

**Dr. Reinhard Ploss**

Chief Executive Officer  
Infineon Technologies AG

**Annual Press Conference**

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– The spoken word prevails –

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Ladies and gentlemen, a warm welcome to Infineon's annual press conference.

It is my pleasure to report to you today on how things went in the 2016 fiscal year. I will also give you an outlook on what we expect for the current fiscal year and how we assess Infineon's further development.

What did Infineon achieve in the past fiscal year?

We are very satisfied. Group revenue rose by just under 12 percent to 6.473 billion euros. All four segments contributed to this growth in revenue.

Organic revenue growth from October 2015 to September 2016 amounted to 7 percent. That's an outstanding performance, since the entire global semiconductor market experienced virtually no growth at all during the same period.

The segment result went up by 85 million euros to 982 million euros, which corresponds to a segment result margin of 15.2 percent.

With above-average revenue growth and a respectable increase in earnings in a rather difficult market situation, Infineon can once again look back on a successful fiscal year. That shows us that with electromobility and autonomous driving, renewable energies, efficient use of electricity, mobile communication and data

security, Infineon is focusing on the right growth markets. And we have the right products and solutions.

Why are we convinced that we will also focus on the right topics in the future?

The answer is that our semiconductors solve major global challenges that we will face in the coming years, such as population growth, climate change and urbanization. These megatrends confront society with the task of meeting more and more needs from fewer and fewer resources. Clean air, agricultural land, and free traffic routes are becoming more scarce. The demand for energy is growing. More and more people are living longer and want to lead a self-determined life.

Microelectronics, which has been the key technology for innovation and progress in productivity for decades, will also help us tackle these tasks in the future.

Digitization and electrification enable the real and virtual world to be more and more closely interconnected, with semiconductors from Infineon acting as the crucial element linking the two. They help us use our resources increasingly efficiently and meet the challenges of the future.

Infineon makes life easier, safer and greener. You can find an example of this downstairs in the foyer: the prototype of a smart streetlight.

The streetlight of the future is equipped with radar sensors, power semiconductors and security chips from Infineon, and connected to the Internet.

Our chips turn the streetlight into a real all-round talent. Its light output is demand controlled. In other words, it adds more light at twilight and shines brighter when there are vehicles or people, thus making it especially energy efficient.

It also recognizes whether the parking space underneath it is free and can notify car drivers looking for a place to park. As a result, it helps significantly lower the traffic volume in cities. It also serves as a charging station for electric vehicles, thus creating an infrastructure that is critical for the breakthrough of electromobility.

The streetlight illustrates how we can solve a whole series of key tasks with our system understanding in an integrated application: Energy efficiency, Traffic flow optimization, Electromobility. A connection between the real world and the world of data that creates values.

Microelectronics from Infineon is the key to a better future. That is the basis for our success in this past 2016 fiscal year.

Ladies and gentlemen, allow me now to take a look at what our four segments have accomplished in the past 12 months.

The Automotive segment generated revenue of 2.651 billion euros in the 2016 fiscal year, an increase of 13 percent over the previous year. In the meantime, our solutions for electromobility and advanced driver assistance systems account for around 50 percent of the revenue growth in the Automotive segment. The segment result rose to 396 million euros, which corresponds to a segment result margin of 14.9 percent.

Development in the demand for hybrid and fully electric vehicles was extremely encouraging worldwide. That applies especially to China, which is now the biggest market for electromobility. This is also where we expect another record in sales in the production of plug-in hybrid or fully electric vehicles. The association of Chinese vehicle manufacturers forecasts sales of around 400,000 so-called "new energy vehicles" in total in 2016 calendar year, which would be just under 20 percent more than in the previous year.

The rise in demand and the technical performance are also good for Infineon's business: At a leading Tier-1 supplier we secured a design-win with our IGBT transistors for partially and fully electric cars, with revenue potential in the three-digit million range.

The growing spread of advanced driver assistance systems also led to a rise in demand for our radar chips. Two developments will ensure that sales figures continue to rise in the future: the increasing market penetration of radar-based advanced driver assistance systems, and the growing number of radar sensors per vehicle.

Our 77-gigahertz radar solutions for advanced driver assistance systems were especially in demand. Infineon is the leading supplier for the most important manufacturers of radar systems in Europe, North America and Asia. In the past fiscal year, we sold over 12 million of our 77-gigahertz radar chips – more than in the previous six years combined. In the current fiscal year we expect to sell between 25 and 30 million chips. To be able to continue to meet the rising demand for these products in the future, we have started expanding our manufacturing facilities in Regensburg.

Ladies and gentlemen, as you can see, Infineon is in an excellent position with regard to radar technology – a position we want to expand and supplement with other technologies.

A few weeks ago we purchased Dutch lidar specialist Innoluce. What is lidar? In cars, lidar systems – in much the same way as a laser scanner – use harmless laser rays to measure the distance and speed of other objects to permanently monitor the traffic environment. The Innoluce deal expands our portfolio of automotive sensor technologies and strengthens Infineon's pioneering role in automated driving.

Lidar, Radar and cameras have different strengths and complement each other. They are the key technologies in semi- and fully-automated vehicles. Together, these sensors form a redundant safety cocoon around the vehicle.

We want to use innovative approaches and our extensive know-how to make lidar systems much more compact, less expensive and more robust in future. Our goal is to make lidar an affordable option for every new vehicle worldwide, similar to what we have already achieved with our radar solutions.

Ladies and gentlemen, the self-driving car is one of the most important topics for the future in this industry. Infineon plays a central role since safe automated driving needs: Sensors to scan the surroundings and the functions in the car, microcontrollers to process the data, power semiconductors to control steering, braking, and the engine, and security chips to protect the vehicle from unauthorized access.

Our products cover these requirements needed by a self-driving vehicle. Infineon offers the reliability of an aircraft for the price of a car. Our claim is clear: Autonomous driving will only be possible with Infineon.

Let's move on now to the Industrial Power Control segment, where Infineon posted revenue of 1.073 billion euros, 11 percent more than the previous year. The segment result was 126 million euros, which corresponds to a segment result margin of 11.7 percent.

The increase in revenue was driven mainly by renewable energies. The global expansion of wind turbines and solar power systems continued. The expansion targets of several key countries like China, the U.S. and India led to strong demand. The disproportionate growth also led to a shift in revenue split: Renewable energies now account for more than a fifth of the revenue at Industrial Power Control.

In the 2016 fiscal year, our technology was used to install wind turbines worldwide that provide a total output capacity of more than 23 gigawatts, which is roughly equivalent to around 15 nuclear power plants.

We are very successful with modules that we designed specifically for the demanding requirements in wind turbines. The modules are not only efficient and compact, but also highly durable. This is especially important in offshore wind turbines, where maintenance work is very expensive.

In addition, the modules reduce the manufacturer's system costs while the total value of semiconductors being installed increases. This means lower costs for the customer and more revenue for Infineon – a classic win-win situation.

The Industrial Power Control segment is benefiting from the trend toward electromobility in local public transport. Revenue from IGBT modules for hybrid and electric buses rose considerably, especially among Chinese customers. Today, around 45,000 electric buses powered by modules from Infineon run on China's streets. Each of these buses contains semiconductors worth around 600 euros.

Business in the Power Management & Multimarket segment also experienced significant growth. Revenue rose to 2.050 billion euros, an increase of 14 percent. The segment result was 328 million euros, hence resulting in a segment result margin 16.0 percent.

The increase in revenue was due primarily to increased demand for MOSFET power transistors in all voltage classes. With our power semiconductors in the lower and medium voltage classes we benefited hugely from more and more applications with DC motors, particularly with modern brushless DC motors. The benefits of these drives are that they are more compact, consume less electricity, and last longer.

Today, you find brushless DC motors in power drills and cordless screwdrivers, but also in multicopters for transport, agricultural and leisure use.

Business with our server solutions also went well. Demand for our DC-DC power supply chips with digital control for the CPUs on the motherboards developed favorably.

Similar to Industrial Power Control, electromobility has also become an increasingly important topic for Power Management & Multimarket. We offer charging infrastructure

solutions: Depending on the requirements, IGBT or MOSFET power semiconductors from Infineon are used.

Our Industrial Power Control segment has supplied products for IGBT-based charging stations for many years. MOSFETs from Power Management & Multimarket are now also being in a project in China.

This shows the technological edge of our products: The CoolMOS chips used are so energy efficient that less effort is required for cooling, which makes the charging stations more compact. Thanks to our leading technology, Infineon has been selected as the preferred supplier in China.

Finally, we come to the Chip Card & Security segment. Its revenue rose by 5 percent to 698 million euros. The segment result climbed to 135 million euros, resulting in a segment result margin of 19.3 percent. That's the highest profitability for this segment since the foundation of our company.

In particular, business with government IDs continued to grow in the past fiscal year. In Europe we supply around 70 percent of all ID card projects. We also won further orders in Asia and South America. In addition, we were also successful in smaller and regional security projects, where we are diversifying our customer portfolio.

For example, airports are among the best-protected locations in the world. Accordingly, they have very high security requirements. The Korea Airports Corporation, which operates all civilian airports in Korea, started implementing a new building access control system last summer.

The solution is based on the open CIPURSE security standard. Infineon supplies the chips for the employee ID cards. This project is another milestone in establishing CIPURSE. Barcelona and a metropolitan area in South America already use the standard for their public transit tickets. Since we are convinced of the benefits of open standards, Infineon has been instrumental in the development and introduction of CIPURSE. IT security will become established much faster and on a more widespread scale if open and high-quality standards are used.

We make life safer, but we also want to make it easier. In new applications like wearables, the challenge lies in combining a security solution in a highly compact design with minimal power consumption. We offer outstanding solutions in this field. One example:

Last summer, the company NFC Ring presented a ring for contactless payment. To make payment, you simply hold your hand over the reader. The ring contains a security controller from Infineon. The controller is supplied with power via a tiny antenna and takes only milliseconds to communicate with the payment terminal and initiate the payment transaction. An encryption process protects the communication between the ring and the terminal.

Payment using this ring is contactless, as with a chip-based credit card or a smartphone, but the ring is much more handy – literally. And since it's waterproof, you can wear it on the beach or in the pool.

Infineon also makes the Internet of Things – IoT for short – more secure. The software from Mocana Corporation, a U.S. specialist for embedded systems, now supports OPTIGA security modules from Infineon.

Developers who opt for Mocana software in smart factories, infrastructure, automotive and other security-critical IoT designs can now integrate hardware-based protection into their devices quickly and easily. In addition, millions of IoT systems that already contain OPTIGA chips from market leader Infineon can now benefit from the advanced security functions in the Mocana software platform.

Ladies and gentlemen, these examples from all four of our segments demonstrate that we understand the applications and markets of our customers, and are working with them to develop solutions that make life easier, safer and greener.

This recipe for success has served Infineon very well. All segments were successful in the past four quarters. Despite a difficult economic environment and a generally flat semiconductor market, we grew again and reached our targets.

### **Dividend recommendation**

Our shareholders should benefit appropriately from this success: In view of the successful fiscal year 2016, the Management Board and Supervisory Board once again recommend an increase in the dividend. At the upcoming Annual General Meeting on February 16, we will therefore propose a payment of 22 euro cents per share.

## **Outlook for the first quarter and the entire 2017 fiscal year**

This brings me to my outlook for this fiscal year.

In the first quarter of the 2017 fiscal year we expect revenue to decrease by 4 percent compared to the previous quarter with a possible deviation of plus or minus 2 percentage points. At the mid-point of the revenue guidance, the segment result margin is expected to be 14 percent.

For the whole of the 2017 fiscal year, Infineon expects year-on-year revenue growth of around 6 percent (plus or minus 2 percentage points) with a segment result margin of 16 percent at the mid-point of the range for the forecast revenue growth.

In the Automotive segment, revenue growth is expected to significantly exceed the group average. Revenue growth in the Industrial Power Control segment is forecast to be roughly in line with the group average or slightly above. In the Power Management & Multimarket and Chip Card & Security segments, revenue growth is expected to be below the group average.

These forecasts are based on an exchange rate of 1.10 U.S. dollars to the euro.

We expect the global semiconductor market to grow in the 2017 fiscal year, albeit at very moderate pace. With our growth forecast of 6 percent for the current fiscal year, we are once again well above market growth. We are confident that we will also achieve our long-term growth target of 8 percent through the cycle in the coming years.

In short: In a market environment that continues to be demanding, Infineon will remain on a stable and profitable growth path.

We expect progress particularly with regard to profitability: The increased utilization of our 300-millimeter factory in Dresden will have a positive impact on our margin. We will also shift part of our manufacturing from Newport in the UK to other locations and thus cut costs. In addition, the stronger U.S. dollar against the euro gives us tailwind for revenue and earnings.

The Infineon Management Board has decided to raise the long-term target for the segment result margin from 15 to 17 percent. Infineon is thus taking an important step toward becoming an even more profitable company.

## **Strategic further development**

Infineon is one of the world's leading semiconductor manufacturers. To continue to be well equipped for the future, we are now strengthening our company and gaining additional expertise.

The planned acquisition of Wolfspeed will enhance our portfolio with know-how and products in the field of compound semiconductors. It will enable us to serve growing markets such as electromobility, renewable energies and cellular infrastructure more effectively.

In particular, the next-generation mobile standard, 5G for short, is a basic prerequisite for the Internet of Things. 5G not only offers more bandwidth, but significantly lower latency and improved availability, all of which are important for critical applications like Industry 4.0 or connected cars.

Power semiconductors that enable frequencies of up to 80 Gigahertz are needed to expand the required infrastructure. Through the acquisition of Wolfspeed we will lay the foundation to become the global market leader for radio frequency power components in the coming years.

With Wolfspeed we will also speed up the market launch of innovative compound semiconductor technologies. Power semiconductors made of silicon carbide allow significantly more compact solutions with a higher level of efficiency at lower system costs. Infineon is already the leading provider today of power electronics. With the successful conclusion of the transaction, we will also become the number one for power semiconductors based on silicon carbide.

Wolfspeed's business will have a positive impact on the margin and adjusted earnings per share from day one.

Infineon therefore continues to play an active role in the current wave of consolidation. We will now concentrate on the upcoming integration of Wolfspeed. For now, we have no plans for any further major transactions in the near future. We will nevertheless keep our eyes open and sensibly supplement our portfolio when suitable opportunities arise.

Ladies and gentlemen, why is the subject of power electronics in particular so important for Infineon?

As you know, the Paris Climate Agreement became effective a few days ago. More than 100 countries, including Germany and other EU members, have already ratified the agreement. To limit global warming to well below two degrees, the whole world has now committed itself to the energy transition.

Power semiconductors play a major technological role in this endeavor. Compound semiconductors, especially those made of silicon carbide, will enable us to develop even more energy-efficient solutions in the future. This applies in particular to electromobility and the generation of renewable energies. Infineon is thus playing an active role in ensuring that carbon dioxide emissions can be reduced and global warming slowed down. We make life greener.

Sustainability continues to be an integral part of our corporate culture. On the one hand, it is an important driver of demand: Energy-efficient power semiconductors account for around 60 percent of our revenue. On the other, we also take care to conserve resources in manufacturing and continuously strive to improve the sustainability of business activities. Infineon contributes to leaving a better world to subsequent generations.

We are therefore delighted that Infineon has once again been listed in the Dow Jones Sustainability World Index – as the only European semiconductor company. Two aspects are particularly remarkable: Infineon is listed as one of a total of just four semiconductor companies in the World Index. And we are the only semiconductor company listed in the European Index.

In terms of sustainability that means that Infineon lead the competition.

## **Summary**

So, to summarize, ladies and gentleman,

First: With above-average revenue growth and a respectable increase in earnings in a stagnating market we are very satisfied with the 2016 fiscal year.

Second: We serve important growth markets with our solutions for electromobility, autonomous driving, generation of renewable energies, and efficient use of electricity. Infineon will once again grow faster than the market in the current fiscal year.

Third: The sustained trend toward digitization and electrification allows the connection of the real and virtual world, and drives demand for sensors, power semiconductors, microcontrollers and security chips from Infineon.

Fourth: The acquisition of Innoluce expands Infineon's portfolio of sensor technologies, without which no vehicle can safely drive autonomously. Our claim is that Infineon is at the center of autonomous driving.

Fifth: The planned acquisition of Wolfspeed will strengthen our position as the leading supplier of power semiconductors and radio frequency power components. It will enable us to offer new solutions for important applications such as electromobility, renewable energies and next-generation cellular infrastructure.

Ladies and gentlemen, thank you for your attention. Together with my Management Board colleagues I will now take your questions.