Dr. Sven Schneider

Annual General Meeting 2024

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www.infineon.com

Dr. Sven Schneider

Chief Financial Officer

- Check against delivery -

Dear shareholders, a warm welcome from me as well!

Jochen Hanebeck has just explained to you in detail how consistently your company's strategy is aligned with the two megatrends decarbonization and digitalization. Infineon is very well positioned to make a decisive contribution to the green and digital transformation and, at the same time, to benefit from this transformation. We see significant growth potential in this area and, with our target operating model upgraded just over a year ago, we can be measured by how we capitalize on these growth opportunities.

We are setting the framework for sustainable and profitable growth for your company with more ambitious financial targets for revenue, Segment Result Margin and adjusted Free Cash Flow over the cycle. This secures our freedom to invest in further value creation over the course of decarbonization and digitalization.

Dear shareholders, I am delighted to be able to report to you today that we have clearly achieved our financial targets for the 2023 fiscal year. Record revenue and profitability confirm the more ambitious course we set over a year ago.

Infineon achieved a revenue of 16 billion 309 million euros in the 2023 fiscal year. In the previous 2022 fiscal year, revenue amounted to 14 billion 218 million euros. We have thus achieved growth of 15 percent. By comparison, global semiconductor revenue shrank by around 13 percent during the same period. Revenue in the Infineon reference market – which is to say, the semiconductor market excluding microprocessors and certain types of mass memory – fell by around 1 percent. These figures show that Infineon is excellently positioned in the semiconductor markets that stand for strong structural growth.

Our revenue increase resulted in roughly equal parts from price increases, higher volumes and changes in product mix. The continued high demand for semiconductors, particularly in the automotive sector and the renewable energies sector, made a positive contribution and more than compensated for the weaknesses in the consumer, communications, computing and IoT markets that emerged over the course of the last fiscal year. At the same time, production capacities, for example at the Dresden (Germany), Kulim (Malaysia) and Villach (Austria) sites, were continuously expanded in the 2023 fiscal year. Increased production corridors at external contract manufacturers also contributed to the increase in revenue. Positive currency effects were also recorded in the reporting period.

Gross profit amounted to 7 billion 413 million euros. Gross margin improved accordingly from 43.1 percent in the previous year to 45.5 percent in the reporting year. The increase in the cost of goods sold was therefore disproportionately low compared to revenue growth. This was primarily due to positive price effects and improvements in the product mix. The effect was offset by increased idle capacity costs and write-downs on increased inventories.

Our operating expenses amounted to 3 billion 584 million euros in the reporting year and increased at a slower rate than revenue in the 2023 fiscal year. Research and development costs increased by 187 million euros to 1 billion 985 million euros. This increase reflects the increased business volume and shows that we are continuing to invest in our competitiveness and innovative strength with the future in mind. Despite a 15 percent increase in revenue, it was possible to keep selling expenses, general and administrative expenses at a stable level of 1 billion 599 million euros.

Segment Result amounted to 4 billion 399 million euros. This corresponds to a record Segment Result Margin of 27.0 percent, following 23.8 percent in the 2022 fiscal year.

Profit for the period rose to 3 billion 137 million euros in the 2023 fiscal year. Our earnings per share amounted to 2 euros 38 cents and were therefore significantly higher than the previous year's figure of 1 euro 65 cents. Adjusted earnings per share rose from 1 euro 97 cents to 2 euro 65 cents.

Now to our four segments:

The Automotive segment continued to generate the highest revenue. At 8 billion 242 million euros, it contributed 51 percent to Infineon's total revenue. This corresponds to growth of 26 percent compared to the previous year. Electromobility, driver assistance systems, software-defined vehicle architecture and the trend towards higher levels of electronic features in vehicles continued to be the main growth drivers in the 2023 fiscal year. Electromobility benefitted not only from purchase incentive schemes but also from the increasing availability of charging stations, the wider range of models being produced by many vehicle manufacturers and a change in societal attitudes towards sustainable mobility. Positive currency effects and higher prices also contributed to the increase in revenue. The Segment Result Margin rose sharply from 22.9 percent in the previous year to 28.9 percent. This increase in the Segment Result Margin is mainly due to the positive price effects, the higher volume and product mix improvements.

In the Power & Sensor Systems segment, we generated a revenue of 3 billion 798 million euros. This corresponds to a decline of 7 percent compared to the previous fiscal year. In the first quarter of the fiscal year, the weak demand for semiconductors for consumer, communication and IoT applications was offset by a rising demand in the server and industrial application segments.

In the following quarters, demand for semiconductors in the server segment also declined significantly after high growth rates in the previous fiscal year. Overall, the weak demand for semiconductors driven by consumer, communication, computing and IoT applications led to an expected decline in revenue during the 2023 fiscal year. The Segment Result Margin amounted to 22.7 percent due to the decline in revenue, compared to 27.9 percent in the previous year.

Revenue in the Green Industrial Power segment, formerly Industrial Power Control, amounted to 2 billion 205 million euros in the reporting period – an increase of 23 percent compared to the previous year. This division also benefitted from increased volumes as well as positive price and currency effects. Demand for renewable energies remained high. In this area, we supply products and solutions for the entire energy flow, i.e. the generation, transmission, and storage of energy, including the charging infrastructure for electromobility. The increasing share of renewable energies in the energy mix is crucial to achieving global CO_2 emission targets. Infineon's strong market position in the field of renewable energies meant we benefitted directly from this megatrend. The positive market developments also had an impact on the Segment Result Margin. At 30.0 percent, this was significantly above the previous year's level of 21.5 percent.

Revenue in the Connected Secure Systems segment amounted to 2 billion 46 million euros. This corresponds to growth of 12 percent compared to the previous year's revenue. The increase in revenue was mainly achieved through higher prices, an improved product mix and volume growth in dedicated applications. The area of security solutions in particular benefitted from the stabilization of the delivery situation in the past fiscal year, which enabled demand to be met, especially in the area of secure identification and payment solutions. Demand for embedded SIM (eSIM) solutions for automotive and industrial applications also remained high. However, demand for connectivity solutions and microcontrollers was affected by a deteriorating macroeconomic climate, which led to restrained end-consumer spending. Based on the overall good revenue performance, the Segment Result Margin also increased from 20.7 percent in the previous year to 23.9 percent.

To summarize: Three out of four segments, Automotive, Green Industrial Power and Connected Secure Systems, achieved new record numbers for revenue and Segment Result Margin. This shows that Infineon is in a position to grow disproportionately with market opportunities and to serve customer demand profitably.

Now let us take a look at the distribution of revenue by region:

At 32 percent, 5 percentage points lower compared to last year, we generated the largest share of revenue in the Greater China region. This includes Mainland China and Hong Kong with 25 percent and Taiwan with 7 percent of group revenue respectively. For Mainland China and Hong Kong, we estimate that this includes around half of the supplies for end products that are subsequently re-exported. The Europe, Middle East and Africa region accounted for 27 percent. Asia-Pacific, excluding the regions Japan and Greater China, accounted for 16 percent of revenue, Japan for 10 percent and the Americas for 15 percent of revenue. We are continuing to pursue our strategy of regionally diversifying Infineon.

Now let's look at selected key financial figures, which also reflect the positive business development in the 2023 fiscal year. Our investments increased significantly from 2 billion 310 million euros in the previous year to 2 billion 994 million euros in the reporting year in order to create capacity for long-term rises in demand. This includes, for example, the capacity expansions in Kulim and Villach, which will enable growth in new technologies such as silicon carbide and gallium nitride. In order to enable growth in the analog/mixed signal and power semiconductor sectors, the 300 millimeter production capacities in Dresden, for example, are also being further expanded. The Free Cash Flow development reflects the positive earnings trend as well as the noticeable increase in investments: In the reporting year, the reported Free Cash Flow amounted to 1 billion 158 million euros. In the previous year, it amounted to 1 billion 648 million euros. Adjusted Free Cash Flow, which has been adjusted for investments in frontend buildings, amounted to 1 billion 638 million euros.

The RoCE, Return on Capital Employed, increased to 16.6 percent in the 2023 fiscal year after 12.6 percent in the previous year. Capital employed increased by 1 billion 151 million euros to 19 billion 510 million euros.

Total assets amounted to 28 billion 439 million euros as of 30 September 2023. This is an increase of 6 percent compared to the previous year. Equity increased significantly by 2 billion 100 million euros to 17 billion 44 million euros, while our financial liabilities fell further from 5 billion 662 million euros in the previous year to 4 billion 733 million euros in the reporting year. This reduction of just under 1 billion euros is mainly due to the scheduled repayment of a maturing bond in the amount of 750 million euros in June 2023. Exchange rate effects of 182 million euros also contributed to the reduction in financial debt. Infineon will continue to have a balanced maturity profile until 2033 with low financing costs.

Maintaining our investment grade rating remains at the heart of our financing strategy. This ensures that we have access to all relevant capital markets and financing sources at all times in order to finance our organic and inorganic growth at low cost and on good terms. In February 2023, the rating agency S&P Global Ratings gave our rating of “BBB” a positive outlook. We are pleased to report today that last week S&P raised the rating to “BBB+” with a stable outlook. Our conservative financial policy, the fact that we have met or exceeded our strategic liquidity and debt targets, our good operating results and our successful cash generation are the main reasons for this. This gives us financial leeway through economic cycles, for example for research and development, organic and anorganic growth in the context of decarbonization and digitalization and a profit-oriented dividend policy. Based on our improved rating, we successfully placed a 500 million euros bond with a three-year term at attractive conditions at the beginning of this week.

Now to the Infineon share – your share:

The number of shares issued remained unchanged at 1 billion 305 million 921 thousand 137 as of 30 September 2023. The company currently holds 2 million 171 thousand 26 treasury shares and therefore is not entitled to dividends. In the past fiscal year, the company once again did not buy back any treasury shares over and above its existing holdings.

Members of the Management Board and executive staff receive part of their variable compensation in the form of shares from the Performance Share Plan. Executive staff and other selected employees additionally receive shares from the Restricted Stock Unit Plan. Under these two plans, Infineon transferred a total of approximately 1 million 519 thousand treasury shares in the 2023 fiscal year. These shares originate from the existing treasury stock that the company had repurchased in prior years. After the transfer of the shares to Management Board members, executives and selected employees, the shares are now entitled to dividends again. Let me now turn to the performance of your share price. At the beginning of the past fiscal year on 1 October 2022, Infineon shares were trading at just over 23 euros. After we were able to raise our fiscal year forecast in February and May, our shares reached their high for the year of 40 euros at the end of July 2023.

Subsequently, profit-taking following a more cautious outlook led to price declines into the fall of 2023; geopolitical events such as the war in the Middle East at the beginning of October also weighed on the share price. The negative trend then reversed in the final months of last year due to increased hopes of interest rate cuts by central banks. As a result, technology and growth stocks experienced a year-end rally, from which Infineon shares also benefitted, ending the year at just under 38 euros. Since the beginning of the 2024 calendar year, the economic outlook for many of the end markets we address has deteriorated, leading to a weakening of forecasts for Infineon and our competitors, which is also reflected in the share price performance to date at the beginning of the current year. With a share price of 33,14 euros last Monday, this represents an increase of 44 percent over the entire period described. Although the performance of the Infineon share is therefore better than that of the German benchmark index DAX, it still lags noticeably behind the performance of the SOX sector index for semiconductor shares. It is important to note that the SOX is currently driven primarily by a few large individual stocks of companies that specialize in processors for artificial intelligence. In comparison to our direct competitors, however, we have been able sustain our position. The robustness of our business model is being rewarded by the capital market, even during downturns. However, with regard to our valuation, relative to our competitors and also to our own levels achieved in the past, we still see significant further potential for our share price.

This brings me to our dividend proposal:

The goal of our dividend policy is to allow Infineon’s shareholders to participate appropriately in the good results of the past fiscal year. At the same time, we want to maintain the financial leeway necessary to further develop the company. The planned major investments, for example in Kulim and Dresden, and the deteriorating economic outlook for the 2024 fiscal year should also be kept in mind. In connection with item 2 on the agenda, the Management Board and Supervisory Board are therefore proposing a dividend of 35 euro cents per share for the 2023 fiscal year, an increase of three euro cents compared to the previous year. The expected total dividend payout would therefore rise to 456 million euros, compared to 417 million euros in the previous year.

Dear shareholders, let's look ahead. After a robust start to the 2024 fiscal year, Infineon faces a persistently difficult market environment for the remainder of the year. The market situation is influenced by various geopolitical and macroeconomic uncertainties. In this environment, our end markets are developing differently. In summary, we see continued strength in the Automotive business on the one hand. On the other hand, we expect the recovery in the Consumer, Communication, Computing and IoT application areas to be delayed until the second half of the calendar year. We revised our guidance due to the ongoing market weakness and currency developments which are unfavorable to us.

Despite a now assumed less favorable US dollar exchange rate of 1.10 to the euro, we now expect revenue of around 16 billion euros, plus or minus 500 million euros for the 2024 fiscal year. Previously, we had expected revenue of around 17 billion euros, plus or minus 500 million euros. Around half the decline in expected revenue results from the adjustment of the assumed exchange rat from 1.05 to 1.10. The other half is due to the persistently weak market environment.

We assume that business developments in the segments will differ considerably: Currency-adjusted revenue growth in the low double-digit percentage range is still expected in the Automotive segment. Revenue in the Green Industrial Power segment is expected to decline by a mid to high single-digit percentage compared to the previous year. The Power & Sensor Systems and Connected Secure Systems segments are each expected to see a decline in revenue in the mid to high 10 percentage range.

At the midpoint of the guided revenue range, we anticipate a Segment Result Margin for the Infineon Group in the low to mid-20 percentage range for the current fiscal year, compared to our previous guidance of 24 percent. Investments in property, plant and equipment and other intangible assets, including capitalized development costs, have been reduced from approximately 3 billion 300 million euros to around 2 billion 900 million euros. Reported Free Cash Flow is expected to amount to around 200 million euros, adjusted from an originally expected 400 million euros. Adjusted for major investments in frontend buildings and the acquisition of GaN Systems, Free Cash Flow is expected to amount to around 1 billion 800 million euros, after an originally planned 2 billion 200 million euros. The adjusted Free Cash Flow Margin is expected to be 11 percent and in line with our target operating model.

Dear shareholders, as a company, we are rigorously adapting to the situation in order to achieve our financial targets for the current fiscal year. At the same time, we are continuing to make important investments for the future. This is how we will exploit the growth opportunities of decarbonization and digitalization in the long-term. Thank you very much for your trust in Infineon.

Before I conclude and move on to the agenda for today's Annual General Meeting, I would like to give you a brief update on our Qimonda litigation. This legal dispute has been ongoing since the end of 2010 and the report by the court-appointed expert was submitted at the beginning of January.

For orientation: In 2006, Infineon spun off its memory business and transferred it to Qimonda by way of two contributions in kind. At the beginning of 2009, Qimonda filed for insolvency at the Munich Local Court. The insolvency administrator claims, among other things, that the memory business spun off by Infineon is not recoverable and is suing for reimbursement of the difference to the issue amounts of the shares issued to Infineon in the course of the Qimonda spin-off.

In the report, the expert now determines a negative value of -72 million 300 thousend euros for the domestic business unit and a negative value of -1 billion 45 million euros for the foreign business unit. This means that the value of the memory business contributed by Infineon to Qimonda as determined by the expert is 1 billion 7 million euros lower than the total value of 600 million euros relevant for the contributions in kind.

The amount of Infineon's potential liability depends on other aspects. In particular, the value of contributed limited liability shares cannot be negative, as also stated in the expert opinion. This would significantly reduce the differential liability for the Foreign Business Division, namely by 1.045 billion euros.

Furthermore, this expert opinion did not cover the determination of the liquidation values, which, in Infineon's opinion, at least equal the values required for the contributions in kind and thus rule out the differential liability claimed by the insolvency administrator.

The submission of the expert opinion represents an interim step in the legal dispute. It is currently not possible to predict when a court decision will be reached in the first instance.

As of 30 September 2023, provisions totaling 212 million euros were recognized in connection with Qimonda. Infineon has reassessed the valuation of the Qimonda risks as part of the financial statements for the first quarter of the 2024 fiscal year. As of 31 December 2023 provisions in connection with Qimonda totaling 228 million euros have been recognized in the balance sheet. This mainly includes provisions for the legal dispute including defense costs. Infineon now expects the proceedings to take longer.

As mentioned, I would like to conclude by moving on to the agenda for today's Annual General Meeting: Dr. Diess has already addressed most of the items on the agenda, so I will only add to agenda items 8 and 9:

The Annual General Meeting in February 2020 authorized the Management Board to increase the share capital by a total of up to 750 million euros with the approval of the Supervisory Board (Authorized Capital 2020/I). This authorization, of which 110 million euros has been used to date and of which 640 million euros remain, would expire in February 2025 and thus possibly before the 2025 Annual General Meeting. In order to give the company the necessary flexibility to act quickly on the capital market at all times, the Authorized Capital 2020/I is to be canceled now under agenda item 8 and new authorized capital of up to a total of 490 million euros is to be created (Authorized Capital 2024/I).

The Annual General Meeting in February 2020 also authorized the Management Board to issue bonds with warrants and/or convertible bonds with a total nominal value of up to 4 billion euros and to grant option and/or conversion rights for a total of up to 130 million shares with a pro rata amount of the share capital of up to 260 million euros. The Annual General Meeting also approved the Conditional Capital 2020/I to service this. This authorization would also expire in February 2025 and thus possibly before the 2025 Annual General Meeting. Therefore, the authorization and the Conditional Capital 2020/I under agenda item 9 are to be canceled now and replaced by a new authorization of up to 6 billion euros and a new Conditional Capital 2024/I for a further 130 million shares or a pro rata amount of the share capital of 260 million euros.

The written reports of the Management Board on agenda items 8 and 9 contain further detailed explanations, in particular on the constellations in which subscription rights can be excluded.

Thank you for your interest.

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