



Dr. Reinhard Ploss

Annual General Meeting 2019

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[www.infineon.com](http://www.infineon.com)



Chief Executive Officer

# Dr. Reinhard Ploss



- The spoken word prevails -

Dear shareholders,  
Dear viewers watching the broadcast,  
Dear Ladies and Gentlemen,

Our everyday life is now unimaginable without Infineon. Even though our products and solutions are not always visible. They play a key part in helping make life easier, safer and greener.

- › We're shaping the future of mobility and helping automotive manufacturers build clean, safe and smart vehicles.
- › Our power semiconductors enable energy to be generated, transmitted and used more efficiently.
- › We ensure that devices in the Internet of Things communicate quickly and reliably – with people and each other.
- › We also offer tailored security solutions for the connected world.

In that way, we create benefits for our customers. In that way, we create benefits for all of us. Micro-electronics from Infineon are the key to a better future. That's why we're successful.

With that I welcome you warmly to Infineon's Annual General Meeting.

We've been on a growth trajectory since Infineon began focusing on its strengths. Our revenue has risen by an average of 9.6 percent a year since the 2011 fiscal year. Our relevant market grew by just 6.6 percent a year over the same period.

That shows our strategy is working. It's based on technology leadership and a broad technology portfolio. It's based on our focus on the main challenges facing our society. And it's based on an understanding of our customers' systems.

The more than 40,000 people working for Infineon embody those skills. And, by the way, 11,300 of them are in Germany. Their expertise, passion and commitment make Infineon an innovative company that is respected by customers and competitors.

Together, we've added a further chapter to Infineon's success story. I would like to thank all colleagues most sincerely on behalf of the Management Board for an exceptional 2018 fiscal year.

### **2018 fiscal year: Infineon continues growth path**

Dear shareholders,

Infineon continued on its growth path in the 2018 fiscal year. We increased our revenue and result significantly. And for the fifth time in a row.

The most important figures:

- › Revenue: an increase of 8 percent to 7.6 billion euros.
- › Segment result: a rise of 12 percent to 1.35 billion euros.
- › Margin: 17.8 percent of revenue.

Your company is successful. And you should share in this success. We therefore propose an increase in the dividend to 27 cents per share. That would be the fifth successive rise.

I wish I had the same good news about the share price. Its performance over the past months is not what you or I would have hoped for. To sum up the situation: Infineon is in good shape and economically very successful. However, the capital market rates the company's value as lower today than at the time of the Annual General Meeting a year ago.

Why the decline in share price? The capital markets have become more nervous. The reasons: simmering trade conflicts, a cooldown in the global economy, and fewer newly registered cars. All that contributes to ups and downs in the market. The price fluctuations for shares in almost all semiconductor companies have been considerable in recent times.

The fact is that after two exceptionally strong years, the semiconductor market is calming down here and there. The boom is over. We're now in a phase of moderate growth. But: We continue to grow.

At Infineon we see a mixed picture: Demand is falling in some application areas, such as traditional automotive applications or components for smartphones. Yet others continue to grow dynamically. They include our solutions for electromobility, assisted driving, and industrial applications. We've prepared for this shift.

Despite the more challenging environment, we assume that revenue growth in the current fiscal year will be within our forecast range. We now expect a year-on-year increase of 9 percent and a margin of around 17.5 percent.

The market will also offer us enough opportunities in 2019. While some of our competitors are experiencing a drop in revenue, Infineon continues to grow. We aim to keep on winning market share.

### **Structural trends are growth drivers for Infineon**

Why is Infineon growing even in economically tougher times? The answer is simple: Structural trends drive our target markets. Infineon's growth prospects are good during all phases of the business cycle. Because we have solutions to the big issues that will also shape our society in the next decade:

- › First: Traffic is increasing worldwide. It puts the environment and climate under strain. The world needs smart and sustainable forms of mobility. Mobility of the future is electric, connected and autonomous. Semiconductors from Infineon are the key to that.
- › Second: Natural resources are dwindling. At the same time, global energy needs are growing. Energy efficiency and a reliable power supply from renewable sources are vital. Semiconductors from Infineon enable generation of renewable energies, higher efficiencies, and effective energy management.

› Third: We produce more and more data and our environment is becoming smarter. All that data has to be processed quickly and reliably. That's only possible with a powerful communications and IT infrastructure.

Connected devices perceive the world around them thanks to cutting-edge sensors. They enable new services and assist us in everyday life. Infineon connects the real with the digital world.

- › Fourth: Our need for security also grows as networking increases. Customers want to decide themselves which of their data is used by whom and for what purpose. Infineon offers robust and reliable security solutions for the connected world. Security creates trust. And customers' trust is the crucial success factor for every company in the digital world.

Infineon benefits from these major growth drivers: mobility, energy efficiency, the Internet of Things, big data, and security. They will ensure that demand for semiconductors rises sharply for many years to come. We are excellently positioned with our technologies. That's why we feel very confident. Infineon is a long-term growth stock.

## **Strategic investments create the foundation for long-term growth**

Ladies and Gentlemen, more and more areas of everyday life leverage the possibilities offered by digitalization. To do that, they need a lot of electrical power. Efficiency is growing in importance. Energy-saving chips are Infineon's core business. We generate around two-thirds of our revenue from power semiconductors, a field where we've been the world's number one for 15 years.

Our customers want to achieve more using less energy. And that's precisely what power semiconductors from Infineon deliver:

- › In electric cars and trains,
- › in wind turbines and solar power systems,
- › in power supply units for mobile phones and notebooks,
- › in data centers,
- › in home appliances and the smart home.

Demand for power semiconductors among our customers will rise long term. Our existing production capacities are not sufficient to ensure we retain our delivery capability in the coming years. Our largest frontend location in Dresden is expected to reach its capacity limits by 2021.

We are taking the next logical step to keep on growing profitably. Infineon will invest 1.6 billion euros at its site in Villach, Austria, over the coming years. We're building a new, highly efficient factory for power semiconductors. We began erecting the building in November. It will be finished in 2021.

We'll then gradually fit out the clean room with production equipment. And we'll be guided in that by our customers' requirements. We can control the pace of ramp-up to reflect those demands. We'll only install what we need. But one thing is clear: We need this factory. The new production facility in Villach is a milestone in the company's history. It will deliver three crucial advantages:

- › First: We will extend our lead in power semiconductors, because we're investing in leading-edge production on large 300-millimeter wafers. The advantage of this kind of production in terms of capital requirements is considerable. We cut costs by 20 percent compared with production on smaller 200-millimeter wafers and with the same capacity. In other words: Less capital for the same growth.
- › Second: We will secure our delivery capability in the coming years. The announcement of the new factory went down very well with our customers. Infineon is the right partner for profitable growth.
- › Third: There is significant growth potential: Infineon can generate up to 1.8 billion euros a year in extra revenue from manufacturing additional power semiconductors. To put that into context: That's around a quarter of our current annual revenue. The new factory will help us lay the foundation for Infineon to be able to keep on growing.

We're investing not only in additional production capacity, but also in innovation. Innovation is a key success factor for Infineon. We took over the company Siltectura in November. We did so to create long-term competitive advantages in the market for technologies based on silicon carbide. Silicon carbide has physical properties that are superior to silicon. It permits far smaller components that deliver higher performance. That's why it's used in application areas where power density and energy efficiency are especially important.

Siltectura has developed a technology called "cold split." It can be used to separate crystals very accurately and efficiently. We'll leverage that advantage in processing silicon carbide wafers in our manufacturing operations. The wafers are a significant cost factor. Put simply, the technology allows two wafers to be made out of one. We aim to roll out the method in series production in the next three to five years. We expect it to give Infineon a substantial and lasting competitive edge. The method is an important tool in silicon carbide applications, a market that's picking up. It will help Infineon secure its supply of silicon carbide wafers long term.

### **Microelectronics as a key technology: Funding of research and development up to initial commercial use is a landmark for Europe**

Infineon is a global company. Our value chains are global. However, we don't forget that our roots are in Europe. It is the source of our expertise and innovation. We can preserve and safeguard valuable know-how here. That's another reason we're investing in Villach. And why we're playing our part in the European Union's efforts to strengthen microelectronics as a key technology in Europe.

One major success for Infineon and Europe in this connection is the decision by the European Commission in December to approve a special project for promoting microelectronics and nanoelectronics. It is called an "Important Project of Common European Interest." Infineon was one of the driving forces behind the project. France, Italy and the UK are participating alongside Germany.

What does it involve? New technologies are the basis for Europe's global success. European companies are now strong in developing them. However, the new technologies are then often used commercially by companies outside Europe.

The funded project is a landmark. For the first time, companies' research and development activities will now be supported throughout the process of creating innovations – in other words, up to their commercial use.

The German government is also driving the project. It is playing a major role in enabling it to be implemented now.

Infineon is one of the industry partners. We will invest around 400 million euros in our German locations in Regensburg, Warstein and Dresden. That includes 100 million euros in government funding. This will enable us to invest much more quickly and drive innovation forward more rapidly.

Microelectronics is a key innovation factor. With this project, the German government and the EU will strengthen the innovation chain – from the semiconductor material to system application. As a result, system vendors, such as in the electrical engineering, mechanic engineering or automotive industry, will obtain innovative key components faster. That's good for the companies involved. That's good for economic development. That's good for progress in Europe.

**Electromobility: Infineon is excellently positioned to capitalize on electromobility with a comprehensive technology portfolio**

Significant advances are also being made in the field of electromobility. The trend toward e-driving is picking up pace: Stricter CO<sub>2</sub> thresholds and falling sales of diesel cars – the pressure on manufacturers is high. They're converting their factories and launching more and more models with an efficient electric drive. Government incentives to buy electric cars, such as in China, are buoying this dynamic trend further.

Vehicles with an electric drive need far more power semiconductors than ones with a combustion engine. To give you an idea: Semiconductors worth an average of around 375 U.S. dollars are currently installed in a conventional car. That figure in a fully electric car is 750 U.S. dollars, in other words, two times as high. The semiconductor content is even worth well over 1,000 U.S. dollars in particularly powerful electric cars.

Electromobility is good for Infineon. Demand is rising rapidly. We are excellently positioned with our technologies. Our revenue from solutions for the electric powertrain is growing. It increased by around 50 percent in the 2018 fiscal year alone. And we also expect similar growth again this fiscal year.

A strategically important step for Infineon is our joint venture with SAIC Motor Corporation in China. We founded it about a year ago. China is the largest and fastest-growing market for electric vehicles. The joint venture makes and sells electric drive modules for the Chinese market.

You may recall that I presented such a module from our HybridPACK™ family at the last Annual General Meeting. It controls the electric engine's speed. Production of these components at our site in Wuxi began in August. The joint venture has given Infineon an excellent springboard in the Chinese market.

Electromobility is becoming increasingly established. In China and also in Germany:

- › One example is the StreetScooter, a rugged and economical electric commercial vehicle. You probably know the StreetScooter completely decked out in yellow.

The company Deutsche Post DHL has 8,000 of these vehicles on German roads. The StreetScooter has also gone down well with many other companies. We at Infineon are happy about that. After all, there are more than 30 of our semiconductor components in the StreetScooter's electric powertrain. They ensure a highly efficient electric drive.

- › You can see a second example here:  
The "ID.". It's the first Volkswagen designed purely as an electric car. Electromobility for all "Made in Germany"! The ID will be on the road next year. Perhaps you've read the newspapers in recent days: Volkswagen is already training its dealers for launch of the ID series. You can already get to know the ID concept vehicle here at the Annual General Meeting today.

The battery cells are installed in the car's floor. The advantage of that is a longer wheelbase and hence more space in the interior. Yet the ID is just as compact as a Golf. And with a range of up to 550 kilometers, it's suitable even for longer journeys. The ID is also the first car from Volkswagen that will be able to drive fully automatically in the future.

The ID and StreetScooter are waiting for you in the lobby. Go and take a look at them afterwards. The colleagues at our stand will be happy to welcome you there.

It goes without saying that we at Infineon think holistically. Eco-friendly mobility also means that the power for the electric car comes from renewable sources. Infineon supplies key power components for the energy transition. We supply them to all major manufacturers of solar inverters and wind turbines.

Technology from Infineon helps generate clean energy from the wind and sun. It also enables efficient transmission of electricity.

Of course, we need a comprehensive charging infrastructure for electromobility to make the breakthrough. And charging times must become shorter. Infineon recently commissioned a representative survey. It revealed that people have a tolerance threshold of 30 minutes when recharging their car on a journey. Most of those surveyed won't accept a longer time. To be honest, I think 30 minutes to refuel is still much too long.

Infineon has the technology to enable shorter charging times. We supply all the main semiconductor solutions for high-speed charging points. There are power semiconductors worth several hundred U.S. dollars in each of these points. They deliver a charging power of up to 350 kilowatts. As a result, it takes seven minutes to charge an e-vehicle with enough electricity to cover 200 kilometers. Seven minutes – that's hardly much longer than a stop at the service station with a conventional car.

Sustainably generated electricity, power grids, the charging infrastructure, electric drives in the vehicle – power semiconductors from Infineon are paving the way for comprehensive electromobility.

## Connected and assisted driving: but safe!

We also support our customers in the move toward the connected and autonomous vehicle.

There will probably be more than 100 million connected cars on the road in five years' time. They will be able to drive on their own to an ever greater extent. They will communicate with each other and the infrastructure – for example, by sharing traffic news in real time.

Connected and assisted driving delivers a variety of benefits for us:

- › Being connected means traffic flows more smoothly and there are fewer tailbacks. We save a lot of time on the way to the office or going on vacation.
- › A better traffic flow saves money: Vehicles consume less fuel.
- › Less fuel consumption is good for the air and the climate, because the vehicles emit fewer pollutants.
- › Connected driver assistance systems increase safety and help prevent road accidents, most of which are caused by human error.

It will still be a few years before we see completely self-driving cars. But they will come about. And then we can sit back and relax on the road – just like the lady here in the photo.

Self-driving vehicles mean many people can look forward to enhanced individual mobility. Millions of commuters no longer have to concentrate on the traffic. They can use their journey time productively. The elderly or children who don't want to drive or aren't allowed to at present can move much more freely.

Of course, the vehicles must be absolutely reliable so that the many advantages of connected and automated mobility can be leveraged. Or would you get into a car you don't trust 100 percent? Hardly!

The systems must be failsafe. That starts with the components. "Zero defects" is the slogan.

Our customers appreciate the outstanding product quality Infineon always delivers. One example is Toyota. The Japanese car maker's Hirose plant recently awarded us one of the highest quality accolades: zero-defect quality in automotive electronics over four successive years.

Infineon supplies the crucial components for safe and secure driving:

- › Vehicles detect the world around them with our sensors.
- › Our microcontrollers process the data collected.
- › Power electronics give the drive the power it needs.
- › And our security controllers ensure secure data transfer.

Security also means protection against hacking. All the data interfaces in the car are potential means of infiltration for cyber criminals. Hackers being able to take control of the car is a dreadful thought.

Infineon was recently the first semiconductor manufacturer to launch a security controller specifically for automotive applications: The second-generation Trusted Platform Module (or TPM) from the OPTIGA™ family. The chip helps protect the vehicle's communication with the outside world, for instance, when it receives software updates from the car maker.

The TPM protects data with the aid of cryptographic keys. They are stored in the TPM like in a safe. As a result, communication is secured throughout the vehicle's service life.

The TPM is a result of our strong strategic partnership with Volkswagen. We've collaborated closely since 2017 and are developing semiconductor solutions for the car of the future.

Security solutions are a core competence of Infineon. This competence benefits us in all our business segments. That's because robust security solutions are needed everywhere: for the connected car, industrial robots, mobile communications, passports and many other applications.

## **System understanding and innovation networks – success factors in the Internet of Things**

The example of the connected and automated vehicle demonstrates that technology is becoming more and more powerful, intelligent and complex. That's a further reason why we're collaborating so closely with the automotive industry. System understanding is a key success factor for Infineon.

Software plays a growing role. That is why we at Infineon are expanding our software expertise. We have to understand the system "car" including the software in order to be able to offer suitable hardware solutions.

We intend to enhance that strength further and become even better. We want to know our customers' system requirements as soon and as precisely as possible. Because then we can open up opportunities for them with completely new semiconductor solutions – in existing, adjacent or totally new markets.

The Internet of Things offers a host of possibilities for that. Identifying new markets at an early stage and developing suitable applications is a major task. And it can best be accomplished with the right partners. That's why Infineon is committed to cooperating with customers, start-ups and other tech companies. Together, we're speeding up innovation. I'll give you three examples:

- › At our Innovation Center in Silicon Valley, we're working with customers and partners to develop new technologies, applications and markets. The focus is on autonomous driving and cutting-edge sensors, among other things.

- › We inaugurated our first “Co-Innovation Space” worldwide in Singapore in the fall and are working with interesting start-ups there. Infineon benefits from their ideas for new digital applications. These young companies profit from our technological expertise, products and market experience.
- › We’re creating a new Development Center for automotive electronics and artificial intelligence at our Dresden location. Artificial intelligence (AI) already plays a key role in connected traffic systems. We will also leverage our know-how in the automotive arena to offer AI solutions for other target markets soon. We have excellent conditions to do that thanks to the skills we can tap into in Dresden.

### **Digitalization must serve people**

Artificial intelligence is a key technology in digitalization. AI is getting ever better at acting independently. We as a company are exploring what we can achieve with artificial intelligence. Not with a blind faith in technology. But with a critical eye for AI’s benefits for people. A lot is technologically feasible. But not everything is sensible. That’s why Infineon is actively engaged in the political and social debate on the issue of artificial intelligence.

Infineon is much-sought as a dialog partner. As a member of the Bundestag’s Study Commission, we advise the German government on AI. We also support Germany’s Platform for Learning Systems, an expert forum that champions fair and responsible use of artificial intelligence. It formulates proposals for how Germany can position itself properly to tackle the AI age. We at Infineon support that. Because we want to help ensure that digitalization serves people.

We will share our life with smart machines in the near future. They will be as commonplace as smartphones are today. We will work hand in hand with robots. They will take over work that’s monotonous, physically strenuous or dangerous for humans. With their support, the work we do will be more productive, safer and less of a strain. Robots will also help us in the private sphere, such as in the home or in care and nursing, and take over more and more tasks there.

### **Artificial intelligence opens up new possibilities – Infineon supplies technologies for collaborative robots**

Collaborative robots are a key trend in industry. They replace or complement traditional robots and work with people directly and without a protective grille separating them. These cobots, as they are called, are currently the fastest-growing robot segment. Infineon has the important technologies these collaborative robots need: power semiconductors, microcontrollers, sensors and security solutions.

You could get to know a cobot at our last Annual General Meeting: the Panda from the company Franka Emika. By the way, the robot also made the first official cut of the spade for our new plant in Villach. As you can see, cobots are not only useful. Working with them is also a lot of fun.

Collaborative robots are there to support and assist people. Working with them should be as simple and intuitive as possible for us. One solution to enable precisely that has been developed by the young company Wandelbots from Dresden. Our colleagues at Dresden are cooperating with Wandelbots. So I'm also delighted that Christian Piechnick from Wandelbots is here today.

Christian, you've developed a solution with which anyone can teach a robot how to do things. Without the need for programming know-how. But quite simply by showing it how to carry out the work steps, which the robot then replicates. So the robot learns directly from people.

Christian will now explain to us with a video how that precisely works. [...]

It's a great example. Christian, congratulations to you and your team on this idea. I wish you every continued success for your company!

Dear guests, you're welcome to have a look at how the robot is taught things at first hand. Simply drop by in the lobby afterwards. You'll find Mr. Piechnick and his team there at our stand.

Innovations like that from Wandelbots start with a good idea. From the idea to the perfect solution is then usually a long and stony path. In the digital transformation, there is one crucial ability companies must have: To drive new applications, put them on the market quickly and to make them perfect subsequently. We continue to systematically hone that ability at Infineon. We want to become even better. We want to keep on progressing as a company.

Ladies and Gentlemen,

2018 was a successful fiscal year for Infineon. We deliver on our promises. Our Chief Financial Officer Dominik Asam has also kept a close eye on ensuring that.

Dear Dominik,

You've decided to leave Infineon. You've worked for us for a total of more than 10 years. You are now moving to Airbus as Chief Financial Officer effective 1 April. That honor is testimony to your achievements at Infineon. You've done outstanding work for this company and made a key contribution to developing Infineon further. Your sights were always on the interests of all stakeholders and the company's sustained success. Infineon is now in an excellent financial position.

Working together on the Management Board team with you, Helmut Gassel and Jochen Hanebeck was highly successful. I – we – always enjoyed it greatly. On behalf of all colleagues at Infineon, I would like to say: Thank you, Dominik! We greatly regret your departure and wish you every success in your next challenge.

Dear shareholders,

Your company is doing well. Infineon is in good shape. Infineon is growing. Infineon is innovative and keeps on developing. The future offers us many opportunities. And we will take advantage of them.

Thank you for your commitment, trust and attention!



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