

Dr. Reinhard Ploss

Annual press conference

Neubiberg, November 10, 2021

Dear media representatives, dear viewers,

Welcome to Infineon's Annual Press Conference. I am very pleased that you have taken the time to join us.

Semiconductors are in greater demand than ever. The electrified and digitalized world is built on semiconductors. CO2 reduction and the desire to connect more and more devices and equip them with functions that make our lives and work easier are important trends in all industries. Electrification and digitalization will shape the decade. And Infineon's corporate strategy is clearly aligned with these key trends. We have established a first-class position, contribute with our solutions to a future worth living and are thus successful as a company.

I am thus very pleased to report to you today on Infineon's progress. As usual, I will first put the developments of the past fiscal year into context. Then I will use examples to explain how our company is driving electrification and digitalization with innovative technologies for advanced solutions. We will close with a look at the fiscal year that has just begun. Together with my colleagues from the Management Board, I will then be available to answer your questions as usual.

Let's start with the **review**:

[Infineon closes 2021 fiscal year with record quarter].

Infineon closed the 2021 fiscal year with an outstanding fourth quarter: We set a revenue record of around 3 billion euros and exceeded the 20 percent mark in Segment Result Margin. Compared to the previous quarter, we were able to increase revenues by ten percent. Year-on-year, revenue even increased by 21 percent.

This strong revenue growth means our profitability has developed positively as well. The Segment Result amounted to 616 million euros. This corresponds to a Segment Result Margin of 20.5 percent.

A look at the figures for the entire 2021 fiscal year shows: We are more powerful than ever before. For the first time, we have generated more than 11 billion euros in revenue in a single fiscal year. We also significantly increased profitability. The Segment Result reached 2 billion 72 million euros; the Segment Result Margin was thus 18.7 percent. Free cash flow was also at a record level of 1 billion 574 million euros.

2021 marked the first fiscal year at a new level for Infineon. For the first time, we had a twelve-month revenue contribution from the Cypress businesses. We are among the top 10 semiconductor companies worldwide and hold leading positions in many markets powered by long-term growth drivers.

Infineon now employs more than 50,000 people worldwide. The fact that the company was able to master the challenges of the coronavirus pandemic and the high demand dynamics so well in the past fiscal year and at the same time advance its long-term strategy is a special achievement on the part of our employees. On behalf of the Management Board, I would like to thank them for their outstanding commitment.

The rapid economic recovery, high structural semiconductor demand, limited capacity and unpredictable manufacturing disruptions due to the pandemic and force majeure combined to create an unprecedented global chip shortage.

Demand far exceeds supply. This also applies to Infineon. The positive momentum in our key markets is intact. We now only see a certain normalization in some applications that are less relevant for us. Overall, the pace of growth is determined by the speed at which additional manufacturing capacity becomes available. Although we are currently unable to fully meet the high demands of our customers, they are expressing to us a high level of appreciation. Our customers recognize that we are doing everything in our power to support them in the best possible way.

The chip shortage has once again underscored the strategic value of our in-house manufacturing. The accelerated ramp-up of our 300-millimeter thin-wafer production in Dresden and in our new Villach fab will enable us to meet the growing demand for power semiconductors. Infineon is less dependent on contract manufacturers for such products than competitors without their own production facilities are. This is an advantage that our customers appreciate as well.

However, in the case of products which we have opted to manufacture with contract partners, we want to equip ourselves even better against supply fluctuations in the

future. For this reason, we have intensified our collaboration with contract manufacturers in recent months. We are in constant contact and are doing all we can to obtain additional production capacity in the short and medium term. For the coming years, we have been able to agree on substantial additional capacities with a number of our manufacturing partners in front-end and back-end production.

We are thinking ahead and taking the necessary major steps to meet Infineon's growing supply needs with foresight and are thus laying the foundation for additional growth.

Let's take a look at how the four divisions have performed in fiscal 2021:

In the **Automotive** division, Infineon achieved revenues of 4 billion 841 million euros. This represents an increase of 37 percent compared to the previous year. The Segment Result jumped to 792 million euros. The Segment Result Margin was thus 16.4 percent.

These figures clearly reflect the recovery of the automotive markets after last year's historic slump. All of our product areas benefited from the upturn. The positive demand trend and falling underutilization costs in production as well as economies of scale in the area of electro-mobility and in our microcontrollers significantly increased Automotive's profitability.

The recovery in global automotive production was severely hampered by bottlenecks in semiconductors and other components as well as various supply chain issues. In an overall slowed automotive market, the spread of electric vehicles made good progress. Emissions regulations for manufacturers, the expanded model range and increasing customer acceptance are driving the trend towards electro-mobility. The share of global automotive revenue accounted for by battery-powered electric and plug-in hybrid vehicles is rising steadily. In the first nine months of the year, this share more than doubled compared to the same period last year - from 3.5 percent to 7.5 percent. In addition, we have assisted driving and the associated evolution of vehicle electronics. These trends are causing an increased demand for semiconductors in vehicles and are driving demand for our products and solutions.

Now to **Industrial Power Control**. The segment achieved revenues of 1 billion 542 million euros, an increase of 10 percent over the previous year. IPC's Segment Result reached 275 million euros. This corresponds to a Segment Result Margin of 17.8 percent.

The segment benefited from the ongoing economic recovery. The expansion of renewable energies is being driven forward. Energy storage systems, charging infrastructure for electro-mobility and energy-saving home appliances are also needed for the energy transition. These were and are all strong and lasting drivers for the business of Industrial Power Control.

The **Power & Sensor Systems** segment was also able to increase revenues significantly, by 23 percent to 3 billion 268 million euros. The Segment Result reached 823 million euros. This corresponds to a Segment Result Margin of 25.2 percent.

The relocation of work, school and leisure activities to the home as a result of the pandemic created a surge in demand for PCs, laptops and tablets. Far beyond the pandemic, smart devices, edge computing, 5G networks and cloud data centers are also growth drivers for Infineon. The segment is very well positioned, with its broad portfolio including power electronics, sensors and radio frequency components.

The **Connected Secure Systems** segment achieved revenues of 1 billion 397 million euros in the past fiscal year - an increase of 43 percent. The Segment Result reached 182 million euros, which corresponds to a Segment Result Margin of 13.0 percent.

Demand was very strong in virtually all application areas. People's limited mobility as a result of the pandemic led them to invest more in fitness and health equipment for the home, as well as in game consoles. The trend towards contactless payment also drove demand for our solutions. Only the areas of ID documents and ticketing saw low demand due to the pandemic.

There are more and more intelligent and connected devices, be it in industry, in automobiles or in the consumer sector. This leads to an increasing demand for higher-quality semiconductor solutions that combine control, connectivity, security and software. With Cypress, we have expanded and significantly improved our offering. We are reaching more and more customers with our products and complete solutions.

Dear viewers,

The bottom line is that Infineon had a very successful fiscal year 2021. With the strong revenue growth, profitability has developed positively as well. Demand exceeded supply in almost all of the application areas we serve. Without capacity constraints, even higher growth would have been possible.

We want our shareholders to participate appropriately in this successful fiscal year for Infineon. Due to the economic impact of the coronavirus pandemic, the risks existing at the time, and in order to retain financial leeway, we had distributed a reduced dividend of 22 euro cents per share for the 2020 fiscal year.

For fiscal year 2021, we will propose a dividend of 27 euro cents per share at the upcoming Annual General Meeting in February. This would bring the dividend back to its pre-pandemic level. Due to the increased number of shares, the total dividend payout would then be 351 million euros and would thus be above the level of fiscal 2019.

Infineon's share price performance is also very pleasing to shareholders. It has quadrupled since the low point reached after the outbreak of the pandemic and the closing of the Cypress acquisition in spring 2020. Our strategy is convincing, the value of the acquisition is understood. We also felt this clearly at our Capital Markets Day in early October. Infineon's focus on electrification and digitalization creates sustainable value.

I would now like to take a closer look at these two trends, which are significant for the world and for Infineon.

[Infineon makes electrification possible].

Six years have passed since the Paris Climate Agreement. These days, decision-makers are negotiating in Glasgow to strengthen the global community's joint efforts to protect the climate. We are at a critical juncture. Humanity has a historic opportunity - perhaps the last - to set the course for a more sustainable future. The climate conference clearly reflects this. Expectations are high. But setting targets can only be the first step. Now we also need concrete solutions.

One thing is clear: We must massively reduce global CO2 emissions in the coming years. At the same time, the world's population is growing steadily, and with it the global demand for energy. An unrestricted energy supply is essential to enable prosperity and a decent life for all. The rising energy prices in recent months and the intensifying discussion about affordable energy sources show the great importance of a secure energy supply that is accessible to all - ultimately for social cohesion and the acceptance of the necessary measures.

CO2 reduction on the one hand, increasing energy demand on the other - electrical energy offers a way out of this dilemma. An energy system based on electricity is the key to achieving climate targets and entering a new energy era. The system must encompass the entire energy value chain, green generation, efficient transmission, smart storage systems and, above all, efficient use of electricity. The climate countdown is on. We cannot afford to tackle these areas one by one. We must now pull all the levers at our disposal at the same time.

Electrification of core industries is a crucial prerequisite for achieving the goal of climate neutrality by 2050 and thus the 1.5 degree target. This will require enormous efforts and investments. Let me use two examples to illustrate the scale of the transformation we are facing:

- In its Net Zero scenario for 2050, the International Energy Agency calculates that the annual addition of photovoltaic capacity to generate green electricity will have to increase almost fivefold by 2030 compared to 2020 levels. By the end of the decade, photovoltaics and wind power will become the leading sources of electricity. By 2050, 70 percent of global electricity generated will have to come from solar and wind.
- Market analysts estimate that the number of electric vehicles produced each year will increase ninefold within ten years - to 36 million new vehicles in 2030, or almost half of all passenger cars. In calculating the Net Zero scenario, the International Energy Agency assumes that almost all cars sold worldwide will be fully or partially electric by the mid-2030s.

As you can see, dear viewers, the challenges are enormous. And this is where Infineon comes in. Our company is part of the solution to the climate crisis. We are the world market leader in semiconductors for power electronic systems. Our components are an essential element in energy efficiency at all stages of the energy chain - which is why we often call them "energy-saving chips". Making more from less - that is the approach Infineon is taking to contribute to electrification and the achievement of climate targets. We will now show you some impressions:

[Video on topic of Energy Efficiency]

New semiconductor materials are one key to a more climate-friendly world. Technologies based on silicon carbide and gallium nitride are increasingly being used wherever high power has to be controlled. For example, in solar plants, in electric vehicles and charging stations, or in data centers. The demand for silicon carbide and

gallium nitride solutions is growing strongly. That is why we at Infineon are expanding our portfolio for different application areas.

One example, photovoltaics: With our technologies, we enable the world's most powerful inverter for solar plants. This comes from Sungrow, the world's leading supplier of inverters for renewable energies. At 352 kilowatts, the inverter offers around 40 percent more power than the previous generation.

If you consider that, just ten years ago, inverter systems with an output of 100 kilowatts had a weight of about a ton and a correspondingly high price, and today they weigh significantly less than 100 kilograms, that is a very impressive development. Two or three fitters can easily move such devices. Installation is much easier. The total cost of the solar farm drops significantly for the operator.

Silicon carbide also plays a crucial role on the road to widespread electro-mobility: A few months ago, Infineon introduced the industry's first silicon carbide power module qualified for traction converters in electric vehicles: our new HybridPACK™ Drive CoolSiC™.

I brought one along, see for yourself. [*presentation of HybridPACK™ Drive CoolSiC™*].

The module makes it easy for manufacturers of electric vehicles to switch from silicon to silicon carbide. With the same space requirement, the converter achieves a higher output, enables a five to ten percent greater range and allows a smaller battery size with the same output.

Given these advantages, interest is high among both established manufacturers and new players in the electric vehicle market. Infineon has already achieved several design wins. Among others, we were successful with Hyundai and the Chinese electric vehicle manufacturer Xpeng. And we are confident that more customers will follow. We expect silicon carbide to account for more than 30 percent of the power semiconductor market for electric drives as early as 2025. With our system expertise and customer access, we are ideally positioned to benefit from this development. We are driving the electrification of the car.

Of course, we have our long-term supply capability in mind and we plan ahead. In view of the rapidly growing demand, we are consistently expanding our production capacities for power semiconductors. We have reported in detail on our new chip

factory at the Villach site. In addition to silicon, we are increasingly investing in silicon carbide and gallium nitride capacities. We want to maintain our leading role across the entire spectrum of power semiconductors.

Another differentiating factor for wide bandgap semiconductors is the technical process by which the raw wafers are produced.

The starting material for silicon carbide wafers is a silicon carbide boule, as shown here on the left. This is sawn into slices and ground by the wafer manufacturers. The result, a silicon carbide wafer, is shown on the right. The disadvantage of this process is that around half of the expensive raw material is lost during sawing and grinding, and a further quarter is lost during processing of the wafer.

An alternative process based on what is called cold split technology offers decisive advantages. You may remember that at our annual press conference three years ago, we reported on the acquisition of Siltectura and its cold split technology. We have successfully developed this technology further at Infineon. In the meantime, we have made decisive progress on the way to industrial use of the process.

With cold split, we at Infineon now have the technology to split blanks ourselves and reduce the loss of raw material by half compared to the conventional sawing process. This allows us to achieve about twice the number of silicon carbide wafers per boule. This saves resources. And it brings considerable cost advantages.

Today we can announce: The first product based on cold split technology has been qualified for production. We are now ramping up a pilot line and preparing for volume production.

In the next step, we will develop the cold split technology further. In the future, we also want to use it for wafer splitting. In this process, a very thin layer - only 0.1 millimeters thick - is lifted off the top of the almost completely processed initial wafer and finished. The remaining wafer can be reused. The concept of "making two out of one" is a sustainable competitive advantage for Infineon.

A note for the media representatives who are with us today: We have put the silicon carbide boule and wafer on display for you here in the showcase. Please feel free to have a look for yourself after our press conference.

This example shows: The efficient use of resources is important to us. Infineon regularly ranks among the top ten percent of the most sustainable semiconductor companies in the world. And we are constantly working to improve further.

We are optimizing our manufacturing processes with the objective of further reducing our company's carbon footprint. We expect significant savings from 300-millimeter manufacturing technology, the installation of the latest air emission abatement system, the advancement of Industry 4.0 and the increasing use of green electricity in our manufacturing operations. The generation and use of green hydrogen is also an important component. We recently launched a corresponding pilot project at our Villach site. Infineon has committed to CO2 neutrality by 2030, and we are well on our way to achieving this goal.

Making life greener is a central part of our corporate mission. The fight against climate change drives us at Infineon. We are doing everything we can to further reduce our CO2 footprint step by step. And our products and solutions contribute significantly to reducing CO2 emissions. Incidentally, they can also become a significant factor in the currently much-discussed hydrogen technology. Because this technology is also based to a large extent on electrification. As part of the energy mix, green hydrogen can contribute to the decarbonization of our economy.

[Infineon is excellently positioned to shape digitalization.]

The green transformation and the digital transformation go hand in hand. Electrification and digitalization complement and reinforce each other. Both trends have been additionally accelerated by the coronavirus pandemic.

Thanks to digital solutions, we were able to maintain large parts of economic, public and private life during the pandemic. And the experience of the last year and a half has led many companies, as well as government institutions, to significantly accelerate their digitalization projects.

Digitalization is driving our growth. At Infineon, we use digital technologies to create value for our customers with fast and efficient business processes. First, we are expanding our range of digital products and services. We offer software and development tools and an extensive innovation ecosystem with strong partners. Second, we are digitalizing our processes through automation, data-driven decision making and the use of artificial intelligence.

Digitalization is now ubiquitous - at home, at work and in public life. Yet we are only beginning an era of the Internet of Things with billions of networked and intelligent devices. This is giving rise to a multitude of new applications that will make our lives more convenient, efficient and secure.

Infineon is excellently positioned to shape digitalization - just as we are already shaping electrification. With Cypress, we have significantly accelerated our "From Product to System" strategy. I already reported on this in detail here a year ago. The integration of key elements such as microcontrollers, connectivity and software have put us well on our way. And we are benefiting more and more from the synergies of the combined portfolio. We see that the Cypress acquisition is delivering what we promised. Our products and solutions position us "at the core of the Internet of Things", so to speak. With the acquisition, we have made a significant leap forward. Infineon is the link between the real and the digital world.

Artificial intelligence and machine learning are playing an increasingly important role in consumer and industrial applications. So far, most algorithms are trained and executed in the cloud. However, cloud computing is associated with various limitations, such as bandwidth, connection stability, power consumption and, last but not least, data protection.

More and more digital solutions and AI systems require short response times. These cannot be achieved with systems that transmit enormous amounts of data over long distances to a central data center and receive a response from there. In addition, the connection to the cloud cannot always be guaranteed one hundred percent. But this is necessary for time- and safety-critical systems - think of driving assistance systems in cars, for example.

Therefore, data processing needs to move closer to the data source, i.e. the user and the device. Computing power and AI capabilities are increasingly integrated directly into the device or into a device nearby. The trend towards what is called edge computing plays right into Infineon's cards. Because it requires sensors, integrated controls, connectivity, security and intelligent power supplies.

Infineon is increasingly relying on partnerships to develop system solutions for the Internet of Things. One example: Infineon and the company Picovoice have jointly developed a voice platform that equips edge devices with voice-based AI. The collaboration enables intelligent voice solutions for connected devices with extremely low energy requirements and comprehensive connectivity. Using this platform,

companies can create voice interfaces and process commands using neural networks. For example, a coffee machine can be controlled using voice commands - even without connecting to the cloud. Data processing can take place entirely on the device without sending audio data to the cloud. This ultimately also increases consumer confidence in these devices.

We offer developers a system solution-based approach for intelligent edge devices. The collaboration with Picovoice is expanding Infineon's AI ecosystem.

As they use smartphones, tablets, smart speakers and new AI-equipped devices, people are becoming more accustomed to a simple and intuitive way of using and interacting with them. The expectation will be that every device will meet this standard of usability - even the car, arguably the most complex IoT device.

People want an environmentally friendly car that is as easy to operate as a smartphone, with ever more comfort and driving assistance functions. And they want to be able to fully trust the car with all its integrated functions. Safety is a crucial prerequisite for autonomous driving. Semiconductor innovations are essential to making all this possible. Their importance in the car is growing enormously. The car of the future will be clean, safe and smart. Infineon is helping to make it a reality.

We are shaping digitalization. Our solutions put us at the center of the Internet of Things. We will benefit greatly from the proliferation of smart and connected devices in the coming years.

This brings us to the **outlook**:

For about three quarters we have seen an imbalance between supply and demand on the semiconductor market caused by the pandemic, the economy and structural factors. In general, there are signs of a certain stabilization. Demand continues to exceed supply. There is a considerable need to catch up. But the order backlog is no longer growing as strongly.

However, it will be some time before supply and demand are in balance again. Capacities remain tight in most markets and inventories are very low. In some areas they are rising again slightly, but remain well below long-term averages.

Of course, the dynamics differ in the various submarkets. The supply situation will ease sooner in some than in others. However, we do not see this happening for our target applications in the near future. Chip shortages in the automotive, industrial, data

center, Internet of Things and other sectors will persist well into 2022. We expect strong demand to continue in virtually all of our markets as many applications continue to be electrified and digitalized.

Our outlook for fiscal 2022 will therefore be determined by the supply side, i.e. the extent to which we can expand our capacities - both internally and with external manufacturing partners. Nevertheless, we anticipate a strong fiscal year.

[Outlook for fiscal year 2022 confirmed: Revenue growth in the mid-teens percentage range and further increase in profitability]

We expect revenue of around 3 billion euros for the current first quarter. With revenue largely constant, the Segment Result Margin is expected to be around 21 percent, slightly above the level of the September quarter.

Our outlook is based on the assumption of a dollar-to-euro exchange rate of 1.20. As Infineon has grown strongly, we are slightly adjusting our rule of thumb regarding the currency sensitivity of our numbers: For every one cent change in the exchange rate from the dollar to the euro, we now expect a change in quarterly revenue of around 15 million euros and in the Segment Result of 5 million euros.

At our Capital Markets Day, we already forecast revenue growth in the mid-teens percent range for the entire 2022 fiscal year. This would mean that Infineon would grow significantly faster than the market. Specifically, we expect revenues of 12.7 billion euros, plus or minus 500 million euros. We expect to benefit from structural growth opportunities and the further expansion of our own manufacturing capacities. Our forecast assumes that there will be no major supply chain disruptions or new manufacturing bottlenecks.

We are confident about the development of our profitability. We are increasing the forecast given at our Capital Markets Day. With the expected revenue growth, we now expect a Segment Result Margin of around 21 percent. Both cost and price increases will start during the year, but not necessarily at the same times.

We see strong growth potential for Infineon for this decade and beyond. To take advantage of these opportunities, we are significantly increasing our investments. After 1.6 billion euros in the 2021 fiscal year, we are planning investments of around 2.4 billion euros in the current fiscal year. So we're really stepping it up a notch. One focus of investment is the expansion of our production capacities for 300-millimeter

silicon thin wafers at the Dresden and Villach sites. Another is the aforementioned expansion of our production capacities for products based on silicon carbide and gallium nitride. We're also making targeted investments in the insourcing of foundry capacities for certain technologies where we see strategic importance for our systems approach.

Despite the increased capital expenditure, we expect to generate free cash flow of around 1 billion euros thanks to our strong operating performance. We are well equipped to continue on our successful path in fiscal 2022.

Dear viewers, in conclusion:

First: Infineon has completed a very strong 2021 fiscal year with a record quarter. With annual revenues exceeding Euro 11 billion for the first time and more than 50,000 employees Infineon has gained significant clout.

Second, the high demand for semiconductors for the energy-efficient and connected world continues. Infineon is excellently positioned to help shape and benefit from the major trends of electrification and digitalization in the coming years. We are contributing significantly to making life easier, safer and greener.

Third, we have started the first quarter with momentum and expect a strong fiscal year 2022. We are investing significantly more because the growth opportunities for Infineon are considerable and we want to take advantage of them.

Thank you for your interest.

Together with my colleagues on the Management Board, I am now available to answer your questions.

#