

Infineon to Acquire International Rectifier

Investor and Analyst Presentation
21 August 2014

Investor Relations



■ Key Facts

■ Strategic Rationale

■ Financial Rationale

■ Summary

Disclaimer:

This presentation contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

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.

Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

Infineon to Acquire International Rectifier

Key facts of the deal

- Purchase price: \$40 per IRF share in cash
- Fully diluted equity consideration: ~\$3.0bn (€2.3bn)
net cash as per 30 June 2014: ~\$0.6bn (€0.45bn)
- Fully diluted enterprise value: ~\$2.4bn (€1.8bn)
- Signing date: 20 August 2014
- Expecting closing date: late CY 2014 / early CY 2015
- Premium over closing share price as per 19 August 2014: 50.6% (over \$26.57)
- Premium over average closing share price of last three months: 47.7% (over \$27.07)

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Strategic Motivation: Perfect Skill Match

Topic	Infineon Technologies Strength	International Rectifier Strength
IGBT modules	high-power	low-power (IPM, μ IPM™)
IGBTs	high-voltage IGBTs	low-voltage IGBTs, drivers, control ICs
MOSFETs	high-voltage	low-voltage
digital power management	server	datacom
wide-bandgap materials	SiC	GaN
home region	EU	US
channel	key accounts	distribution

Infineon + International Rectifier: Multiple Strategic Benefits



① Adding to scope

- Rounding-out the product portfolio
- Increasing breadth and depth of application understanding

② Adding to scale

- Broader market access
- Selling breadth
- Operations synergies
- Exploiting overhead synergies
- Capability to drive R&D

③ Adding technology

- GaN product and IP portfolio
- Multi-chip packages and IPMs/ μ IPMTMs
- HiRel capability

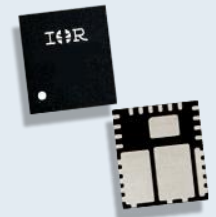
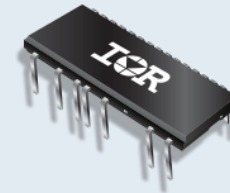
④ Adding market presence

- Improved regional footprint in particular the US and APAC
- Increased presence in distribution channel

① IFX + IRF: Gaining IGBT Low-Power Modules, Drivers and Control ICs

Expanding the IGBT driver, module and application portfolio

- Broad IGBT driver portfolio for
 - high-voltage applications
 - low-power drives (< 250 W)
- IPMs (Intelligent Power Modules) and μ IPM™s
- Strong industrial drive expertise
 - integrated power design platform (iMotion)
 - high-voltage IC technology



① IFX + IRF: Example: IPM Portfolio



Infineon

- Access to standard product portfolio of IPMs via LSPS
- Strong in home appliances (e.g. aircons, washing machines)
- Geographical presence mainly in Korea

International Rectifier

- Strong product portfolio of μ IPMTMs used in low-power drives
- Strong in industrial applications
- Geographical presence mainly in China, the US and Europe

Benefits

- Combination of IFX and IRF is complementary in applications and product portfolio.
- Combination of IFX and IRF leads to improved customer and regional coverage.

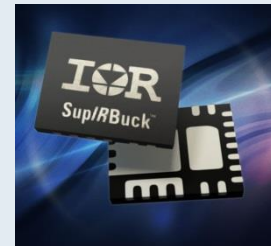
① IFX + IRF: Enhanced Power MOSFET and Digital Power Management IC Portfolio



Creating a leader in efficient power conversion and power density

- Low-voltage and medium-voltage MOSFETs

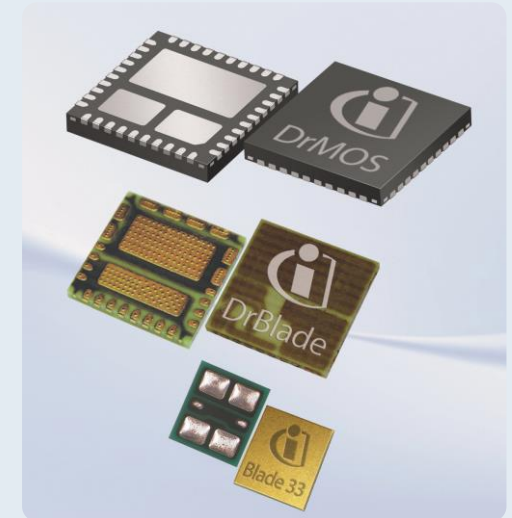
- Digital power control



- DC/DC application expertise
(computing, SMPS, low-voltage drives)

- Broad package portfolio incl. automotive-qualified and multi-chip packages

- Enhanced regional and channel coverage: strong tier-2 and tier-3 customer relationships particularly in USA, China and Japan



① IFX + IRF: DC/DC System Leadership; Diversification into Appl. Beyond Server



Infineon

- Strong application know-how in server DC/DC computing
- Strong silicon MOSFET technology and best-in-class products
- Strong digital multi-phase controller portfolio for server application
- Strong presence at tier-1 customers

International Rectifier

- Strong application know-how in datacom DC/DC and PoL* DC/DC
- Broad portfolio of analog and digital controllers and integrated products for PoL*, gaming, high-end PCs and datacom
- Wide range of MOSFET/package combinations
- Strong presence at tier-2/-3 customers with special focus on USA, Asia and Japan

* PoL = Point-of-Load

Benefits

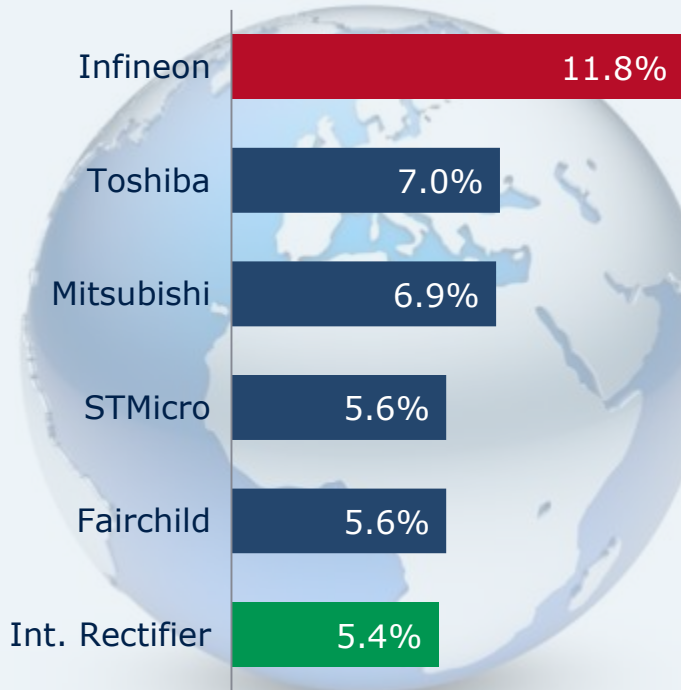
- Complementary portfolio with International Rectifier contributing strengths in single-phase control and multi-chip packaging, non-server applications and channel focus on tier-2 and tier-3-customers in US, Asia and Japan.

②: Strengthening Our Leading Position in a Fragmented Power Semiconductor Market

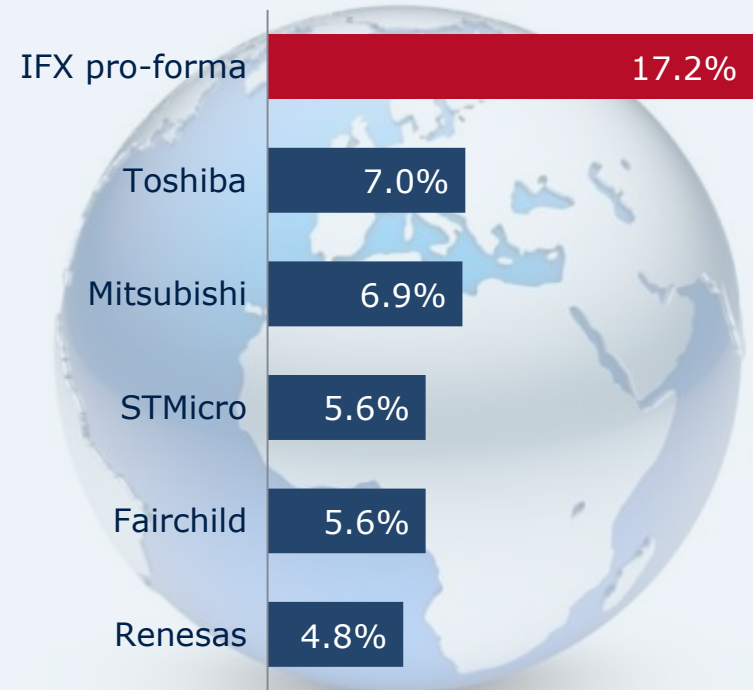


2012 Total Power Semiconductor market total market size: \$15bn

Prior to the deal



Pro-forma post deal



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

②: Accelerated Ramp of Infineon's Leading 300mm Thin Wafer Manufacturing



Benefits for Infineon's 300mm ramp

- Certain products of International Rectifier's low-voltage MOSFETs and IGBTs can be transferred to Infineon's 300mm cluster

Dresden (Germany) site



Villach (Austria) site



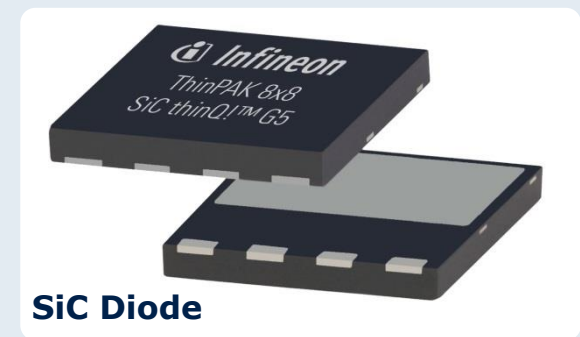
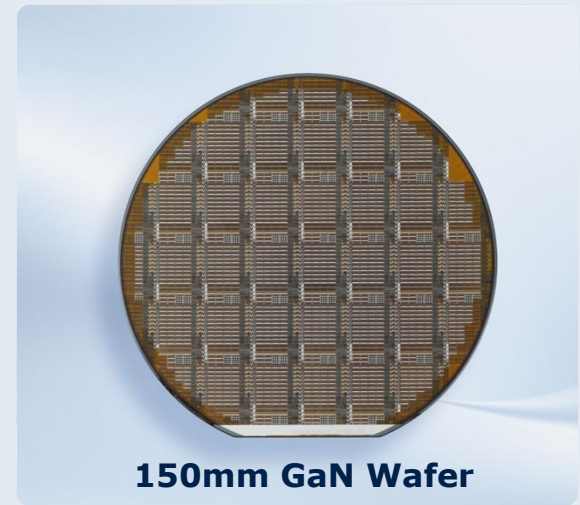
- Larger revenue base will also increase the loading of 300mm in the future
- Increased volume in 300mm will accelerate ramp and consequently should bring forward cost target milestones.



③: Strengthening of Infineon's Position in Compound Power Semiconductors

Key facts

- Significant strengthening of Infineon's GaN¹⁾ technology position:
 - GaN-on-Si epitaxy
 - Normally-on GaN HEMT²⁾: 100 V in production, 600 V sampling
 - Strong IP portfolio
 - Full GaN portfolio with controllers, drivers, switches and multi-chip packages together with Infineon's SiC³⁾ expertise creates clear leader in power semiconductors based on wide-bandgap materials
- ⇒ **Leading to novel power system architectures**

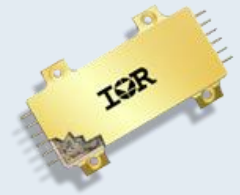
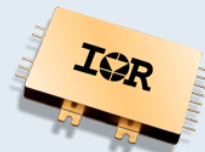
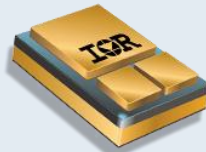


1) GaN = Gallium Nitride. 2) HEMT = High-Electron-Mobility Transistor. 3) SiC = Silicon Carbide.

③: Capabilities of the HiRel Business

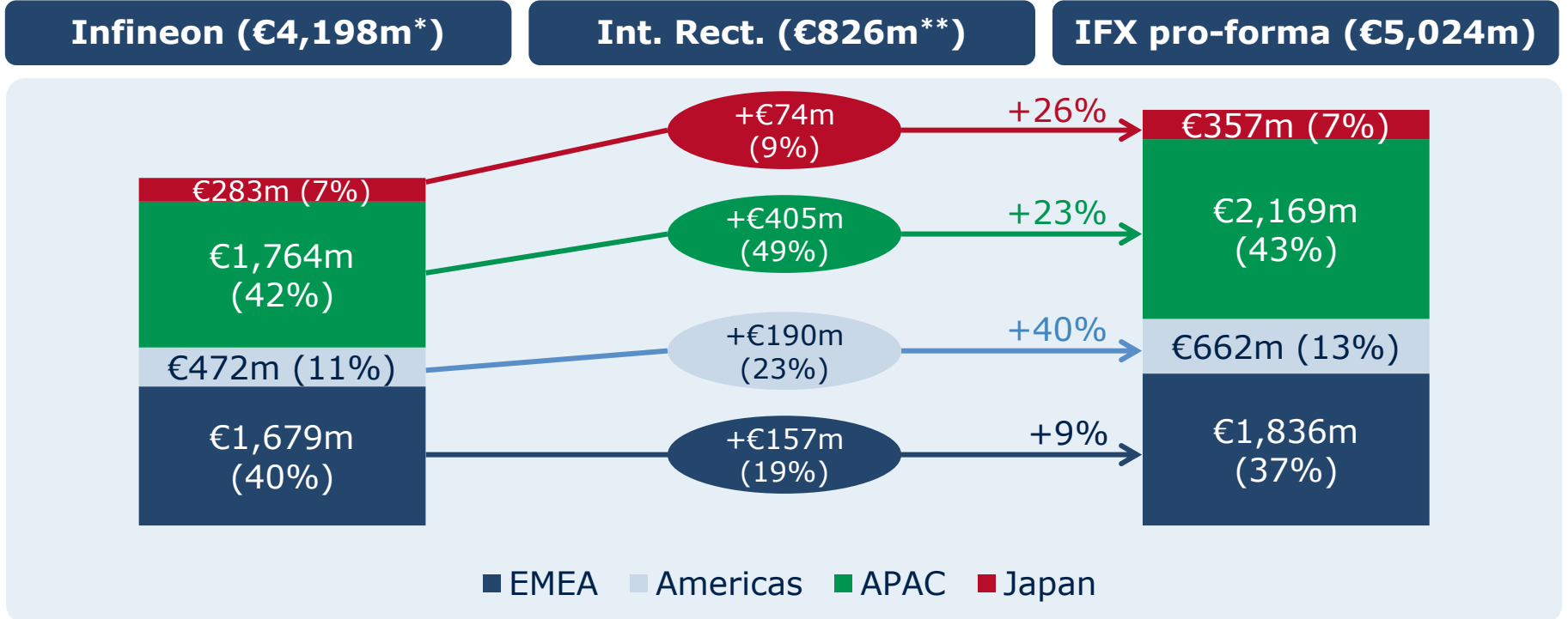
Key facts about HiRel (high-reliability)

- Large extension of existing small but stable and profitable Infineon HiRel business; focus on commercial aviation, space, satellites and high-temperature applications



- Significant cross-selling opportunities for Infineon products, e.g. CoolMOS™, RF power, RF switches and diodes

④: Further Improve Balance of Geographical Footprint



Benefit

- Significant increase in R&D and selling resources in the US greatly increases proximity to key customers and innovation leaders
- Adding to critical mass in APAC including China and in Japan

Source: Infineon and International Rectifier annual reports.

* Infineon revenue last 12 months (July 2013 through June 2014).

** International Rectifier FY 2014 revenue of \$1,107m (without royalties), assuming exchange rate of \$1.34/€1.00.

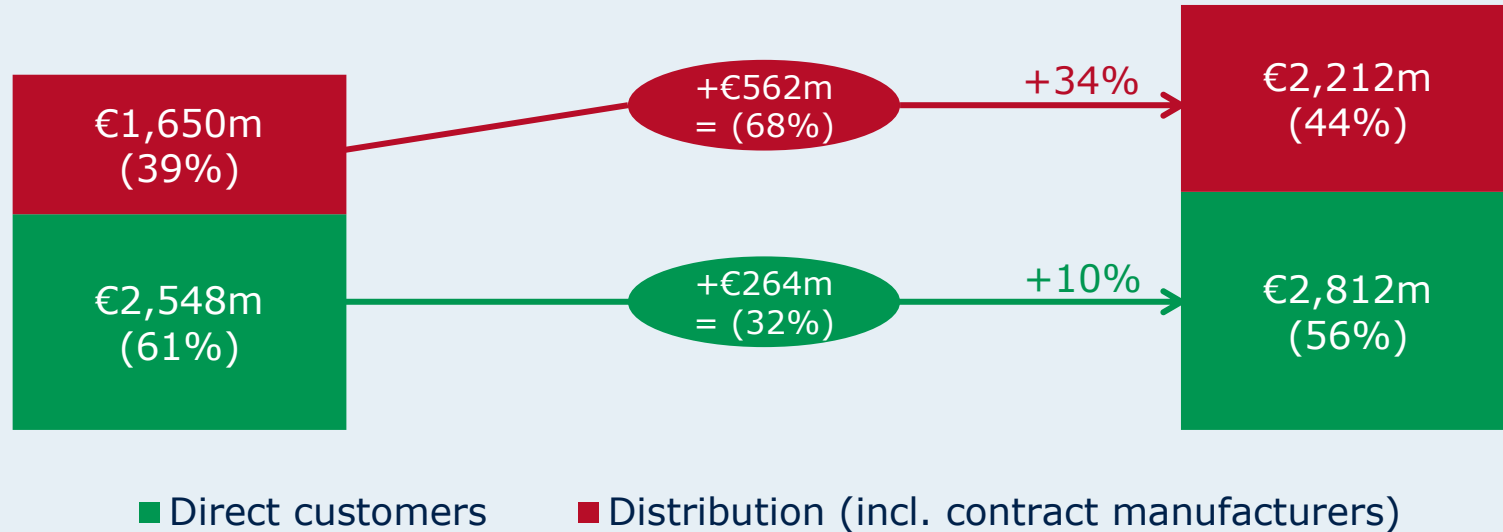
④: Increased Presence and Stronger Relationship Within the Distribution Channel



Infineon (€4,198m*)

Int. Rect. (€826m)**

IFX pro-forma (€5,024m)



Benefits

- Increase of Infineon's distribution business by 34%.
- Much broader product portfolio leads to one-stop shop for distribution partners and for end customers.

Source: Infineon and International Rectifier annual reports.

* Infineon revenue last 12 months (July 2013 through June 2014).

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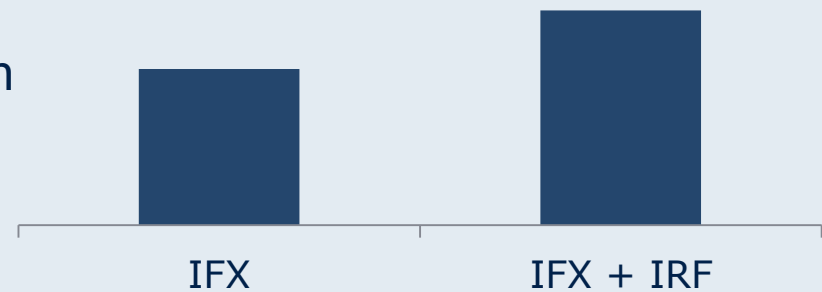
Transaction Beneficial Already to 2015 Financials



Pro-forma EPS accretive in year 1; dividend €0.16 – €0.18

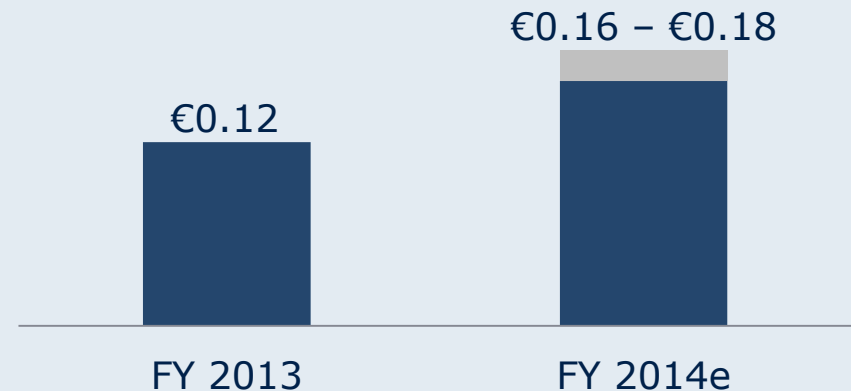
- Transaction would be accretive to pro-forma adjusted EPS* already in first year post closing (FY 2015)

Pro-forma EPS for FY 2015



- All cash outlays for restructuring and investments fully covered by pro-forma free cash flow

- No change to dividend (€0.16 – €0.18 per share for FY 2014)



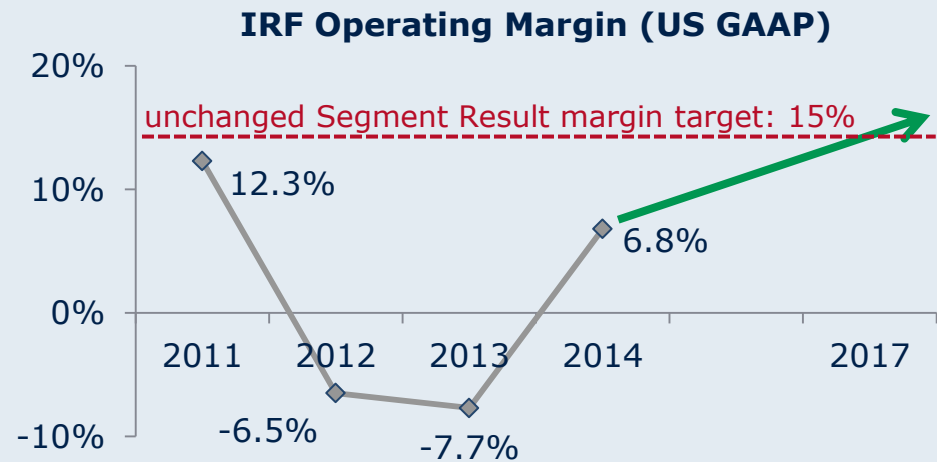
* Excluding restructuring expenses, transaction fees, amortization of acquired intangibles and any other incidental expenses associated with the transaction.

Transaction Complies with Infineon's Strategy of Sustainable Profitable Growth



Accretive to 15% Segment Result target margin at the latest in FY17

- Margin expansion at International Rectifier ongoing



- Realize significant synergies from higher purchasing volumes, optimized manufacturing footprint and OpEx functions
- Intern. Rectifier margin contribution to be at least in line with Infineon 15% Segment Result margin target at the latest in 2nd full year post closing (FY17)

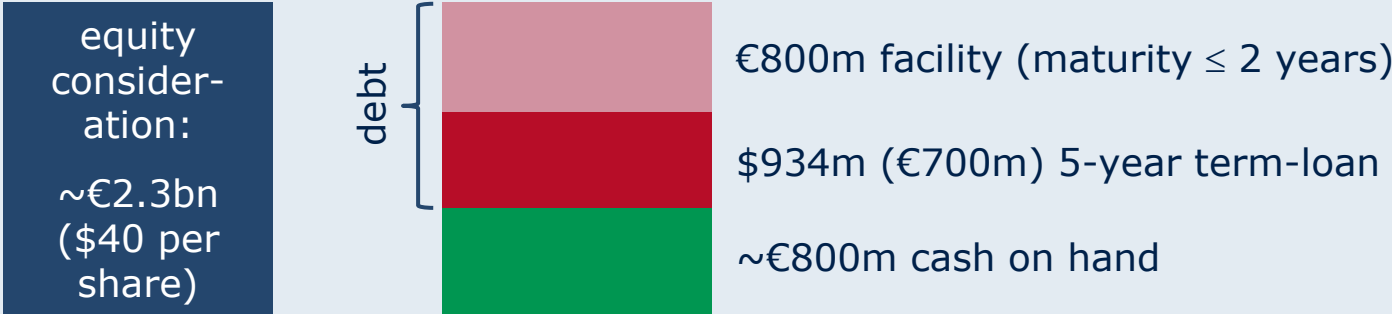
⇒ **Average-cycle 15% Segment Result margin target maintained**

Solid Balance Sheet Even After Cash-/Debt-Financed Transaction



Financing and pro-forma capital structure

- Financed with €1.5bn of new debt, ~€800m cash on hand



- Solid balance sheet pro-forma for transaction



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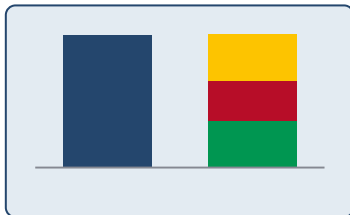
Summary



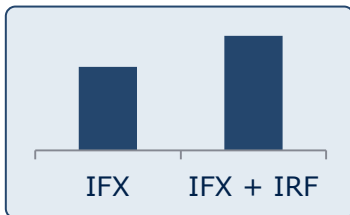
- Infineon to acquire International Rectifier for \$40 per share
- Fully diluted equity consideration ~\$3.0bn; enterprise value ~\$2.4bn



- IRF reinforces IFX's strategy and complements IFX's strengths
- Complementary product portfolio and regional footprint, SiC and GaN for wide-bandgap leadership, scale economies particularly in 300mm

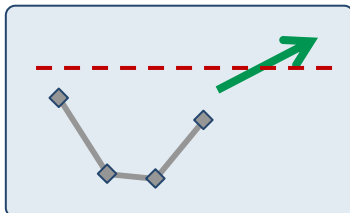


- Financed with €1.5bn of new debt and €800m of cash on hand
- Solid pro-forma balance sheet maintained: 1.4x gross debt/EBITDA, 38% gross cash/sales, €0.3bn of net cash



- Transaction accretive to adjusted* pro-forma EPS already in FY 2015
- FY 2014 dividend maintained at €0.16 – €0.18, payable in 2015

* For definition please see page 18.



- Strong synergies: International Rectifier to deliver margins at least in line with Infineon target at the latest in second year post closing
- Infineon Segment Result margin target maintained at 15%



ENERGY EFFICIENCY MOBILITY SECURITY

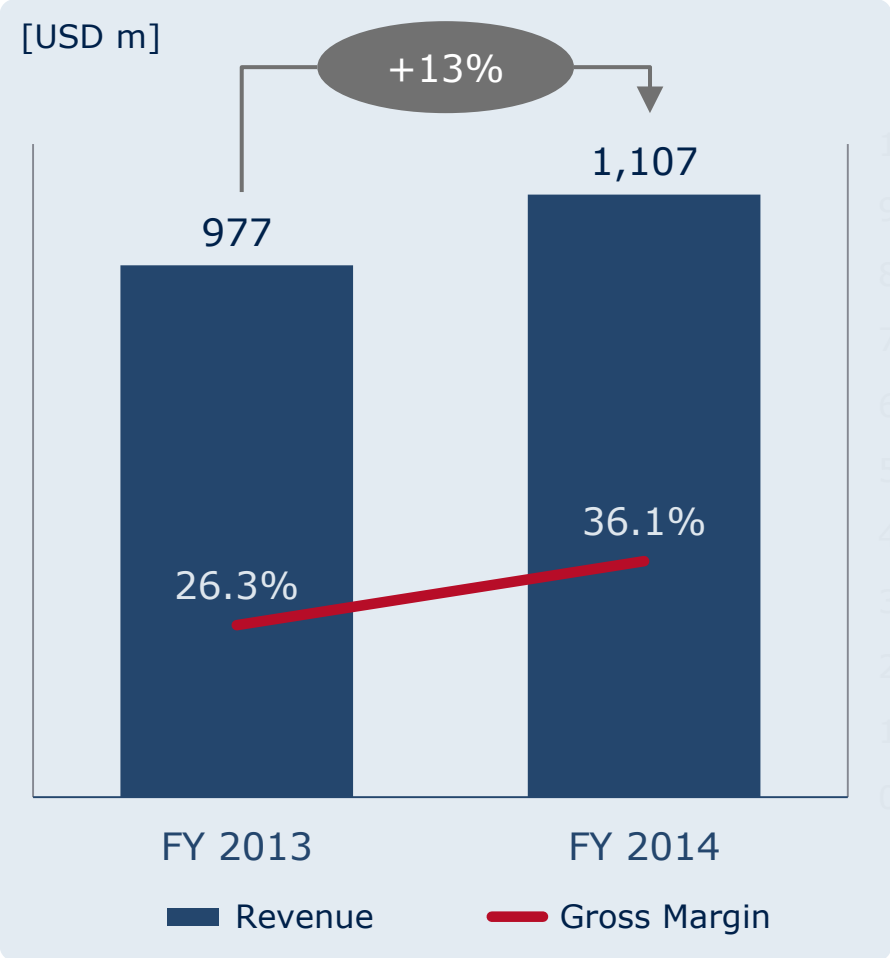
Innovative semiconductor solutions for energy efficiency, mobility and security.



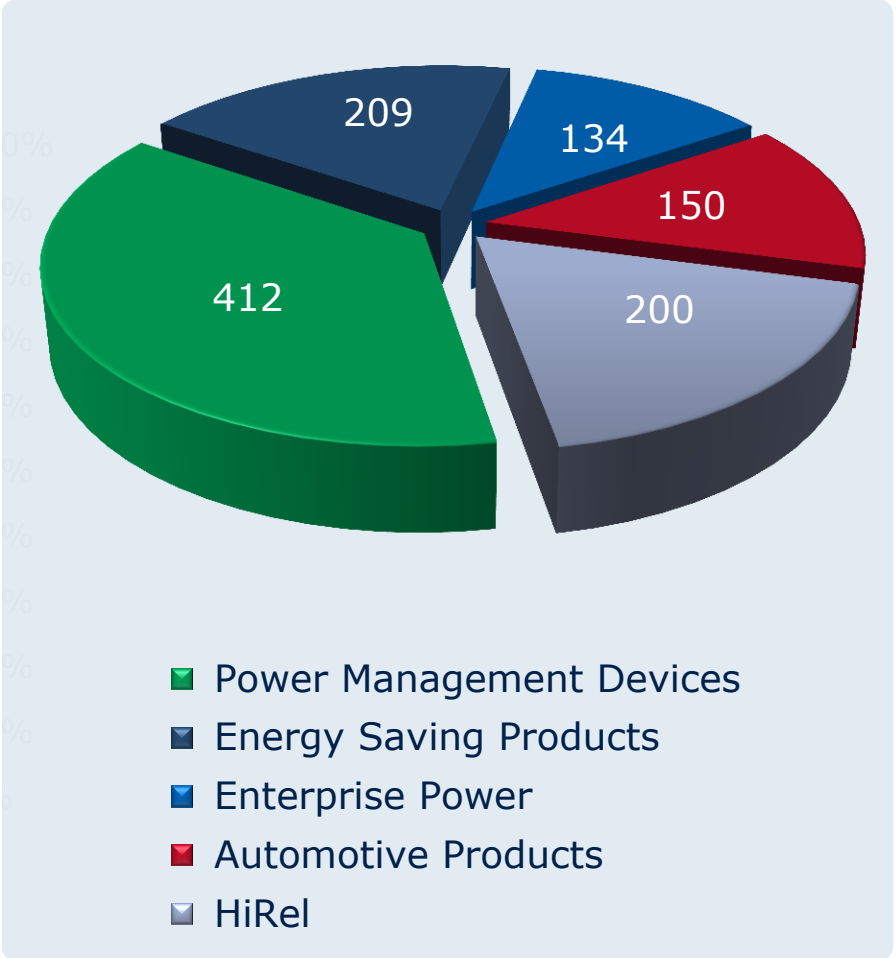
International Rectifier: 13% Growth in FY 2014 with Strong Margin Expansion



IRF revenue and gross margin








IRF FY 2014 revenue split by business units (\$1,107m)



Well Diversified Addressed Markets Integrate Well With Infineon



International Rectifier business units

Power Management Devices (PMD)	Energy Saving Products (ESP)	Enterprise Power (EP)	Automotive Products (AP)	High-Reliability (HiRel)
<ul style="list-style-type: none"> ■ Power supply ■ Data processing ■ Telecoms ■ Industrial and commercial battery-powered systems 	<ul style="list-style-type: none"> ■ Motor control appliances ■ Industrial automation ■ Lighting and display ■ Audio and video 	<ul style="list-style-type: none"> ■ Servers ■ Storage ■ Routers ■ Switches ■ Infrastructure equipment ■ Notebooks ■ Graphic cards ■ Gaming consoles 	<ul style="list-style-type: none"> ■ Automobiles ■ Trucks & Buses ■ Hybrids ■ Electric vehicles 	<ul style="list-style-type: none"> ■ Satellites ■ Space exploration vehicles ■ Commercial aircraft ■ High reliability devices in heavy industry and biomedical ■ Defense systems 

Related Infineon Divisions

PMM	PMM & IPC	PMM	ATV	PMM
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International Rectifier: Global Presence, Blue Chip Customer Base



Global footprint



International Rectifier has presence in 20 countries with:

- 8 manufacturing sites
- 11 design centers
- 19 sales offices

Key facts

- Founded in 1947
- Rev. of \$1,107m in FY14
- Approx. 4,160 employees

Exemplary customers

