Q1 FY 2026

103rd Quarterly Results of Infineon Technologies AG

Analyst Call Intro Statement

Jochen Hanebeck (CEO), Dr. Sven Schneider (CFO)

Jochen Hanebeck:

General Introduction

2026 is barely more than a month old. And yet, multiple, dynamic geopolitical developments have unfolded, affecting our markets in various ways.

At Infineon the past few weeks have been event- and successful.

Already in our last earnings call we discussed how the breadth and intensity of the recovery in semiconductor markets outside of AI would be challenging to predict, in the light of very dynamic external circumstances. Near-term indicators such as order intake or lead times are now starting to align in a positive way and visibility is improving. That said, we feel our view of a gradual and uneven recovery remains appropriate for the time being – in addition, setting a prudent bar has proved to be a sound approach to full-year forecasting in these times. Automotive and industrial markets are beyond the cyclical trough, but demand has yet to really inflect. Consumer, compute-ex-AI and communications markets are in the early innings of the upcycle. AI remains the clear standout, continuing its extraordinary growth propelled by sustained, massive investment in datacenters and related infrastructure. We will double down on the highly attractive opportunities opening up for Infineon as the leader in Powering AI by ramping up capacities even faster than previously planned and pulling in related investments.

At the same time, we are continuing to strategically build the best-in-class portfolio in the categories of power, analog and sensors, control and connectivity.

With adding the non-optical analog/mixed signal sensor portfolio from ams OSRAM, addressing automotive, industrial and medical applications in equal parts, we are significantly strengthening our sensor capabilities and will be able to offer our customers even more comprehensive system solutions.

More on both topics, accelerated AI investments and the acquisition of ams OSRAM sensors, in the PSS section. As you can see, Infineon and the beginning of 2026 have one thing in common: speed!

Group performance in Q1

Our fiscal year 2026 saw a successful start pursuant to our guided numbers. **Revenues** in the December quarter came in at 3 billion 662 million Euros. The sequential decline of 7 percent is basically in line with our usual seasonality. Compared to the same quarter one year earlier, our first fiscal quarter's revenues were up 7 percent. On a currency adjusted basis, annual growth would have been close to 14 percent, given that the US-Dollar has considerably weakened over the past twelve months.

The **Segment Result** for the December quarter amounted to 655 million Euros, corresponding to a resilient **Segment Result Margin** of 17.9 percent, relatively stable compared to 18.2 percent in the quarter before. Sven will talk about the puts and takes in his section.

Our order **backlog** increased by a good 1 billion Euros quarter-over-quarter to around 21 billion Euros at the end of December. It is rising continuously now for around 6 months. Given that this number reflects price adjustments resulting from annual contract negotiations, the underlying uplift is stronger, as recovery momentum is building.

Now to our divisional review, starting with Automotive.

Division-level performance in Q1

1 *Automotive*

In the first quarter of the 2026 fiscal year Automotive **revenues** amounted to 1 billion 821 million Euros, sequentially down by 5 percent, driven by usual seasonal order patterns and the anticipated pronounced inventory management by customers towards calendar year end. On a year-over-year basis, Automotive grew by 4 percent, which equates to about 10 percent at constant currencies. The **Segment Result** came in at 403 million Euros with a **Segment Result Margin** of 22.1 percent, relatively stable compared to the quarter before. Fall-through from volume declines was mitigated by lower underutilization costs, resulting from internal capacity transfers to AI-related products, as well as positive mix effects.

Looking at the overall market development for automotive semiconductors in 2026, we continue to assess the situation in the same cautious manner as communicated in November. Car volumes have thus far been tracking in-line or slightly above expectations, while several uncertainties regarding momentum in China or the impact of US tariffs persist. Looking at secular content drivers, the near-term picture remains differentiated: e-mobility is challenged by headwinds like withdrawals and reductions of subsidies and a generally less favorable regulatory background. Recent announcements like the re-introduction of EV purchase incentives in Germany will have a limited impact on the current year. In contrast, the transition to software-defined vehicles is gathering momentum, and more and more such models are being launched globally. Further trends supporting semi content growth, such as higher-level ADAS, increased comfort features and the upcoming introduction of 48 Volt architectures, remain unabated.

With our leading franchise of automotive solutions, Infineon is ideally positioned to serve customers across all the mentioned trends. Recognizing their different developments, we are actively shaping our business portfolio. On the power side for electric vehicles, we are reducing our exposure to less differentiated, silicon-based high-power parts for drivetrains, focusing instead more on silicon-carbide, complemented by analog, sensor, control and connectivity parts. On the side of software-defined vehicles, the recent addition of automotive Ethernet capabilities proves to be ideal to comprehensively support our broad customer base. Furthermore, our family of AURIX™ microcontrollers, which is defining the gold standard from zone to edge computing, is outgrowing the MCU market and we expect several new platforms in 2026 to ramp. Lenovo's choice of Infineon AURIX™ as safety host for their flagship autonomous driving domain controller units is another testimony to our global customer landscape.

We also see consistent design-win momentum in our non-drivetrain power and analog categories. This includes components for the latest 48 Volt-based power-steering for a major American OEM platform as well as an upcoming functional safe steer-by-wire system for a German premium OEM. The design wins cover our line of automotive-grade MOSFETs as well as related analog power management ICs and gate drivers, plus AURIX™ microcontrollers.

2 *Green Industrial Power*

Now to Green Industrial Power: the segment recorded **revenues** of 349 million Euros in the December quarter, which is typically the seasonally weakest one. All areas witnessed sequential declines, with the exception of grid infrastructure, where revenues rose substantially. With effect of the beginning of our running 2026 fiscal year, we merged our gate driver business with a high double-digit million Euro annual sales volume from GIP into PSS. Historic numbers have been adjusted accordingly. Bearing this in mind, the like-for-like quarter-over-quarter revenue decline of GIP was a steep 21 percent, reflecting - besides seasonality - an ongoing challenging market environment. Correspondingly, the **Segment Result** of GIP dropped to 31 million Euros, equivalent to a **Segment Result Margin** of 8.9 percent.

Industrial market revenues are closely correlated with global economic health. In the light of continuing macroeconomic uncertainties, only a shallow recovery for core industrial applications is expected in the near term. Similarly, there are no clear signs for an upswing in HVAC or home appliances. Regarding renewable energy generation, solar and wind installations are expected to stay on a high level, leading to a more or less flat inverter market. The picture on the grid infrastructure side is brighter and will support mid-term growth: continuously rising investments into AI data centers and a higher share of renewables in the energy mix call for expanding, modernizing and stabilizing the power grid. High reliability is a key requirement. Our product portfolio, in particular our leading silicon-carbide technology and related module offering, positions us optimally to benefit from grid upgrades. Such upgrades will involve applications like large-scale energy storage systems, uninterruptible power supplies and solid-state circuit breakers and solid-state transformers. Regarding the latter, we are engaged in dozens of customer projects with very promising mid-term business potential.

3 *Power & Sensor Systems*

Let's now move to the Power & Sensor Systems segment. PSS printed **revenues** of 1 billion 171 million Euros in the December quarter. The small sequential decline of 3 percent, on a comparable basis adjusted for the transfer of gate drivers from GIP, is the result of opposing developments: on the one hand, power solutions for AI servers saw unabated very strong momentum. On the other, smartphone components showed their usual negative seasonality. Furthermore, as we had flagged in our last earnings call, we faded out so-called "fab fillers", which we had temporarily put in to utilize otherwise idle manufacturing capacities. These developments are also reflected in the margin trajectory of PSS: the **Segment Result** increased to 204 million Euros, corresponding to a **Segment Result Margin** of 17.4 percent after 14.5 percent in the previous quarter.

On the market side, demand for consumer, general compute and communications applications shows signs of a broader pickup. Yet, customer ordering behavior remains short-term oriented amid macroeconomic volatility.

A vastly different dynamic applies to AI: powering datacenters constitutes an unprecedented growth opportunity. Infineon is at the forefront of it: our unmatched portfolio breadth, system understanding, speed of innovation, quality and delivery capability make us the partner of choice for all relevant GPU makers and cloud providers. Our revenues from AI power solutions keep growing steeply. We re-confirm our target of around 1.5 billion Euros for this fiscal year. This number is only supply-limited, in other words not capped by demand, but by how fast we and our manufacturing partners can bring up capacity. And let me be clear: in contrast to some peers, which in their disclosure do not differentiate between AI and other enterprise datacenter business, the 1.5 billion Euros of Infineon are purely related to AI. Separately, we do another 500 million Euros, give or take, of classical datacenter revenues.

Meanwhile, projections of buildouts of AI datacenters and related infrastructure keep going up. More and more, AI is showing tangible benefits and real-life use cases. Several of these we witness in our own company, for example improving and speeding up chip design, software development or customer engagement. The demand from our customers for the coming years is still going up quarter by quarter. Therefore, we are doubling down on AI: we have decided to pull in 500 million

Euros this fiscal year to accelerate AI-related capacity increases, in order to fuel growth beyond the running fiscal year. These investments, including the conversion of existing IGBT capacities, are capital-efficient and will underpin our market leadership. A large part of them will be used for a faster-than-originally-planned ramp of our new power and analog/mixed-signal fab module in Dresden. Fortunately, we are able to accelerate the opening of the facility to this summer. With the additional capacity, we project to achieve AI-related revenues of around 2.5 billion Euros in our 2027 fiscal year. Said differently, we will add another billion of margin-accretive business next year, thus expanding our AI revenues by a factor of ten within just three years.

Let me also briefly comment on the announced acquisition of the non-optical analog/mixed-signal sensor portfolio from ams OSRAM. The transaction is a perfect strategic fit, as it will strengthen our position as a leader in sensors for automotive and industrial markets through a complementary portfolio and extend our product range in medical applications. The acquired portfolio adds advanced mixed-signal and medical imaging technologies that complement our strong position in high precision sensing.

The transaction is structured as a fabless asset deal with a purchase price of 570 million Euros, covering sensor products, R&D capabilities, intellectual property and equipment. It is subject to customary closing conditions, including regulatory approvals, and is expected to close by the second quarter of calendar year 2026. Around 230 highly skilled employees will join our Sensor Units & Radio Frequency organization within the PSS division.

The business is expected to generate around 230 million Euros in revenue in calendar year 2026. The transaction will be accretive to earnings-per-share right upon closing with future synergies enabling substantial additional value creation. Therewith, our acquisition criteria for strategic, financial and cultural fit are all fully met.

4 *Connected Secure Systems*

Now to Connected Secure Systems. The **revenues** of CSS of 321 million Euros constitute a quarter-over-quarter decline of 13 percent, driven by a mix of seasonality and the fulfillment of CRA orders in the preceding quarter. The **Segment Result** of CSS decreased to 23 million Euros, resulting in a **Segment Result Margin** of 7.2 percent.

The market for IoT solutions remains in the doldrums at present, with macroeconomic risks and low consumer confidence weighing on recovery expectations. Over time, AI moving to the edge will open up more and more opportunities for innovative industrial and consumer applications. AI-enabled, secure, connected, low-power devices will proliferate. Market researchers project their number to reach 30 billion by 2030. By strengthening our hardware and software competencies in this field further, we are positioning Infineon optimally to reap structural growth opportunities. Take connectivity as an example: we announced the industry's first Wi-Fi 7 20 Mega Hertz tri-radio device optimized for IoT. The new product integrates Wi-Fi 7, Bluetooth Low Energy®, Thread & Matter in a single device. It has the lowest Wi-Fi connected standby power in the market and allows customers to achieve reliable performance for increasingly congested smart-home and commercial environments.

Handover to Sven Schneider

Now over to Sven, who will comment on our key financial figures.

Sven Schneider:

Thank you, Jochen, and good morning everyone.

(Adjusted) Gross Margin and OpEx, NSR

Let me first highlight our margin development in the December quarter. Notwithstanding the sequential revenue decline, the **adjusted Gross Margin** expanded by 230 basis points to 43.0 percent, after 40.7 percent in the quarter before. The **reported Gross Margin** increased quarter-over-quarter from 38.1 percent to 39.9 percent. As predicted, the temporary fab fillers on the consumer side of PSS, which had burdened margin levels at group level by around one percentage point in the previous quarter, were ended. Furthermore, the margin was supported by improved productivity and by lower idle costs quarter-over-quarter; after a loading reduction in the previous quarter, we selectively increased fab loading and inventory levels again to be well prepared for the recovery in broader markets.

Offsetting the gross margin expansion somewhat was the increase in **Research and Development** expenses from 565 to 626 million Euros in the December quarter. While items like public funding or capitalization rates fluctuate and can distort quarterly comparisons, the underlying trend reflects our clear conviction that innovation remains key to our differentiation and hence value creation. In the field of connectivity we are further expanding our BRIGHTLINE™ family of Ethernet switches and PHYs. Or think of the tri-band device for IoT including Wi-Fi 7 that Jochen mentioned.

Unlike R&D, our **Selling, General and Administrative** expenses remained practically flat with 409 million Euros.

Non-Segment-Result charges for the first fiscal quarter amounted to 267 million Euros.

Financial result

The **financial result** for the December quarter amounted to minus 56 million Euros, after minus 64 million Euros in the quarter before.

Tax

Income tax expense for the December quarter was 82 million Euros, a noticeable decline from the 152 million Euros in the quarter before, which had contained several valuation effects related to deferred taxes. The effective tax rate for the first quarter of our 2026 fiscal year was 24 percent. Cash taxes for the same period were 70 million Euros. Adjusting for PPA effects, the quarterly cash tax rate stood at 15 percent. Given typical time lags between pre-payments and adjustments, we currently expect this rate to go up throughout the year towards 20 to 25 percent.

Investments, Depreciation and Amortization

Our **investments** in property, plant and equipment, other intangible assets and capitalized development costs increased quarter-over-quarter, from 451 to 582 million Euros. **Depreciation and amortization** expenses including acquisition-related Non-Segment-Result effects amounted to 478 million Euros.

Free Cash Flow

Our **Free Cash Flow** in the quarter under report came in at minus 199 million Euros. Given that the previous quarter's number was significantly influenced by the closing of the acquisition of Marvell's Ethernet business, a like-for-like comparison should consider the strong organic free cash flow of 904 million Euros recorded in the September quarter. Compared to this figure, we saw a lower business volume, fewer public funding receipts, higher investments, the payout of the bulk of annual variable compensation and an overall negative working capital effect in the December quarter. The latter was mainly driven by the increase in on-books inventories – as mentioned earlier, their reach now being at 183 days.

Liquidity, leverage, corporate finance, rating

Now to our liquidity and leverage situation. The negative quarterly free cash flow led to a decline in our **gross cash** position from around 2.1 billion to around 1.8 billion Euros at the end of December. **Gross debt** remained unchanged at 6.8 billion Euros, after the initial financing of the Marvell Ethernet acquisition in the previous quarter. The resulting **net debt** amounts to around 5 billion Euros. Our gross leverage remains around our self-defined threshold of 2.0 times, net leverage is corresponding to 1.4 times.

For funding the takeover of sensor activities from ams OSRAM we plan to incur additional debt, so no equity, only debt, as part of our annual corporate financing plans. The transaction will add approximately 0.1 times to our leverage at current, cyclically subdued EBITDA levels.
I am pleased to report that Standard & Poor's this morning has continued our rating at BBB+ with a

stable outlook, including the ams OSRAM sensor acquisition, reflecting our strong business profile and conservative financial policy.

RoCE

Our after-tax reported **Return on Capital Employed** came in at 5.2 percent for the first quarter of our 2026 fiscal year.

Handover to Jochen Hanebeck

Before giving back to Jochen, who will comment on our outlook, just a quick reminder: our annual shareholders' meeting will be in about two weeks from now, on the 19th of February, here in Munich, for the first time in a physical format again after several years. You can of course also follow it online.

Jochen Hanebeck

Thank you, Sven.

Our outlook continues to be framed by our market view of a gradual and uneven recovery. Timing, pace and slope of the cyclical upturn vary considerably across market segments. Despite persisting geopolitical and macroeconomic uncertainties, visibility is incrementally improving, as customers are putting in more and more orders for delivery in two, three quarters. This appears to be partly driven by fears of capacity spill-over effects from booming AI, potentially resulting in supply tightness for similar products in non-AI areas. Inventory levels have generally normalized throughout automotive and industrial supply chains, yet customer confidence needs to further improve for a re-stocking. Against this background, we are at this point in time reiterating our annual outlook, which had been de-risked to account for the mentioned headwinds. For the sake of clarity, our forecast does not include any effects from the pending acquisition of the sensor portfolio from ams OSRAM.

Outlook for Q2

For the currently running March quarter, we predict **revenues** of around 3.8 billion Euros, based on an unchanged assumption of a US-Dollar/Euro exchange rate of 1.15. By segment, revenue at ATV and CSS is expected to remain roughly stable quarter-over-quarter. For GIP a moderate increase is expected, whereas PSS revenue should grow significantly.

For the second fiscal quarter's **Segment Result Margin** we expect a mid-to-high teens percentage level. As always in this quarter, volume growth will be offset to some extent by contract-based annual price adjustments kicking in. For the group, these are in line with our initial assumption of a low to mid-single-digit decline, with considerable variance across the different businesses.

Outlook for FY26

For the full 2026 fiscal year, we continue to expect **revenues** to be moderately up compared to the previous fiscal year, based on an assumed US-Dollar/Euro exchange rate of 1.15. As a reminder, we expect our business segments to follow markedly different patterns: ATV should grow below group average. In contrast, we expect PSS to grow significantly faster, driven by very strong demand for our AI power solutions, for which we re-confirm our revenue assumption of 1.5 billion Euros for this fiscal year. For GIP we assume revenues to grow slightly year-over-year, whereas for CSS we expect revenues to remain flat, as IoT demand remains sluggish.

Regarding profitability, we continue to expect our full-year **adjusted Gross Margin** to come in at a low 40ies and our **Segment Result Margin** to land at a high-teens percent level. The adverse currency development together with typical price decline will work against the positive fall-through effect from volume growth and further benefits from our Step Up program. In this context, we announced today the completion of the divestiture of the former Cypress backend site in Bangkok.

We will pull in around 500 million Euros of investments related to Powering AI to support steep revenue growth in the next fiscal year, as already mentioned. This will bring total **investments** in this fiscal year to around 2.7 billion Euros. As the majority of the additional equipment will arrive late in our fiscal year, there will be no material impact on our **depreciation and amortization** this year, for which we anticipate a value of around 2.0 billion Euros. This includes amortization of around 400 million Euros resulting from purchase price allocations, mainly in connection with the acquisitions of Cypress and Marvell's Ethernet business, which will be recognized in our Non-Segment Result.

For the **Free Cash Flow** we now expect a level of around 1.0 billion Euros for fiscal year 26, down from the previously estimated 1.1 billion Euros, given that a portion of the increased investments will be paid for within the running fiscal year. Our **adjusted Free Cash Flow**, net of investments into major frontend buildings and M&A transactions, is likewise expected to come in at a lower level and amount to around 1.4 billion Euros, after 1.6 billion Euros before, in the context of significant value creation from profitable AI growth.

Closing remarks

Ladies and gentlemen, let me summarize:

- The first quarter of our 2026 fiscal year came in at the better end of our guidance, a result of the anticipated seasonality.
- Geopolitical cross-currents and macroeconomic volatility continue to temper cyclical dynamics. Therefore, our base case of a gradual, uneven market recovery still fits well for the time being.
- We reiterate and confirm our outlook of moderate revenue growth, low forties gross and high-teens Segment Result Margin for our 2026 fiscal year, a prudent base case.
- Within this guide, low growth is expected for automotive. Muted short-term xEV demand is more than offset by the trend towards software-defined vehicles. We shift our business focus accordingly.
- There is no AI without power, and we are doubling down on this unprecedented opportunity. We confirm our revenue targets of around 1.5 billion Euros for fiscal 26, and around 2.5 billion in fiscal 27.
- With the acquisition of the automotive, industrial and medical sensor portfolio from ams OSRAM we strategically strengthen our unparalleled portfolio of power, analog & sensors and control & connectivity solutions to optimally address secular growth drivers and nurture profitable growth.