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Annual Press Conference

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– The spoken word prevails –

Ladies and gentlemen,

A warm welcome to Infineon's annual press conference.

We're delighted that you're here with us today. Whether you came here by plane, car or rail, your journey wouldn't have been possible without our semiconductors. They make traveling easier, safer and greener. In the meantime, it would be hard to imagine our everyday life without semiconductors. That's also why Infineon's markets promise stable, sustainable growth into the future.

In the 2015 fiscal year, we showed how we can succeed in our markets. I'll present that in the first part of my speech with reference to the key figures and trends.

I'll then provide you with an outlook for the current fiscal year and explain why Infineon will keep on growing profitably in the future.

We will then be available to take any questions you may have.

So now to my review:

Ladies and gentlemen, we are very satisfied with the 2015 fiscal year. Revenue rose by 34 percent to 5 billion, 795 million euros. That includes the contribution made by International Rectifier from January 13, 2015 onward. At the same time, our segment result increased by 45 percent to 897 million euros, giving a segment result margin of 15.5 percent and hence 1.1 percentage points more than in the 2014 fiscal year. The strong dollar gave our revenue and earnings a positive boost.

I would, however, like to highlight two key successes in the 2015 fiscal year:

First: We successfully integrated International Rectifier and thus expanded our know-how.

Consolidating our IT landscape and optimizing manufacturing are the only things that will, as planned, still take some time – as is typical with such complex processes.

Apart from the acquisition of International Rectifier, we have been strengthened through strategic acquisitions and partnerships:

- by taking over all the shares in the Korean company LS Power Semitech,
- by acquiring a stake in PCB manufacturer Schweizer Electronic and TTTech, a specialist in driver assistance systems
- and through our partnership with Panasonic in relation to the future technology of gallium nitride.

I'll deal with that in more detail later in my speech.

Second: We are also growing organically. The rise in revenue – without the acquisition and adjusted for currency fluctuations – was significantly higher

that our long-term goal of 8 percent per year. Overall, we are winning market share.

A strong position in the target markets is crucial, especially in the semi-conductor industry. We make our customers more successful through system solutions. We achieve that through our extensive expertise in the respective applications and markets.

Our strong position is clear from the market figures for the 2014 calendar year, which partly overlaps with our 2015 fiscal year.

We are growing faster than the market in automotive business. And we know that we have even overtaken Renesas, the market leader to date, in terms of revenue in the first quarters of the 2015 calendar year. We have consolidated our leading position in the field of power semiconductors. And we are growing faster than the other top players when it comes to smart card ICs.

Thanks to our strategic approach "From Product to System," we can identify opportunities and trends in our markets at an early stage. That allows us to be quick and flexible in offering new solutions.

Review of the four business segments

Ladies and gentlemen, let's take a look at the individual segments. I'll start with Automotive. Revenue in the 2015 fiscal year rose by 20 percent to 2 billion, 351 million euros, with earnings of 300 million euros. This corresponds to a segment result margin of 12.8 percent.

In our automotive business, we benefit from Infineon having a strong position in all regional markets. That's why we are not so severely affected by fluctuations in individual markets.

In addition to the number of cars sold, it is also the value of the automotive electronics per vehicle that is important for Infineon – and that is continuing to increase. Our semiconductors are crucial to many innovations that make driving safer and more comfortable – and cut CO_2 emissions.

One example is the car radar system: It's used to help drivers and avoid accidents, for example, by detecting pedestrians, as a distance warning aid or by monitoring blind spots. Driving is also made much more comfortable, for instance, through partially autonomous driving in heavy stop-and-go traffic. The flow of traffic becomes more efficient, and that leads to lower CO_2 emissions.

We presented the radar system to you at last year's Annual Press Conference. And it wasn't a far-off vision. In July 2015, we reported that the ten-millionth radar chip for cars had been shipped. That number was sold over a period of six years. We already plan to ship the next 10 million radar chips in the subsequent twelve months.

Innovations in technology and manufacturing have allowed Infineon to significantly cut the costs for making the radar system while retaining the same functionality – and we will of course continue to meet the extremely high quality requirements. As a result, we're gaining a foothold in cars in the midrange and compact class.

Infineon makes it possible: Reliability you need in an aircraft at costs that are affordable in a car. In the meantime, emergency brake assist systems are available as inexpensive optional extras even in small cars, often costing less than a metallic finish.

Our engineers have done a magnificent job to make this possible. And their innovation has been acknowledged at the highest level: The high-frequency radar chip team at Infineon is one of the three finalists for the Deutscher Zukunftspreis 2015 (German Future Award), which the Federal President of

Germany confers for technology and innovation. We'll keep our fingers crossed for our colleagues.

Let's move on now to the Industrial Power Control segment. In the fourth quarter and the fiscal year as a whole, we benefited from rising demand for renewable energies and trains, in particular as a result of infrastructure measures in China. We expect this trend to continue.

Revenue in the 2015 fiscal year rose by 24 percent to 971 million euros. That's due on the one hand to the acquisition of International Rectifier and, on the other, to organic growth. Earnings were 122 million euros, with a segment result margin of 12.6 percent.

We see a new growth area for IPC in the field of home appliances such as refrigerators, washing machines and air conditioners. That's the result of the trend toward so-called inverterization. What does that mean?

An example: For a long time the compressor in a refrigerator only knew two operating states: "Off" and "full power until the target temperature is reached." The speed and hence power of the motor is adapted to individual needs by means of an inverter. What's even more important is that other types of motor with much greater efficiency can also be used with an inverter. That means that a fridge uses up to 30 percent less electric power, has a longer service life and produces less irritating noise. That's good for people and good for the environment.

A crucial component in this inverterization are smart IGBT modules, so-called IPMs. We've expanded our product portfolio in this field through the acquisition of International Rectifier and the takeover of LS Power Semitech. At the same time we've improved access to Korean customers who are leaders in many home appliances.

Infineon generated revenue of 1 billion, 794 million euros in the 2015 fiscal year in the Power Management & Multimarket segment, a year-on-year increase of 69 percent. Earnings were 352 million euros, giving a margin of 19.6 percent.

There are two main reasons for this strong growth in revenue:

First: Around 70 percent of International Rectifier's revenue is in the PMM segment. Second: People want to use mobile communication more and more and PMM benefits from this trend along the entire communication chain.

That starts with the mobile infrastructure. Global rollout of the fourth generation of mobile communication, LTE, in particular in China, led to high demand for our radio frequency power transistors for base stations.

Huge server capacities are also needed to cope with the rapid increase in the amount of data being exchanged. With our flexible solutions, we ensure a low-loss and reliable power supply.

Finally, the semiconductor content in smartphones and tablet computers is rising. We are gaining more and more market share here with our radio-frequency components and silicon microphones.

And this development will continue. Sensors are turning the smartphone, with its growing range of functions, into an important interface between the real and the digital world. I'll explain the importance of sensors for the Internet of Things as a whole a little later.

Now we come to the Chip Card & Security segment. All in all, the fiscal year at CCS was characterized by a sharp, purely organic rise in revenue of 35 percent to 666 million euros. Earnings were 121 million euros, with a segment result margin of 18.2 percent.

All the business lines at CCS contributed to this rise in revenue: higher-end SIM cards equipped for mobile payment, payment cards, government ID and authentication solutions. One example: Samsung's smartphones Galaxy S6 and S6 edge, as well as the latest smartwatch, are equipped with our security chip. Since it's permanently installed, it's called a "secure embedded element."

With a rise of almost 50 percent, payment cards recorded the highest revenue increase in comparison to the previous year. This was primarily due to the greater market penetration of chip-based credit cards in the U.S. and China.

All in all, our security expertise is currently in great demand, for instance in connection with Industry 4.0 or for the connected car, which has to be protected against hacking.

Assessment of the 2015 fiscal year

Ladies and gentlemen, we grew in all four segments and are achieving sustainable profitability. With the acquisition of International Rectifier, we were quick to recognize the trend toward consolidation and acted swiftly. As a result, we have strengthened Infineon in terms of know-how and size.

In the meantime, we have reached a major milestone: We have successfully integrated International Rectifier. In the fourth quarter, its margin contribution matched Infineon's target of a 15-percent segment result margin over the cycle. That means we're delivering on our promise more than a year sooner than planned. In future we will no longer report separately on International Rectifier, because we're now one company.

Including the consolidated figures of International Rectifier, we increased our margin to more than 15 percent in the 2015 fiscal year – and did so while

shouldering the biggest takeover in our company's history. The integration process doesn't always run so smoothly.

However, achieving the financial targets is only one of the reasons why the acquisition is a success. We are also consistently implementing the strategic goals we presented to you last year.

Adding to scope: The acquisition means we offer more products and system solutions. And the feedback from our customers is very positive. One example: By combining an Infineon chip with a housing from International Rectifier, we supply our customer Eberspächer with the core product for battery switches that are used in new vehicle classes with a 48-volt electrical system.

We are also adding other applications to the performance range of our products. As a result, we will in future be able to leverage our know-how in power supply units for especially powerful servers for mobile phone base stations as well.

Adding to scale: We are also making progress in exploiting economies of scale. We can see initial successes in Purchasing, Sales and Research and Development.

With the aid of our 300mm thin wafer manufacturing, we can produce a series of International Rectifier products at lower costs. Capacity utilization at the 300mm locations will increase in the medium term, enabling us to benefit sooner from this innovative technology.

Adding technology: We have expanded our expertise in key growth markets and turned it into business successes. I've already mentioned one example of this: We achieved good results from IPMs last fiscal year and significantly improved our market position. We've been able to move up from tenth to fifth in the IHS ranking.

We have also strengthened ourselves considerably in regard to the future technology of gallium nitride. An especially important factor here is expertise in creating monocrystalline gallium nitride layers on silicon wafers. We have positioned ourselves as a technology leader thanks to this new expertise in conjunction with Infineon's portfolio and the partnership with Panasonic: an important component in securing our position as the undisputed market leader in power semiconductors.

Adding market presence: We have expanded our position in Asia thanks to the acquisition. In the U.S., too, we are reaching even more key customers, for example, technology firms in Silicon Valley and aerospace companies.

We have also improved our access to distributors. Infineon previously did most of its business with major customers. We benefit here from flexible business models, which were customary at International Rectifier. And together, we can offer far more products through distributors.

I would like to take this opportunity to thank all employees on behalf of the entire Management Board. Together we have demonstrated the resolve and strength to successfully tackle a complex integration. Without neglecting our ongoing business, we have integrated International Rectifier in a few months.

Dividend recommendation

In view of the successful fiscal year, the Management Board and the Supervisory Board have decided to propose a dividend increase from 18 to 20 euro cents per share at the next Annual General Meeting on February 18, 2016.

Outlook for the first quarter and the entire 2016 fiscal year

This brings me to my outlook for this fiscal year: Infineon has strengthened itself and that is reflected in our objectives for the current 2016 fiscal year. We expect growth in revenue, earnings and margin.

In the first quarter, we only see the typical seasonal weakness, despite a tough market environment. Overall, we anticipate a decline in revenue of around 6 percent quarter-on-quarter, plus or minus two percentage points. The segment result margin is expected to be in the middle of the range at 14 percent. It should be noted that we are consolidating International Rectifier for the first time in the first fiscal quarter. In the last fiscal year this was not yet the case.

For the whole of the 2016 fiscal year, we expect revenue growth of 13 percent, with a possible deviation of plus or minus 2 percentage points. Given growth of 13 percent, we anticipate a segment result margin of around 16 percent. This assumes an exchange rate of the euro to the U.S. dollar of 1.10.

We expect Power Management & Multimarket to grow at a somewhat higher rate than the other segments. In smartphones and tablets we are successful with our special components. A further area of growth remains the server market, also due to the switch from analog to digital control of the power supply.

In the IPC segment, we will benefit from growth in renewable energies in China and the U.S., as well as expansion of the infrastructure and in particular industry in China. We also see continued growth in the ATV segment, albeit at a lower rate than at PMM and IPC. The share of semiconductors being fitted in cars is growing and demand for them remains high. Following the sharp increase in its revenue last fiscal year, CCS will continue to grow moderately from a high level.

We are also pressing ahead with our manufacturing strategy. That means we make products ourselves where that makes a difference in terms of costs and/or performance. If not, we cooperate with manufacturing partners. The ratio of external manufacturing has doubled from 10 percent last fiscal year to 20 percent in the current fiscal year, also thanks to International Rectifier.

This trend will help us achieve future growth with a lower level of capital employed and greater flexibility.

Strategic outlook

Ladies and gentlemen, we help make life better with our products and solutions. The criteria used to judge what makes life better may differ very greatly. They are derived from general social conditions and our individual expectations.

In developed countries, a self-parking car or the smartphone mean convenience. In emerging countries, the availability of solar power or mobile communications improves people's living situation. Rising productivity creates additional prosperity for all of us – and does so with less use of resources.

Three societal changes will give rise to key challenges that need to be tackled. First: Demographic trends. The world's population is growing and the proportion of elderly people is increasing in developed countries. Second: Demand for resources is also increasing along with a growing population that strives for prosperity. Third: Connectivity, digitalization and globalization are bringing about massive changes in the way we live and work.

If we can cope with these changes, there are huge opportunities for economic growth and prosperity. Microelectronics from Infineon are a key technology in this: As digitalization advances, semiconductors are the crucial link between the digital and real world.

Our mission is to make life easier, safer and greener – with technology that achieves more, consumes less and is accessible to everyone. That defines the markets in which we operate.

"More from less": That's the decisive lever, in other words:

- More energy from fewer resources.
- More performance from less energy
- More mobility in more confined urban space

I would like to show what contribution our semiconductors make using two examples. They give rise to opportunities for further growth beyond the current fiscal year.

The future of the car

We see a strong trend toward greater semiconductor content in the automotive industry. This is driven by the desire for more safety and comfort and the need to reduce CO_2 emissions.

Active safety in the car will drastically reduce the number of fatalities in road accidents. Unfortunately, that number was still almost 26,000 in the European Union in 2014. Assistance systems help drivers and thus prevent accidents. This development paves the way for fully autonomous driving. That not only means greater safety for people, but also greater comfort. There's even an economic benefit, since people can put the time they spend in the car to better use. CO_2 emissions can also be reduced by assistance systems and autonomous driving.

More and more applications in the car are controlled electrically, such as power steering: Hydraulic systems keep on running, while electrical systems only use power when support in steering is required. And driving is also becoming increasingly controlled by electrical systems. One thing is for sure: The pure e-car will not come as soon as many thought. But what is also certain is that it won't happen without electrification, such as with hybrid drives as bridging technology.

The resolutions adopted by the UN Climate Change Conference in December will result in more stringent requirements to speed up reductions

in CO_2 emissions in order to mitigate climate change. Electrification and connectivity of the car will play a key part in ensuring that this succeeds. And Infineon has the main components and solutions needed for that.

You can take a look at the inside of a car down in the lobby. Trainees at Daimler have sawn apart a Mercedes S class – it's fascinating! My colleagues will be happy to show you where precisely our semiconductors can be found and what function they have.

The Internet of Things

It can be seen from connecting the car how the Internet of Things is changing an industry.

Semiconductors are the crucial element linking the digital and real world. Sensors perceive the real world and are comparable to the human senses: They see, hear and touch. Sensors perceive analog physical quantities that can be processed in the digital world. Microcontrollers work like a brain: They collect, coordinate, analyze and communicate data in order to control devices in the Internet of Things.

Power semiconductors are like human muscles. They translate control signals from the digital world into the real world. What's especially important is that they make cars, machines and the power supply of devices in the Internet of Things more efficient.

Semiconductors also ensure the necessary degree of security in the digital world. That can best be ensured by a combination of software and hardware components. Our security chips therefore strengthen the immune system in the Internet of Things as well.

We can say: In our target markets, digitalization as a result of the Internet of Things will result overall in growing demand for our semiconductors.

A topical example: Smartphones will be fitted with digital pressure sensors in future. They detect tiny changes in air pressure and can thus determine the height to within a few centimeters. That's essential to enable navigation in multi-story buildings or detect differences in altitude while hiking. In combination with other sensors, there are also many potential applications in the field of medicine. For example, the smartphone can detect when someone suddenly falls and then trigger an emergency.

A paradigm shift is underway in the global production landscape in the shape of Industry 4.0. Our semiconductors are crucial because they lay the foundation for acceptance and implementation of Industry 4.0: Security against manipulation and sabotage. Expertise in the data world – especially in handling confidential data and secured identities – will be vital for the competitiveness of an industrial location like Germany in the coming decades.

The Internet of Things is not a new market that is divorced from others. Instead, it's a trend that will change existing markets and business models. With our understanding of systems, we can help our customers leverage the digital transformation to become even more successful. Because our semiconductors make the Internet of Things efficient and secure.

Summary

Ladies and gentlemen, let me sum up: We have a successful fiscal year behind us. We integrated International Rectifier swiftly and successfully. At the same time, we increased our revenue, earnings and margin.

With our products, we help make the future better and life easier, safer and greener.

We address growth markets with great potential, driven additionally by connectivity in the Internet of Things. Backed by our understanding of

systems, we offer our customers crucial added value that makes them more successful. We are the right partner to master the changes in the wake of advancing digitalization.

Infineon will remain successful in future – through sustainable, profitable growth.

Thank you very much.