Infineon and Cypress: Strengthening the link between the real and the digital world

September 2019
Agenda

1. Deal rationale and key facts
2. Acquisition accelerates Infineon's strategy execution
3. Gaining strength in high growth markets
4. Strengthening the financial base of the company
The deal shapes a portfolio that perfectly links the real and the digital world.

SENSE = Sensors
COMPUTE = Microcontrollers
ACTUATE = Power Semis
CONNECTIVITY = WiFi, BT, BLE, USB/USB-C
Infineon and Cypress: Strengthening the link between the real and the digital world

**Complementary scope**

- **Power system solution leader for high growth automotive, industrial and IoT markets**
  - Power discretes
  - Security
  - Sensors

**Increased market size**

- More structural growth drivers
- Broader geographical mix
- Enlarged customer base
- Higher share of distribution

**Larger scale**

- Combined company LTM 30 June 2019 revenue of ca. €10bn
- #8 in the semiconductor industry
- #1 in automotive semis, power discretes, and security ICs

**Value creation**

- Revenue synergy potential >€1.5bn p.a.
- Expected cost synergies of ca. €180m p.a. by 2022
- Reduced capital intensity, improved FCF generation
- Improved Target Operating Model
  - 9%+ Revenue growth
  - 19% Segment result margin
  - 13% Invest / Sales

Copyright © Infineon Technologies AG 2019. All rights reserved.
Enlarged portfolio scope retains its strong core while making Infineon more resilient

On the product side embedded control & connectivity will be strengthened; from a regional perspective Japan business is becoming more important

Source: Company information
Note: to conform to the Infineon reporting currency, the historical Cypress US GAAP consolidated financial information has been converted from US dollar to euro at an exchange rate of 1.1380 for financial data as of 30 June 2019
New Infineon

- Annual revenue: ca. €10bn
- Total addressable market: ca. €45bn
- Total Employees: 47,000+
- R&D Employees: 8,600+
- Patents: 30,000+
- Semiconductor company: 8th largest
  #1 player in automotive semiconductors, power discretes and security ICs

Copyright © Infineon Technologies AG 2019. All rights reserved.
Agenda

1. Deal rationale and key facts
2. Acquisition accelerates Infineon's strategy execution
3. Gaining strength in high growth markets
4. Strengthening the financial base of the company
Strengthen and grow our core: from providing great products to solving the system challenge

<table>
<thead>
<tr>
<th>Markets</th>
<th>Core</th>
<th>Adjacent</th>
<th>New area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Automotive, Industrial Security</td>
<td>Home Appliances Battery Powered Systems</td>
<td>Robotics</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application</th>
<th>Product/Technology</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Infineon</th>
<th>Cypress</th>
</tr>
</thead>
</table>

grow in scale | grow in scope
Combination creates a strong system solution provider by expanding Infineon’s scope

**Example System Solution – Control loop for IoT**

- **Cloud**
- **Wireless/Wired Connectivity**
  - automotive
  - industrial
- **MCU ('Compute')**
- **Sensors ('Sense')**
- **Security**
- **Gate Drivers ('Actuate')**
- **Switches ('Actuate')**
- **Software & tools**
- **e.g., motor, light, coil**

**Benefits of Combination**

- Higher BOM in core target applications
- More design-wins due to MCU socket opportunities
- Cross-selling opportunities
- Address adjacent and new markets with the complementary portfolio and system solution:
  - Better system understanding
  - Faster design cycles
  - Software, ecosystem and solution enablement services
- Better value proposition for small customers, i.e. one-stop shop, system solutions, reference designs

Legend:

- **Infineon**
- **Cypress**

Copyright © Infineon Technologies AG 2019. All rights reserved.
With the acquisition of Cypress Infineon increases scale and strengthens its market position

**Top semiconductor companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue 2018 (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAMSUNG</td>
<td>63</td>
</tr>
<tr>
<td>Intel</td>
<td>59</td>
</tr>
<tr>
<td>SK Hynix</td>
<td>30</td>
</tr>
<tr>
<td>Micron</td>
<td>25</td>
</tr>
<tr>
<td>BROADCOM</td>
<td>15</td>
</tr>
<tr>
<td>Qualcomm</td>
<td>14</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>13</td>
</tr>
</tbody>
</table>

**Top automotive semiconductor suppliers**

<table>
<thead>
<tr>
<th>Company</th>
<th>Market share 2018, total market = €32bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infineon + Cypress</td>
<td>13% #1</td>
</tr>
<tr>
<td>NXP</td>
<td>12% #2</td>
</tr>
<tr>
<td>Infineon</td>
<td>11% #2</td>
</tr>
<tr>
<td>Renesas</td>
<td>9%</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>8%</td>
</tr>
<tr>
<td>Cypress</td>
<td>2% #13</td>
</tr>
</tbody>
</table>

**Top 32-bit MCU suppliers**

<table>
<thead>
<tr>
<th>Company</th>
<th>Market share 2018, total market = €8bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renesas</td>
<td>21%</td>
</tr>
<tr>
<td>NXP</td>
<td>20%</td>
</tr>
<tr>
<td>ST</td>
<td>19%</td>
</tr>
<tr>
<td>Infineon + Cypress</td>
<td>14% #4</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>9%</td>
</tr>
<tr>
<td>Infineon</td>
<td>9%</td>
</tr>
<tr>
<td>Cypress</td>
<td>6% #6</td>
</tr>
</tbody>
</table>

**Power discretes & modules market share**

<table>
<thead>
<tr>
<th>Company</th>
<th>Market share 2018, total market = €18bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infineon</td>
<td>20%</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>9%</td>
</tr>
<tr>
<td>Cypress</td>
<td>5%</td>
</tr>
<tr>
<td>Infineon</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Security ICs market share**

<table>
<thead>
<tr>
<th>Company</th>
<th>Market share 2017, total market = €3bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infineon</td>
<td>24%</td>
</tr>
<tr>
<td>NXP</td>
<td>24%</td>
</tr>
<tr>
<td>Samsung</td>
<td>13%</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>10%</td>
</tr>
</tbody>
</table>


Note: Euro values based on 12-month average €/$ exchange rate of 1.19 for 2018 and 1.13 for 2017; Samsung including semiconductors segment only.
Agenda

1. Deal rationale and key facts
2. Acquisition accelerates Infineon's strategy execution
3. Gaining strength in high growth markets
4. Strengthening the financial base of the company
The addressed applications are in structural growth markets offering attractive growth rates...

Market volume development of example applications / bill of material increase through full system offering

**E.g., Inverterized home appliances**

- ~280m units in 2018
- ~670m units in 2023
- CAGR\(_{(18-23)}\) +19%

**E.g., Cordless power tools**

- ~160m units in 2018
- ~250m units in 2023
- CAGR\(_{(18-23)}\) +9%

**E.g., Motor control for servo drives**

- ~13m units in 2018
- ~20m units in 2023
- CAGR\(_{(18-23)}\) +9%

**E.g., Smart home devices**

- ~1070m units in 2018
- ~280m units in 2023
- CAGR\(_{(18-23)}\) +31%

Source: Based on content supplied by IHS Markit, Technology Group, "Home Appliance Database: All Devices and Associated Electronics", May 2018; IHS Markit, "Industrial Motor Controls Sourcebook", January 2018; ABI Research, "Smart Home Systems", May 2019; Company analyses and estimates
…and Infineon can now offer full systems for them

E.g., Inverterized home appliances

E.g., Cordless power tools

E.g., air-conditioning

Software/Ecosystem

Indoor Unit

Outdoor Unit

Connectivity

WIFI/Bluetooth Frontend

MCU Connect

Security (Trust)

User Interface

MCU HMI

MCU Dual Motor + PFC

Gate Driver

IPM

IPM

PFC

Fan + Compressor

Supply (ACDC)

Main Control

Air Quality

Sensor

Gate Driver

MOSFET

MCU Main Control

Indoor Fan Control

What makes system solution attractive to customers?

› Ease of design -> combined portfolio covers all relevant system components

› Superior quality -> integrated solution ensures MCU, power stage and peripherals work perfectly together

› Faster time-to-market -> no addl. integration or software dev. costs

Source: Based on content supplied by IHS Markit, "Home Appliance Database: All Devices and Associated Electronics", May 2018; IHS Markit, "Industrial Motor Controls Sourcebook", January 2018; ABI Research, "Smart Home Systems", May 2019; Company analyses and estimates
Infineon experience: shrink and functional integration drive customer value

Example: motor control solution for aircon indoor fan

Solution based on standard IPM

Solution based on CIPOS™ Nano

Solution based on iMOTION™ Smart IPM

Customer benefits of highly integrated power ICs

- Significant system cost reduction with BoM savings of ~30%
- Reduction in engineering efforts
- Reduction in time-to-market

iMOTION™ Connect as a combined solution offering for the fast growing Smart Home market

**iMOTION™ Connect Offering**

- **Infineon iMOTION™ 2.0** solution for digital motor control
- **Cypress PSoC® 6 MCU and WiFi** delivering high-performance compute, integrated security and robust wireless connectivity
- **Infineon OPTIGA™ Trust** device for secure cloud communication

---

**Prototype available**

iMOTION™ Connect
NOR Flash supports growing use of MPUs in cluster/infotainment and automated driving

Drivers for increasing semiconductor content per car

Cluster/Infotainment

› Premium cars are early adopters of high-end features
› Trickling down to mid-range and beyond

Automated Driving

Today
› Crash avoidance
› ADAS

Tomorrow
› Autonomous Driving
› Over-the-air software updates

Resulting in high growth of processing power (MPUs) enabled by NOR flash

High density NOR used as Instant-on program flash for Processors in Cluster/Infotainment & ADAS
In automotive, Infineon and Cypress portfolios complement each other and address entire range of applications.

**Benefits of combination**

**Creating the #1 auto semiconductor vendor**

- Broader customer access
- Cross selling opportunities

**Portfolio expansion through:**

- Connectivity (WiFi, Bluetooth, USB-C)
- External NOR flash for Processors in Auto

---

*Strategy Analytics, "Automotive Semiconductor Vendor 2018 Market Shares", April 2019*
Cypress offers highly differentiated NOR-Flash & SRAM portfolio

- **NOR Flash market share**
  - Cypress: ca. €2.0bn (77%)
  - Non-Cypress: 23%

- **SRAM market share**
  - Cypress: ca. €0.4bn (69%)
  - Non-Cypress: 31%

High gross and operating margins due to differentiating factors
- NOR flash: density >4x the industry average, fast reading, long data retention, automotive grade
- SRAM: specialty SRAM for robust data logging (e.g., black box, medical)
- F-RAM: non-volatile memory with high speed ultra high number of read/write cycles

Source: Based on content supplied by IHS Markit, "Annual Semiconductor Market Share CLT 2018", March 2019
<table>
<thead>
<tr>
<th></th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deal rationale and key facts</td>
</tr>
<tr>
<td>2</td>
<td>Acquisition accelerates Infineon's strategy execution</td>
</tr>
<tr>
<td>3</td>
<td>Gaining strength in high growth markets</td>
</tr>
<tr>
<td>4</td>
<td>Strengthening the financial base of the company</td>
</tr>
</tbody>
</table>
## Financing: Important first steps already accomplished

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>Underwriting of full acquisition amount by 3 banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEP 2</td>
<td>Confirmation by S&amp;P that Infineon Group’s investment grade rating would be confirmed or rated down by one notch at a maximum following the acquisition of Cypress</td>
</tr>
<tr>
<td>STEP 3</td>
<td>Equity financing of approx. 30% of the transaction value of EUR 9 billion; first step successfully accomplished with the raise of €1.5bn via ABB</td>
</tr>
<tr>
<td>STEP 4</td>
<td>Successful syndication of acquisition facility to 20 national and international banks</td>
</tr>
</tbody>
</table>
| NEXT   | ➢ Refinancing of remaining bridge and term loan through capital markets  
         ➢ Deleveraging – return to target level ≤ 2x Gross Debt EBITDA in the mid-term |
Expected cost synergies of ca. €180m p.a. by 2022
Revenue synergy potential >€1.5bn p.a. long-term

COGS
› Procurement for materials and manufacturing services

OpEx
› R&D: Optimize portfolio, reduce overhead
› S&M: Efficiency gains in account coverage
› G&A: Optimize corporate service providers

Planned ramp up of cost synergies
- CY 2020E
- CY 2021E
- CY 2022E

Planned ramp up of revenue synergies
- CY 2022E
- CY 2025E
- CY 2028E

(A) Near-term revenue synergy ramp up
› Improved customer access and cross-selling
› Optimize Cypress digital marketing potential to address revenue opportunities and grow customer numbers

(B) P2S for long-term revenue synergy ramp up
› Sensor Solutions
› Security-hardened Controllers and Connectivity
› Motor control Solutions

Copyright © Infineon Technologies AG 2019. All rights reserved.
Further improvement of through-cycle Target Operating Model for IFX stand-alone and combined company

<table>
<thead>
<tr>
<th></th>
<th>Current Target</th>
<th>Target for Integrated Company*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue growth</strong></td>
<td>9%</td>
<td>9%+</td>
</tr>
<tr>
<td><strong>Segment result margin</strong></td>
<td>17%+</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Investment-to-sales</strong></td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

* Infineon financial performance to approach new targets as integration progresses

Copyright © Infineon Technologies AG 2019. All rights reserved.
Transformational acquisition delivers on Infineon’s strategic direction and financial targets

What we said at the Capital Markets Day

› Reinforce positioning in structural growth markets

› Leverage strong core to expand into adjacent and new markets/applications/technologies

› Deliver profitable growth

Cypress deal

› Combined portfolio in high growth markets

› Optimized system solutions

› Increased scale and scope

› More ambitious Target Operating Model
Strengthening the link between the real and the digital world
Disclaimer

Cautionary Statement Regarding Forward-Looking Statements
This communication may contain forward-looking statements based on current assumptions and forecasts made by Infineon Technologies AG (referred to as “Infineon” or the “Company”) management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of Infineon and the estimates given here. These factors include the following: Infineon’s ability to successfully complete the proposed acquisition (the “proposed transaction”) of Cypress Semiconductor Corporation (“Cypress”) or realize the anticipated benefits of the proposed transaction in the expected time-frames or at all; Infineon’s ability to successfully integrate Cypress’s operations into those of Infineon; such integration may be more difficult, time-consuming or costly than expected; the failure of any of the conditions to the proposed transaction to be satisfied; revenues following the proposed transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the proposed transaction; difficulties in retaining certain key employees at Cypress; risks associated with the disruption of management’s attention from ongoing business operations due to the proposed transaction; the outcome of any legal proceedings related to the proposed transaction; the impact of the proposed transaction on Cypress’s or Infineon’s credit rating; the parties’ ability to meet expectations regarding the timing and completion of the proposed transaction; delays in obtaining any approvals required for the proposed transaction or an inability to obtain them on the terms proposed or on the anticipated schedule; the impact of indebtedness incurred by Infineon in connection with the proposed transaction; the effects of the proposed transaction on Infineon, including the combined company’s future financial condition, operating results, strategy and plans; and other factors discussed in Infineon’s public reports which are available on the Infineon website at www.infineon.com, in Cypress’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended on December 30, 2018 and Cypress's other filings with the SEC, which are available at www.sec.gov and Cypress's website at www.cypress.com. Except as otherwise required by law, Infineon assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.
Disclaimer

Additional Important Information
Neither this communication nor any part or copy of it may be generally transmitted into the United States or distributed, directly or indirectly, in the United States, as that term is defined in the United States Securities Act of 1933, as amended (the “Securities Act”). This communication is for information purposes only, and does not constitute an offer to sell securities of Infineon or a solicitation of an offer to buy securities of Infineon in or into the United States. The securities of Infineon described herein have not been and will not be registered under the Securities Act. The securities of Infineon may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. Infineon does not intend to conduct any public offering of its securities in the United States.

This presentation is provided for information purposes only and may not be reproduced either in full or in part, nor may it be passed on to another party. It constitutes neither an offer nor an invitation to subscribe or to purchase securities, nor is this presentation or the information contained herein meant to serve as a basis for any kind of obligation, contractual or otherwise. In all legal systems this document may only be distributed in compliance with the respective applicable laws, and persons obtaining possession of this document should familiarize themselves with, and adhere to, the relevant applicable legal provisions. A breach of these restrictions may constitute a violation of US securities laws or of the laws applicable in other legal systems.

This presentation must not be construed as an offer or invitation or recommendation to, purchase or sell or subscribe for, or any solicitation of any offer to purchase or subscribe for any securities of Infineon in any jurisdiction. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus, offering circular or other equivalent document (a "prospectus") and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such prospectus and not these materials.

Prospective recipients should not treat the contents of this presentation as advice relating to legal, taxation or investment matters, and are to make their own assessments concerning such matters and other consequences of a potential investment in Infineon and its securities, including the merits of investing and related risks.

Specific disclaimer for IHS Markit reports, data and information referenced in this document
The IHS Markit reports, data and information referenced herein (the “IHS Markit Materials”) are the copyrighted property of IHS Markit Ltd. and its subsidiaries (“IHS Markit”) and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and neither IHS Markit nor, as a consequence, Infineon have a duty or responsibility to update the IHS Markit Materials or this presentation. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. IHS Markit and the trademarks used in the data, if any, are trademarks of IHS Markit. Other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.