Q3 FY 2026

105th Quarterly Results of Infineon Technologies AG

Analyst Call Intro Statement

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

Jochen Hanebeck:

General Introduction

At present, positive cyclical momentum and structural growth are converging into a bright picture – and Infineon is generating value from it. The recovery continues to gain traction, the upcycle is fully on track. What initially started in selected segments is now becoming broad, supported by improving demand patterns, normalized inventory levels and increasing order activity across many end markets.

The strongest dynamic continues to come from AI-related infrastructure. Investments in datacenters continue to go up. Energy-efficient power delivery solutions are required to support ever-growing processing capabilities. Use cases for agentic and physical AI are emerging at a fast clip. Industrial markets are also showing improving dynamics, in particular related to power infrastructure. In Automotive, we are seeing a pick-up of customer order momentum. In this environment, we are combining a strong operational focus on the current upcycle with targeted investments in our broad set of future growth opportunities. The prime example for the latter is the recent opening of our new Smart Power Fab in Dresden. The cleanroom space available there enables us to ramp the world's largest fab for cutting edge power semiconductors and analog/mixed-signal technologies – at just the right point in time. Furthermore, we closed the acquisition of the sensor portfolio from ams OSRAM as planned within a very short timeframe.

Let us now turn to our third-quarter performance.

Group performance in Q3

The third quarter of our 2026 fiscal year was the first one with over 4 billion Euros of **revenue** for two and a half years. With 4 billion 172 million Euros we achieved an all-time high in quarterly revenues and came in a bit ahead of expectations, even considering a minor positive currency effect. All our divisions contributed to 9.4 percent sequential growth on group level. Compared to the same quarter one year earlier, our reported revenue grew by close to 13 percent.

The **Segment Result** for the June quarter amounted to 797 million Euros, corresponding to a **Segment Result Margin** of 19.1 percent, 200 basis points up from the quarter before, mainly driven by volume fall-through and positive mix-effects, and clearly in the upper part of the predicted high-teens range.

Our order **backlog** witnessed another material increase and stood close to 30 billion Euros at the end of June, a clear indication of recovery momentum getting even stronger.

Now to our divisional review, beginning with Automotive.

Division-level performance in Q3

1 *Automotive*

In the third quarter of our 2026 fiscal year, **revenues** increased by 6 percent quarter-over-quarter to 1 billion 932 million Euros. Growth was driven mainly by microcontrollers and smart power components, as well as our Ethernet products. All these are core building blocks of software-defined vehicles.

The **Segment Result** increased by 8 percent sequentially to 356 million Euros, corresponding to a **Segment Result Margin** of 18.4 percent. As a reminder, the refocusing of our business with high-voltage components for electric powertrains that we explained in our last earnings call is expected to burden Segment Result Margin of ATV in this fiscal year by a low-to-mid single digit percentage, reflected in our guidance.

We continue to see strong order intake in Automotive, against the backdrop of a muted car market. In its latest update, market researcher Mobility Global, carved out from S&P Global, is forecasting around 91 million light vehicles to be produced in 2026. This is slightly above its previous estimate and broadly in line with the approximately 2 percent year-over-year decline we had assumed since the beginning of our fiscal year.

The long-term trends driving automotive semiconductor demand remain firmly intact and continue to support content growth. Rising fuel costs are beginning to support xEV adoption in Europe, India, and Southeast Asia, while the shift toward software-defined vehicles continues to accelerate globally. Alongside these structural growth drivers, supply constraints in the Chinese automotive grade semiconductor market create opportunities for us. Furthermore, ongoing inventory replenishment is contributing to near-term demand recovery.

We have secured a major design win for a zone-controller architecture with the software company of a leading global car manufacturer. The solution combines latest generation AURIX™ microcontrollers, power-management ICs and PROFET™ smart power switches. This demonstrates the breadth of our system offering across compute, connectivity and smart power management.

We are also seeing further design-win momentum in China. For Xiaomi, we will support a cockpit and ADAS fusion unit incorporating three different microcontroller families. In another win with a leading Chinese car manufacturer, our silicon-carbide bare dies will be used in the traction inverter.

Finally, we further simplify the evaluation of our automotive microcontrollers for our customers. Together with Amazon Web Services, we have launched a cloud-based platform for virtual MCU evaluation. By removing the dependency on physical hardware, the platform can shorten evaluation cycles from several weeks to minutes, lower evaluation costs significantly and support hundreds of concurrent users globally. The platform already includes our next-generation RISC-V architecture enabling customers to gain hands-on experience with new microcontrollers much earlier in their development cycle and further accelerates innovation for software-defined vehicles.

2 *Green Industrial Power*

Let’s now take a look at Green Industrial Power: GIP’s **revenues** grew by 11 percent quarter-over-quarter to 447 million Euros, making the June quarter the second one in a row with double digit growth. Reflecting the recovery of industrial markets, all application areas developed positively, in particular power infrastructure and HVAC. The higher revenue notwithstanding, the **Segment Result** of GIP contracted slightly to 44 million Euros, equivalent to a **Segment Result Margin** of 9.8 percent, after 11.7 percent in the quarter before. The decline was due to temporary operational and inventory-related effects and hence not indicative of underlying profitability, as will be evidenced by the positive margin evolution in the running quarter.

Power infrastructure is seeing strong structural momentum: investments in grid expansion and modernization continue to grow, driving demand for energy storage systems, transmission & distribution gear and high-voltage solid state devices. AI data center growth is fueling demand for uninterruptible power systems, general power supply as well as cooling.
Semiconductors are poised to replace electro-mechanical parts in various use cases. For example, a semiconductor-based solid-state circuit breaker can protect electrical circuits from damage caused by short circuits or overloads up to 1,000 times faster than conventional systems. This capability is essential for direct current grids and offers a significant increase in system availability in industrial manufacturing and AI data centers. As part of a partnership with Siemens, we will supply 1.2 kilo Volt silicon carbide power modules for use in circuit breakers to enhance the efficiency, power density and reliability of Siemens' protection solution.

3 *Power & Sensor Systems*

Now to Power & Sensor Systems. On the back of unabated AI power strength PSS recorded **revenues** of 1 billion 442 million Euros in the June quarter, 14 percent up sequentially, and a staggering 34 percent more compared to the same quarter one year ago. The margin evolution of

PSS shows a bright picture as well: the **Segment Result** increased to 359 million Euros, corresponding to a **Segment Result Margin** of 24.9 percent. The further increase of 4.5 percentage points compared to the previous quarter is evidence of profitable growth and value creation, strongly driven by our leadership position in AI power solutions. This leadership position is being recognized by industry researchers: in a recent report covering AI data center power semiconductors, Gartner® identified Infineon as "the company to beat". Portfolio breadth and system-level expertise in conjunction with manufacturing capacity are the defining capabilities for data center operators seeking to scale AI. Infineon offers a unique portfolio spanning the entire power delivery chain and manufactures relevant technologies in-house. By seamlessly integrating wide bandgap materials – specifically silicon carbide for high-efficiency, high-voltage grid-to-rack conversions and gallium nitride for ultra dense, high-frequency intermediate power stages – alongside silicon at the processor level, energy losses are minimized at every single conversion step.

Demand for our AI power solutions continues to outstrip available supply, we are in allocation. Successful execution of capacity ramps and conversions from other areas will help us achieve more than 1.6 billion Euros of dedicated AI power revenues in the current fiscal year, ahead of the so-far planned 1.5 billion. In addition, our business with non-AI data center power solutions is amounting to around 500 million Euros annually, making Infineon clearly the leading force in the overall space.

We are represented in almost all platforms across all relevant players in the industry. Enabling further steep growth in the coming years will be a function of ramping and deploying additional manufacturing capacities. Our new Smart Power Fab in Dresden together with available cleanroom space at our other large frontend sites in Austria and Malaysia puts us in a unique position. To strategically secure access to critical power delivery solutions, several leading customers across the AI Data center ecosystem have signed or are in negotiation on multi-year capacity reservation agreements with us. These agreements encompass a total cumulative sales volume of a high single-digit billion Euro amount over multiple years. These agreements also feature certain prepayments, thus further strengthening our customer relationships and sharing investment risks. We will revise our projection of 2.5 billion Euros **plus** AI Datacenter revenues for our 2027 fiscal year upwards as part of the annual guidance to be given in our November earnings call. We expect such update to be material.

The next waves of AI growth are already taking shape: higher density power architectures for running the latest frontier models, as well as the emergence of agentic and physical AI. The growing inference and task-coordination requirements of agentic AI provide a massive tailwind for us. Our undisputed leadership in power solutions for CPUs, combined with a highly differentiated, best-fit product portfolio, will represent another significant growth driver as early as next fiscal year. Accordingly, the aforementioned update of our revenue projection for 2027 will also include our power solutions for all different forms of datacenter configurations.

Beyond the data center, our solutions bring physical AI to life, enabling humanoid robots, collaborative machines and autonomous systems to perceive, think and act safely and securely. With expertise from all our divisions spanning microcontrollers, power systems, sensing, connectivity, functional safety and security, Infineon is the trusted partner across the full spectrum of physical AI platforms.

4 *Connected Secure Systems*

This provides a good transition to complete the divisional review with Connected Secure Systems. CSS recorded **revenues** of 350 million Euros in our fiscal third quarter, a sequential growth of 10 percent. All product areas contributed to this positive development, in particular authentication and identification solutions. The **Segment Result** of CSS increased to 34 million Euros, corresponding to a **Segment Result Margin** of 9.7 percent.

We are continuously seeing a broader adoption of AI at the edge for industrial as well as consumer applications. To optimally address the expanding opportunity set, we are establishing the Edge Systems or ES division as part of the new organizational setup presented in our last earnings call. The ES segment is formed from today’s CSS and the sensor & RF as well as the USB connectivity portfolio from PSS. The focus of ES will be on the interplay of sensors, microcontrollers including software, connectivity, and security to enable integrated system-level solutions at the edge.

In this context, I am happy to report that we have closed the acquisition of the non-optical analog/mixed-signal sensor portfolio from ams OSRAM at the beginning of July, just about five months after announcing it. The transaction is strengthening our position as a leader in sensors for automotive and industrial markets through a complementary portfolio and extending our product range in medical applications. The acquired business has a current annual revenue run-rate of around 230 million Euros and will support Infineon's profitable growth. The transaction is accretive to adjusted earnings-per-share right upon closing, with future synergies enabling substantial additional value creation. The acquired portfolio is a strong strategic fit for our ES division.

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

In line with the revenue increase our June quarter saw a corresponding margin expansion. The **reported Gross Margin** went up by 210 basis points from 38.7 to 40.8 percent, the **adjusted Gross Margin** stepped up from 41.0 to 42.8 percent, mainly driven by higher volumes and positive mix-effects. Also pricing measures put in place from April onwards had a first positive effect. Annual merit increases kicking in from the beginning of April, as well as rising input costs for precious metals and logistics were dampening margin progression to some extent. Idle costs were roughly on the same level as one quarter before. Likewise similar to the previous quarter, refocusing our high-voltage automotive drivetrain business had a negative impact of about one percentage point on group level.

Research and Development expenses increased quarter-over-quarter from 612 to 674 million Euros. **Selling, General and Administrative** expenses went from 379 to 433 million Euros.

Non-Segment Result charges for fiscal third quarter amounted to 203 million Euros after 195 million Euros before.

Financial result

The **financial result** amounted to minus 63 million Euros, after minus 68 million Euros in the prior quarter.

Tax

Income tax expense for the June quarter was 112 million Euros, equivalent to an <u>effective tax rate</u> of 21 percent. Cash taxes amounted to 120 million Euros. Adjusting for PPA effects, the quarterly <u>cash tax rate</u> stood at 19 percent.

Investments, Depreciation and Amortization

Our **investments** in property, plant and equipment, other intangible assets and capitalized development costs amounted to 514 million Euros in the quarter under report, after 541 million Euros in the quarter before. **Depreciation and amortization** expenses including acquisition-related Non-Segment Result effects amounted to 466 million Euros.

Free Cash Flow

Free Cash Flow in the third quarter of our 2026 fiscal year improved significantly from minus 63 million to plus 599 million Euros, to a large extent driven by the higher operating result. On the working capital side, inventory reach went down by ten days from 175 to 165 days quarter-over-quarter, bringing us closer to our target for the end of the fiscal year of around 150 days. As stated before, slightly elevated inventory levels are helping us capture growth in the current upcycle and being prepared in case of geopolitically induced turmoil.

Liquidity, leverage, corporate finance

Now to our liquidity and leverage situation: during the June quarter we made two scheduled debt repayments, redeeming a 750 million Eurobond and a 350 million US PP at maturity. The related cash-outs were partially offset by the positive free cash flow. As a result, our **gross cash** position stood at around 1.7 billion Euros. **Gross debt** amounted to around 6.8 billion Euros as of 30th of June. Therewith, our gross leverage of 1.8 times is already back below our maximum target level of 2 times. The acquisition of the sensor portfolio from ams OSRAM which closed on 1st July has no impact on this figure, as it had already been pre-funded. The **net debt** position of around 5.2 billion Euros at the end of June corresponded to a net leverage of 1.4 times.

RoCE

Our after-tax reported **Return on Capital Employed** was trending up to 7.9 percent for the third quarter of our 2026 fiscal year.

New organizational structure

Before handing back to Jochen, a brief comment: as you know, we are operating in a new three-divisional organizational structure, with Automotive, Power Systems and Edge Systems from July 1 onwards. That said, we will provide you with key financials for the known four-division setup also for the September quarter, allowing you to model the full 2026 fiscal year in a consistent way. In our November earnings call, we will give our outlook for 2027 in the new setup and at the same time provide adjusted historical data to you, to enable relevant comparisons.

Handover to Jochen Hanebeck

Now back to Jochen, who will elaborate on our outlook.

↳Jochen Hanebeck

Thank you, Sven.

The market environment for our outlook is turning increasingly favorable: the upcycle is gaining momentum, the recovery is broadening. Inventories are largely de-stocked across markets, end demand is becoming a relevant factor for growth. Stronger customer bookings are leading to a further growing backlog and improving visibility. Business indicators like cancelation rates, escalation calls or the preparedness to accept surcharges for expedite deliveries are speaking to underlying demand strength. Lead times are rising and according to 3rd party surveys customers expect them to rise further over the next months, a typical early-upcycle pattern as supply starts to tighten.

Needless to say, the dynamics differ across applications. At this point AI power and industrial infrastructure are appearing the strongest, followed by automotive, whereas consumer is lagging. Generally speaking, though, our outlook is framed by high confidence, barring further escalation of geopolitical conflicts.

Outlook for Q4

For the currently running September quarter, the last of our 2026 fiscal year, we are - in line with recent currency developments - adjusting the assumed US-Dollar/Euro exchange rate back to 1.15. We expect **revenues** of around 4.7 billion Euros, corresponding to well above-seasonal growth of almost 13 percent quarter-over-quarter and 19 percent year-over-year. By segment, for ATV a moderate revenue growth is predicted, whereas for each of GIP, PSS and CSS revenue should grow significantly. The sensor business acquired from ams OSRAM should contribute a mid double-digit million Euro figure in revenue in this quarter.

We expect the final fiscal quarter's **Segment Result Margin** to come in around 23 percent, 4 percentage points up quarter-over-quarter. Besides the fall-through from higher volumes, we expect the positive evolution of prices in certain areas, notably AI and related product categories, to have a positive impact, offset partly by further rising input cost which we will address in customer negotiations.

Outlook for FY26

For the full 2026 fiscal year we now expect **revenues** to come in at around 16.3 billion Euros, equivalent to an annual growth of around 11 percent. From a segment perspective, PSS is poised to grow materially faster than this group average, driven by buoyant demand for AI power solutions. As the outlook for some industrial markets linked to AI continues to improve, GIP is now expected to grow just below group average. ATV should see slight revenue growth, driven by its broad product portfolio and the broader adoption of software-defined vehicles, despite material headwinds from the high voltage drivetrain business. Lastly, for CSS we expect revenues to remain stable year-over-year.

Regarding profitability, we confirm our expectation for the full-year **adjusted Gross Margin** to reach a low-to-mid 40ies level and for the **Segment Result Margin** to land at a level of around 20 percent. Therein, idle costs are projected to amount to an annual level of around 650 million Euros. In our forecast we have <u>not</u> included potential indirect effects from a further escalating Middle East conflict or any other lingering geopolitical tension.

Our **investments** in this fiscal year continue to be expected to come to around 2.7 billion Euros, and for **depreciation and amortization** we anticipate an unchanged level of 2 billion Euro, including amortization of around 400 million Euros resulting from purchase price allocations, which will be recognized in our Non-Segment Result.

Based on our favorable business outlook, we are upgrading our projection for the **adjusted Free Cash Flow.** The figure, which net of investments into major frontend buildings and M&A transactions, is now expected to come in at around 1.85 billion Euros, after 1.65 billion Euros before, corresponding to around 11 percent of group revenues. For the reported **Free Cash Flow** we are changing our guidance from around 1.25 billion Euros to around 900 million Euros. This is an implicit upgrade as well, given we are now for the first time considering the purchase price for the sensor portfolio acquired from ams OSRAM of about 570 million Euros, the impact of which is partly offset by the improved underlying cash flow.

Closing remarks

Ladies and gentlemen, before going into Q&A, let me summarize:

- The upcycle is clearly gathering steam, end-market strength is broadening. Structural growth drivers are proving to be very strong.
- AI momentum is unabated and Infineon is at the forefront of powering AI from grid to core. Our AI-related revenue will more than double this fiscal year and exceed 1.6 billion Euros, in addition to 500 million of classic datacenter power.
- Our unrivalled portfolio coupled with significant additional cleanroom space will propel growth – expect a material upgrade of our prediction for 27 in our November call. A significant portion of our future data center revenue is going to be covered by customers signing CRAs with us.
- Automotive is further improving, driven by structural content growth, share gains and inventory replenishment.
- Our third fiscal quarter came in fully in line with our guidance.
- Based on a bright business outlook, we expect a much better-than-seasonal Q4: 13 percent sequential growth to 4.7 billion revenue, the Segment Result Margin expanding 400 basis points quarter-over-quarter – a strong finish of our 2026 fiscal year and a good point of departure for 2027.
- The opening of Dresden 4 and the closing of the acquisition of ams OSRAM’s sensor portfolio are proof points of how we are actively positioning Infineon to capture profitable growth and create value.