Industrial Power Control

Investor and Analyst Call

24 March 2014

Dr. Helmut Gassel

Division President

Industrial Power Control (IPC)

Agenda

- IPC Segment Overview
- Growth Drivers and Market Opportunities
- `Product to System` Approach Improves Customers' Systems
- Summary

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These statements are based on assumptions and projections resting upon currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected.

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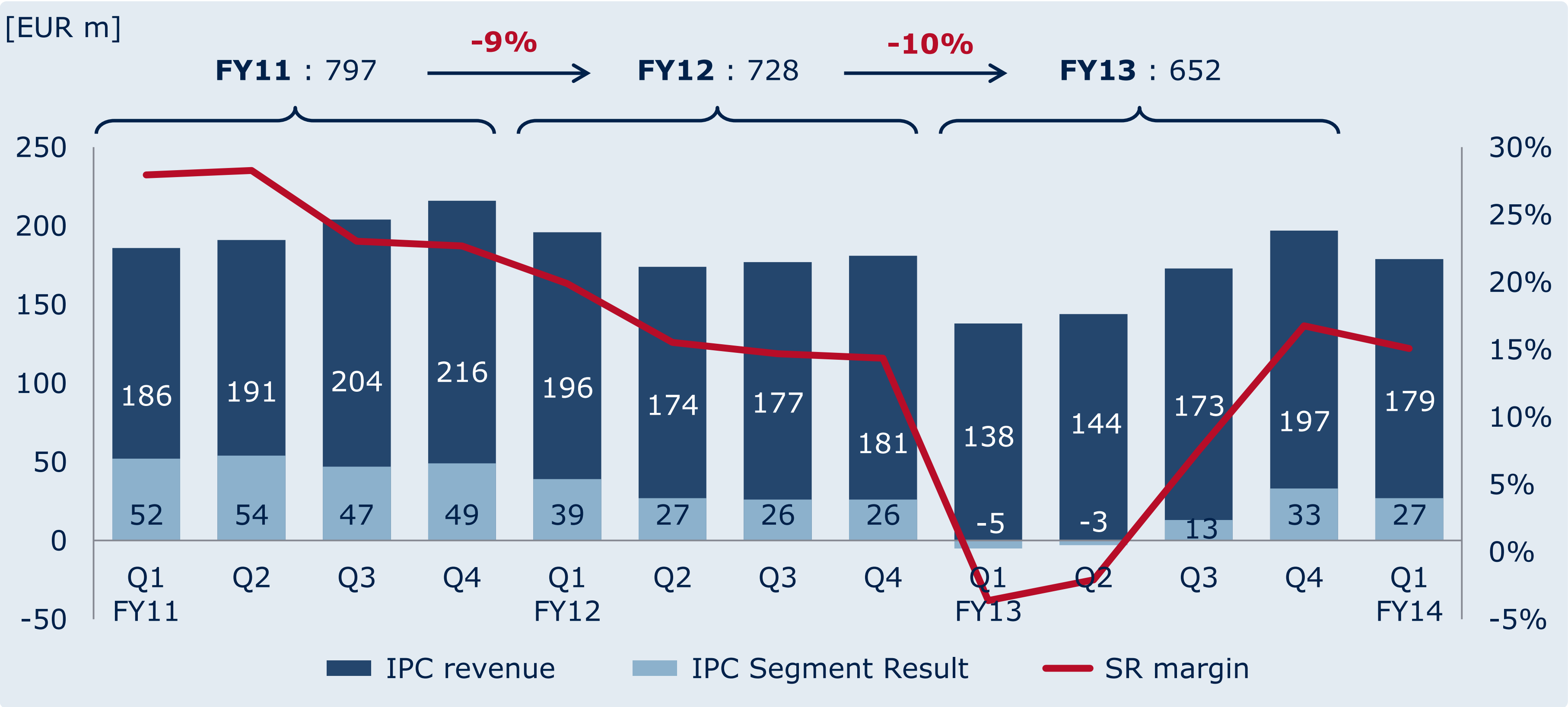
Robust Business Modell; Margin Back to High-Teens Level

Revenue and Segment Result development



- From Q4 FY11 to Q1 FY13 longest downturn for IGBT business ever; driven by overstocking of European customers and Chinese market cool-down.

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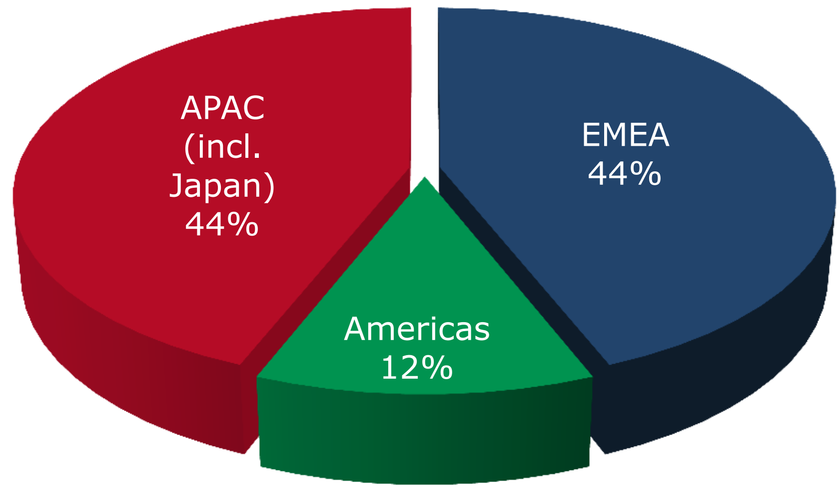
Diverse Customer Base Across All Regions and Applications

Major customers

ABB, ALSTOM, BOMBARDIER, CNR, CSR, DELTA, GOLDWIND Science & Technology, EMERSON, Danfoss, ENERCON Energy for the World, Midea, Rockwell Automation, SEMIKRON innovation + service, Schneider Electric, SIEMENS, SUNGROW, SINOVEL, TESLA, SMA, TOSHIBA, Vestas, YASKAWA

Revenue split by region[1)]



1) Based on revenues by fulfillment region for FY 2013.

Distribution partners[2)]

Arrow, AVNET, JCET 晶川电子, wpg, TOMEN Electronics

2) 34% of FY13 revenue was attributable to distributors.

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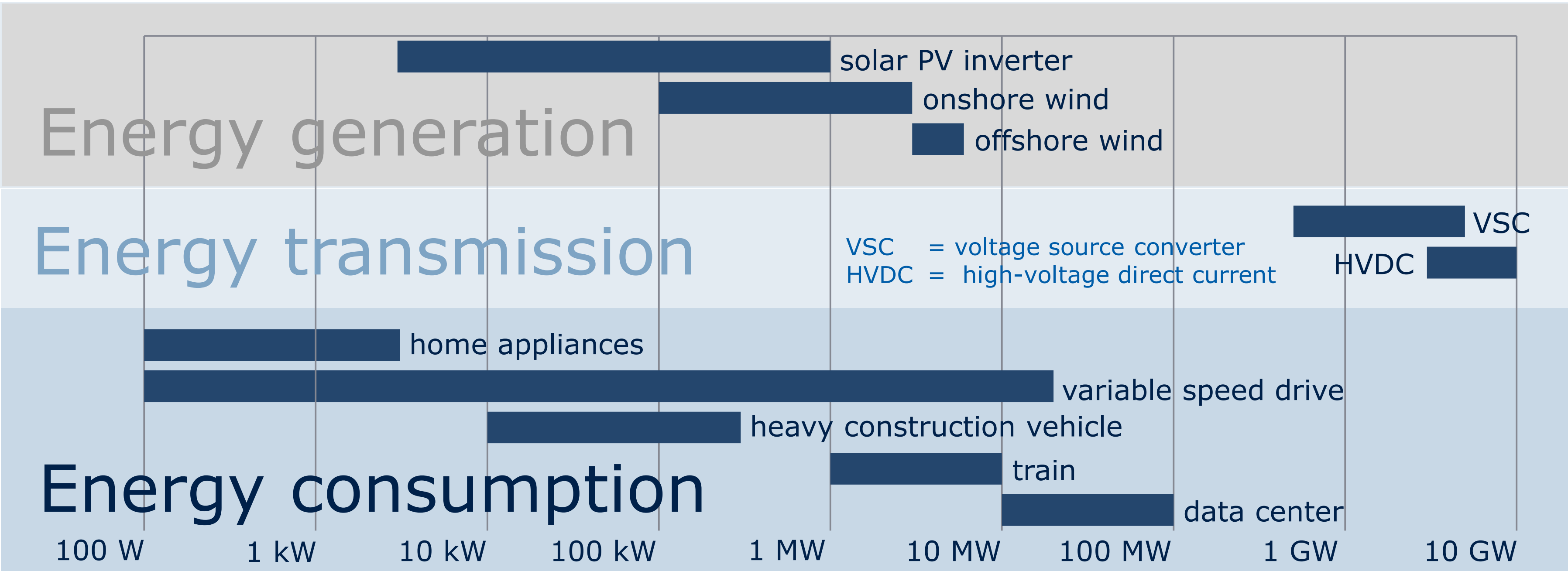
IPC Portfolio Addresses Applications Across a Broad Spectrum of Power Levels



Driver ICs + Discretes

~0.1 kW – ~10 kW

Driver boards + IGBT modules

~1 kW – ~1.6 MW

Stacks

~100 kW – ~10 MW

Power level of application and products are approximate.

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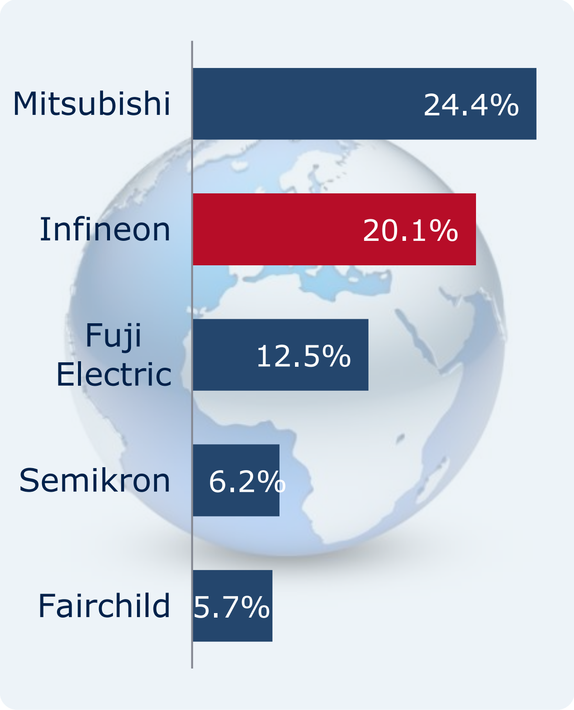
Infineon Is a Leading IGBT Player, Especially in the Fast Growing China Market

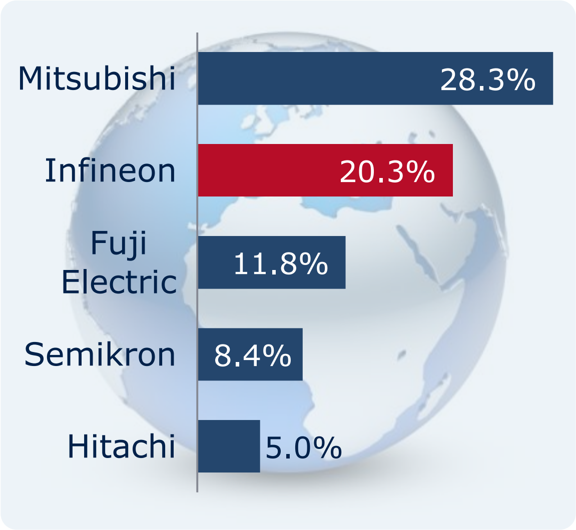
2012 total IGBT market (modules and discretes)

total market size: $4.05bn



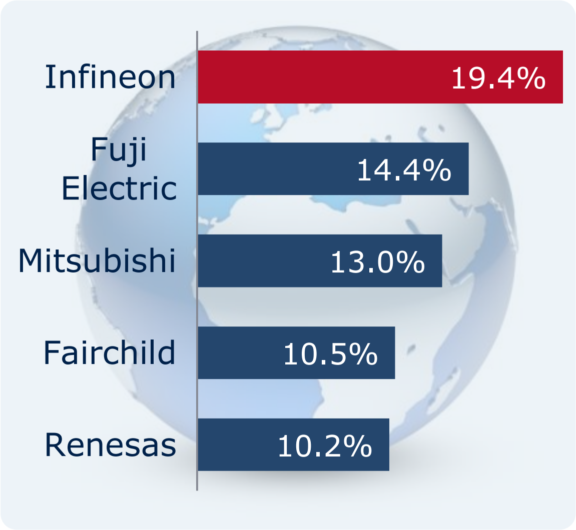
IGBT modules

total market size: $3.01bn



Discrete IGBTs

total market size: $1.04bn



Source: IHS, "Power Semiconductor Discretes and Modules – World – 2013", December 2013.

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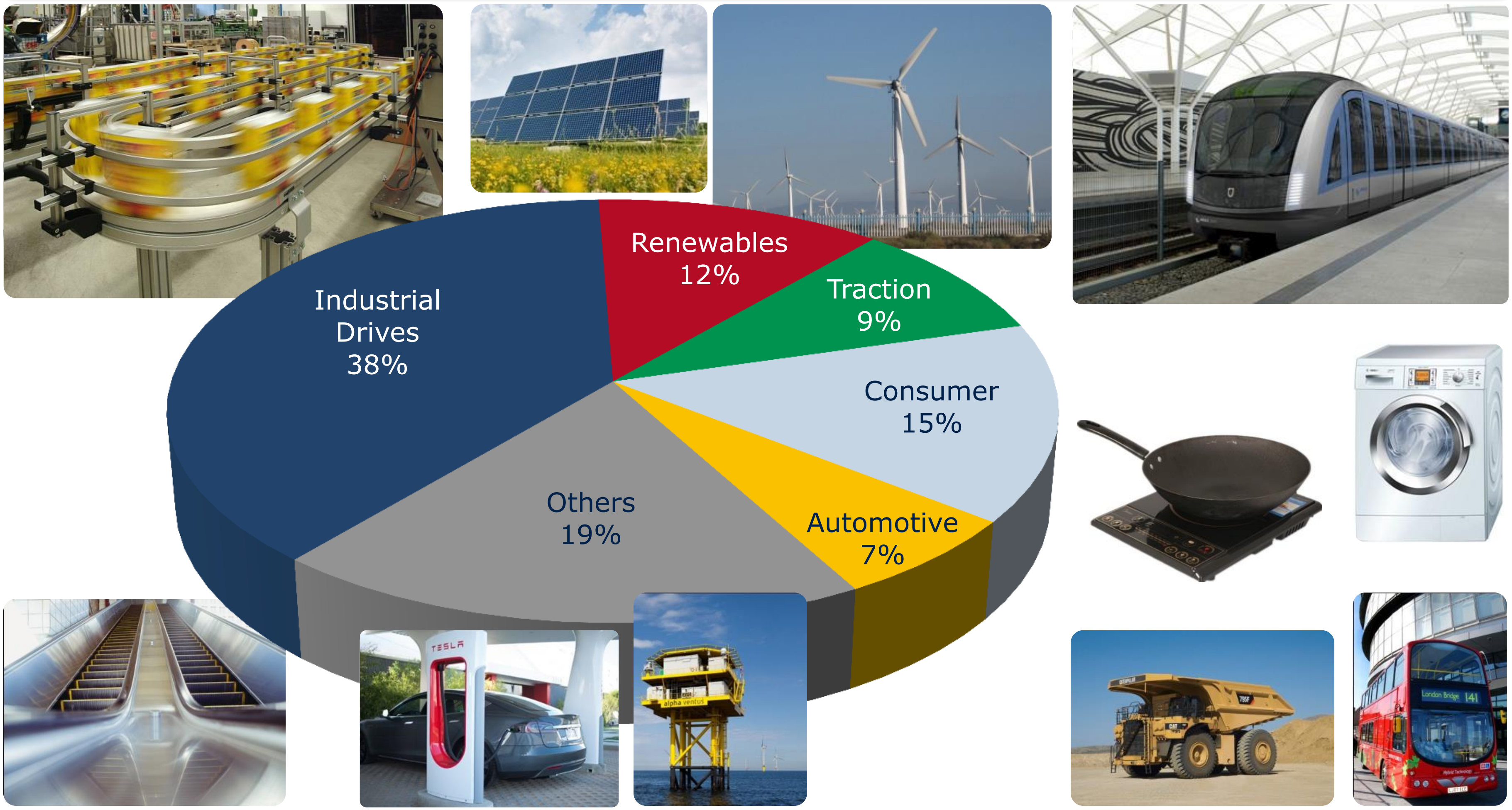
Drives (incl. Pumps, Fans, Compressors) by Far Biggest Application Segment

2012 IGBT market by application ($4.06bn)



Source: IHS, “Power Semiconductor Discretes and Modules – World – 2013”, December 2013.

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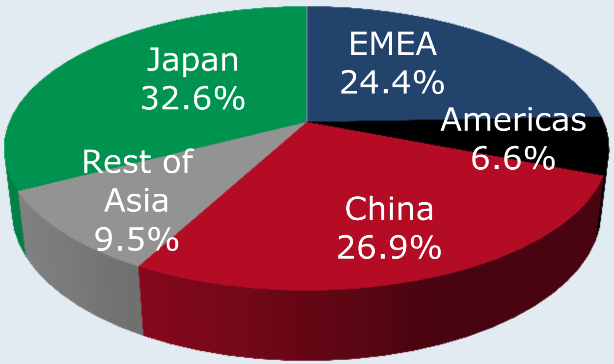
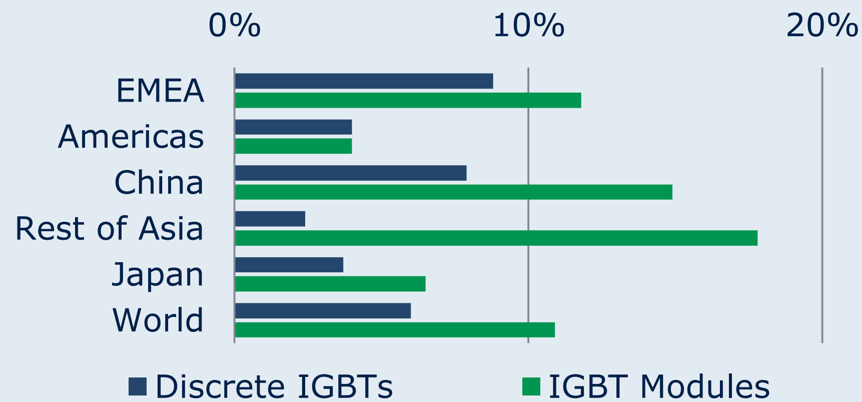
Infineon Holds Dominant Position in Most Dynamic Markets EMEA and China

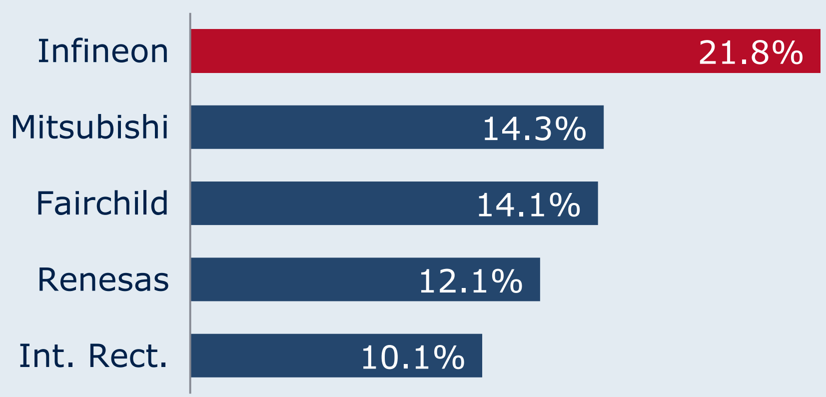
2012 market by region ($4.06bn)



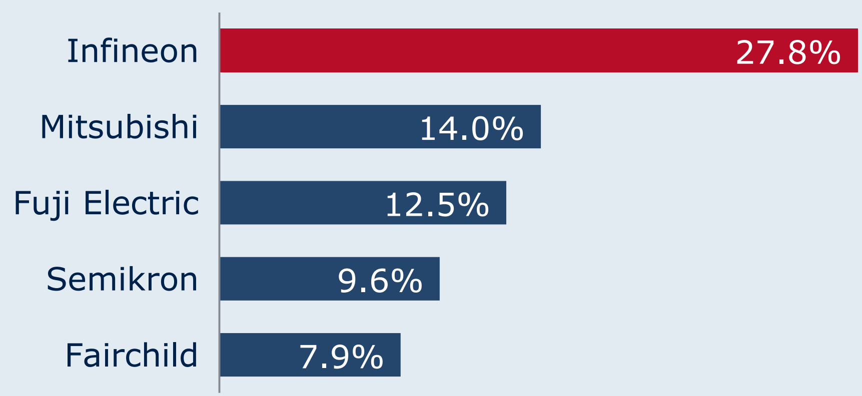
Growth of the regions ($CAGR_{12\text{-}17}$)



China discrete IGBT market ($295m)



China IGBT module market ($795m)



Source: IHS, “Power Semiconductor Discretes and Modules – World – 2013”, December 2013. All figures refer to calendar year 2012.

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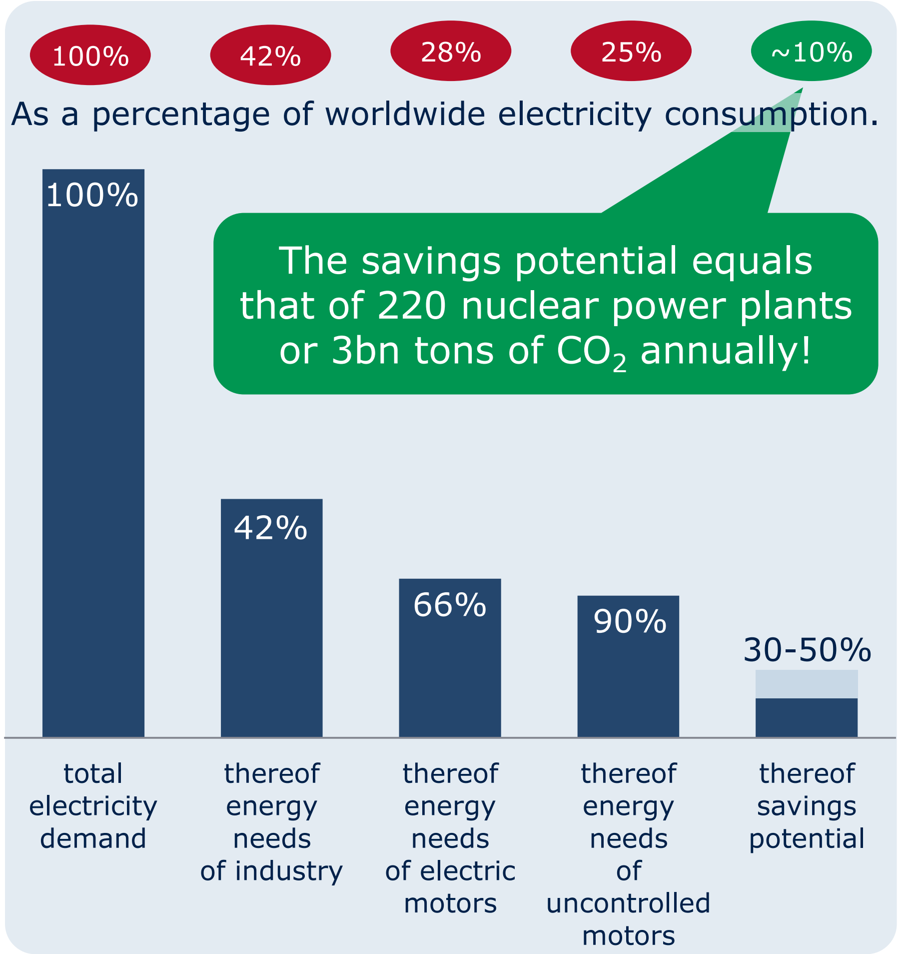
Factory Automation: Huge Savings Possible with Variable Speed Drives (VSD)

- About 300 million electric motors are in use worldwide.
- Rising electric energy cost and ErP (Energy-related Products) directive force energy efficiency.
- Rising labor cost in low labor cost countries drives automation level.
- “Mechanic goes electric”; e.g. hydraulic is replaced by electric motors.

Savings potential of VSD



Source: ABB, 2013.

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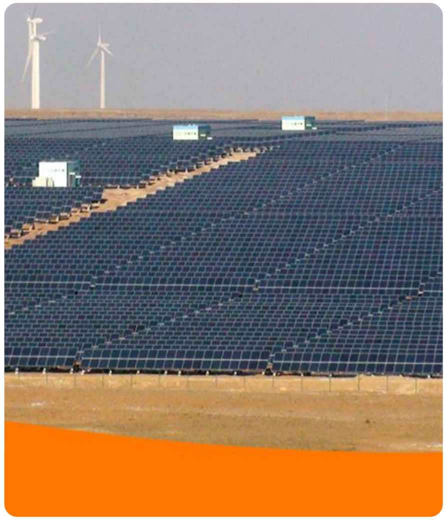
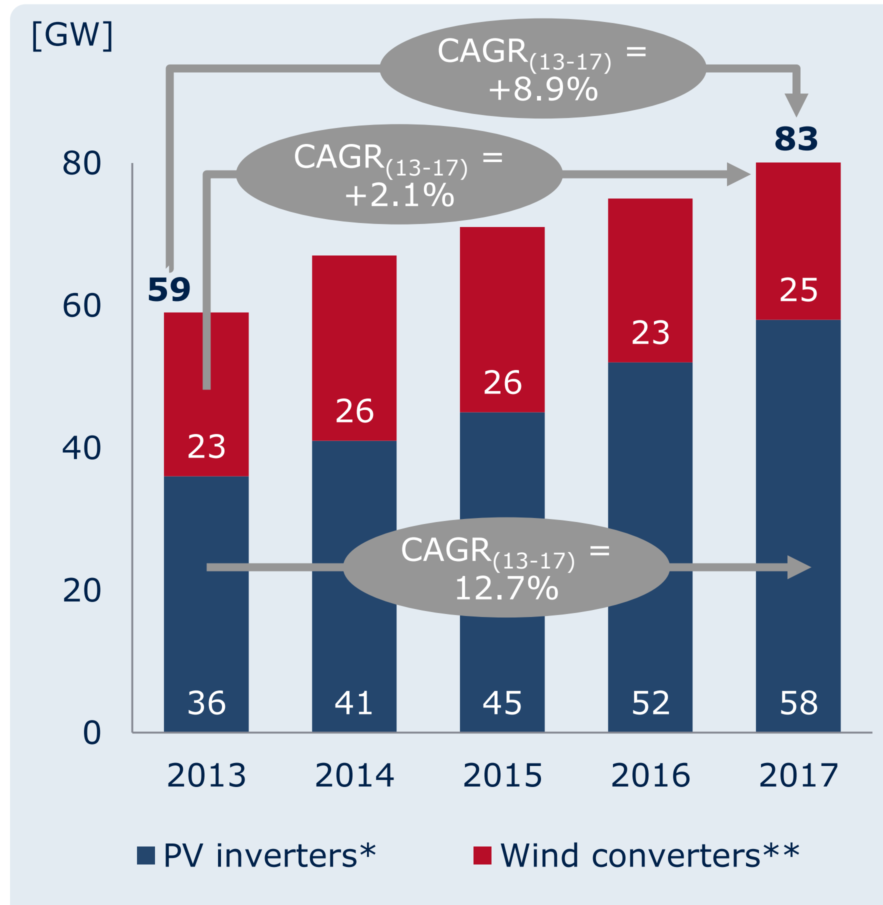
Power Semiconductor Market for Renewables Should Grow Mid-single Digits



- Wind: Increase in 2014 and 2015; Production tax credits (PTC) in the US will come to an end.
- Wind: China fastest growing region with CAGR of 3.9%. Infineon participates via Goldwind.
- PV: In 2013, China became the world's biggest PV market. Infineon has several local partners, e.g. Sungrow.

New installations of PV and wind



* Source: IHS, "PV Inverter Market Tracker", December 2013.
** Source: IHS, "The World Market for Wind Converters – World - 2013", January 2014.

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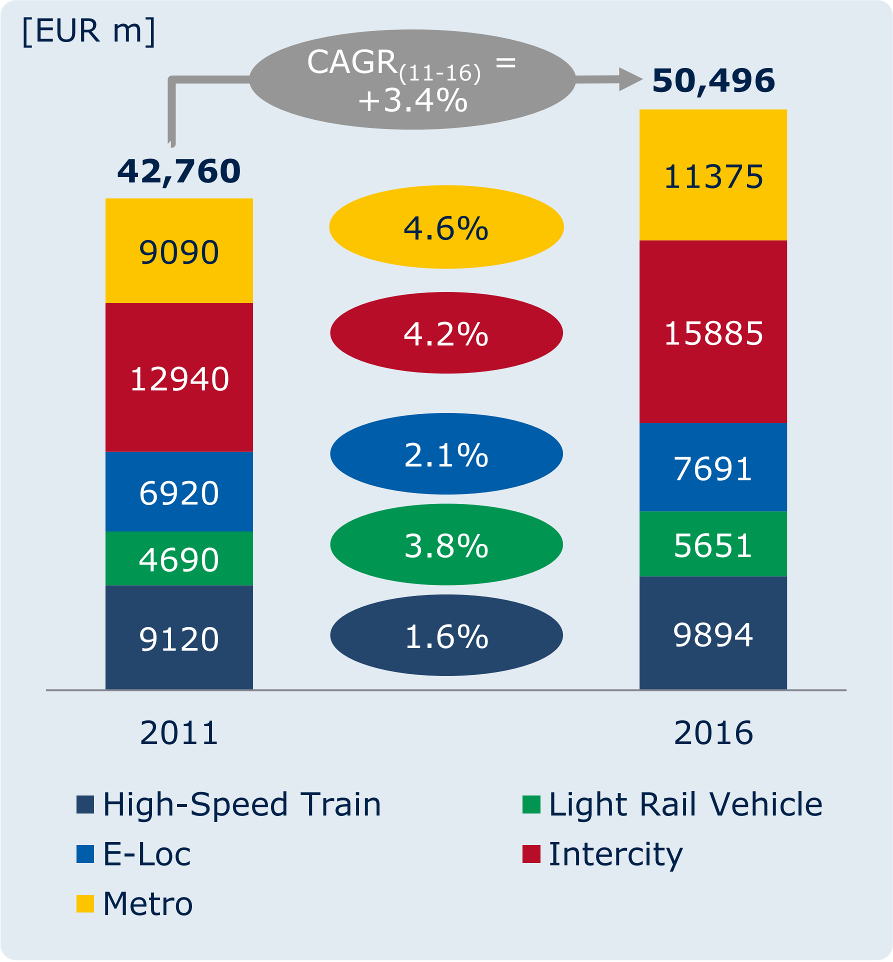
Intercity and Metro Remain Biggest Markets with Highest Growth Rates

- Urbanization ongoing; many regions still lack sufficient urban passenger transport. Intercity, Light Rail Vehicles and Metro will grow most.
- Global trade (freight transport) drives the use of electric locomotives.
- Infineon has biggest and fastest growing players as customers, e.g. Alstom, Bombardier, CNR, CSR and Siemens.

Development of traction market



Source: SCI Verkehr GmbH, “The Worldwide Market for Railway Technology 2012”, September 2012.

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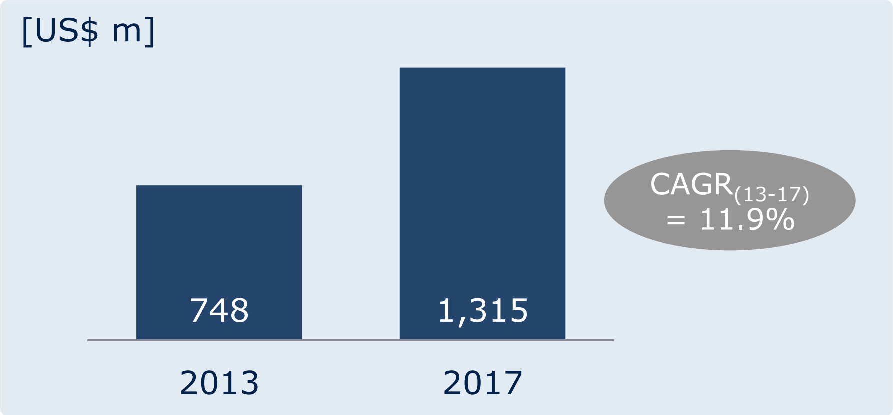
Increasing Inverterization Drives Power Semiconductors in Home Appliances




IGBTs modules in home appliances



- Biggest home appliances market for IGBT modules is room air conditioning.
- Efficiency programs led and still lead to higher variable speed drive (VSD) penetration rate.
- "Energy efficiency" labeling key differentiator vs competition.

Penetration of VSD

[units m]	2011	2016	CAGR
electric motor-based home appliances	420	514	4%
VSD penetration	~20%	~40%	
total VSD appliances	86	205	**19%**

Source: IHS, "Major Home Appliances – World 2013", October 2013.

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New Applications for IGBTs on the Rise

Grid connection	Hybrid bus	Charger
		

Trends

Grid connection

- High-voltage modules (4.5kV, 6.5kV) partly replacing thyristors for HVDC links, e.g. offshore wind park connection
- Higher efforts on load management and grid stability

Hybrid bus

- CO_2 emission reduction
- Noise and pollution reduction in inner city traffic
- Suburbs – city center traffic on the rise
- Asia and Europe are the major areas of growth

Charger

- Onboard charger in pure EVs and plug-in HEVs
- Buildup of charger infrastructure along highways and in cities
- Buildup of infrastructure for inductive charging

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Drives, Home Applicances and Others Show Strongest Growth Rates

Drives	Renewables	Traction	Home Appliances	Others
				
~10% p.a.	> 5% p.a.	~5% p.a.	> 10% p.a.	> 10% p.a.

IPC: ~10% p.a.

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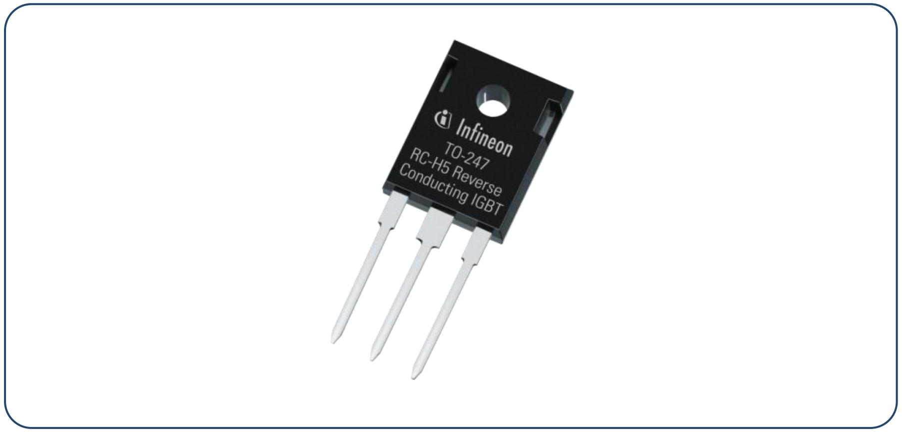
New Generation RC-H5 IGBT Optimized for Induction Cooking Applications




Application–specific RC-H5



Improvements on component-level	Advantages on system-level
better thermal performance; reduced power dissipation	less stress on passive components; higher system reliability
better soft-switching capabilities reduce EMI (electromagnetic interference)	less filtering requirements; lower system cost

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New Thermal Interface Material (TIM) Improves Customers‵ System Reliability




EconoPACK™+ coated with TIM

Improvements on component-level

- TIM significantly reduces contact resistance between IGBT module and heat sink
- thereby helps optimize heat dissipation from IGBT module

Advantages on system-level

- higher power density
- greater reliability
- longer service life

- TIM applied during backend process

- simplifies customers’ mounting and assembly processes

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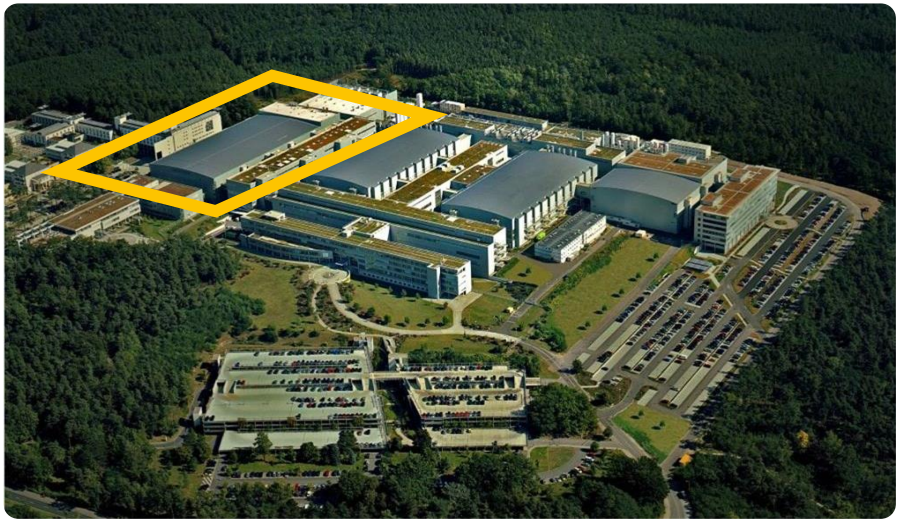
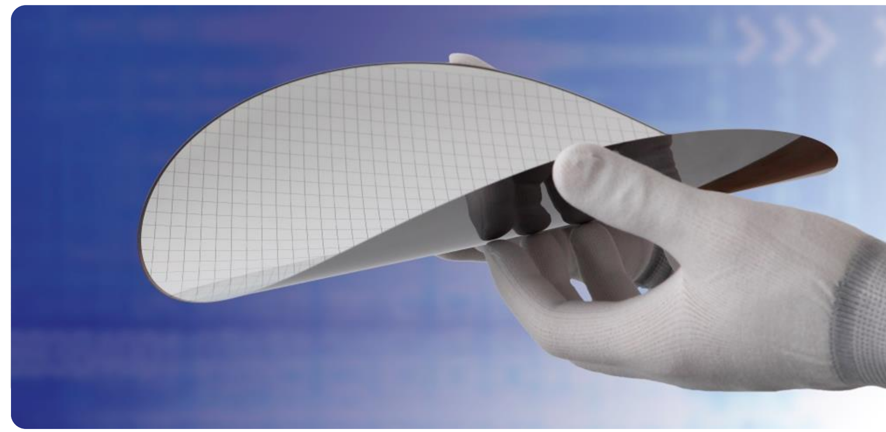
First IGBT Product to Ramp in Dresden on 300 mm Manufacturing Line in 2H FY14



300 mm thin wafer



RC-D discrete IGBT

- First IPC product to ramp on 300 mm thin wafer technology: 3rd generation RC-D IGBT.
- Target applications: induction cooking stoves, rice cookers, microwave ovens, and solar inverters.
- CoolMOS™, OptiMOS™ and RC-D IGBT products will further increase utilization rate of Dresden 300 mm fab throughout FY15.

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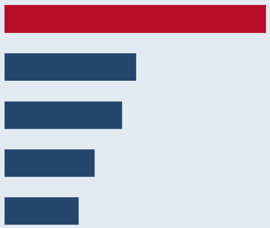
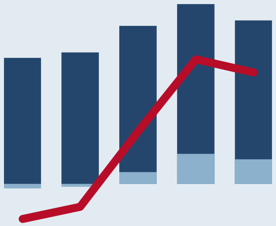
Summary



- Growth of ~10% p.a. appears plausible given growth potential of main applications.
- Leading position in all relevant regional markets.
- Penetration of new markets (e.g. grid infrastructure, hybrid buses, chargers) secures further growth.



- Sales in excess of €180m per quarter drive Segment Result margin exceeding 15%.
- Innovative products ensure sustainable earnings power.

- Product-to-System: we create value for customers through products specifically optimized for the requirements of their systems.
- We are the clear technology leader.

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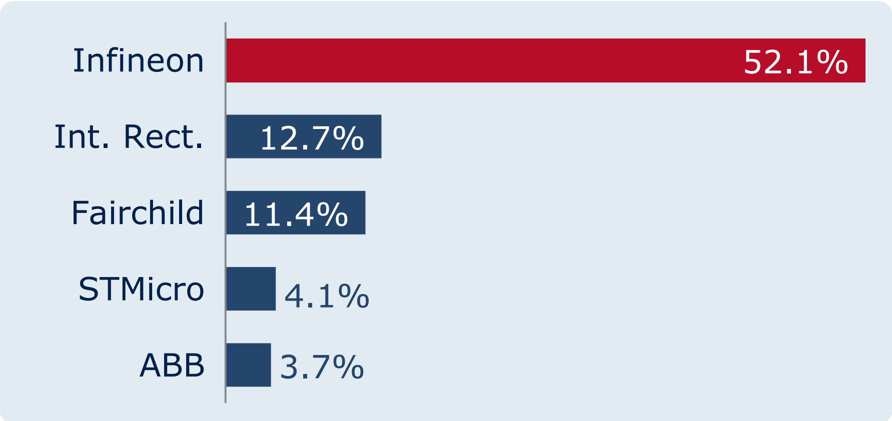
ENERGY EFFICIENCY
MOBILITY
SECURITY

Innovative semiconductor solutions for energy efficiency, mobility and security.

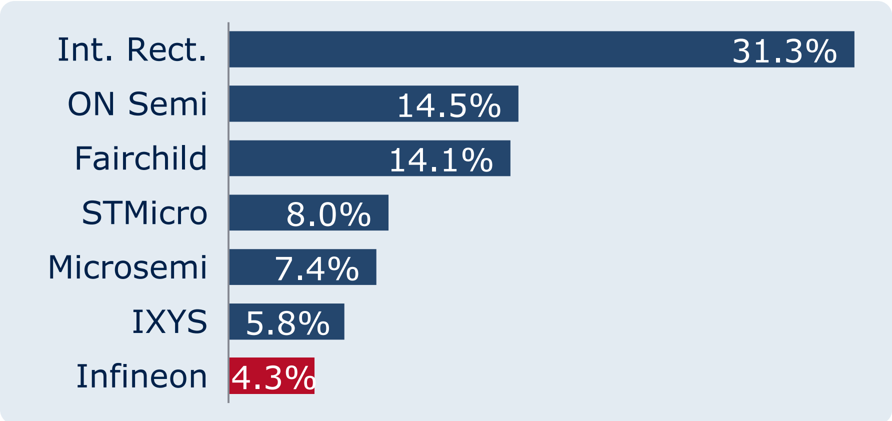


Appendix 1: Infineon‘s Market Positions in 2012 Discrete IGBT Market

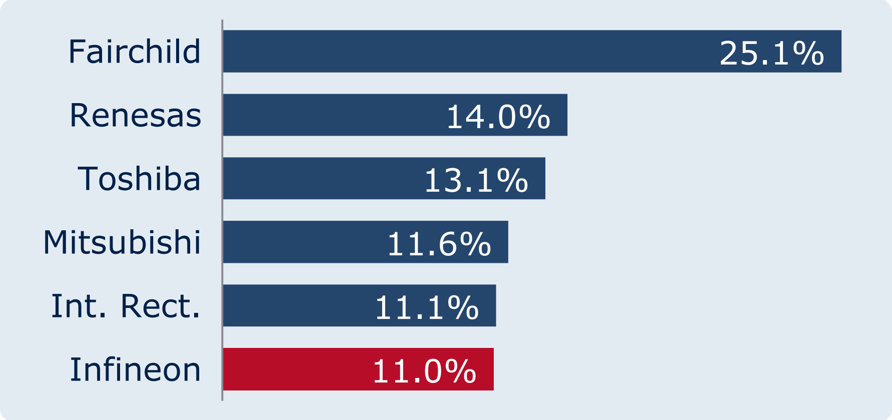
EMEA ($221m)



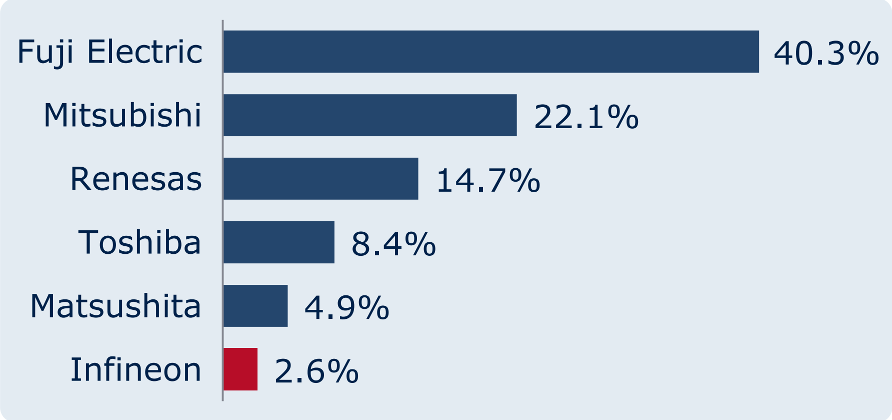
Americas ($59m)



Rest of Asia ($98m)



Japan ($372m)



Source: IHS, “Power Semiconductor Discretes and Modules – World – 2013”, December 2013.

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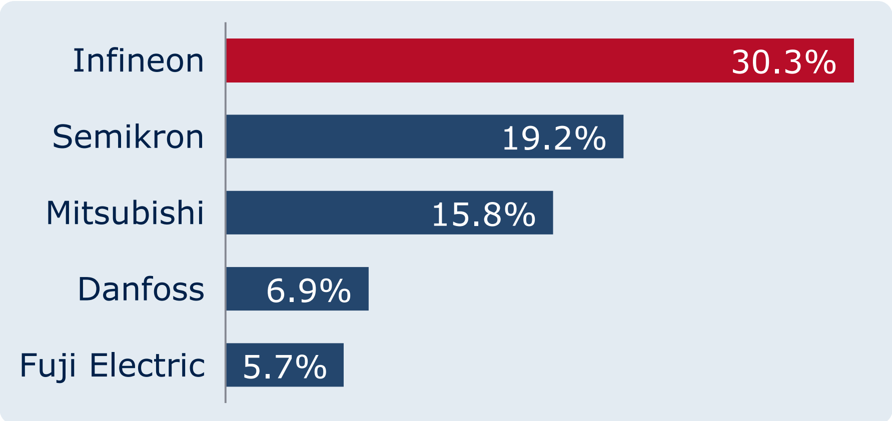
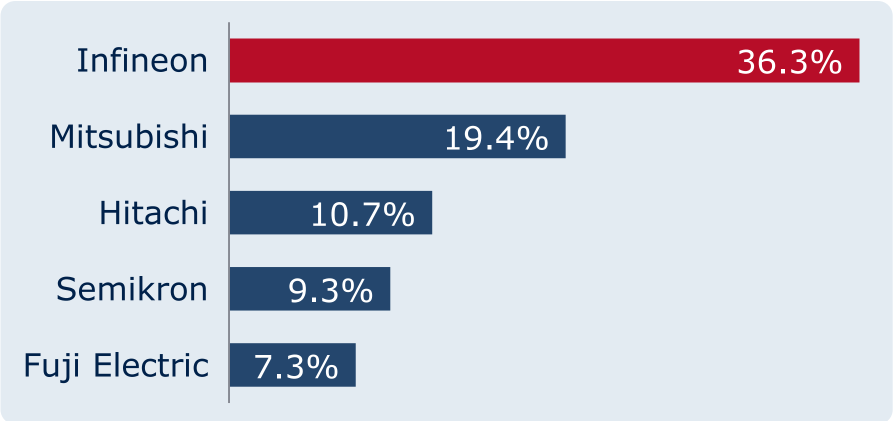
Appendix 2: Infineon's Market Positions in 2012 IGBT Module Market

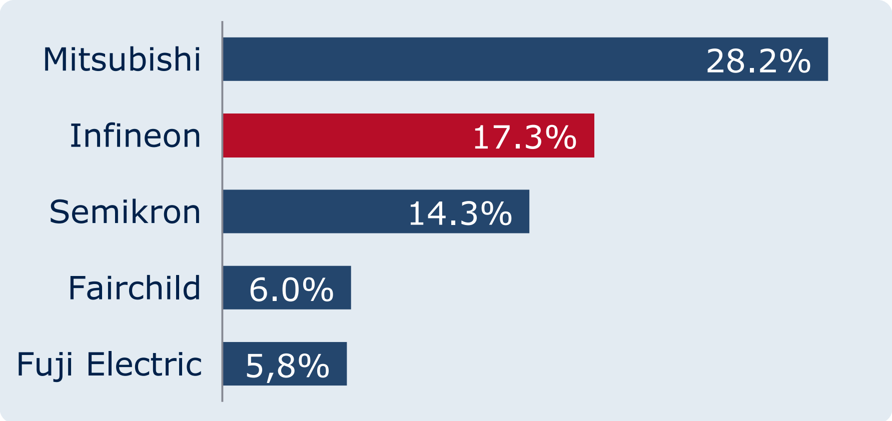
EMEA ($768m)



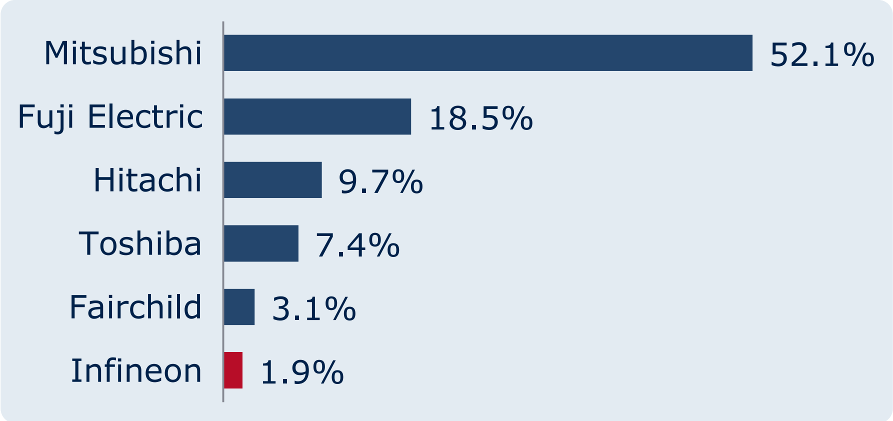
Americas ($290m)



Rest of Asia ($207m)



Japan ($953m)



Source: IHS, "Power Semiconductor Discretes and Modules – World – 2013", December 2013.

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