



Dr. Reinhard Ploss

Annual General Meeting 2020

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Chief Executive Officer

Dr. Reinhard Ploss



- The spoken word prevails -

Dear shareholders,
dear viewers watching the broadcast,
dear ladies and gentlemen,

Infineon shapes the future:

- › We pave the way to sustainable and safe mobility.
- › We help to supply the growing world population with energy from wind and sun.
- › We have the technologies that make the Internet of Things smart, fast and secure.

Together with our customers, we shape the world of tomorrow - and a future worth living for all of us.

Welcome to the Annual General Meeting of Infineon!

Infineon has performed well under difficult conditions

The 2019 fiscal year was turbulent. For Infineon and for the entire global economy.

It had begun with a rolling start. Everything pointed to continued strong growth. The market for power semiconductors in particular was in a real boom phase. For some products, we were unable to fully meet demand with our existing production capacities.

We always knew that this phase would eventually end. The only question was: when?

At the same time, we were already aware of the potential risks arising from increasing geopolitical tensions and intensifying trade conflicts.

From January 2019 onwards, the economic outlook deteriorated very quickly. In our end markets, demand declined noticeably. We quickly had to adjust to a completely different situation - with markets that were growing significantly slower and in some cases not growing at all. For a semiconductor company, this change is particularly demanding because the throughput times for wafers in our production facilities are quite long. Consequently, it takes time to adjust to a lower level of capacity utilization. We implemented this quickly and smoothly.

Delivery capability is a success factor for Infineon. Our customers appreciate our reliability. Too cautious capacity planning will sooner or later lead to allocation. In this case you cannot take advantage of market opportunities during an upswing and you lose customers. We have therefore deliberately prepared for further strong growth and expanded our production capacities - which in some cases requires a very long lead time.

In weaker market phases, this means that we have to manage underutilization. Experience shows, however, that overcapacities are usually replenished after a few quarters, even if the markets develop weakly. The strategy is therefore clear: provide capacities with a sense of proportion and manage underutilization when it occurs.

The bottom line for the 2019 fiscal year is now a revenue of 8 billion 29 million euros, an increase of 6 percent. The Segment Result margin was 16.4 percent. Despite a challenging macroeconomic environment and a shrinking semiconductor market, Infineon continued to grow - for the sixth consecutive year.

This shows that our business model is robust. Infineon grows even in difficult times. For the first time in the company's history, we exceeded the revenue mark of 8 billion euros. Given the conditions in the 2019 fiscal year, we are satisfied with this result.

On behalf of the Management Board, I would like to thank all employees for their contribution. The fact that Infineon has mastered this challenging situation so successfully is a result also of their commitment and flexibility.

We want you, our shareholders, to have a fair share in our success. Since the 2010 fiscal year, Infineon has almost tripled its dividend payment in several steps - from initially 10 euro cents per share to 27 euro cents in the previous year. For the 2019 fiscal year, we propose an unchanged dividend of 27 euro cents per share. The new shares issued in June 2019 as part of the capital increase are fully entitled to dividends. As a result of the approximately 10 percent higher number of shares, the dividend payout will increase from 305 million euros to 336 million euros.

The situation in the target markets is stabilizing

That was the review of the past fiscal year. Let us now look at today and tomorrow.

Now, in the middle of the second quarter of fiscal 2020, we are seeing the first signs of stabilization in the market. This confirms our assessment.

We have held our ground well in recent months and are now preparing for the upturn. Over Christmas and New Year we had initially planned a two-week holiday break in our fabs in Kulim and Dresden. However, due to better short-term demand for certain technologies, we have continued production.

When the market picks up, Infineon will be ready. Currently, we continue to assume that a broad-based recovery will not set in before the second half of the fiscal year.

A look at the target markets of our four divisions reveals a mixed picture. However, the long-term growth drivers are generally intact.

In the Automotive division, we are benefiting to a lesser extent from the unit growth in the global car production. The long-term average is around two percent per year. At present, however, it is declining.

Much more important for us, with an average of about six percent growth contribution per year, is the increasing semiconductor share per car. On the one hand, there is still technological change benefitting semiconductor-based solutions in classic automotive applications. LED headlights are an example of this: Better light with lower power consumption. On the other hand, the two megatrends – electro-mobility and advanced driver assistance systems - are creating ever greater demand for semiconductors.

However, we are currently feeling the effects of the weakness of the Chinese market, which unexpectedly collapsed in 2019, in particular with regard to electro-mobility. However, there are signs of stabilization. The fact that subsidies will not decrease further in 2020 will certainly help. However, inventories are still high and it will take time before any significant growth impulses reach us again.

In Europe, manufacturers are virtually forced to increase the share of electric vehicles in their fleets in order to meet emission targets. Since this year, new cars have been subject to the stricter limit of 95 grams of CO₂ per kilometer on average. We have already taken this effect into account in our planning. Given the current car model roadmaps it will trigger demand from the second half of the calendar year.

In the medium and long term, electro-mobility is a key structural growth driver for Infineon. This is already shown by the fact that we are now represented in more than 35 models of plug-in hybrids and battery-electric vehicles that will go into production by the end of 2021.

An example that is now going into series production can also be seen today in our exhibition in the foyer. Volkswagen's ID.3 is the first vehicle based on the MEB platform of the VW Group. Depending on the selected battery capacity, a range of up to 550 kilometers is possible. With 100 kilowatts of charging power, you can recharge about 300 kilometers of range in just 30 minutes. In the basic version it costs less than 30,000 euros. These key data make it clear: electro-mobility is becoming suitable for the mass market.

The second major growth driver is the trend toward more and more advanced driver assistance systems, up to automated driving. With our comprehensive portfolio, we are excellently positioned to take advantage of the boom in assistance systems.

The Industrial Power Control division addresses very different markets with its power semiconductors. The fields of application include:

- > wind power and photovoltaic plants,
- > systems for energy storage and high voltage direct current transmission,
- > trains,
- > industrial drives and
- > major home appliances.

Many of these markets allow for long-term structural growth. The sub markets typically behave differently. Factory automation, for example, is a classic late-cycle business. We are currently observing a stabilization here. However, stocks must be further depleted before things can start to improve again. Demand for trains and power transmission is good. The expansion of renewable energies is also progressing. By the way, these are among the first applications for power semiconductors that adopt silicon carbide.

I will come back to this later.

We are now also seeing some positive signals in the target markets of Power Management & Multimarket. The so-called multisource business with smaller customers, which also felt the effects of the slowdown first, has bottomed out. Here and in some other areas, inventories in the supply chain have returned to normal levels. The server market is beginning to recover. Due to the increasing complexity of server architectures - caused, among other things, by data centers for artificial intelligence - the demand for special power supply solutions is also growing.

Demand for our silicon microphones is currently very strong. They have excellent acoustic properties. The strong growth is the result of four simultaneous effects:

Firstly, microphones are being used in more and more devices apart from mobile phones, for example in voice-controlled assistants or headphones with noise cancellation.

Secondly, the markets for these devices are growing.

Thirdly, more and more microphones are being used per device. For example, a set of headphones contains up to six pieces.

Fourthly, we are gaining market share because of the outstanding characteristics of our microphones.

Infineon only needs an area of 1.44 square millimeters to achieve this superior performance. You see the latest generation on my hand or on the screen.

The microphone membrane vibrates in this tiny housing. Its properties determine how precisely the sound in the environment is captured. As end users, we notice this through clear sound on the phone and reliable cancellation of unwanted ambient noise. What we don't see is the enormous know-how that lies in this technology.

Great technology is fascinating - the market shows if it is successful. For the current fiscal year, we expect growth of almost 50 percent for microphones compared to the previous year. This will increase our revenue to around 300 million euros.

A look at the situation in our divisions is completed by the Digital Security Solutions division. Security solutions are another core competence of Infineon. In an increasingly connected world and especially in the area of the Internet of Things, we are a sought-after partner. In recent months, we have gained further projects in application areas such as smart meters, cloud and battery authentication. The security expertise of DSS also benefits us in all other business areas. Because robust security solutions are needed almost everywhere: for the connected car, for industrial robots, for mobile communication and for many other applications. Here we also see interesting growth opportunities for Infineon in view of global trends.

Infineon prepares for the future

You see: We are well on track, but there are still some challenges to be overcome. We are well prepared for this.

As you know, my colleagues on the Management Board and I do not measure success solely in terms of numbers for individual quarters or fiscal years. Infineon's real quality is to develop sustainable competitive advantages and create lasting value.

We did this last year as well, although the present has already demanded a great deal of attention. As a company, we have to manage day-to-day business and the economic cycle. We must not, however, make the mistake of permanently giving higher priority to 'today' than to 'tomorrow'. A missed business opportunity could never be as damaging to this company as a missed fundamental change of course. That's why it's important, even in such hectic times like these, to keep an eye on what will bring success in the future. Many talk about continuous change - we live it.

When we enter the market today with an innovative technology and generate the first euro of revenue, we have already put in many years of development work - both for the product and for the necessary production processes. We have expanded our production network, which contributes significantly to our differentiation, over decades and keep it at the cutting edge of technology. We achieved today's success yesterday. Today we work on the success of tomorrow.

The planned acquisition of Cypress is also an important step in Infineon's evolution. For many years now, we have been working with great success to continually expand our system competence in the various markets. With Cypress we will be able to make even faster progress in this respect. The acquisition is the biggest transformation in Infineon's history. It is a challenge for all of us. But we are confident. Let me explain, why.

Infineon has now been an independent company for a good 20 years. Before that we were part of a large conglomerate. Our main task was to develop and manufacture those semiconductors that were needed by the other divisions. The target application was known, knowledge of the market was secondary and nobody thought of system solutions at that time. After all, the internal customer himself knew best what was needed.

Why do I bring this up?

The Infineon of these days cannot be compared with the Infineon of today. The semiconductor industry is characterized by continuous change. Anyone who does not set the course in time will quickly end up in a dead-end. The best recipe for sustainable success is to actively shape change. That's exactly what we do.

The example of power semiconductors shows how much Infineon's successful concept has changed over the years - how much it had to change in order to stay ahead. Energy efficiency and the use of renewable energy sources have always been core elements of our strategy. As the undisputed market leader in power semiconductors, we play a key role and we have helped shape the market ourselves.

For a long time, the focus in power semiconductors was on using technological progress to reduce losses and cut costs on a component level. This was very successful and is still valid. Infineon has succeeded better than its competitors in continuously optimizing the various parameters.

But that alone is no longer enough today. The technologies are approaching their physical limits and the effort of further improvements is increasing enormously. It is therefore important to find new ways to increase efficiency.

This is where it pays off to not only master the product, but also to understand the system in which it is used. There is a lot of potential in the interaction of the individual components, especially between switches, control ICs and the passive components. Optimization at system level creates completely new products.

This may also include new materials. Silicon carbide and gallium nitride have superior physical properties compared to silicon, but are more expensive and more difficult to process. The new materials will only be successful if it is possible to justify the higher costs through better system performance or to save costs elsewhere.

Silicon carbide, for example, enables completely new solutions and we work very closely with our customers to get the best out of the technology.

In the foyer you can see a photovoltaic inverter from the company Kaco. The “Blueplanet 125” was developed for decentralized photovoltaic power plants. Thanks to Infineon’s CoolSiC™ technology it is very compact and highly efficient. With an output of 125 kilowatts, it weighs less than 80 kilograms. The maximum efficiency is an impressive 99.2 percent. The great progress can be seen above all in the development of the size. Stop by our booth, the colleagues are looking forward to meeting you!

As the world market leader in power semiconductors, we master the entire range and can offer our customers exactly what they need for their specific application:

- › Leading base technology,
- › a comprehensive portfolio covering all voltage classes and form factors,
- › suitable components for power control,
- › system understanding and
- › innovative products based on new materials.

But as you can clearly see, we cannot rest on our laurels in our core markets either. What was successful yesterday may be outdated tomorrow. And that’s why we continuously develop Infineon even further. This is the only way we can continually develop the innovative power that makes our customers successful. If we succeed, we automatically set standards for the entire market.

The acquisition of Cypress supports this strategy. With Cypress we will strengthen our core business of power semiconductors, sensors and security controllers. This enables us to serve an even wider range of applications and offer customers complete solutions. This underpins our potential for differentiation and growth.

Cypress has a comprehensive portfolio of micro-controllers and connectivity components as well as the corresponding software. Together we are even better able to connect the real and digital world.

We are ready and looking forward to welcoming our new colleagues into the Infineon family soon.

Approvals from two authorities are still pending: We are in productive talks with the US American CFIUS and the Chinese SAMR. As of today, we expect to be able to close the acquisition towards the end of this quarter or early next quarter.

Digitization and IoT will change our markets

The acquisition will also help us to leverage the Digital Transformation for Infineon. Demographic change, scarcity of resources and urbanization are global megatrends that pose major challenges for humanity. On the one hand, Digital Transformation is part of the solution, on the other hand it is a challenge in itself. Without chips it is not conceivable.

In many areas of today’s life, electronics is used quite naturally. It is the basis for automation and higher productivity in industry. It makes everyday life more convenient. It helps us to use energy more efficiently and thus save resources.

Digital Transformation is the next level of this development, but its effect will be far greater. It is closely linked to the Internet of Things.

Thanks to modern sensor technologies, electronic systems can now capture a wide range of environmental data. Microcontrollers process this data and generate control signals. By connecting the systems and intelligently linking the data via the cloud, use cases are created that significantly exceed those of the singular solution. The prerequisite is that appropriate security mechanisms protect the integrity of the devices and information.

What does this mean for Infineon? The Digital Transformation is not only changing the way we work - at every stage of the value chain. It affects the lives of all people, influences each of our target markets and consequently changes the needs of our customers.

We want to benefit from this opportunity. We do not have a separate digitization strategy for this. That would also be the wrong approach. Digitization must be an integral element of corporate strategy. In real life, too, it not only affects the large computers in data centers. Rather, it takes place at all levels. A simple example: The greenhouse of the future uses LEDs as a light source, supplies itself with electricity from solar cells and precisely calculates the water requirements of the plants. The semiconductors needed for this are as varied as the areas of application.

With our broad portfolio, we have the right technological base to help our customers achieve this. This way we ensure that digitization serves people:

- › We ensure the trustworthiness of the data used.
- › We provide a reliable and fast connection to the cloud.
- › With our sensors, the cooperation between man and machine becomes an intuitive experience.
- › And our power semiconductors supply the connected 'things' with electricity - reliably and efficiently.

Infineon already has many technologies today to be a very successful player in this future field. The acquisition of Cypress will further strengthen us significantly.

The success of the Digital Transformation does not depend solely on technological progress. Politics is also called upon to create a corresponding framework. The fields of action are manifold.

Let us walk together on the path to the future. This includes rules, but standing still and waiting is not an option. We want to be the future, we want to shape it.

Infineon contributes to a future worth living

Earlier I already talked about power semiconductors. They have been a central pillar of our growth strategy for more than 20 years. Electrical energy is the life elixir of modern society. The power grid is their circulatory system - and power semiconductors ensure the correct circulation. Without it, the world as we know it would stand still. Even the automotive industry is not immune to electrification.

Our power semiconductors are needed for the generation, transmission, storage and use of electrical energy. Energy efficiency is a global trend and an important growth driver for our business. This is exactly why we are currently building a new 300mm factory in Villach.

Our products help to conserve resources and make use of renewable energy sources. In this way Infineon is making a contribution to a future worth living. Every year we calculate how much CO₂ equivalents we emit as a company and how much our products help to save in return. Currently, this ratio is 1 to 40, which means that Infineon enables savings that are 40 times higher than our emissions. Our employees all over the world are very proud of this - and so are we on the Management Board.

Now you may object: Infineon will benefit if more electrical devices or more cars are produced. That's correct. But without us there wouldn't be fewer cars or servers or air conditioning systems - they would just be much less efficient. We are convinced that you can only change things if you actively participate. Shaping begins with participating.

It is not enough to condemn the need for mobility, for example. For many people it is the basis of their professional and private existence. We also need to understand that, especially in emerging markets, many people want to have as good a life as we already have. Many will not accept a call for restriction and renunciation.

That is why we need the approach Infineon stands for: We want to make more from less. We start with what is possible today and at the same time we work on offering better solutions for the future. The light bulb was also invented in a room lit by candles.

Finding better solutions is what drives us at Infineon. We want to make a difference. And there are still many possibilities.

Climate change is threatening the global ecosystem and thus the very basis of human life. This insight is not new. Nevertheless, much valuable time has passed.

Young people such as the activists of Fridays for Future have ensured that climate change is once again receiving the much-needed public attention. Exactly 18 months ago today, on 20 August 2018, Greta Thunberg stood with a banner in front of the Swedish Parliament in Stockholm for the first time and demonstrated for better climate protection. That's great.

It like it when young people get involved and pursue things with passion and perseverance. And I am impressed by what Greta Thunberg and the whole movement have achieved in such a short time.

They have reminded all of us that we can do more - indeed, we must do more. And they have led many people and entire organizations to critically question their own carbon footprint and priorities.

- › EU Commission President Ursula von der Leyen is making climate protection a central theme of her term of office with the “European Green Deal”.
- › More and more companies and investors are taking a critical look at the effects their actions have on the environment.
- › The World Economic Forum in Davos in 2020 was also marked by the climate crisis for the first time, as was made clear not only in the German Chancellor’s speech.

These examples show: The necessity has been recognised. But analyses and demands are not enough. Now it’s time to act. Therefore, we must show ways that will take us forward on a global basis.

Infineon is already doing a lot. I have just explained the net benefits of our products. In addition, we also pay attention to our use of resources.

Per square centimeter of wafer area processed, Infineon uses 32 percent less water, 52 percent less electricity and generates 65 percent less waste than the global average of semiconductor companies organized in the World Semiconductor Council.

But we know: we can do more. Just as we are always looking for new ways to improve on the product and system side, we also want to work towards reducing or even completely avoiding CO₂ emissions in production.

For this reason, we are setting ourselves binding reduction targets for the first time as a company.

We want to become CO₂-neutral by the end of 2030. Our primary goal is to avoid emissions from our production and energy supply.

But we will not leave it at a long-term goal in ten years. By 2025, we want to have implemented 70 percent of the necessary steps - starting from the basis in fiscal 2019.

For example, we achieve the greatest savings through PFC exhaust air purification in the plants. We do far more than is required by law when it comes to such greenhouse gas reduction measures. We intend to offset the remaining emissions by purchasing green electricity and, to a lesser extent, by purchasing certificates that support development projects with environmental and social benefits.

The targets apply to our own footprint and include all direct emissions as well as indirect emissions from electricity and heat.

To the outside world, they are a promise by which we want to be measured. Internally, they are a motivation for ourselves to give our efforts an even greater boost. We are pleased that our employees are fully committed as well.

Summary and outlook

Dear ladies and gentlemen,

You see: Your company is in perfect health.

- › We mastered the challenge well last year.
- › We address long-term trends that will enable us to grow faster than the market in the coming years.
- › We are about to complete the largest acquisition in the company's history.
- › We stand by our social responsibility and do not rest on our laurels.

We are currently preparing for a coming upswing. There is still disagreement on trade issues at the international level, which continues to be a source of conflict. We therefore do not expect macroeconomic impulses and a significant market recovery driven by them in the short term. Nevertheless, our markets are increasingly developing in the right direction again.

We monitor the effects of the coronavirus very closely. Our top priority is the health of our employees. We have already taken appropriate precautions to protect them.

The economic consequences for China and the rest of the world cannot yet be fully assessed.

For the automotive market, market researchers expect production losses of one million vehicles in China alone. This is equivalent to a good one percent of annual global production. However, a catch-up effect in the coming months cannot be ruled out. According to analysts, the number of smartphones sold could also fall by a good two percent this year.

So far, we have seen only minor impairment of our business on both the supplier and customer side. As of today, it is not possible to make a reliable forecast of the effects of the virus on the global economy, China and Infineon.

We therefore maintain our outlook for the current fiscal year. As a reminder, we expect revenue growth of 5 percent, plus or minus 2 percentage points, and a Segment Result margin of 16 percent at the mid-point of this range. This outlook is based on an assumed US dollar exchange rate of 1.13 to the euro. This does not include the planned Cypress acquisition. My colleague Sven Schneider will go into more detail on the outlook in his speech.

Changes in the Supervisory Board and Management Board

You will remember: A year ago, from this podium, I bid farewell to Dominik Asam as Chief Financial Officer. Sven succeeded him on 1 May 2019 and he had ample opportunity to prove his abilities from the very beginning. With the largest acquisition in the company's history, there was little time to go from 0 to 100. The professionalism with which he and his team planned and implemented the refinancing measures in the course of the Cypress acquisition, among other things, is impressive. Dear Sven, we are happy that you are now at Infineon and part of our team on the Management Board.

There will also be changes in the Supervisory Board. Dr. Sünner, Mr. Bauer, Dr. Diess, Mr. Hobbach and Prof. Köcher are leaving the Board at the end of today's Annual General Meeting. On behalf of the entire Management Board, I would like to thank you all very much for your many years of support, your trust and your constructive cooperation. I wish you all the best!

I would also like to thank the future members of the Supervisory Board in advance for their interest in joining Infineon.

Last but not least: What would Infineon be without its shareholders! Many thanks also to you, ladies and gentlemen.

Your trust gives us strength and confidence to work on the long-term development of Infineon even in turbulent times like these. Thanks a lot.



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