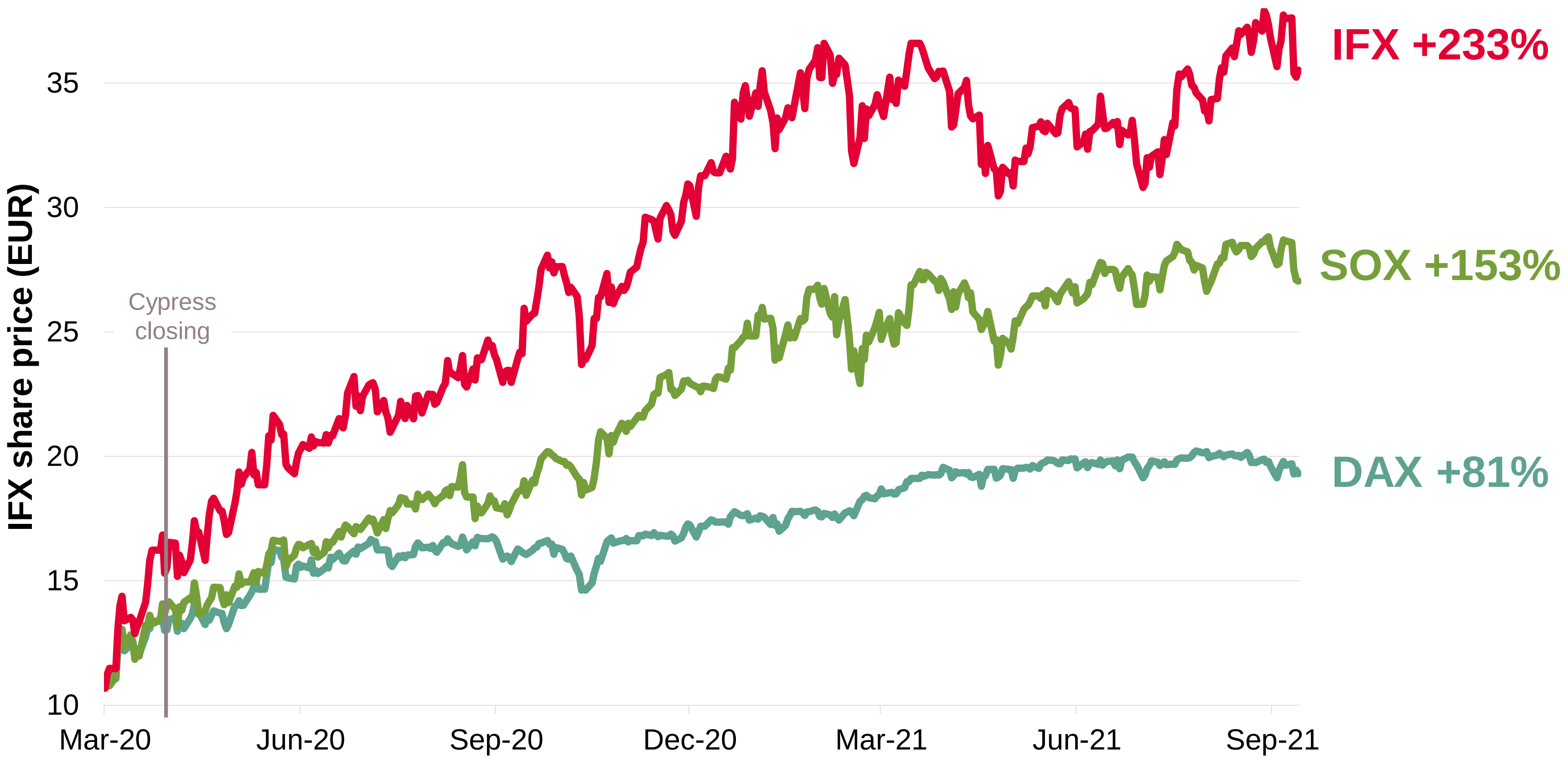
Value Creation

IFX Day 2021
virtual format, 5 October 2021

Significant shareholder value creation since COVID trough and Cypress closing

Infineon share price development compared to SOX and DAX[1]



1 Bloomberg, 1 October 2021

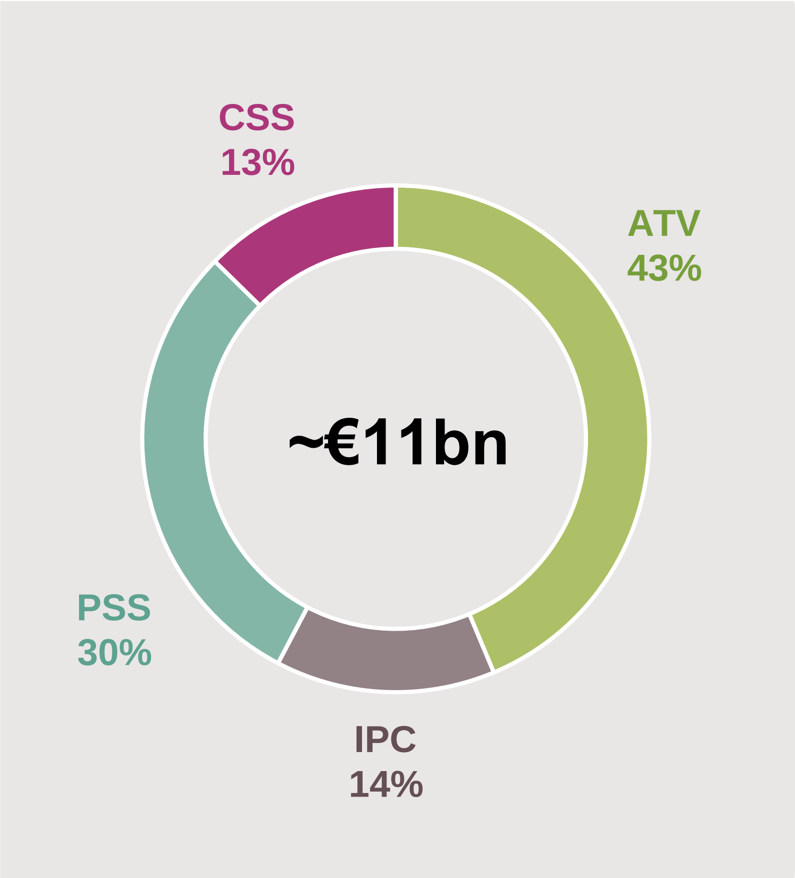
Infineon’s value creation is crystallized in a resilient through-cycle Target Operating Model

	Target Operating Model[1]
Revenue growth	9%+
Segment Result Margin	19%
Investment-to-sales	13%

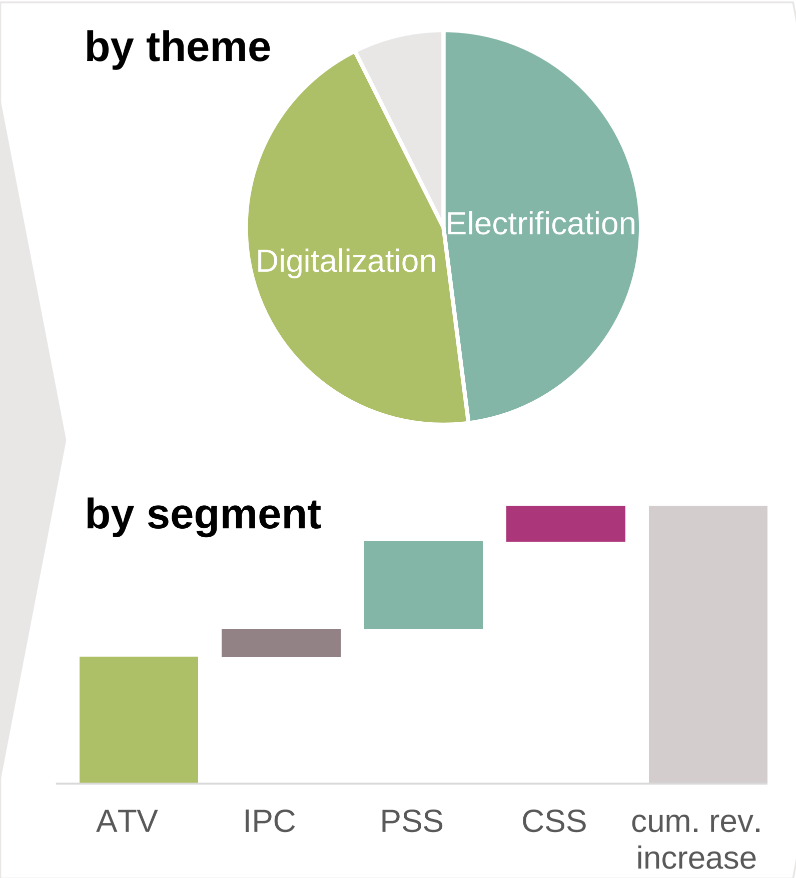
1 Infineon financial performance to approach targets as Cypress integration progresses

Growing annual revenues by €5bn+ in FY25 – multitude of growth drivers across markets/applications; well-diversified divisional split

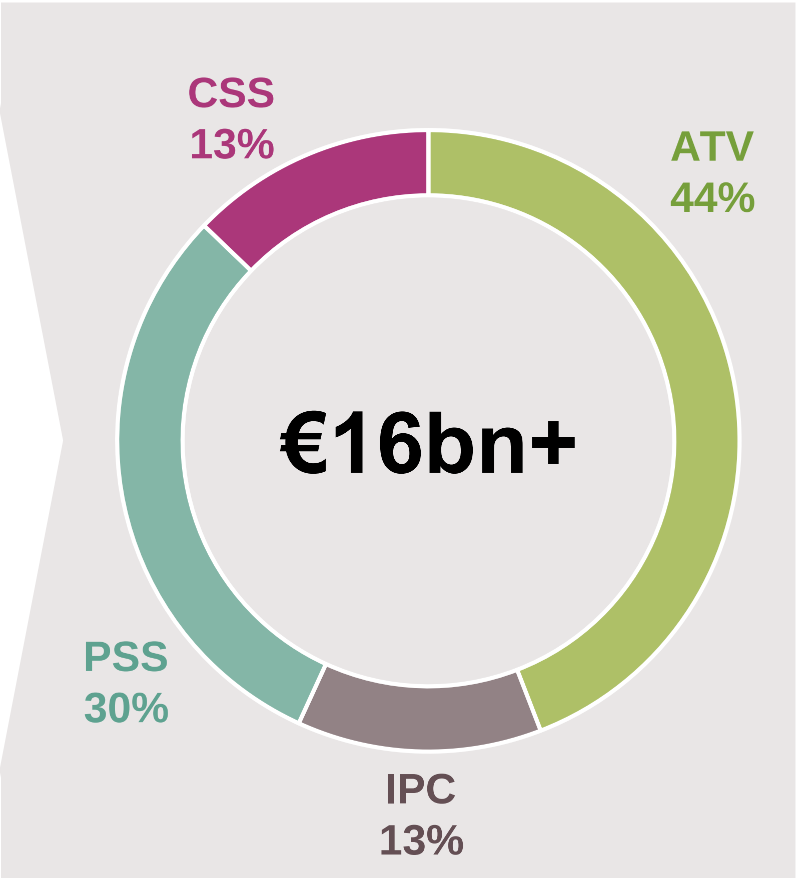
FY21 by division (indicative)



Cum. rev. growth FY21 to FY25e



FY25e by division (indicative)



ATV – An extensive portfolio to address the two megatrends in automotive: electromobility and assisted/automated driving

Growth contributors FY21 to FY25 cumulated values

ATV through-cycle growth rate: ~10%

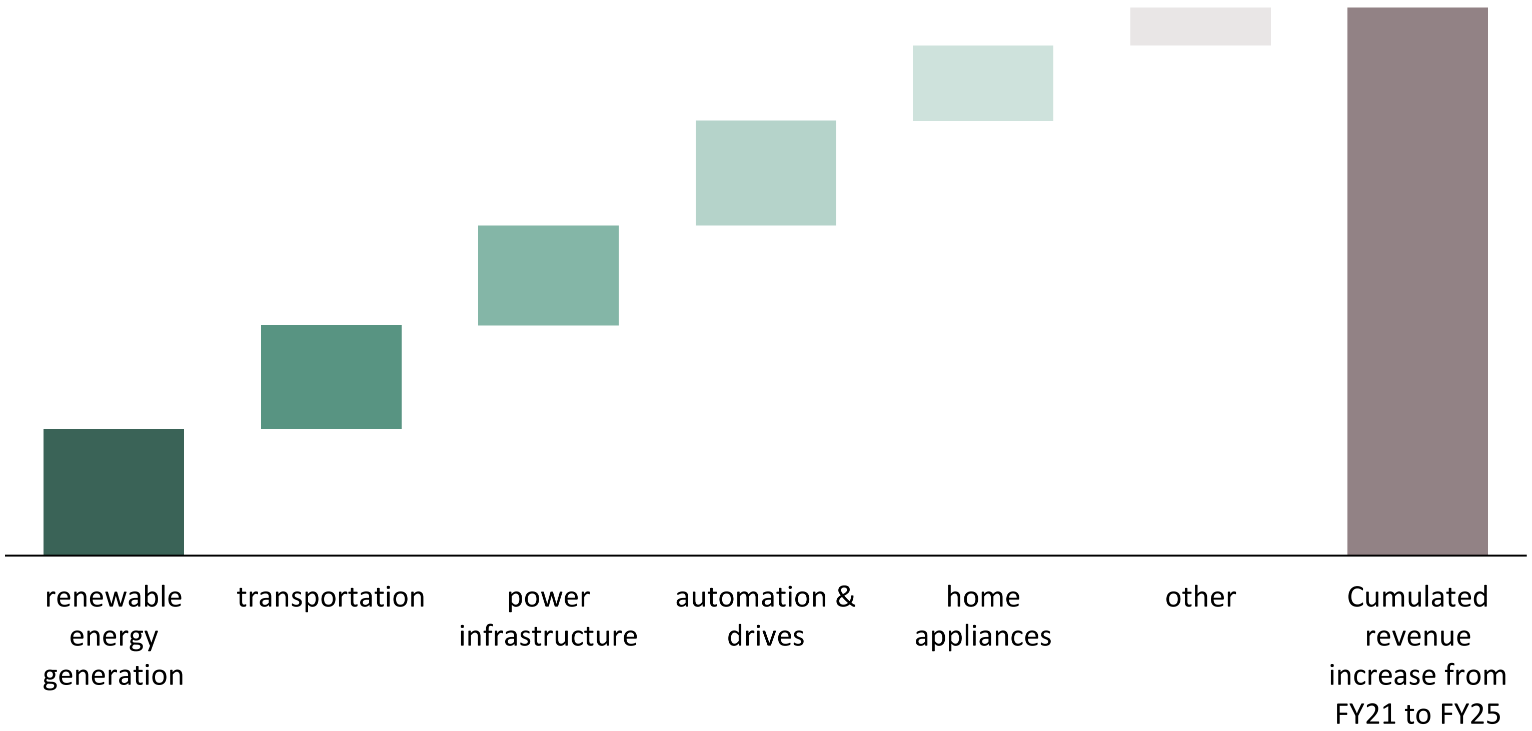
- Accelerated penetration of BEV and PHEV due to government regulations, OEM commitments, and customer preference

- Ongoing increasing penetration of L1, L2 and L2+ fueling demand for radar sensor ICs and MCUs short- and mid-term
- Penetration of L3 and higher expected to contribute in the second half of this decade

- Higher growth in comfort and premium features more than compensates flat classic business (e.g. airbag, central lock, power window etc.)

IPC – Decarbonization through Electrification and energy efficiency gains are long term growth drivers

Growth contributors FY21 to FY25 cumulated values

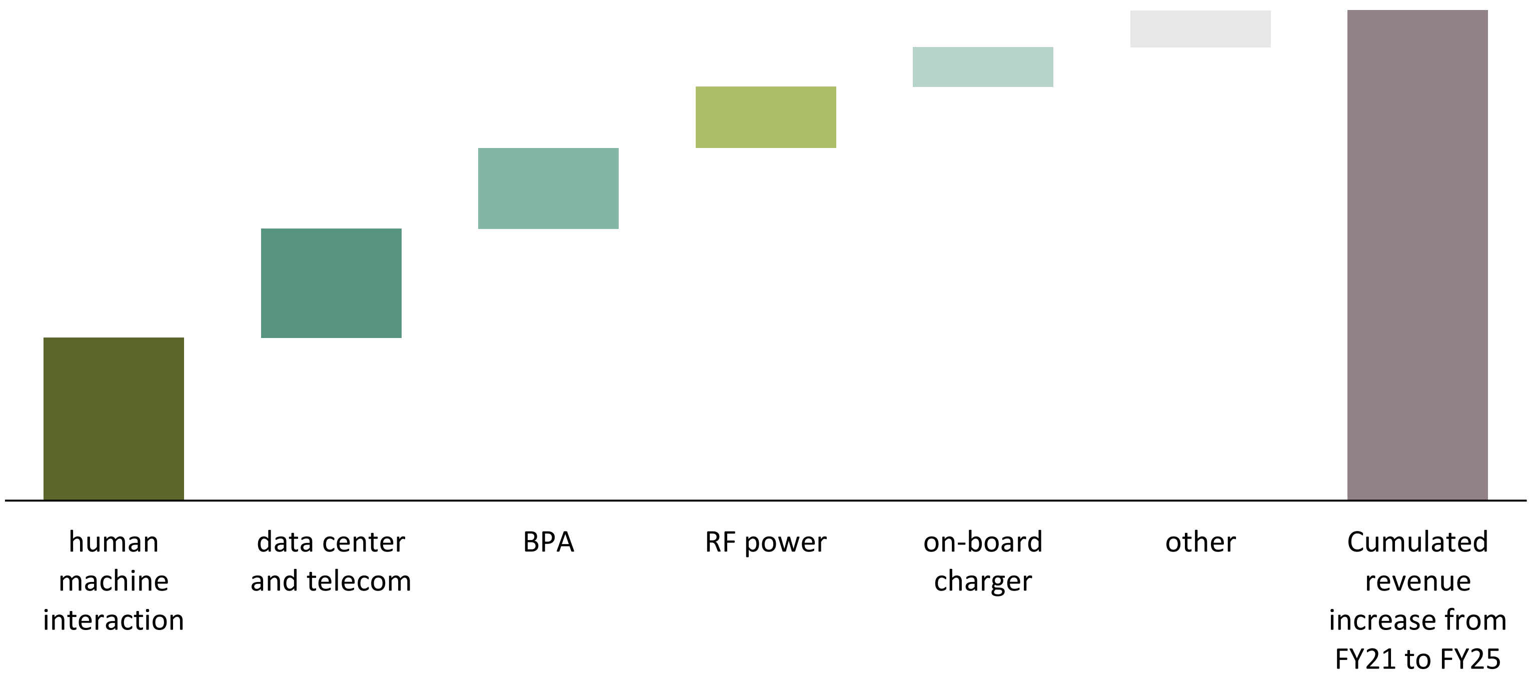


IPC through-cycle growth rate: ~8%

- Decarbonization targets and cost competitiveness boost growth rates for Wind and PV installations
- Emission free city mandates drive electrification of commercial and construction vehicles on top of railway
- E-Mobility and higher renewable part push transmission and storage as well as EV-charging infrastructure growth
- Ongoing automation, and energy efficiency targets in manufacturing and building technology provide long term growth
- Energy efficiency mandates and smart connected appliances drive value growth
- Emergence of new electrified applications in the wake of battery and hydrogen fuel cell maturity, e.g. eAviation

PSS – Broadly diversified growth driven by accelerating Electrification and Digitalization trends

Growth contributors FY21 to FY25 cumulated values



PSS through-cycle growth rate: ~9%

- HMI growth mainly driven by MEMS mic.
- Additional growth potential by 3D sensors

- Growth in data center driven by increase in the no. of servers and higher BoM
- 5G is driving demand for telecom servers

- BPA growth driven by trend to cordless devices and electrification of bikes and scooters

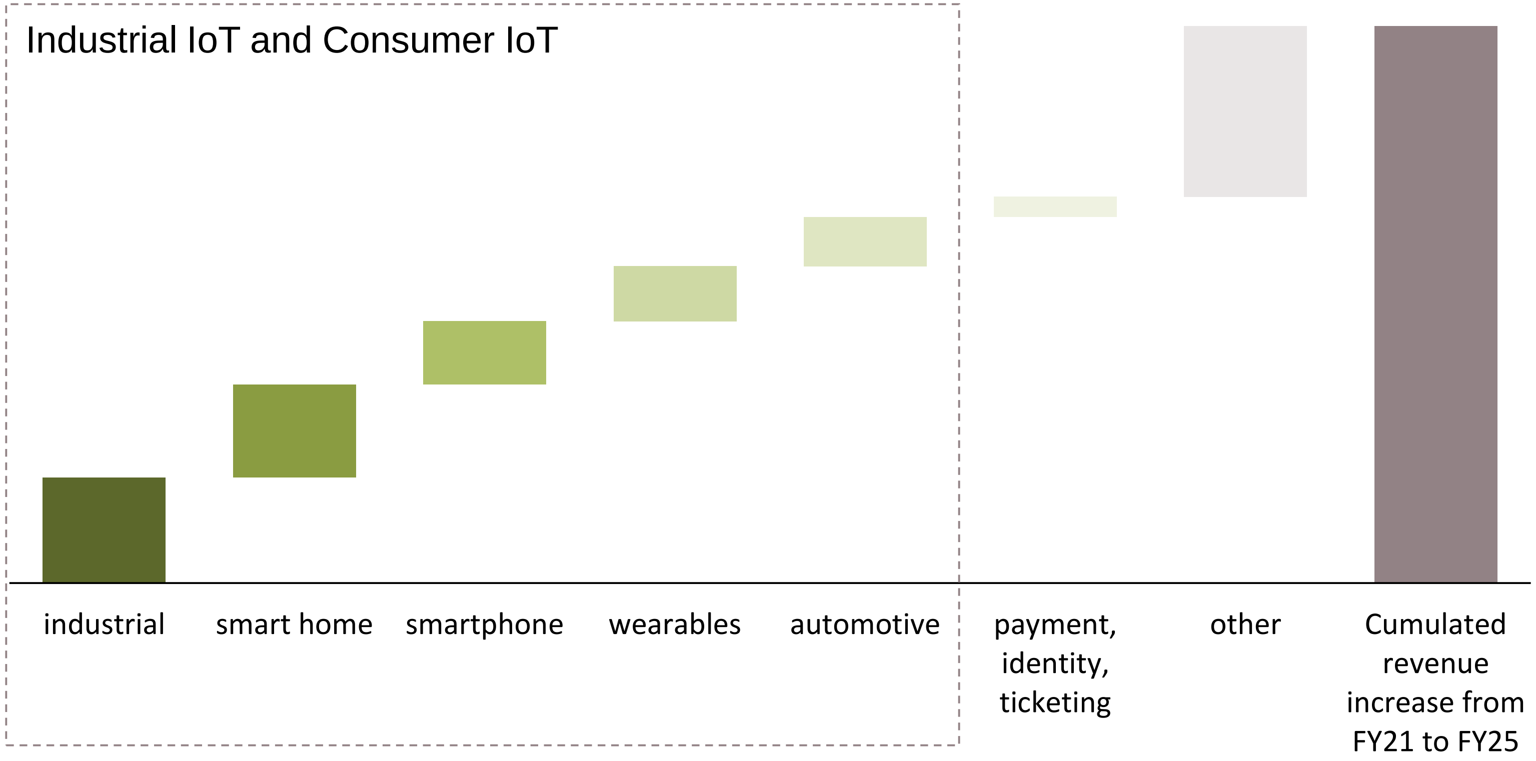
- 5G deployment and increasing demand for power efficient solutions addressing higher frequencies and power levels with GaN-on-silicon power amplifiers

- Accelerating demand for xEVs leads to more on-board chargers

- Other includes charger/adapter, RF products for mobile devices, wireless charging, computing, USB, HiRel et al.

CSS – IoT applications will be main growth drivers

Growth contributors FY21 to FY25 cumulated values

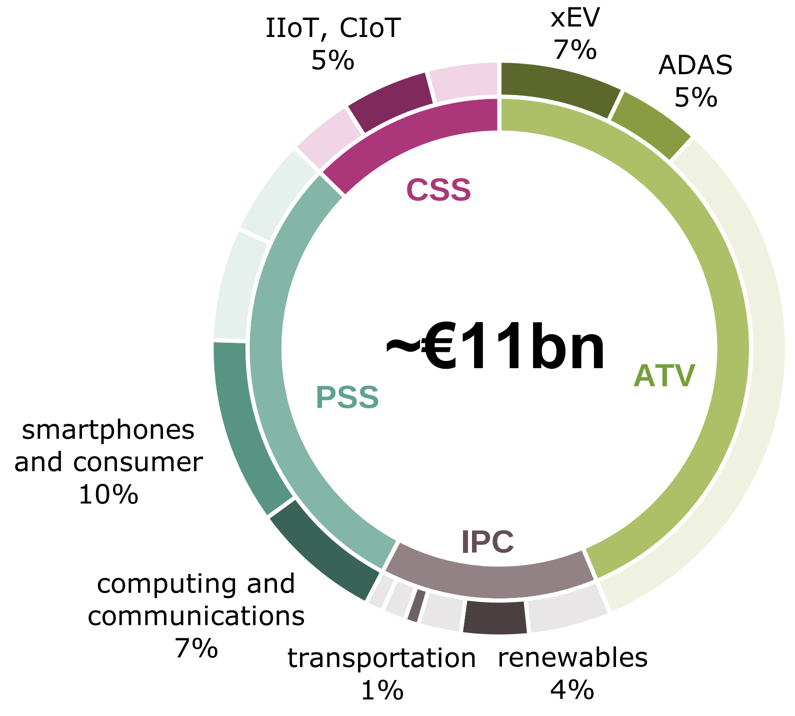


- Enhanced MCU based industrial solutions and easy-to-use sub-systems based on Infineon building blocks
- Increasing implementation of connectivity (Wi-Fi 6 and BLE) and security across devices; enhanced MCU capabilities
- Increasing implementation of security solutions (eSIM, battery authentication)
- Differentiated low-power connectivity offerings, enhanced MCU capabilities and increasing penetration of NFC payments
- Increasing penetration of connectivity (Wi-Fi 6, BLE pairing) and security solutions (eSIM, V2X)
- Further demand for payments, recovery of identification and ticketing markets
- Growth of MCU, connectivity and security solutions across a broad range of consumer applications

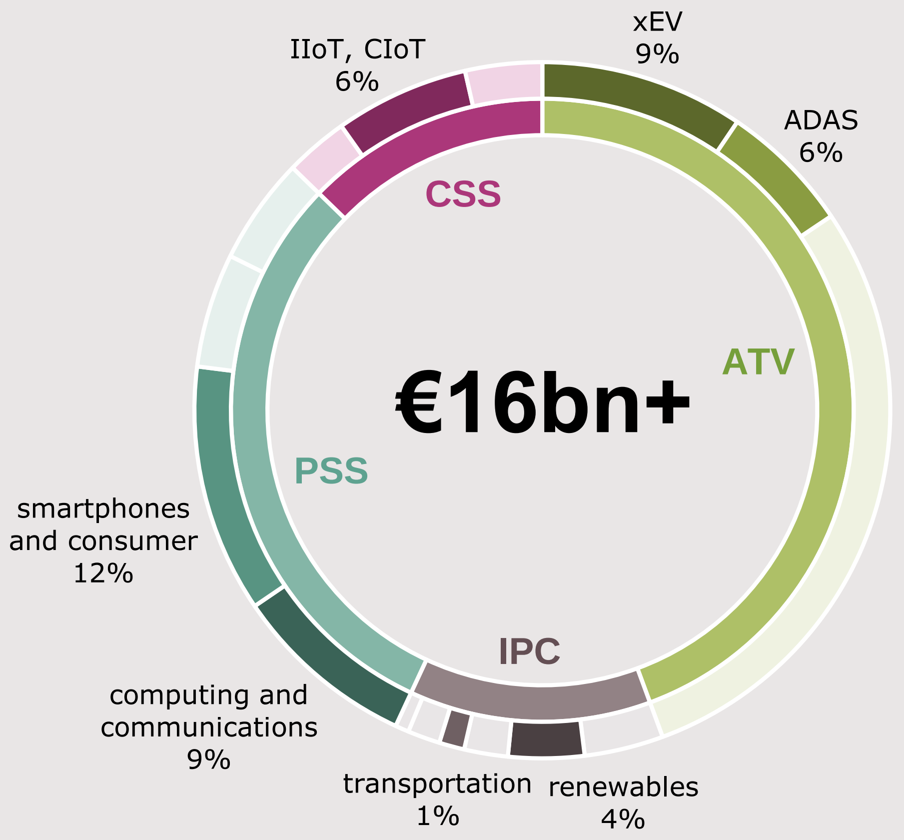
CSS through-cycle growth rate: ~12%

Well-diversified growth across applications; main drivers are xEV, ADAS, computing, communications, IoT and renewables

FY21 by division (indicative)

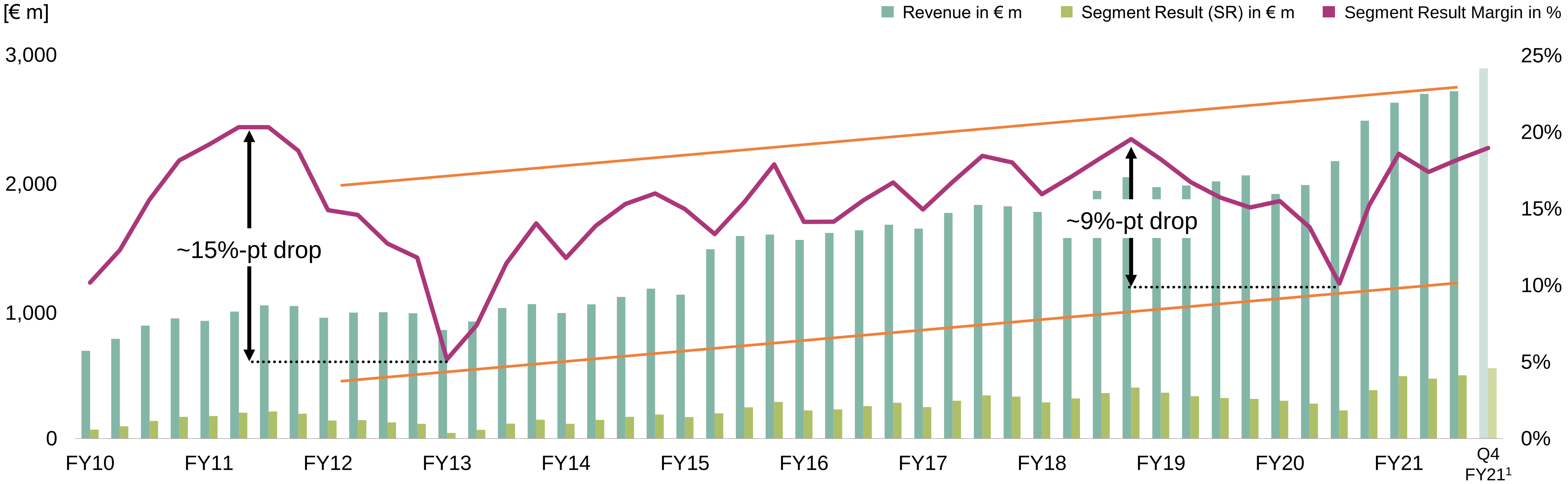


FY25 by division (indicative)



Infineon's business resilience has improved over time: steady upward trend of SR Margin, smaller drop from peak to trough, larger size

Time series of quarterly revenue, Segment Result and Segment Result Margin



FY11		
Revenue	SR	Equity
€4bn	**€0.8bn**	**€3.4bn**

Profitable growth leads to higher resilience

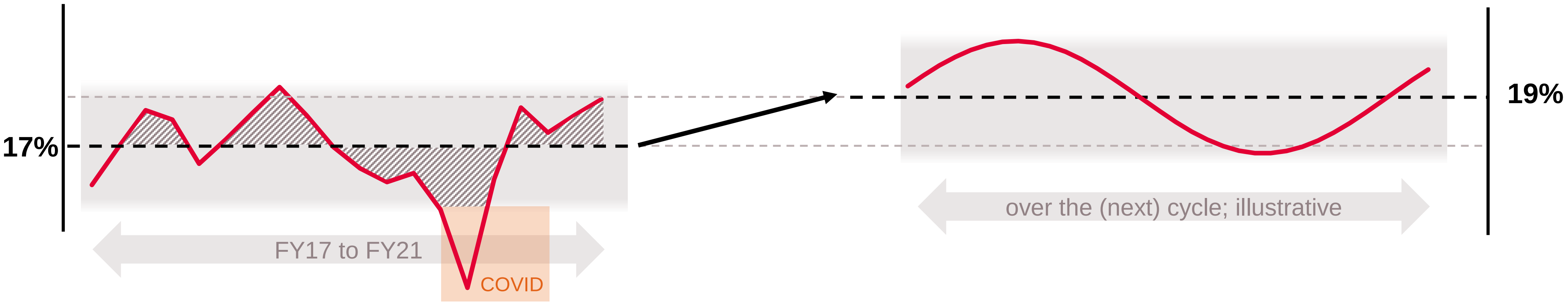
FY21e		
Revenue	SR	Equity
~€11bn	**~€2bn**	**~€11bn**

1 Q4 FY21 revenue and Segment Result taken from guidance published on 3 Aug 2021

Key levers identified to get to the target profitability flight level – 19% Segment Result Margin over the (next) cycle

Looking back: former TOM achieved

Looking ahead: all set up to reach current TOM



Assuming no pandemic, 17% Segment Result Margin target would have been achieved over the cycle

Levers for margin expansion

- Higher value system solutions:
  - P2S and Cypress revenue synergies
  - Additional customer value creation
  - Business mix
- Manufacturing productivity and cost control:
  - 300 mm productivity
  - Cypress cost synergies, SG&A scaling
- Cypress accretion for entire period

Inhibitors to margin expansion

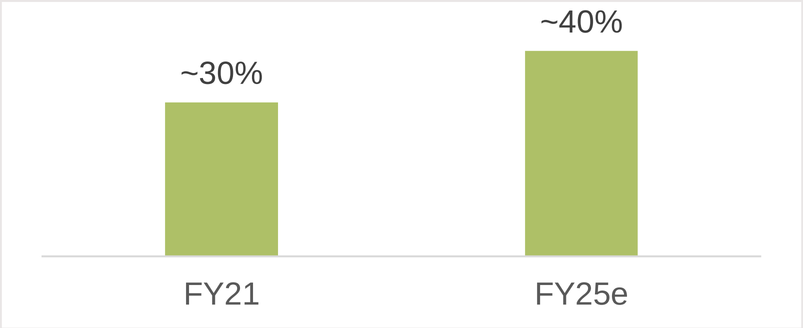
- Increased supplier (foundry) and materials costs
- Pre-funding P2S synergies
- Pre-funding SiC/GaN roadmap

Strategic differentiation through in-house manufacturing

In-house manufacturing

- We manufacture power and sensor technologies in-house where we can gain a strategic advantage from our leading-edge manufacturing technologies and our outstanding process expertise
- This results in a differentiation potential in terms of cost and/or performance
- **The current chip shortage highlights the strategic value of in-house manufacturing**

Infineon's outsourcing share



Outsourcing

- We work with outsourcing partners where we see no or only little differentiation to optimize our capital efficiency (CMOS and derivate technologies and standard packages)
- We cooperate with subcontractors and foundries in order to ensure adequate capacity growth and flexibility
- Infineon's outsourcing share is expected to increase from ~30% in FY21 to ~40% in FY25

Foundry supply shortage caused by cyclical and structural elements

Several cyclical & structural developments forced the imbalance between semiconductor supply & demand

Under investment

- Under investment in wafer capacity at foundries from 90 nm down to 28 nm

Supply

Demand

US – China trade war

- Double bookings on demand side; politically constrained supply

Supply

Demand

COVID-19

- Disruptions restrict supply
- Demand increased due to work from home
- Double bookings to ensure supply

Supply

Demand

New technology/ structural changes

- Increasing demand for e.g. AI, xEV, 5G
- Structural changes in existing markets, e.g. image sensors and display driver

Supply

LTA incl. prepayments agreed / in negotiation to secure sufficient **mid-term** supply

while

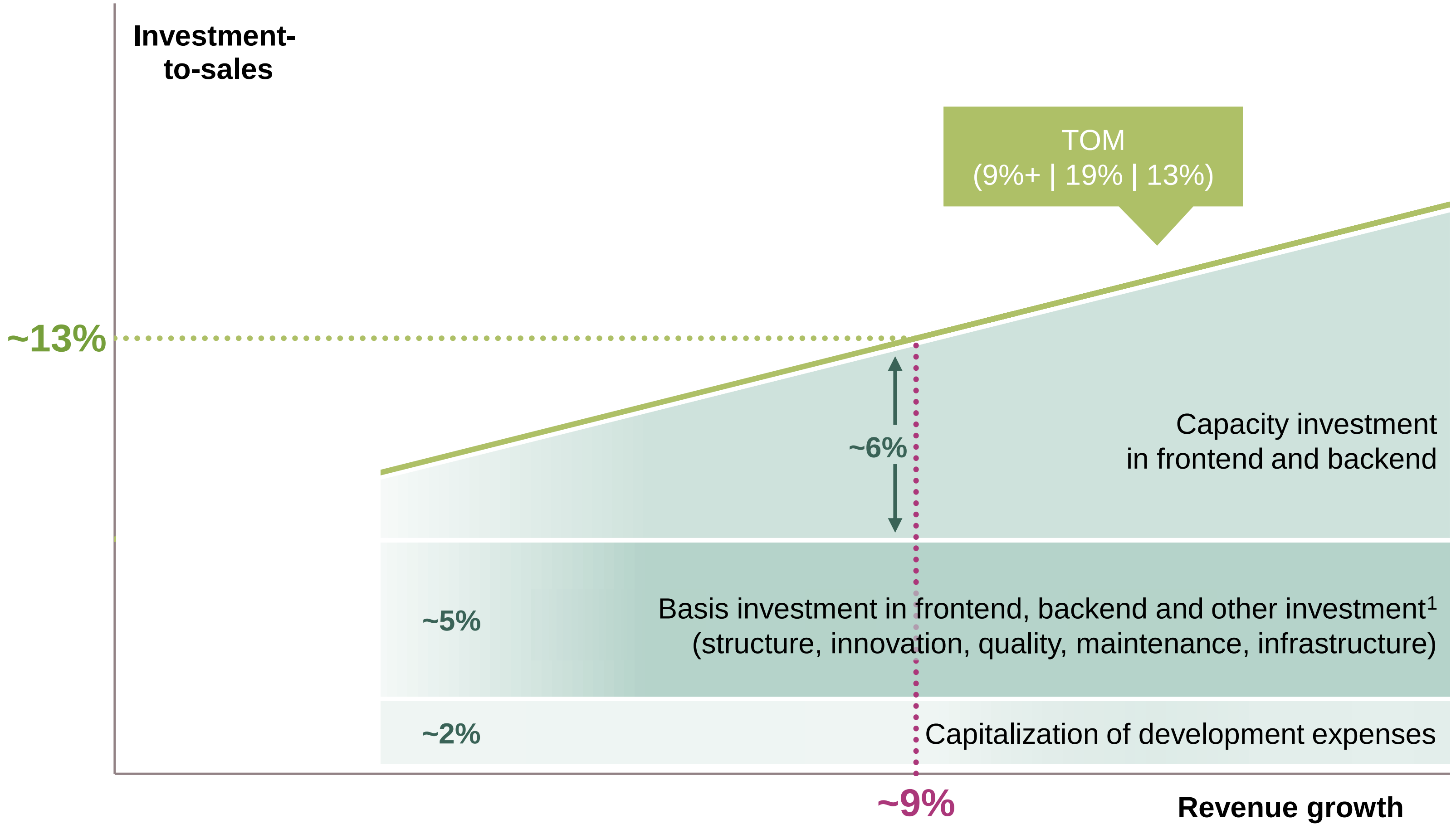
managing **short-term** capacity bottlenecks

based on

long-term relation with foundry partners

We focus our investments to those areas with highest differentiation

Split of investment-to-sales by category



1 Frontend clean rooms and major office buildings are not included

Major focus topics

- Capacity expansion for **SiC and GaN**
- Further capacity expansion for **300 mm** in **Villach and Dresden**
- Further capacity expansion for **200 mm** in **Kulim**
- **Focused insourcing** from silicon foundries
- **Clean room** for WBG / 300 mm and major office buildings (slightly above €1bn over five years)
- **~€2.4bn** investments planned in FY22

Putting it all together: Target Operating Model standing on solid ground – we are on track to reach it one year ahead of schedule

	Target Operating Model[1]	Drivers
Revenue growth	9%+ ✓	› Leading position in structurally growing markets › Electrification › Digitalization › CY revenue synergies – fully on track
Segment Result Margin	19% ✓	› System solutions to create and capture higher value › Manufacturing productivity and cost control › CY accretion › CY cost synergies – fully on track
Investment-to-sales	13% ✓	› Strategic mix of in-house manufacturing vs. outsourcing › Driving capital efficiency: › 300 mm share; CY asset-light approach › partially offset by initial SiC/GaN investment

1 Infineon financial performance to approach targets as Cypress integration progresses

Conservative financial policy and strict commitment to investment-grade rating are the basis for through-cycle flexibility

	Financial Policy Targets	Status Quo (LTM 30 September 2021[3])
Gross Cash[1]	€1bn + at least 10% of revenues → **€2.1bn**	€1bn + 24% of revenues → **~€4bn**
Gross Debt[2]	**≤ 2.0x** EBITDA	**2.2x** EBITDA – target to be reached in FY22

Comfortable liquidity position

- Flexibility for financing operating activities and investments through the cycle
- Cushion for net pension liabilities and contingent liabilities

Balanced debt position

- Gross debt target temporarily exceeded for CY acquisition, but still compatible to investment-grade rating
- Public commitment to return to target level of ≤ 2.0x – to be reached one year earlier, by FY22

Rating	Investment grade	**BBB-** positive outlook (by S&P Global)

1 Gross cash position is defined as cash and cash equivalents plus financial investments | **2** Gross debt is defined as short-term debt and current maturities of long-term debt plus long-term debt. EBITDA is calculated as the total of earnings from continued operations before interest and taxes plus scheduled depreciation and amortization | **3** Based on preliminary figures for FY21

Pecking order for capital deployment shows clear priorities

Organic growth

- Investing in R&D and manufacturing with long-term perspective
- Funding attractive growth opportunities for a future-proof Infineon

De-leveraging

- Continuation of stringent debt reduction following Cypress acquisition
- Target: Gross Debt ≤ 2.0x EBITDA,
- Mid-term target: "BBB" rating

M&A

- Exploit opportunities for anorganic growth selectively, but no major transactions planned
- Bolt-on acquisitions have to fit three criteria:
  - strategic fit
  - financial fit
  - cultural fit

Shareholder returns

- Consistent dividend policy
- €2.7bn returned over the past decade
- Dividend proposal for FY21: 27 cent/share

Sustainable value creation – continuing our profitable growth journey into the next decade

- Adding €5bn+ annual revenue by FY25 – powered by Electrification and Digitalization
- Achieving 19% Segment Result Margin – through cycle
- Investments focused on strategic differentiation

Prudent capital structure and clear commitment to investment grade

Capital deployment priorities:

growth, de-leveraging, M&A and shareholder returns

Part of your life. Part of tomorrow.