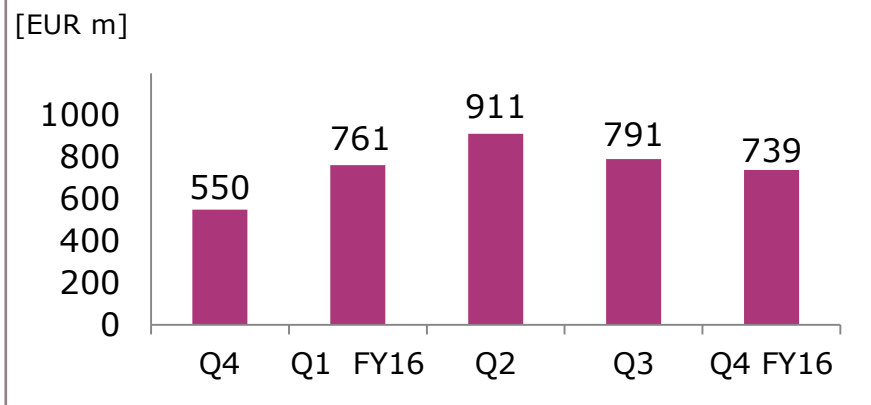


* Target range for SG&A: „Low teens percentage of sales“.

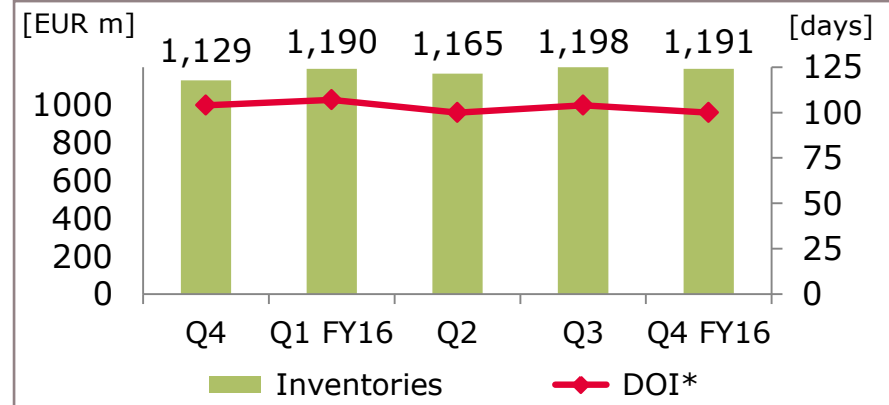
** Target range for R&D: „Low to mid teens percentage of sales“.

Working capital slightly improved due to increasing liabilities

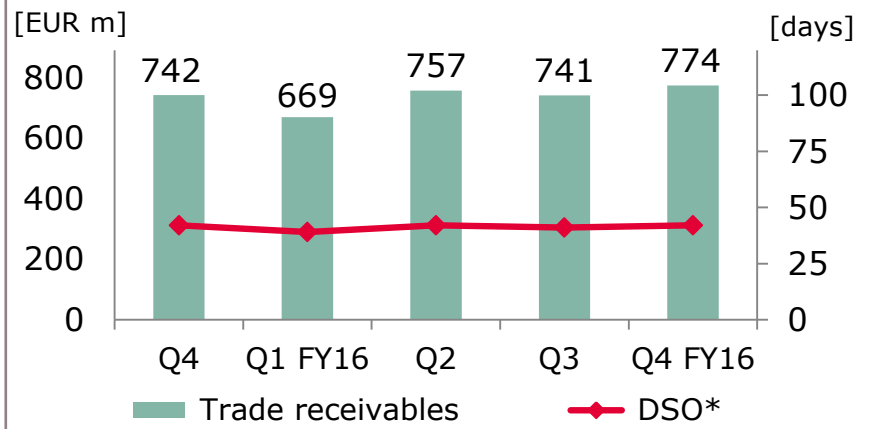
Working capital



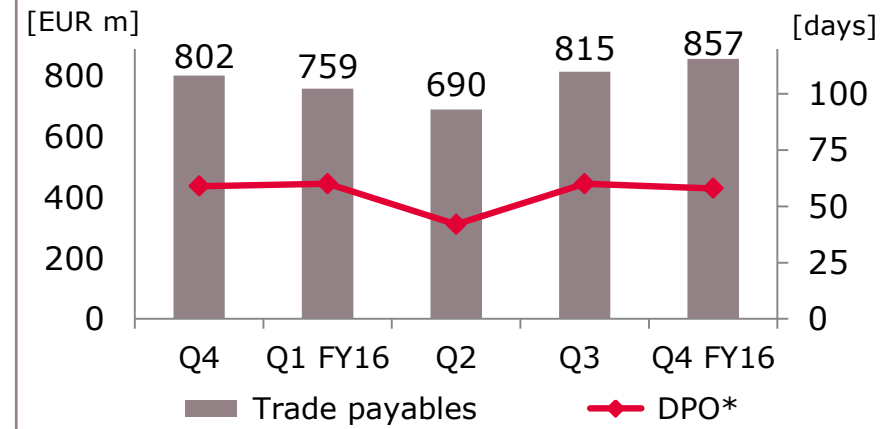
Inventories



Trade receivables

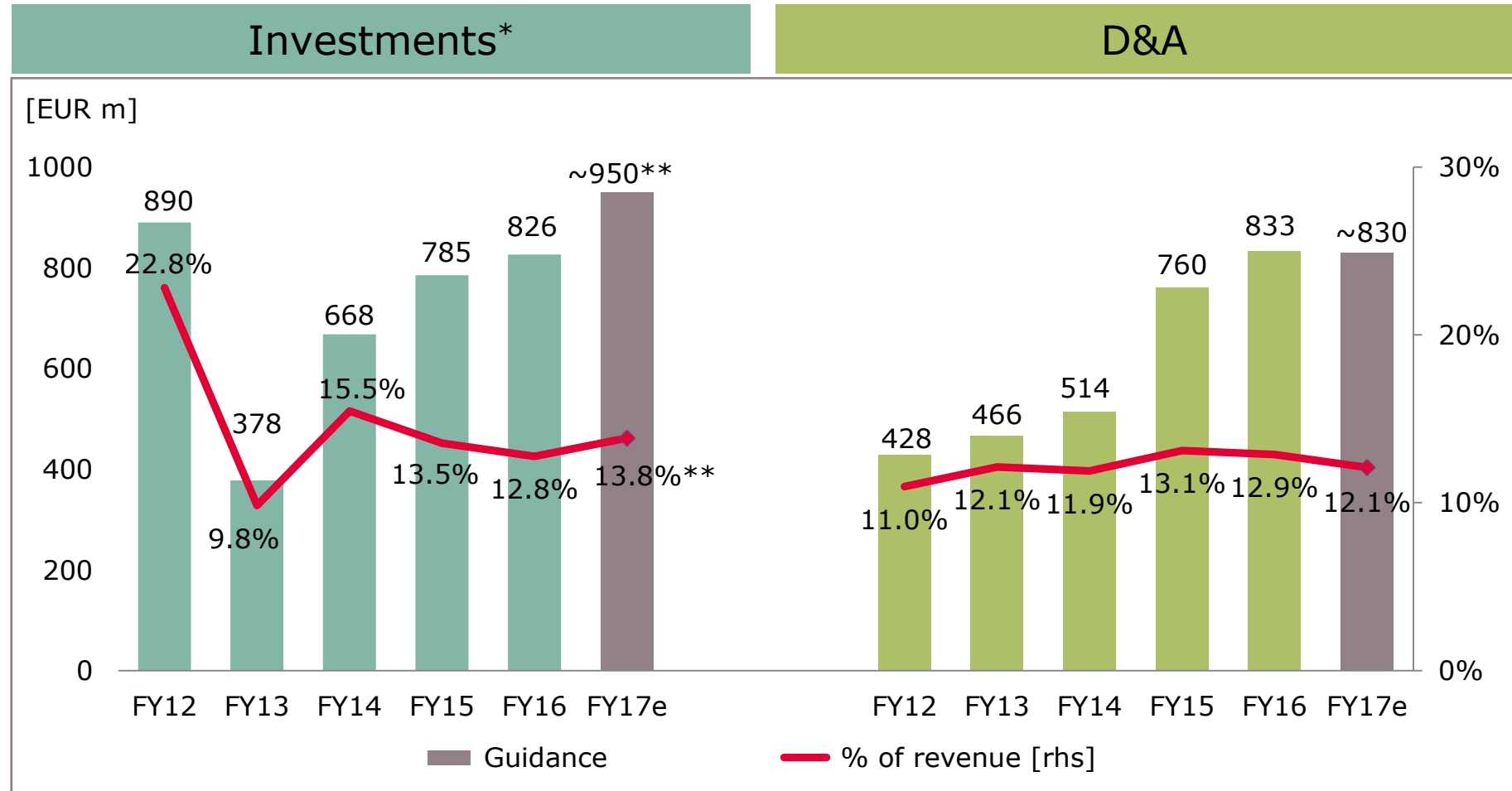


Trade payables



* For definition please see page 35.

Investments on target of ~13% of sales; D&A about stable in absolute terms



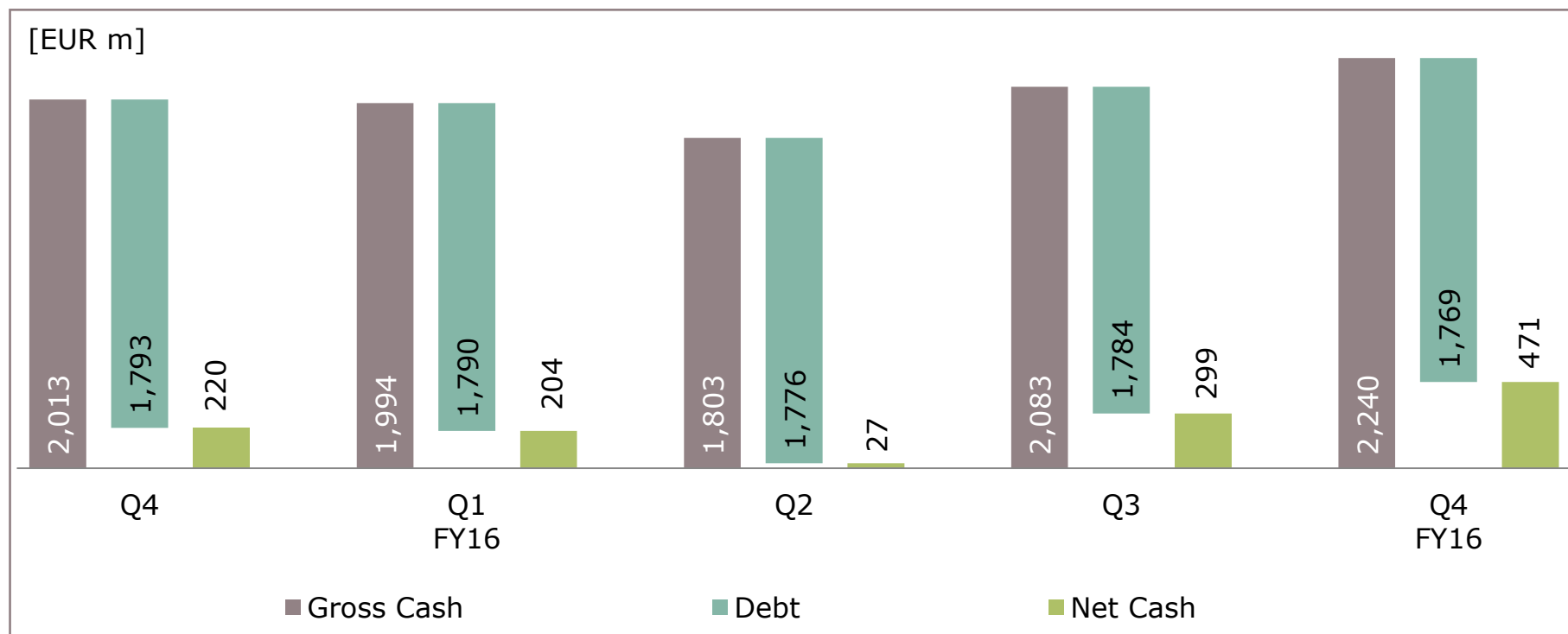
* For definition please see page 35.

**The figure includes approximately €35m for a new building at Infineon's headquarters. Excluding this amount the percentage rate is approximately 13%.

Net cash increased due to Free Cash Flow

Liquidity development

[EUR m]



- › Free Cash Flow from continuing operations was €169m.
- › Debt decreased by €15m due to repayment of €5m long-term debt and change in FX-rates used for valuing US\$-based debt.

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

- › Jan 2016: Infineon is listed in the Sustainability Yearbook for the sixth consecutive year and, according to RobecoSAM, among the top 15% most sustainable companies worldwide.
- › Sep 2016: Infineon is listed in the Dow Jones Sustainability Europe Index for the 7th consecutive year and in the World Index for the 2nd time – both achievements this year as the only European semiconductor company.

- › Sep 2016: Infineon is 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.
- › Jul 2016: Most recent review.

- › Dec 2015: In the Carbon Disclosure Project (CDP) climate change report, Infineon achieved a placing among the best companies in the Information Technology sector.



- › Oct 2016: Infineon has been selected as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe.

Financial calendar

| Date | Location | Event |
|----------------------|------------|--|
| 02 Feb 2017* | | Q1 FY17 Results |
| 16 Feb 2017 | Munich | Annual General Meeting |
| 27 Feb – 02 Mar 2017 | Barcelona | Mobile World Congress |
| 04 May 2017* | | Q2 FY17 Results |
| 30 May 2017 | Copenhagen | German Corporate Day by Danske Bank Markets |
| 31 May – 01 Jun | New York | Bernstein Strategic Decision Conference |
| 21 – 22 Jun 2017 | Berlin | Dt. Bank German, Swiss & Austrian Conference |
| 01 Aug 2017* | | Q3 FY17 Results |
| 19 Sep 2017 | Munich | Berenberg Bank and Goldman Sachs German Corporate Conference |
| 20 Sep 2017 | Munich | Baader Investment Conference |
| 14 Nov 2017* | | Q4 FY17 and FY 2017 Results |
| 15 – 16 Nov 2017 | Barcelona | Morgan Stanley TMT Conference |

* preliminary

Glossary

| | |
|--------------|--|
| ACC | adaptive cruise control |
| AD | automated driving |
| ADAS | advanced driver assistance system |
| AEB | automatic emergency braking |
| BoM | bill of material |
| EPS | electric power steering |
| EV | electric vehicle |
| FCW | forward collision warning |
| HEV | mild and full hybrid electric vehicle |
| ICE | internal combustion engine |
| micro-hybrid | vehicles using start-stop systems and limited recuperation |
| mild-hybrid | vehicles using start-stop systems, recuperation, DC-DC conversion, e-motor |
| PHEV | plug-in hybrid electric vehicle |
| SiC | silicon carbide |
| SiGe | silicon germanium |
| V2X | vehicle-to-everything communication |
| xEV | all degrees of vehicle electrification (EV, HEV, PHEV) |

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