Q2 FY 2026

104th Quarterly Results of Infineon Technologies AG

Analyst Call Intro Statement

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

Jochen Hanebeck:

General Introduction

About three weeks ago, the Artemis II mission successfully returned to Earth after ten days in space. Radiation-hardened semiconductor solutions from Infineon supported the electronic backbone at the heart of the Orion capsule, an anecdotal proof of the breadth and performance of our offering.

Back here on our planet the market recovery is clearly gathering strength. We are seeing rising demand across several key verticals. At the same time, our planet is burdened by multiple geopolitical conflicts, affecting our markets in various ways. These impacts notwithstanding near-term business indicators like order intake, lead times, cancelation rates and stock levels are showing a clearly improving picture. Such picture differs by application: AI momentum is further strengthening, with positive spill-over effects in adjacent areas. Industrial markets are supported by rising power infrastructure-related demand. In Automotive, low customer inventories are triggering the start of a broader replenishment, leading to a rising order intake. E-mobility is still in difficult territory, whereas software-defined vehicles are seeing a globally positive development.

All in all, our end markets are clearly improving. Preparing for a broad upcycle in an agile way and simultaneously setting the right strategic course remains paramount. For successfully implementing our strategy, the best-fit organizational setup is key. Going forward, we will streamline our organization, going from 4 to 3 divisions to accelerate innovation-to-customer value further. More on this at the end of our divisional review, but let’s now look at group performance in our Q2 first.

Group performance in Q2

The second quarter of our fiscal year 2026 was fully in line with guided numbers. **Revenues** amounted to 3 billion 812 million Euros, 4 percent up from the previous quarter. Compared to the same quarter one year earlier, reported revenue grew by 6 percent. On a currency adjusted basis, the annual growth rate would have been above 14 percent, given that the US-Dollar was considerably stronger twelve months ago.

The **Segment Result** for the March quarter came in at 653 million Euros, corresponding to a **Segment Result Margin** of 17.1 percent, compared to 17.9 percent in the quarter before. This development reflects the positive volume fall-through as well as usual kicking-in of price adjustments at the beginning of a calendar year. In addition, the decreasing automotive high voltage business and related cost for its refocusing led to a significant profitability headwind. More on this in the automotive and later in the financial section.

As a clear indication of the recovery momentum our order **backlog** increased materially quarter-over-quarter by 4 billion Euros, to around 25 billion Euros at the end of March. Currency effects had only a minor impact here. Compared to end of March last year, our backlog is now around 25 percent higher – and it has kept growing in the currently running quarter. Where capacity allows, we are confirming customer orders now well into the next fiscal year.

Now to our divisional review, starting with Automotive.

Division-level performance in Q2

1 *Automotive*

Before looking at the March quarter, we proudly note Infineon's pole position among automotive semiconductor providers for the sixth consecutive year, based on data from TechInsights for 2025. With top one and top two positions in all major regions, our standing as the preferred partner of the automotive industry is reconfirmed. We managed to further extend our lead over key competitors, notably in the crucial category of microcontrollers, where we expanded our market share year-over-year from 32 to 36 percent.

Now to the March quarter: Automotive **revenues** ticked up to 1 billion 830 million Euros. Low single-digit price declines were offset by volume increases.

The **Segment Result** of ATV came in at 331 million Euros with a **Segment Result Margin** of 18.1 percent. The sequential decline of 400 basis points was due to two main factors: impacts from our business with high-voltage components for electric powertrains as well as the mentioned price adjustments.

Generally speaking, the near-term outlook for the automotive market remains relatively muted. In its April update, market researcher S&P Global revised down its light vehicle production numbers for 2026. They are now more or less in line with our view. As you know, what matters more than car units is structural content growth. Here we see the adoption of software-defined vehicles accelerating. Also, the trend towards e-mobility is intact, however, xEV penetration is progressing more slowly than predicted. In high-voltage power parts for electric drivetrains, market pressures are particularly acute. High competitive intensity and capacity buildouts have caused prices to erode quicker than expected. The volume development and the pricing lead to unacceptable profitability in our automotive high-voltage drivetrain business. Against this backdrop, we are resetting the business. In addition to the restructuring of our frame-based module backend operations in Warstein, Germany, announced last November, we are putting in dedicated measures to lower our operational cost base and we are streamlining our portfolio. We use the opportunity to redeploy frontend manufacturing capacities towards our rapidly growing AI data center business, where demand continues to strongly exceed supply. In revenue terms, the affected high-voltage drivetrain business will decrease by a low-to-mid triple digit million Euro figure this fiscal year, already considered in our full-year revenue guidance for ATV. Overall, the business corresponds now to around 7 percent of ATV. Regarding profitability, we expect the Segment Result Margin of ATV in this fiscal year to be burdened by a low-to-mid single digit percentage, reflected in our guidance, driven by the combined effect of substantially reduced volumes and costs related to refocusing the High Voltage business. Let me be very clear: Infineon remains fully committed to driving electro-mobility further, however, we will not be chasing market shares but instead our focus remains on profitable growth.

This situation is isolated to high-voltage power components for e-mobility. It is not at all affecting product categories like microcontrollers, analog parts, not even MOSFETs or sensors. Leveraging our unrivalled technology and manufacturing base for power as well as system understanding will enable us to reposition our high-voltage e-mobility business for future success.

In the meantime, Infineon keeps shaping the proliferation of software-defined vehicles. The foundation of such cars is the combination of powerful and dependable computing, high-speed secure data connectivity and smart and efficient power management. Infineon is at the forefront in all these disciplines, as for example evidenced by the iX 3, the first of BMW’s Neue Klasse generation. It features AURIX™ and TRAVEO™ microcontrollers, BRIGHTLANE™ Ethernet connectivity solutions, as well as power management ICs, smart power switches and eFuses from us. And of course it has an electric drivetrain, demonstrating how the structural automotive trends are interlinked.

We are also very proud to report additional design wins with leading Chinese OEM Geely, covering a high number of microcontrollers and analog products, including PMICs and PROFETs. These solutions will be deployed across several applications, ranging from battery management systems to zonal control units, in various vehicle models across the range of Geely brands. This further underlines the strong value proposition Infineon delivers to its Chinese customers.

2 *Green Industrial Power*

Now to Green Industrial Power: **revenues** of 403 million Euros in the March quarter correspond to a significant sequential increase of 15 percent, following a seasonally very weak first fiscal quarter. Growth came mainly from power infrastructure, HVAC and home appliances. The **Segment Result** of GIP improved to 47 million Euros, equivalent to a **Segment Result Margin** of 11.7 percent after 8.9 percent in the previous quarter. Fall-through from higher revenues and lower idle costs more than compensated for negative price effects.

With manufacturing PMIs in major world regions north of 50 and inventories now normalized, the sentiment in industrial markets is improving. A broader cyclical recovery is in sight. For instance, customer order entry is picking up strongly, while channel stocks approach low levels. In addition, certain areas provide structural growth opportunities: grid modernization requirements drive investments in related infrastructure and support growth in Energy Storage Systems and transmission & distribution equipment. Continuously rising AI data center buildouts fuel demand for uninterruptible power systems, general power supply as well as commercial HVAC for cooling. In some cases, semiconductors are poised to replace electro-mechanical parts, a trend for which Infineon is ideally positioned: for example, we are gaining strong traction in our business for solid-state transformers. We are generating first revenues in the running fiscal year and have built a robust design-in opportunity funnel. The same applies to our solid-state circuit breaker business, which is developing well and provides a solid foundation for future growth.

3 *Power & Sensor Systems*

Let’s now move to Power & Sensor Systems. In the second quarter of our 2026 fiscal year, PSS recorded **revenues** of 1 billion 260 million Euros, representing 8 percent sequential growth. This was mainly driven by our AI power as well as the radar sensor business. The **Segment Result** increased to 257 million Euros, driven mainly by higher volumes, corresponding to a **Segment Result Margin** of 20.4 percent. The increase of again 300 basis points compared to the prior quarter is a further step on the profitable growth path of PSS, strongly driven by our leadership position in AI power solutions. Demand on the back of ongoing, significant investments in datacenters and related infrastructure continues to be very strong. Currently, our AI business is on allocation, and we are converting capacities from other areas as well as ramping new ones as quickly as possible. Given the unabated momentum, we are re-confirming our guidance of dedicated AI power revenues of 1.5 billion Euros for 2026 as well as our indication of 2.5 billion Euros for 2027, irrespective of a weaker US-Dollar. The right to win in this market comes from the ability to optimize the entire power flow from grid to core. Infineon’s unmatched portfolio breadth, combined with deep system understanding, quality and delivery capabilities help customers scale AI clusters and deploy increasingly sophisticated power architectures.

A very important milestone in this context is the ramp of gallium nitride for AI data center applications. Already today, we are shipping more and more into selected power supply sockets, and we see a rapid expansion of the design-in pipeline across multiple power conversion stages, including intermediate bus converters where gallium nitride-based products make a clear difference in performance.

Also for silicon carbide the demand from AI-related applications is very strong, driving low double-digit growth for our overall silicon carbide business in this fiscal year.

These developments confirm our excellent position with leading customers across the AI ecosystem and we see our content opportunity developing favorably. Such content, i.e. the dollar value of semiconductors for a given power envelope, is a function of the rack configuration, which can vary considerably. We are represented in almost all platforms across all relevant players in the industry. For this, we see a content range of 100 to 250 US-Dollar per Kilowatt, with today's average now increased to about 175 Dollars. Over time this number will see a certain efficiency effect, but on the other hand it will be driven upwards by a higher vertical power module share and the emergence of solid-state transformers. This assessment replaces our 8-12 billion Euro SAM market sizing for the end of the decade, as the Gigawatt installation plans are quickly outdated and only revised upwards, resulting in a significantly higher market potential for us.

4 *Connected Secure Systems*

Now to Connected Secure Systems, which recorded **revenues** of 319 million Euros, essentially constant quarter-over-quarter. Increasing volumes of IoT-related microcontroller and connectivity products were offset by negative effects in identification solutions. The **Segment Result** of CSS decreased to 18 million Euros, corresponding to a **Segment Result Margin** of 5.6 percent.

The continued evolution from IoT into Edge AI is expanding the opportunity set across multiple end markets. In this context, we are encouraged to see design-win momentum building for our next generation of connectivity solutions, as well as secure, low-power AI-enabled microcontrollers. Recent wins span various different application fields, from servers to security cameras, from wearables to in-cabin monitoring systems. In parallel, the broader adoption of AI is supporting increasing demand for our secure element solutions to safeguard data integrity in servers.

New organizational structure

Ladies and Gentlemen, this concludes today's divisional overview – the penultimate one in the current structure. Before handing over to Sven for our financial figures, let me introduce Infineon's future organizational setup to you: Starting from 1st July, in other words effective as of our fourth fiscal quarter, we will operate with three instead of four divisions: Automotive, Power Systems and Edge Systems. This is the next logical step in our evolution from product thinking to deriving solutions out of deep system understanding. Customers are demanding innovative system-level solutions at an ever-faster speed. To optimally address their needs and create more customer value, we need to reduce complexity and accelerate further. The key guiding principle for our new setup is clear application ownership: the three divisions will be fully accountable for developing value propositions for their assigned focus applications. ATV will remain responsible for the secular automotive trends of software-defined vehicles and e-mobility, as well as all other automotive applications including on-board chargers, which had previously been addressed also by other segments. Power Systems, or PS, will be in charge of all power applications outside automotive. This includes powering AI from grid to core as well as renewable power generation and grid infrastructure, and power parts for consumer, communication and industrial applications. In essence, PS will be the combination of today's GIP and the power part of PSS, bringing together silicon, silicon-carbide and gallium-nitride development under one roof, sharing related innovation with ATV.

The focus of Edge Systems, or ES, will be on applications that are at the edge between the physical and digital world. The interplay of sensors, microcontrollers, connectivity, and security is a key area for future innovation and growth. Examples include Edge AI, robotics, medical wearables, industrial automation, and home appliances. The ES segment will be formed from today's CSS and the sensor & RF as well as the USB connectivity portfolio from PSS. After closing of the pending transaction, also the sensor portfolio from ams OSRAM will become part of ES.

The revenue split based on pro-forma numbers for our 2025 fiscal year would be roughly 50% ATV, 30% PS and 20% ES, thus giving each division sufficient economies of scale. The new setup will reduce complexity and streamline decision-making. With three divisions and clearer ownership of focus applications, we need fewer alignments and can better leverage our deep system understanding. This will help us create more innovative products, win more opportunities, and deliver added value to customers faster, thus better supporting profitable growth.

Handover to Sven Schneider

And now to Sven for our key financial figures.

Sven Schneider:

Thank you, Jochen, and good morning everyone.

(Adjusted) Gross Margin and OpEx, NSR

Those of you following us for a long time are aware that margins in our March quarter typically step down sequentially, due to annual price adjustments becoming effective. For the quarter under report, the **reported Gross Margin** went from 39.9 to 38.7 percent, the **adjusted Gross Margin** decreased by 200 basis points to 41.0 percent. Therein, our high-voltage automotive drivetrain business had a negative impact of about one percentage point, combining the fall-through from lower revenues, idle cost increases as well as charges related to the refocusing of the business, explained by Jochen. From this you can deduce that overall price declines were of a quite modest nature.

On the Opex side, **Research and Development** expenses downticked quarter-over-quarter from 626 to 612 million Euros. Also, our **Selling, General and Administrative** expenses declined, they went from 409 to 379 million Euros.

Non-Segment-Result charges for the March quarter amounted to 195 million Euros after 267 million Euros before.

Financial result

The **financial result** for the second quarter of our running fiscal year amounted to minus 68 million Euros, after minus 56 million Euros in the prior quarter.

Tax

Income tax expense for the March quarter was 91 million Euros, equivalent to an effective tax rate of 23 percent. Cash taxes amounted to 109 million Euros. Adjusting for PPA effects, the quarterly cash tax rate stood at 22 percent, right within our expected corridor of 20 to 25 percent.

Investments, Depreciation and Amortization

Our **investments** in property, plant and equipment, other intangible assets and capitalized development costs amounted to 541 million Euros in the March quarter, after 582 million Euros in the December quarter. **Depreciation and amortization** expenses including acquisition-related Non-Segment-Result effects amounted to 452 million Euros.

Free Cash Flow

Our **Free Cash Flow** in the second quarter of our 2026 fiscal year came to minus 63 million Euros, a slight improvement from the previous quarter’s minus 199 million Euros.

Looking at our inventories, their reach went slightly down, from 183 to 175 days quarter-over-quarter including some safety stocks, inventories related to our manufacturing footprint optimization over the last years and pre-builds. We are fully on track to meet our target for the end of the fiscal of around 150 days. The inventory reduction envisaged will have a positive impact on our free cash flow in the coming two quarters. That said, slightly elevated inventory levels are an advantage to capture growth in the coming upcycle and to be prepared in case of geopolitically induced turmoil.

Liquidity, leverage, corporate finance

Now to our liquidity and leverage situation, which is affected by various successful financing transactions in connection with our recent M&A activities. First, we tapped the Euro bond market in early February with a 2 billion Euro issuance across three tranches. On the back of our rating of "BBB+ stable" confirmed by S&P Global and in a time window prior to the outbreak of the Middle East conflict, we were able to achieve favorable conditions. 1 billion of the proceeds were used to repay a part of the initial bank financing of the Marvell Ethernet acquisition. 500 million are earmarked for the pending acquisition of the sensor portfolio from ams OSRAM, which we expect to close still in this quarter. In addition, we also procured new US-Dollar funding, namely 700 million of term loans from banks as well as 300 million from the US private placement market. The total proceeds of 1 billion US-Dollars have been used to repay the other remaining part of the initial Marvell Ethernet financing. In other words, we have successfully refinanced the entire Marvell Ethernet acquisition and pre-funded the ams OSRAM transaction. Furthermore, we paid out the annual dividend of 456 million Euros and bought back shares for employee participation programs for a total of 178 million Euros in the last quarter – a busy and eventful time for our Corporate Finance team!

Taking all the financial activities mentioned and our free cash flow together, we arrived at the following cash and debt levels at the end of March: our **gross cash** position stood at around 2.2 billion Euros, whereas **gross debt** came in at around 7.9 billion Euros. The resulting **net debt** amounted to around 5.7 billion Euros as of the balance sheet date. This translates into a gross leverage at the end of March of 2.2 times, slightly above our target, but overstated, as we repaid an older US PP of 350 million US-Dollars at maturity at the beginning of April, and will redeem a Eurobond of 750 million on its due date in June. Net leverage corresponded to 1.6 times. Going forward, we expect these numbers to improve based on sequentially increasing EBITDA levels and land within the leverage target range.

RoCE

Our after-tax reported **Return on Capital Employed** came in at 6.0 percent for the second quarter of our 2026 fiscal year.

New organizational structure

Before handing back to Jochen, a brief comment: as you have heard, we will operate and report in a new organizational structure starting from Q4 of our running fiscal year, with three instead of four divisions. That said, we will provide you with key financials for the current setup also for the September quarter, allowing you to model the full 2026 fiscal year in a consistent way. At the same time, we will provide adjusted historical data for the new setup on a pro-forma basis in due course to you, to enable relevant comparisons.

Handover to Jochen Hanebeck

Now back to Jochen, who will comment on our improved outlook.

Jochen Hanebeck

Thank you, Sven.

In general terms, the upcycle is gathering intensity, breadth and speed, as the recovery is broadening across more and more of our target markets. While geopolitical risks and macroeconomic uncertainties persist, fundamentals are improving. On the demand side, we see stronger bookings leading to a growing backlog. Visibility is getting better, even beyond our fiscal year, as customer orders are stacking up nicely for the coming quarters. Channel inventories are at the lower end of target ranges; customer inventories have largely de-stocked to healthier levels as well, in some cases even below that. In automotive, we are pleased to see industry players bringing inventories back up to reasonable levels. On the supply side, more and more pockets of tightness are emerging, particularly in areas adjacent to booming AI product categories. Of course, the dynamics vary across applications, but overall, we believe a broader recovery is in sight and are therefore raising our annual outlook, even against an unfavorable currency development.

Outlook for Q3

For the currently running June quarter, as well as for the remainder of our fiscal year, we are changing the assumed US-Dollar/Euro exchange rate from formerly 1.15 to now 1.17. With this in mind, we expect **revenues** of around 4.1 billion Euros for our fiscal third quarter, corresponding to 8 percent growth quarter-over-quarter. By segment, for ATV a slight revenue growth is predicted, whereas for each of GIP, PSS and CSS revenue should grow significantly.

For the third fiscal quarter's **Segment Result Margin** we expect a high teens percentage level. Besides the fall-through from higher volumes, we expect the evolution of prices in certain areas, notably AI and related product categories, to have a positive impact. In contrast, rising costs for energy and precious metals will somewhat dampen margin expansion.

Outlook for FY26

For the full 2026 fiscal year, we now expect **revenues** to be significantly up compared to the previous fiscal year, translating into a level of 16+ billion Euros. As mentioned, this is absorbing an unfavorable US-Dollar/Euro exchange rate assumption of 1.17 for the remainder of the fiscal year.

From a segment perspective, PSS should grow materially faster than group average, driven by buoyant demand for AI power solutions. As the outlook for some industrial markets is also benefitting from AI, GIP is now expected to grow at a moderate pace. ATV should see slight revenue growth, driven by its broad product portfolio and the early adoption of software-defined vehicles, burdened by the decrease of the high voltage drivetrain business. To give you an idea of the strength of the underlying automotive business: excluding the high voltage business as well as the Ethernet business, which is for the first time consolidated for a full year, and at constant currencies, ATV would see almost 9 percent annual growth this fiscal year 2026.

Lastly, for CSS we expect revenues to remain stable year-over-year.

Regarding profitability, the improved revenue prediction causes our expectation for the full-year **adjusted Gross Margin** to go up to a low-to-mid 40ies level after having guided to a low 40ies level before. Our **Segment Result Margin** will correspondingly benefit, and land at a level of around 20 percent after having guided to a high-teens margin level previously. Positive contributors, in particular for the quarterly trajectory, will be rising volumes and better-than-initially-assumed pricing. Idle costs are expected to go down to an annual level of around 650 million Euro, their cyclical part constituting a margin headwind of about 300 basis points. That said, we will manage idle costs and inventories in a balanced way downwards, as Sven explained. Offsetting these benefits to some extent will be an adverse currency development and rising input costs, for precious metals, energy and freight, resulting from the war in the Middle East. While we have baked in these direct impacts, our forecast does <u>not</u> include potential indirect effects from a protracted or escalating Middle East conflict or any other lingering geopolitical tension.

Our **investments** in this fiscal year are expected to come to around 2.7 billion Euros. As we mentioned in our last call, this amount contains around 500 million Euros of pulled-in investments related to Powering AI to support steep revenue growth in the coming fiscal year. In this context I am happy to announce that we will officially open our Smart Power Fab in Dresden on the 2nd of July. The 300-millimeter fab will focus on state-of-the-art analog/mixed-signal and power technologies. Its completion comes just at the right time to boost Infineon’s growth opportunities in highly attractive markets like AI power, automotive and robotics.

Returning to our outlook, we continue to anticipate a value of around 2.0 billion Euros for our **depreciation and amortization** this fiscal year. 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 are upgrading our guidance to around 1.25 billion Euros, compared to the previously estimated 1.0 billion Euros, on the back of an improved business outlook and the planned inventory reduction. Our **<u>adjusted</u> Free Cash Flow**, net of investments into major frontend buildings and M&A transactions, is likewise expected to come in at a higher level and amount to around 1.65 billion Euros, after 1.4 billion Euros before, corresponding to around 10 percent of group revenues.

For the sake of completeness, our guided numbers do not include effects from the pending acquisition of the sensor portfolio from ams OSRAM, which we expect to close towards the end of this quarter.

Closing remarks

Ladies and gentlemen, let me summarize:

- The second quarter of our 2026 fiscal year came in fully in line with our guidance.
- The recovery is gathering steam. We face an upcycle in several of our target markets.
- Momentum differs across applications: AI exceptionalism persists, benefitting also our industrial business. Automotive is directionally improving, driven by structural trends. The dynamic for software-defined vehicles is accelerating. The e-mobility trend is intact, yet unfolding slower than anticipated. High-voltage drivetrain parts are exposed to significant market pressures. We refocus our business focus accordingly.
- Based on a brighter business outlook, we raise our guidance to significant revenue growth to 16+ billion Euros, low-to-mid forties gross margin, a Segment Result Margin of around 20 percent and an adjusted Free Cash Flow of around 10 percent of revenue.
- Thus our 2026 fiscal year will see a much stronger second half – and comparing the first half of calendar year 26 to the second half, according to our current order book the picture would be even brighter.
- Going forward, we will move from four to three divisions. With a streamlined setup and clearer application ownership we will deliver added value to customers faster, leading to more profitable growth.