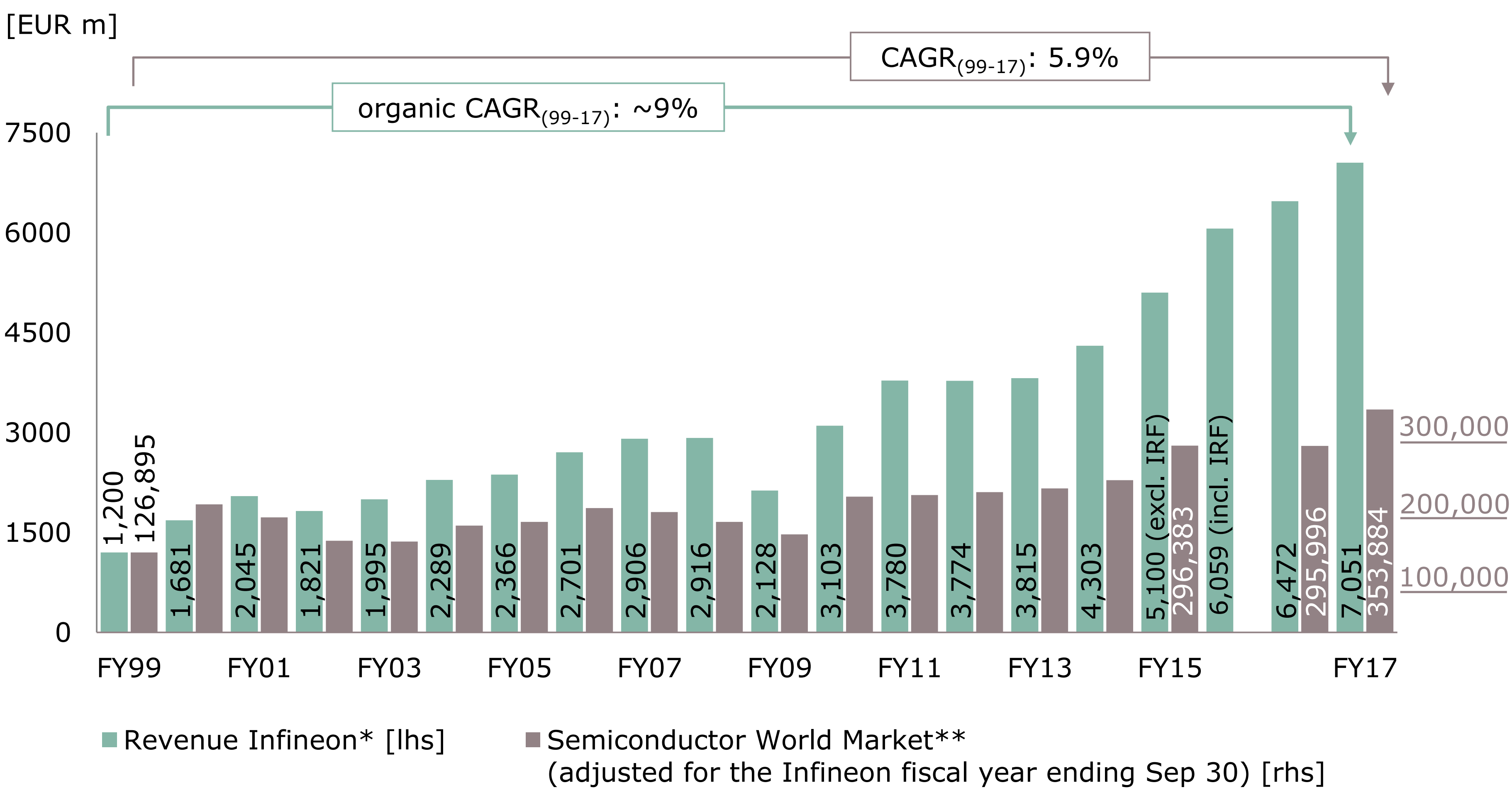
IFX Day 2018
Dominik Asam
Chief Financial Officer

London, 12 June 2018

Since FY99, today's businesses have organically grown by ~9% thus consistently outperforming semi market

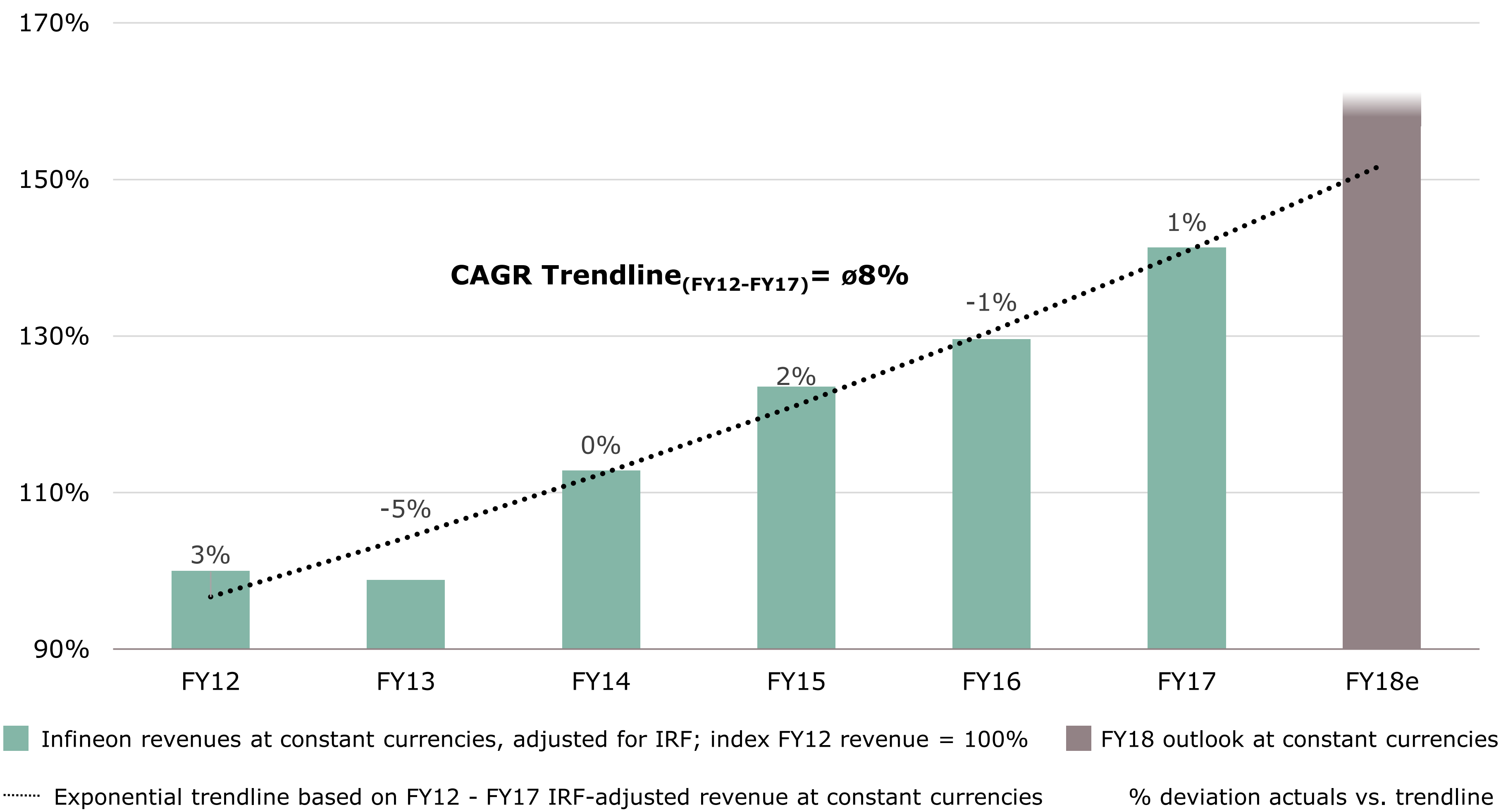


* Based on Infineon's portfolio (excl. Other Operating Segments and Corporate & Eliminations) per end of FY17; growth by consolidation of IRF eliminated

** Source: WSTS (World Semiconductor Trade Statistics) in EUR, October 2017

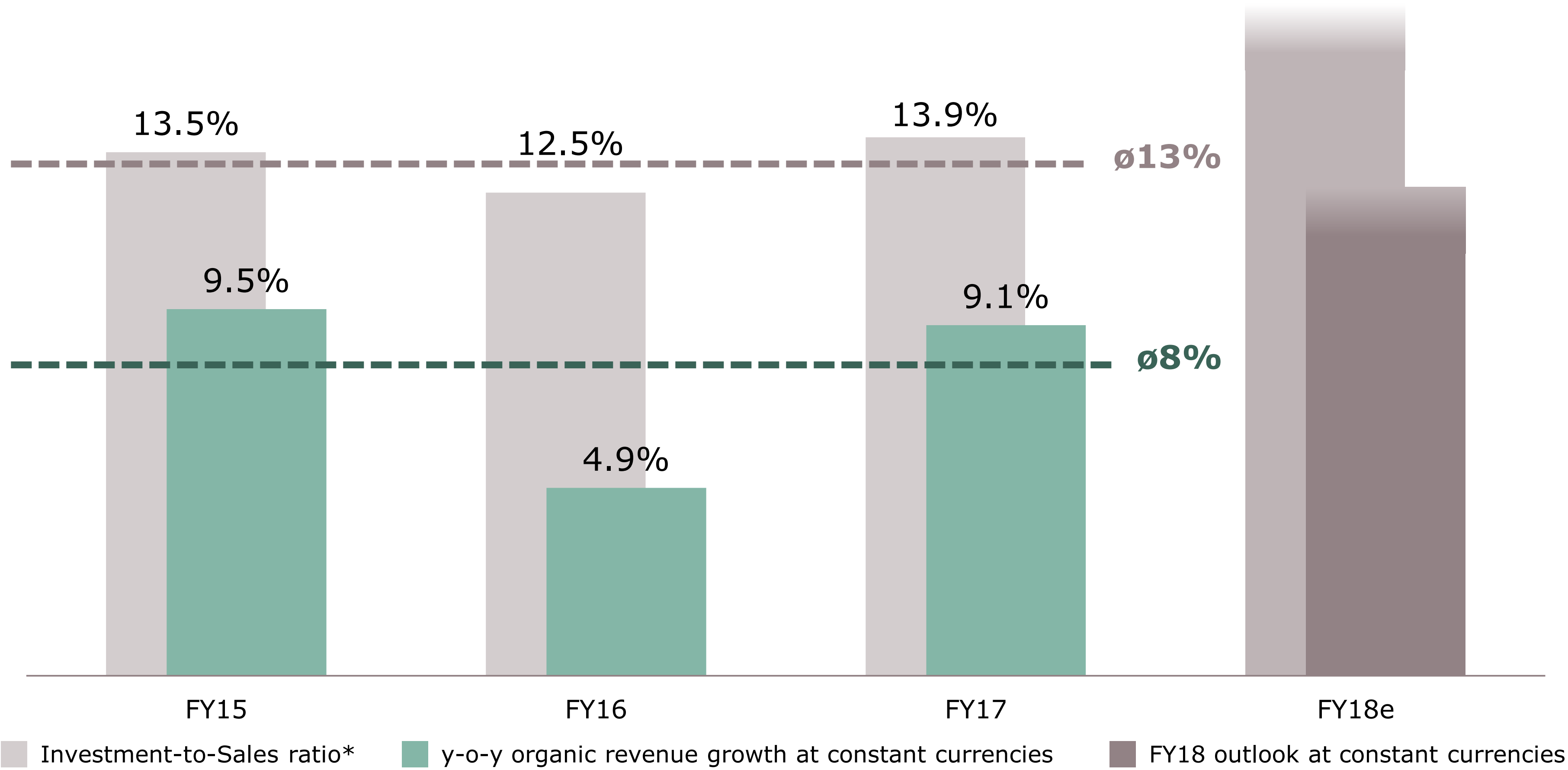
Adjusted for currency effects, we have delivered 8% p.a. growth in the recent past

Infineon revenue growth FY12 - FY18e at constant currencies and adjusted for IRF



Our invest-to-sales ratio has hovered around the reduced 13% target announced in 2014

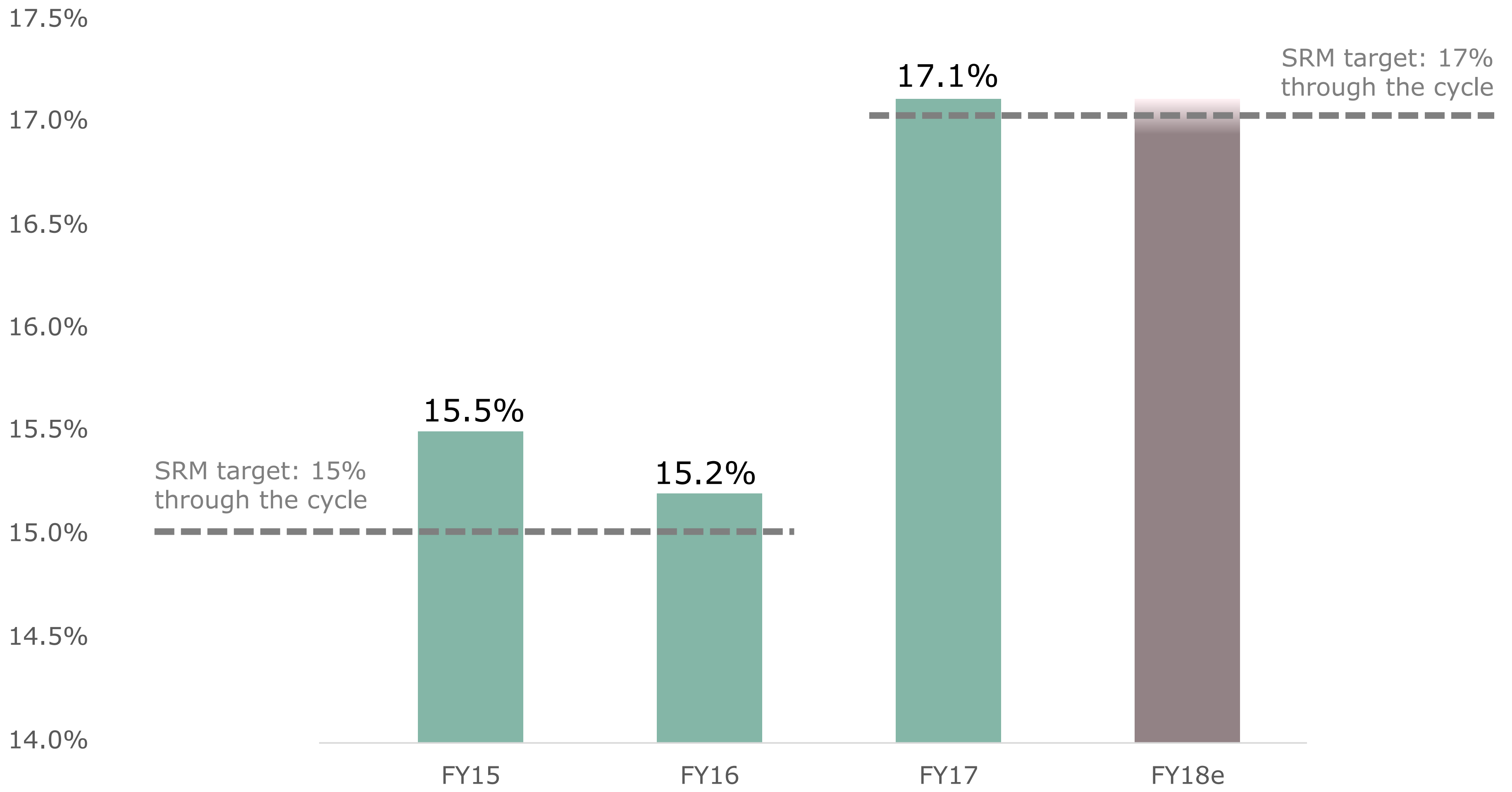
Investment-to-sales ratio vs. revenue growth



* Investments excl. financial investments, Qimonda IP, Kulim 2 Frontend cleanroom, Campeon office building.

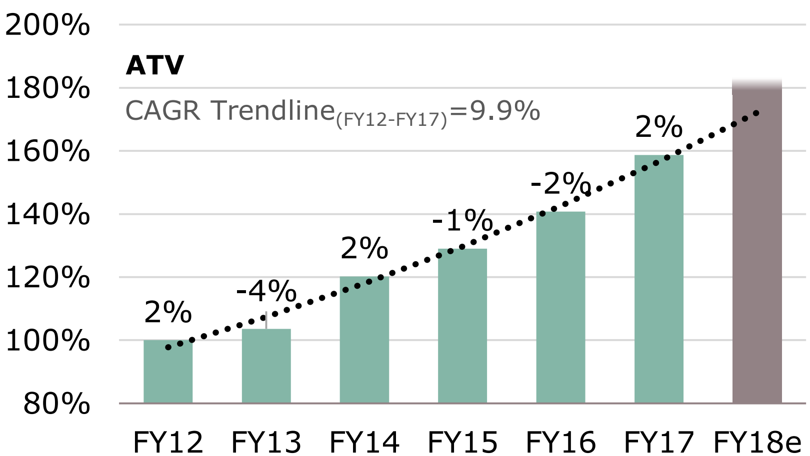
We have consistently met our segment result margin target despite USD headwind

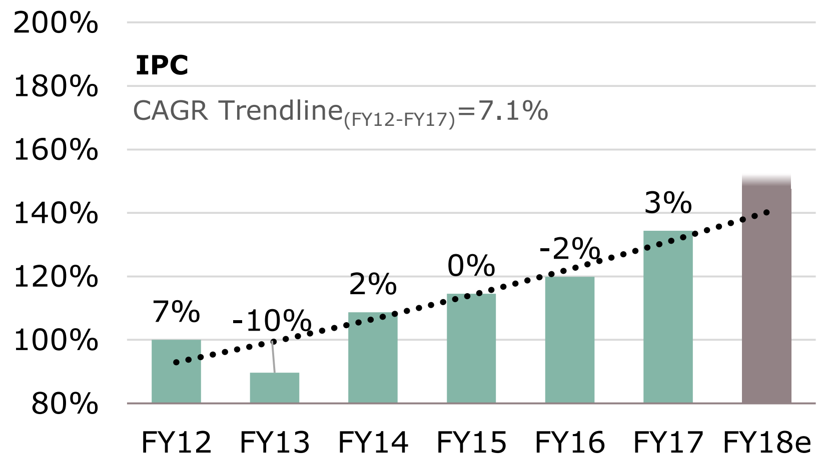
Segment result margin (SRM) and target (FY15 – FY18e)

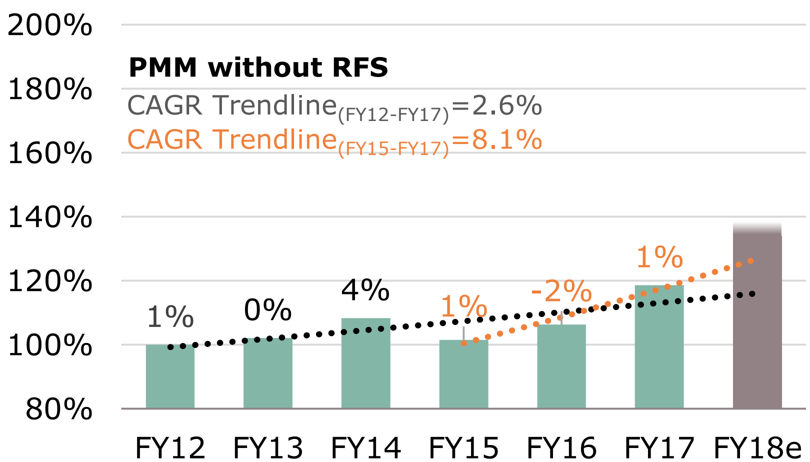


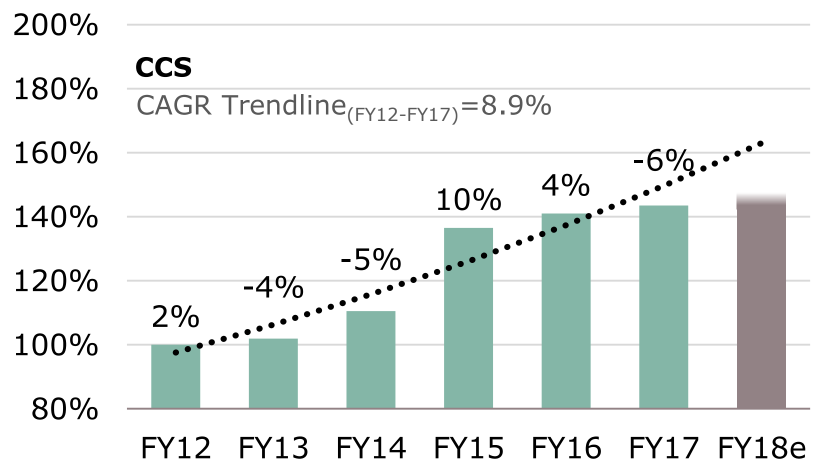
Historical analysis on division level indicates structural growth acceleration in power

Divisions revenue growth FY12-FY18e at constant currencies and adjusted for IRF



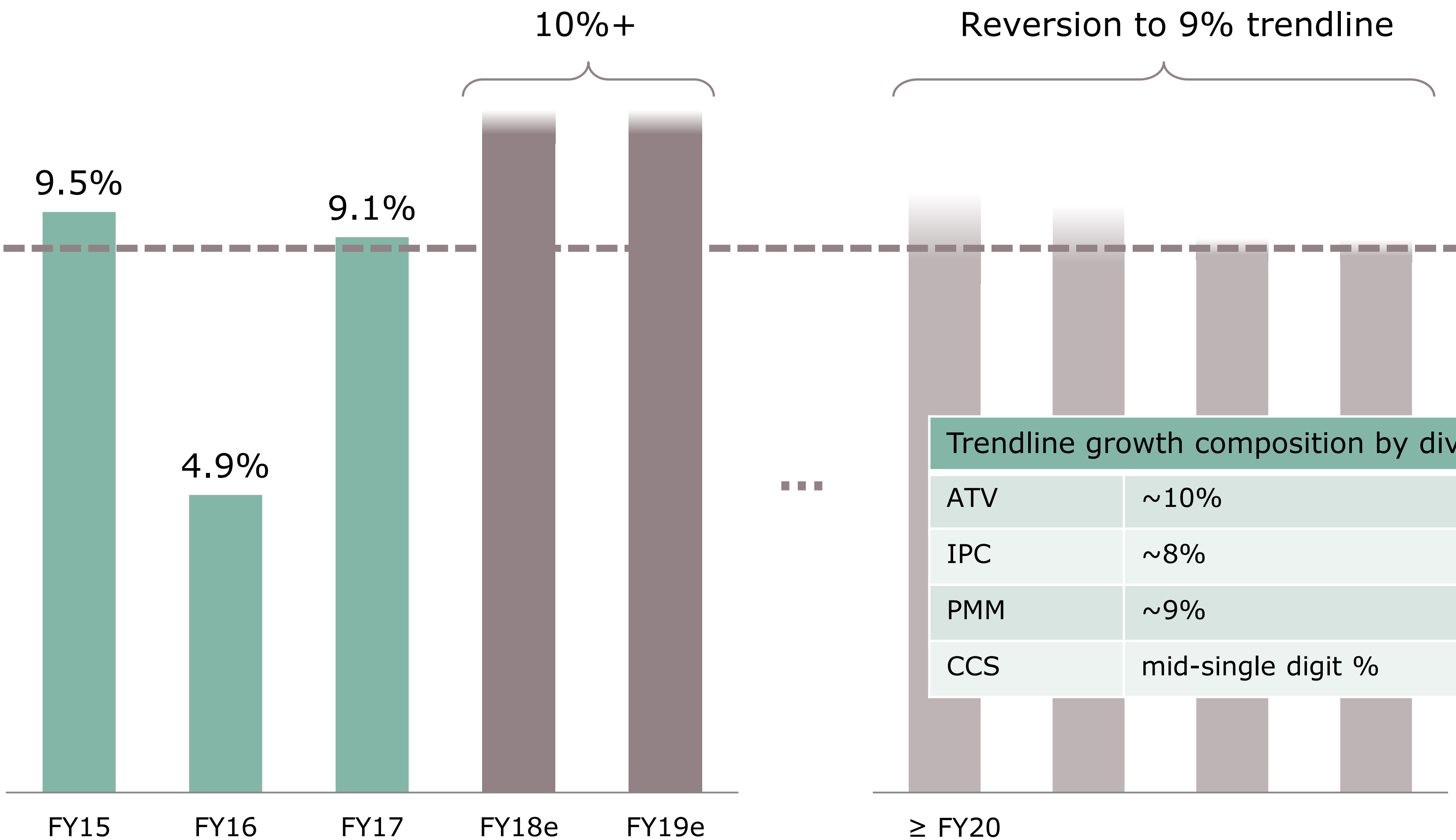






After temporary growth acceleration, revised TOM assumes reversion to 9% trendline

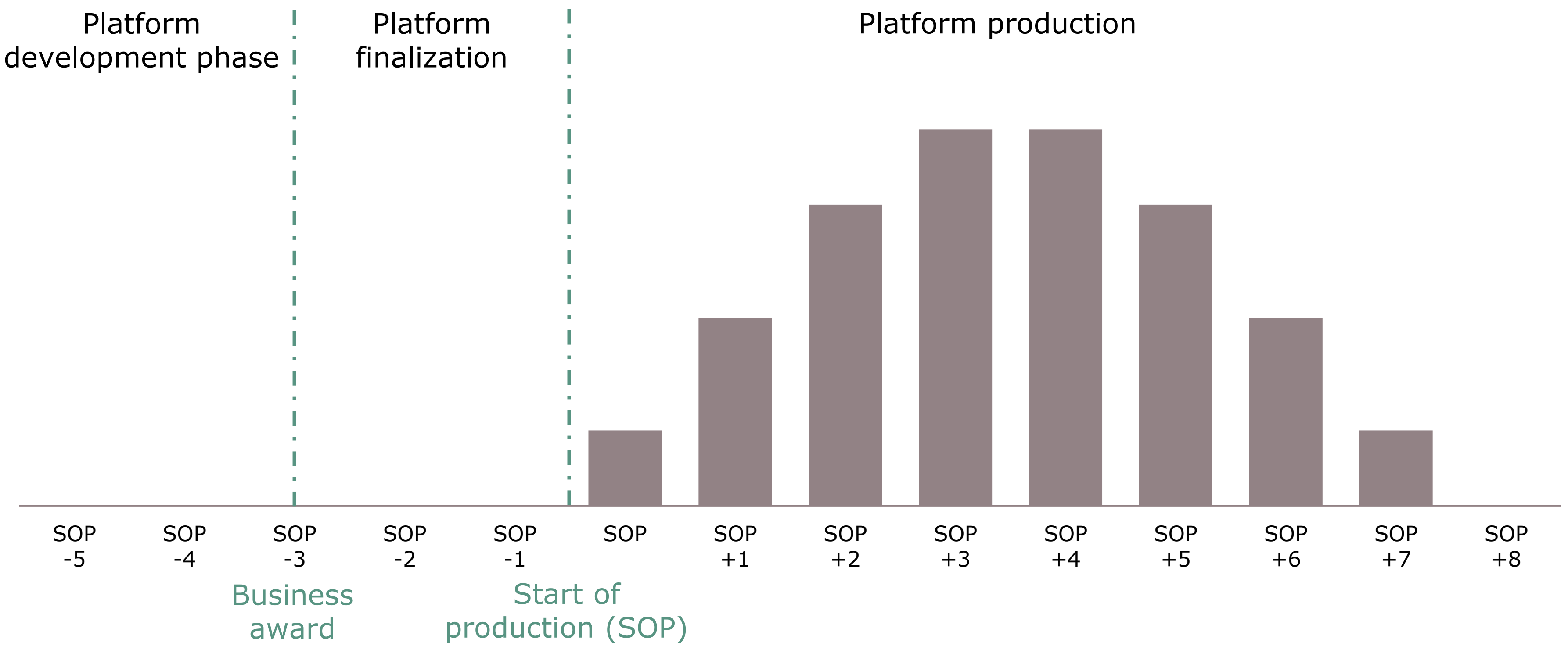
Organic revenue growth projection at constant currencies



Trendline growth composition by division	
ATV	~10%
IPC	~8%
PMM	~9%
CCS	mid-single digit %

Design-win pipeline provides good visibility into future market share development

Average development and production time of an automotive platform* in years



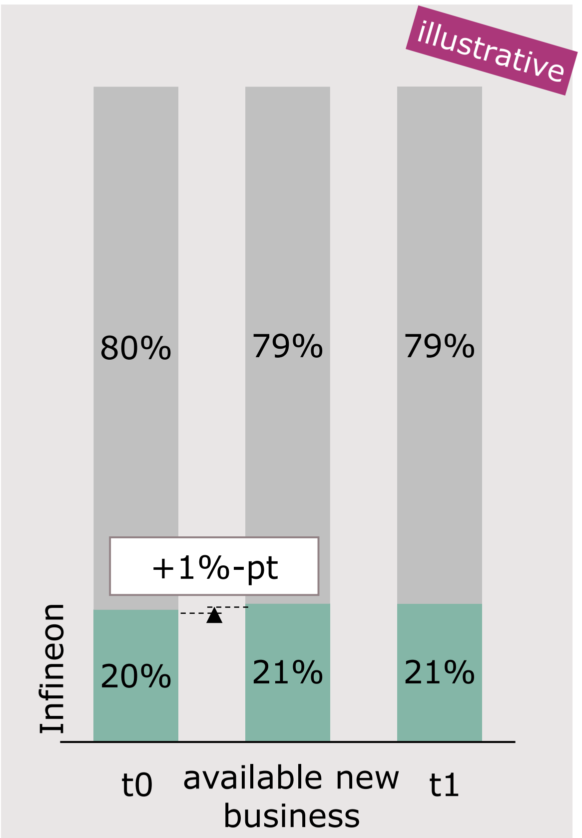
- The platform development phase starts on average 4 to 7 years prior to the SOP
- In most cases the platform is awarded to semiconductor suppliers 2 to 3 years prior to the SOP
- The production of a standard automotive platform runs then over 7 to 8 years

* Development and production time can differ based on different parameters (e.g. system, product, OEM/Tier1 strategy)

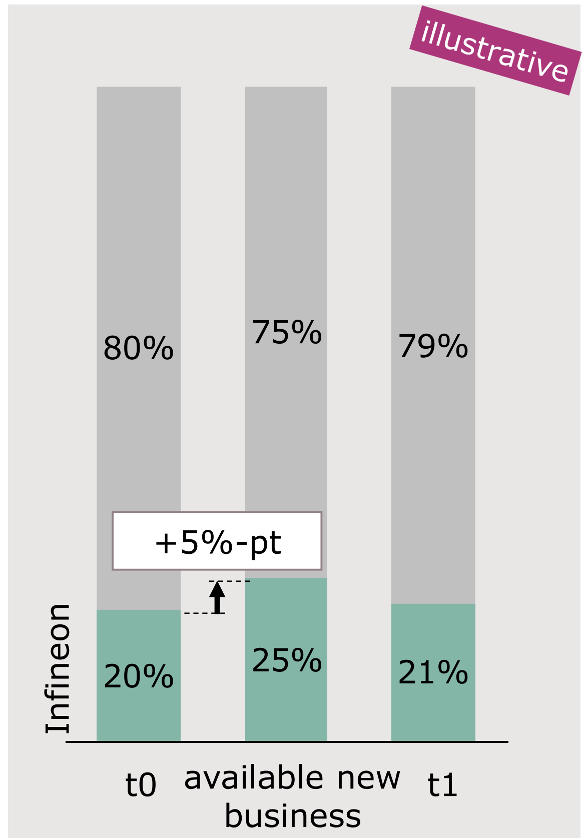
While stickiness of our business is a blessing for visibility, market share gains take time

How much new business needs to be won to grow market share by 1%-point?

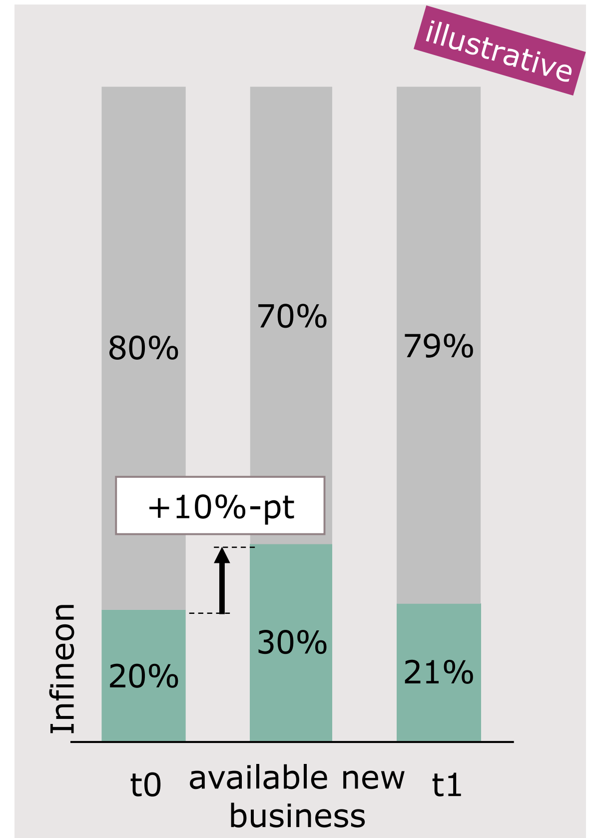
Duration of design-win
1 year



Duration of design-win
5 years



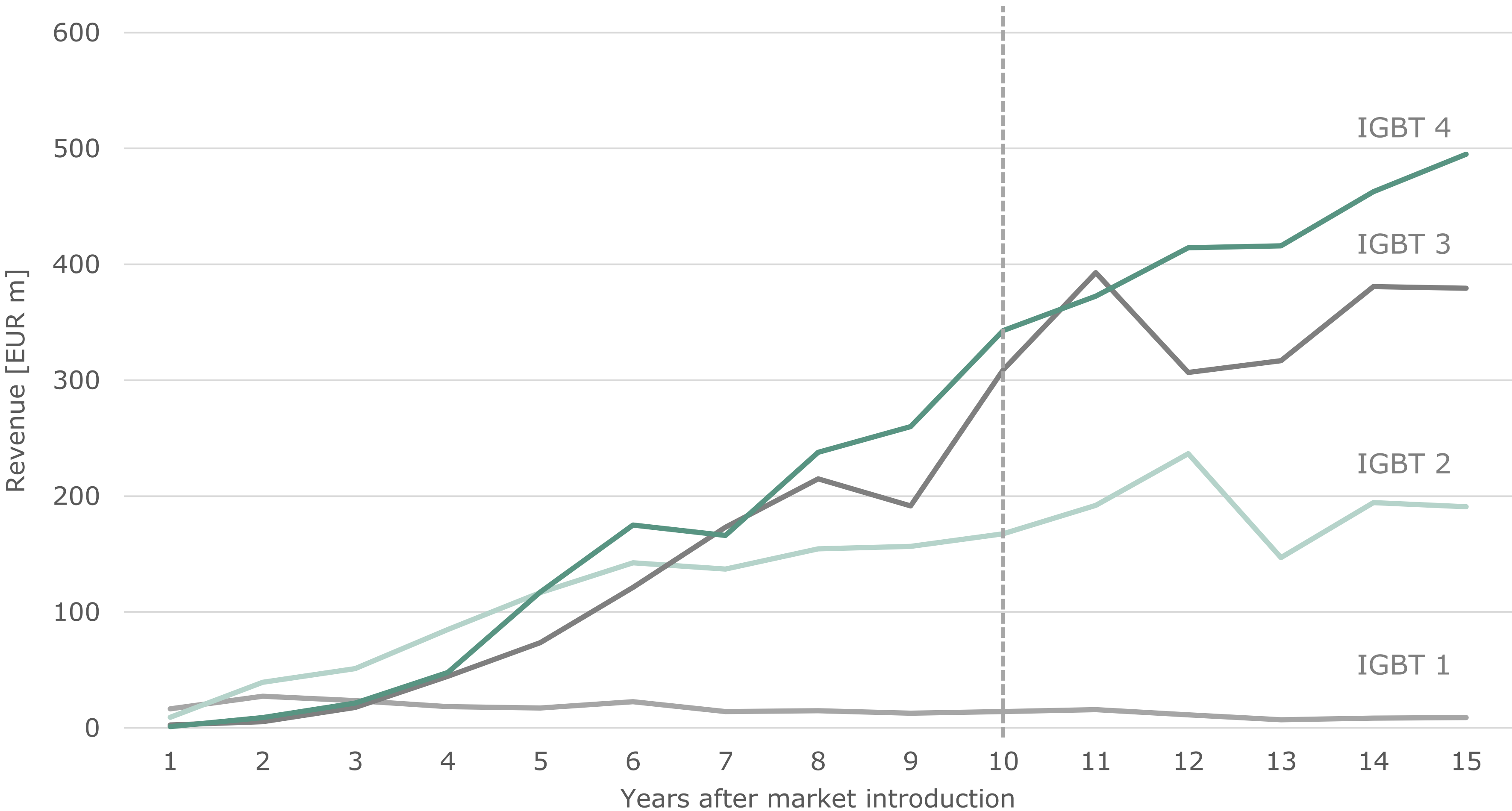
Duration of design-win
10 years



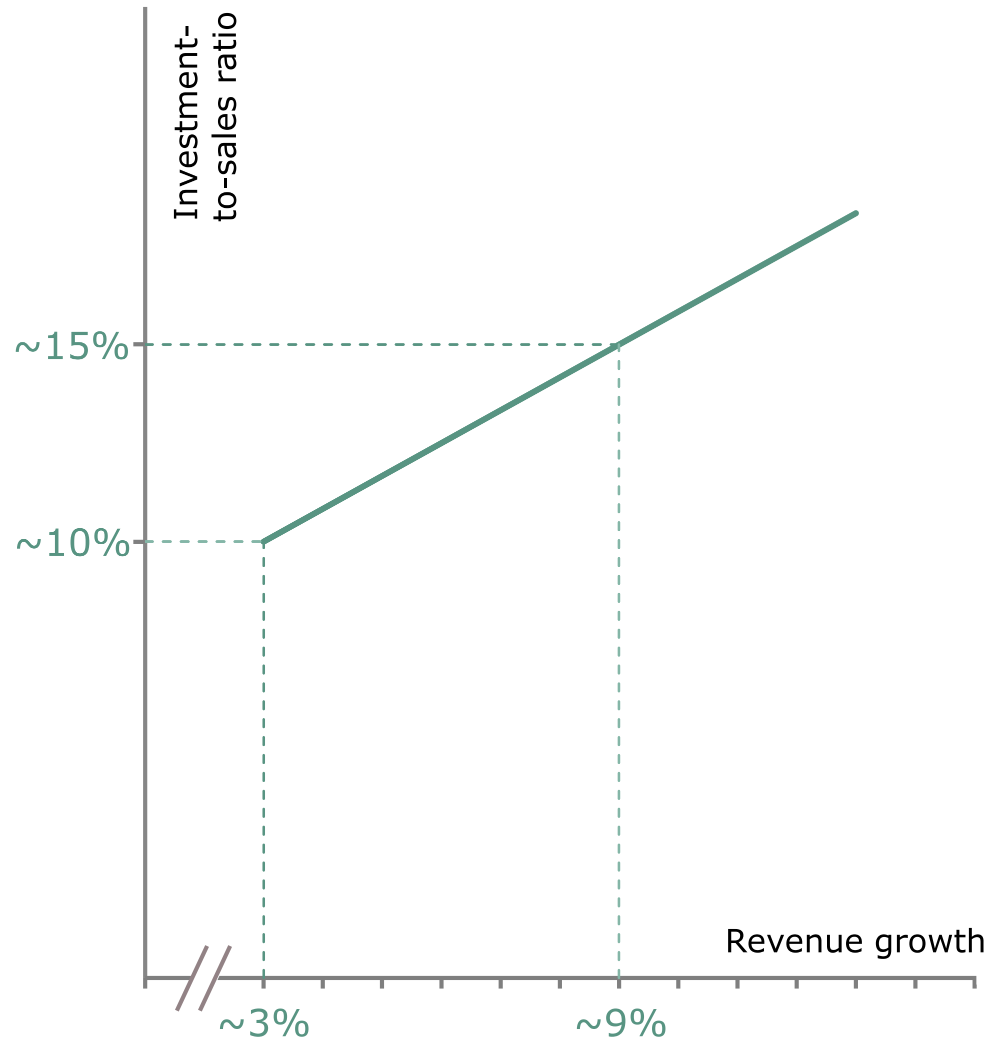
Assumption: Infineon holds a market share 20% at t0.

Long lifecycle of our products provides further evidence of stickiness in power semiconductors

Annual revenue of Infineon IGBT technologies after market introduction



We scale investments according to revenue growth



Long-term investment-to-sales

15% investment-to-sales* at 9% revenue growth

15% investment-to-sales, thereof
- 2%-pt capitalized R&D

13%-pt capex, thereof
- **6%-pt** fixed
- **7%-pt capacity expansion**

* Cleanrooms and major office buildings not included.

We need ~€0.88 of incremental capital for ~€1.00 incremental revenue

15% investment-to-sales → 2%-pt capitalized R&D

15% investment-to-sales → 13%-pt capex

13%-pt capex → 6%-pt fixed

13%-pt capex → 7%-pt capacity expansion --enabling--> 9% revenue growth

$$\frac{\text{7\% capex}}{\text{9\% revenue growth}} = \text{77.8\% capex-to-incremental revenue}$$

+ ca. 10% of revenue for working capital

~88% capital employed-to-incremental revenue

For €1.00 incremental revenue, €0.88 of incremental capital needed

Economic cost of carrying idle capacity is lower than the opportunity lost by bottlenecks

Investment	Incremental revenue	Contribution margin		Cost of carry
			vs.	
~€0.88	**~€1.00**	**~€0.50**		**~€0.09**
Incremental capital employed	**Incremental revenue**	**Incremental contribution margin**		**Incremental cost of carry**

While a market downturn tends to last less than a year, a lost design will negatively affect our growth, margin and cash generation in the mid- to long-term

Therefore we:

- invest in our organic growth while focusing on the right global footprint
- increase foundry/subcon share to generate more return by less capital employed

In coming years, additional investments beyond long-term formula will be required

- Additional investments in the range of a **low triple-digit €m amount** expected on top of the linear investment-to-sales formula in the next few years to be prepared for potential revenue upside and for potential structural changes

- Frontend cleanrooms and major office buildings are excluded from the linear investment-to-sales formula due to their lumpiness and irregular occurrence.
  We plan to invest **about €700m over the 5-years** planning horizon into such buildings (includes Villach 300 mm cleanroom, Villach R&D building and office building at Campeon headquarters)

D&A-to-sales expected to rise by ~3%-points over the next five years

- ~2%-points D&A-to-sales increase expected due to 2%-points increase in target investment-to-sales ratio
- ~1%-point additional D&A-to-sales increase expected due to:
  - Above 15% investment-to-sales at expected 10%+ growth through at least FY19
  - Additional investments as set forth on preceding page

~3%-points D&A-to-sales increase expected over the next five years

Segment result margin target of 17% gradually improving due to economies of scale in opex

- We want to continuously drive the "virtuous circle" of market share gains by offering our customers competitive pricing while achieving above-cost-of-capital returns on our growth investments
- Increased investment level drives further economic value added, but results in P&L headwind in particular from roll-on of depreciation
- We continue to expect opex to scale at the following percentages of revenue growth:
  - R&D 100%
  - S&M 90%
  - G&A 60%
- Productivity gains from increasing 300 mm and Kulim share expected to offset depreciation roll-on and other ramp-up costs

While higher growth investments weigh on our FCF over the next years, they will significantly boost EBITDA and FCF generation in the mid- to long-term

Period of accelerated growth with correspondingly higher investments will precede long-term TOM

	Current	Near-term	Long-term
Revenue growth	~8%	~10%+	~9%
Segment result margin	~17%	~17%+ opex economies of scale	
Investment-to-sales	~13%*	~15%++*	~15%*

- Period of accelerated growth with correspondingly higher investment needs according to linear formula
- Additional investments to be prepared for potential revenue upside and for potential structural changes

- Investments into cleanrooms and office buildings

* Thereof ~2%-points capitalized R&D according to IFRS reporting standards.

Sensitivity analysis: impact of deceleration in growth on investment-to-sales ratio and FCF

	Forecast Period	Terminal value growth	TV FCF margin improvement to last planned year
Broker A	5 years	4.0%	-1.8%
Broker B	15 years	3.0%	0.0%
…	…	…	…

We would expect a 6 – 7%-points improvement in FCF-to-sales in a low growth scenario:

- Reduction of investments according to the linear formula
- Elimination of lumpy investments into cleanroom and office buildings
- Improvement in opex-to-sales
- Lower increase in net working capital

Infineon is seeing sustainable multi-year growth based on strong structural drivers. If and when growth is decelerating, investments will be adjusted downward accordingly.

Cash tax rate is expected to rise towards 22% – 26% beyond 2022

Tax loss carry forwards	› Both the effective tax rate and the cash tax rate are currently benefitting from German tax loss carry forwards › This benefit is expected to phase out over the coming years
Tax rate guidance	› Cash tax rate* is expected to rise towards 22% – 26% beyond 2022 › Effective tax rate is expected to rise towards 22% – 26% a few years earlier due to deferred tax accounting

* Income taxes paid divided by earnings before taxes adjusted for D&A from purchase price allocation.

Financial policy: significant gross cash position and moderate leverage

Gross Cash		Gross Debt
"€1bn + 10% - 20% of revenues "		"<= 2.0x EBITDA"
"€1bn + 20% of revenues"	**Actuals LTM per 31 Mar 2018**	**"0.8x EBITDA"**

Financial flexibility based on a solid capital structure

- Sufficient liquidity level for M&A flexibility, financing operating activities and planned investments throughout the cycle
- High focus on centralizing cash (continuous excess cash repatriation from subsidiaries)
- €1bn liquidity cushion for net pension liabilities and contingent liabilities
- Moderate leverage combined with well spread maturity profile until 2028, which secures repayment of debt even if capital markets are not available in extremely adverse scenarios (such as in the financial crisis 2008/2009)
- Strong and diversified core banking group

Key take-aways

Infineon has **consistently achieved targets** set forth in current target operating model.

Higher **capex required to support accelerated** growth in power.

Based on current booking trends, **double-digit growth** will likely be **sustained at least for the next fiscal year**; beyond that, reversion to long-term 9% growth trendline expected.

While this results in lower FCF and RoCE in the near-term, it significantly **increases EBITDA margin** and **FCF generation** in the **mid- to long-term,** thereby **maximizing shareholder value**.

We expect to gradually increase **17% segment result margin** by virtue of economies of scale in operating expenses and to **maintain FY18 gross margin** despite ramp-up costs including strong roll-on of depreciation.

Part of your life. Part of tomorrow.

Glossary

ATV	automotive	OEM	original equipment manufacturer
CAGR	compound annual growth rate	P&L	profit and loss statement
CCS	chip card security	PMM	power management & multimarket
D&A	depreciation and amortization	RFS	radio frequency systems
EBITDA	earnings before interest, taxes, depreciation and amortization	rhs	right-hand scale
FCF	free cash flow	RoCE	return on capital employed
G&A	general and administrative expenses	S&M	sales and marketing
IGBT	insulated- gate bipolar transistor	SOP	standard operating procedure
IPC	industrial power control	subcon	sub-contractor
IRF	International Rectifier	Tier1	automotive system supplier
IRR	internal rate of return	TOM	target operating model
lhs	left-hand scale	TV	terminal value
LTM	last twelve months	WACC	weighted average cost of capital
M&A	merger and aqcuisition		

Dominik Asam
Chief Financial Officer

- since 2011: CFO
- 2010: Head of Group Controlling at RWE AG in Essen, Germany
- 2007: CEO of Siemens Financial Services GmbH in Munich, Germany

- Dominik Asam was born in Munich in 1969. He studied at the Technical University of Munich and at the École Centrale in Paris, France. He is a graduate mechanical engineer and an Ingénieur des Arts et Manufactures. In addition, he completed an MBA at INSEAD in Fontainebleau, France.
- He joined Infineon in 2003.

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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.

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