

# Second Quarter FY 2016 Quarterly Update

Infineon Technologies AG  
Investor Relations



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## **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.

# Leadership in system understanding will foster future growth and profitability



## Competitive advantages

System leader in  
Automotive

#1 and technology  
leader in Power

Leader in Security  
Solutions

## Average-cycle financial targets

Revenue Growth:  
**~8%**

Segment Result Margin:  
**~15%**

Investment-to-Sales:  
**~13%**

# Solid Investment Grade rating assigned by S&P's in connection with revised capital structure targets



Revised capital structure targets announced by Infineon in February 2016:

## a.) Gross Cash

- › "€1bn plus 10% to 20% of revenue"

## b.) Gross Debt

- › "less than 2.0x EBITDA"

Financial flexibility based on a solid capital structure, adjusted to reflect the current scale of Infineon:

- › comfortable liquidity level for financing operating activities and planned investments throughout the cycle
- › moderate leverage combined with maturity profile which secures repayment of debt even if capital markets are not available (such as in financial crisis 2008/2009)



**STANDARD & POOR'S  
RATINGS SERVICES**  
McGRAW HILL FINANCIAL

Infineon's revised capital structure targets are reflected in the Corporate Credit Rating of **BBB** (outlook: „stable“) assigned by S&P's in February 2016.

# Infineon takes advantage of favorable capital markets to optimize its debt profile



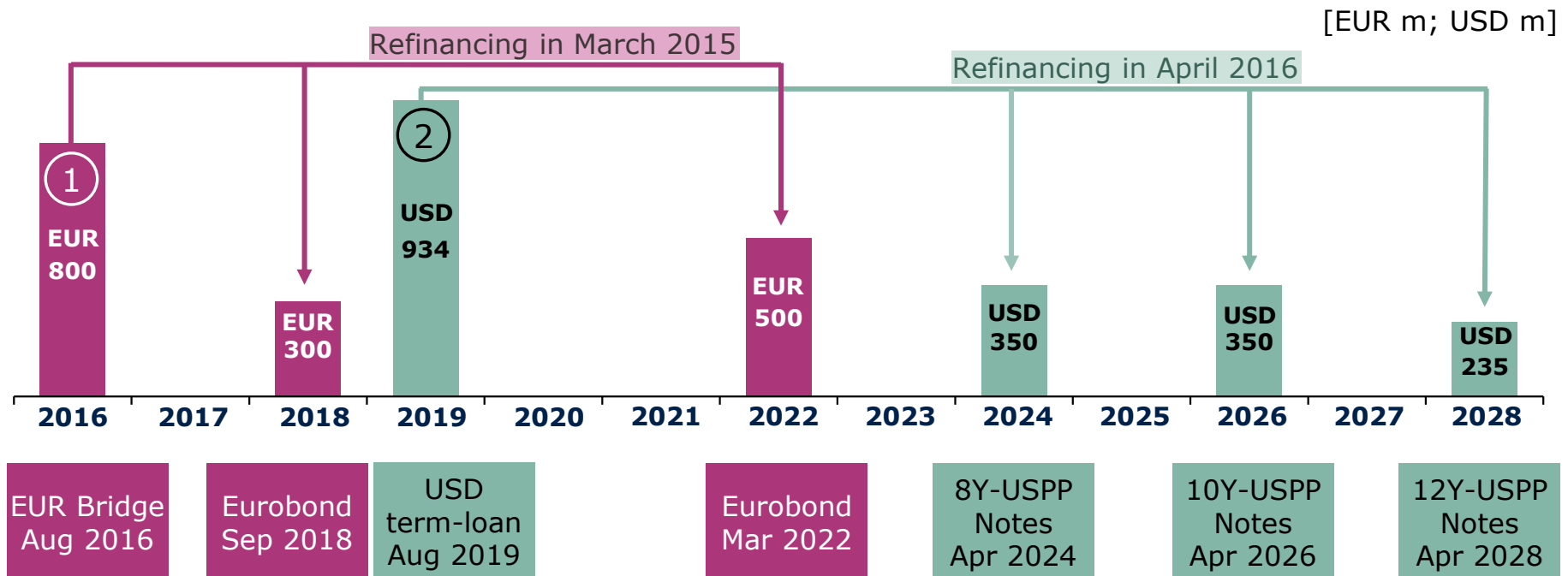
## 1 Refinancing of the EUR tranche

March 2015: Infineon's first Eurobonds replace €800m bridge financing

## 2 Refinancing of the USD tranche

April 2016: Infineon's first US-Private Placement replaces \$934m term loan

- > Maturity profile significantly improved
- > Investor basis broadened

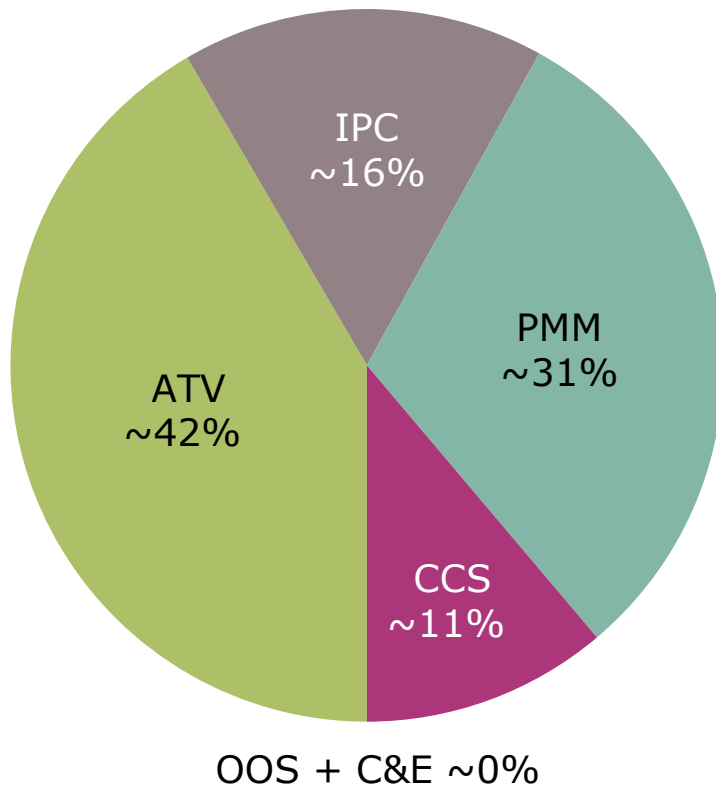


# Automotive and power are the two major pillars of Infineon's businesses



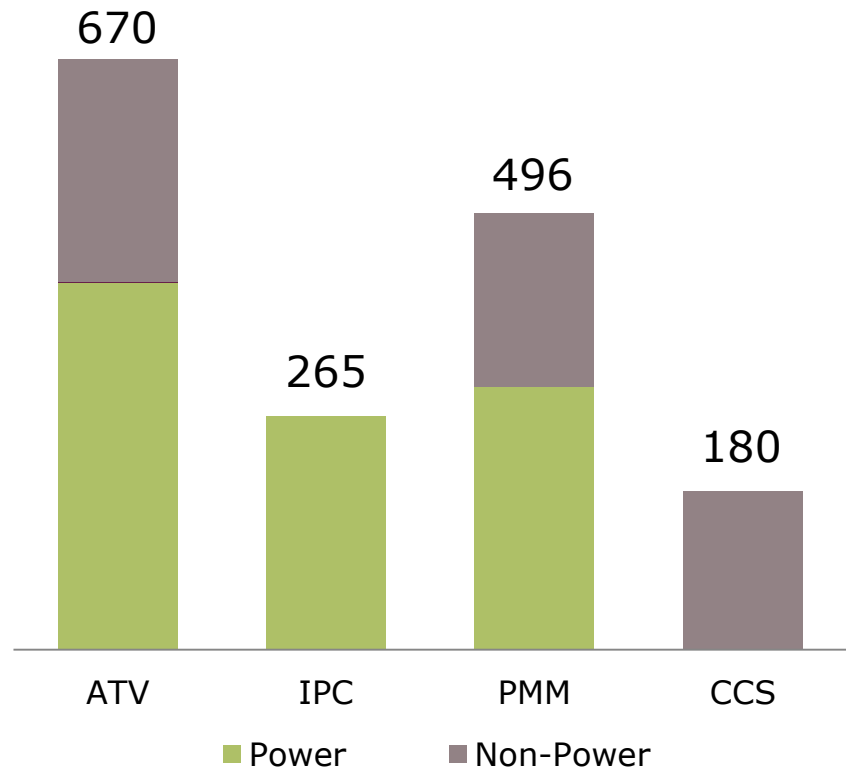
Q2 FY16 revenue: EUR 1,611m

Revenue split by Segment



Power represents ~60% of revenue

[EUR m]

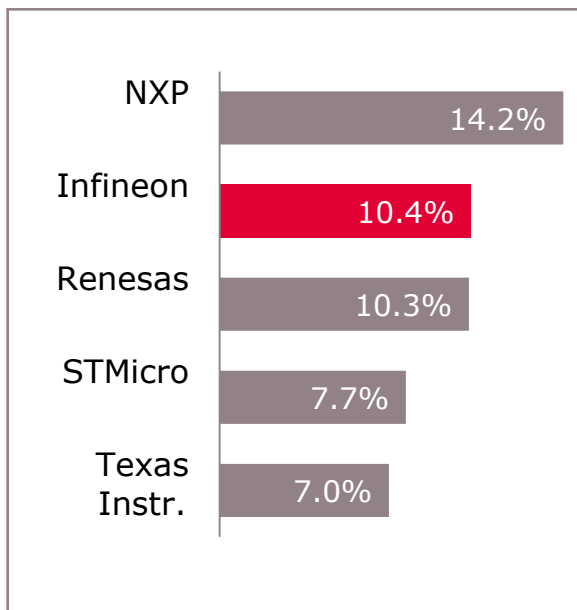


# Infineon holds top position in each of its core markets



## Automotive semiconductors

total market in 2015:  
\$27.4bn

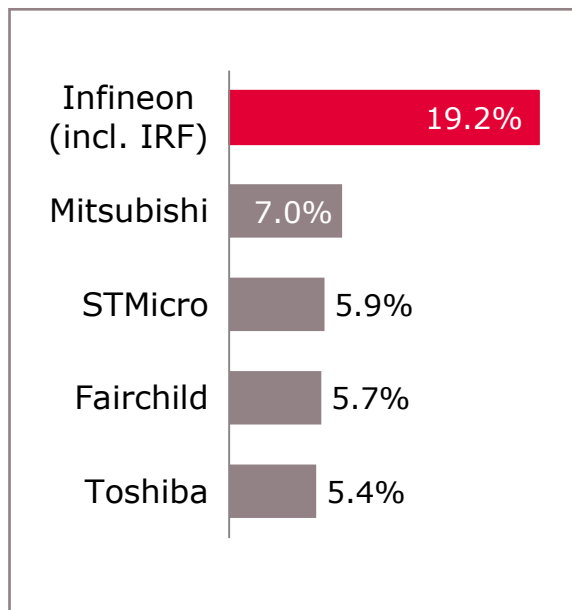


Automotive semiconductors incl. semiconductor sensors.

Source: Strategy Analytics, April 2016

## Power semiconductors

total market in 2014:  
\$16.2bn

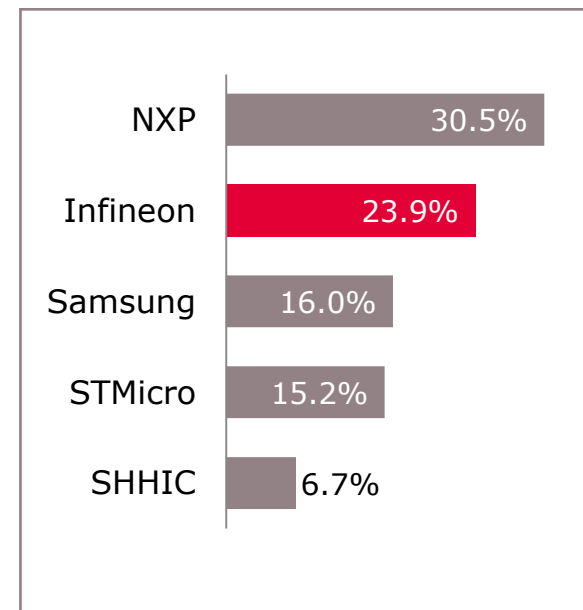


Discrete power semiconductors and power modules.

Source: IHS Inc., September 2015

## Smart Card ICs

total market in 2014:  
\$2.63bn



Microcontroller-based smart card ICs.

Source: IHS Inc., July 2015

# Tight customer relationships are based on system know-how and app understanding



ATV	IPC	PMM	CCS

EMS partners	Distribution partners	



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1 Infineon at a Glance

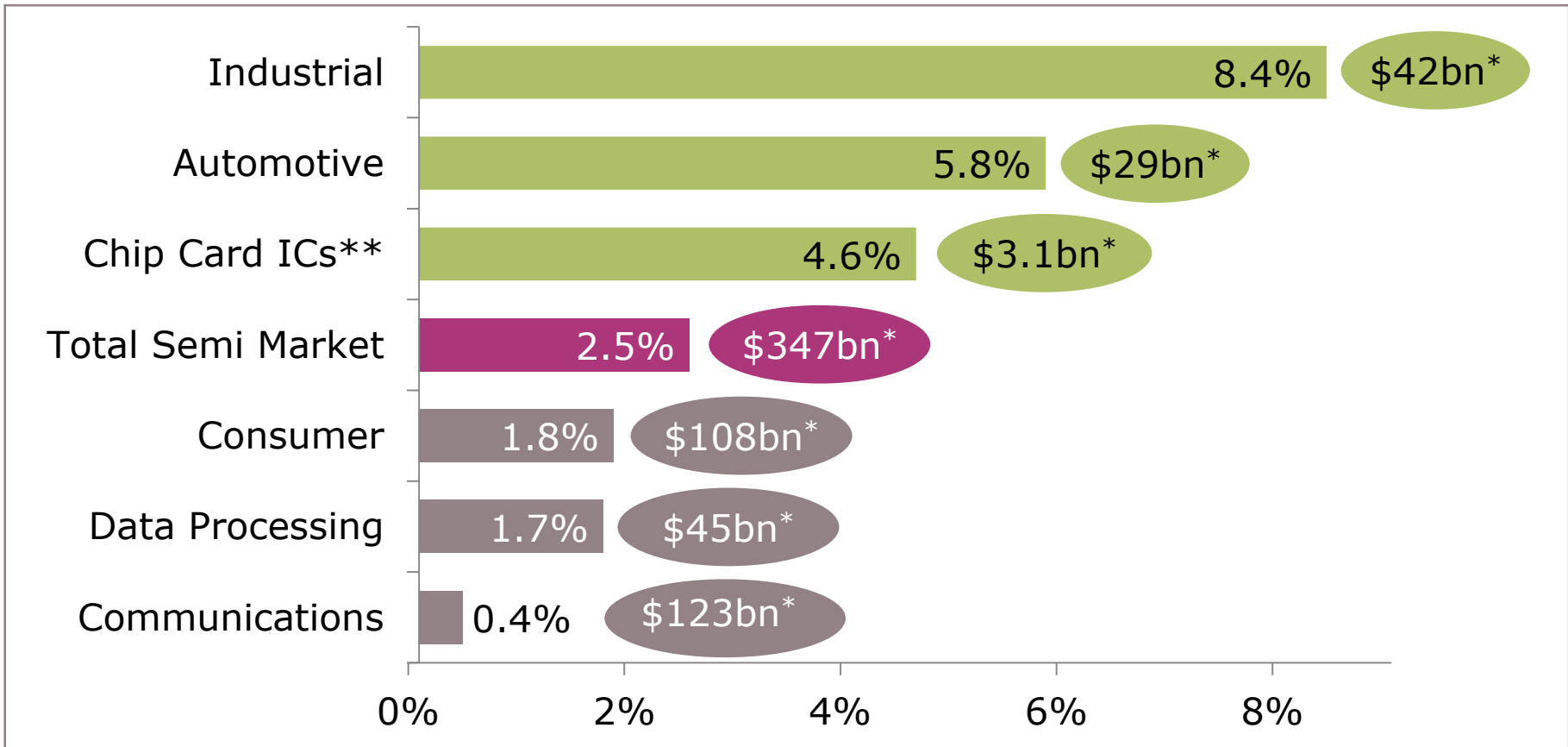
2 Growth Drivers

3 Results and Outlook

# Infineon benefits from industrial, auto and security, the by far fastest growing segments



## CAGR 2015 – 2020 by Semiconductor Industry Segment



Source: IHS Inc., Worldwide Semiconductor Shipment Forecast, April 2016

\* In calendar year 2015

\*\* CAGR 2015 – 2019; Source: IHS, "Smart Cards Semiconductors", August 2015

# Infineon is system leader in automotive; making cars clean, safe and smart



#2 with market share gains in power and sensors:

- › #1 in power semiconductors\*
- › #2 in sensors\*
- › #3 in microcontrollers\* (#1 in powertrain\*\*)

Most balanced portfolio with sensors, micro-controllers and power for system approach

Leader in electric drivetrain and CO<sub>2</sub> reduction  
- *making cars clean*

Leader in ADAS  
- *making autonomous driving safe and reliable*

Leading product portfolio of sensors and security ICs for individual convenience and connectivity  
- *making cars smart*

Focus on sustainable high-bill-of-material areas: powertrain, safety/ADAS/autonomous cars, body

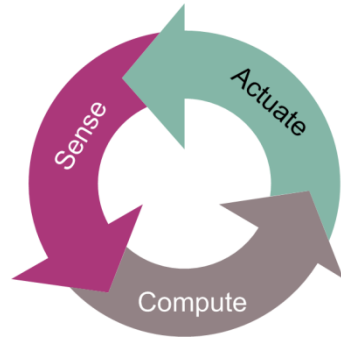
Infineon is ideally positioned to benefit from megatrends and to gain further market share in Automotive

\* Source: Strategy Analytics, April 2016

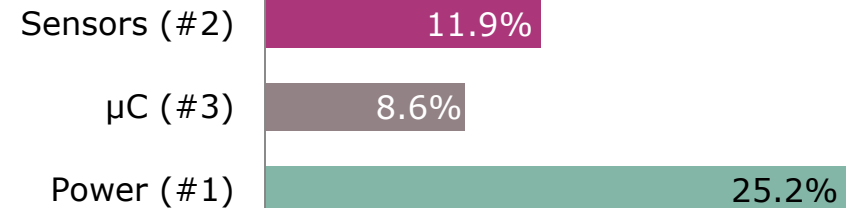
\*\* own estimate.

# Infineon biggest market share winner in „Sensors“ driven by radar sensor chips

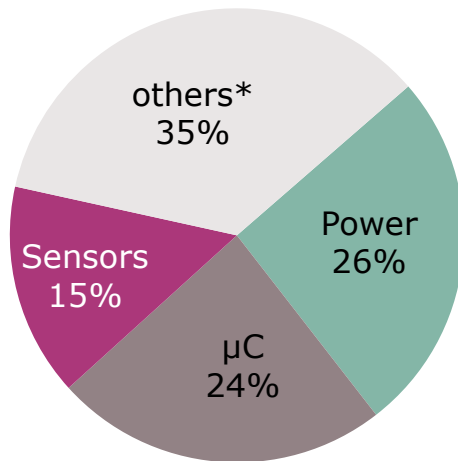
Infineon covers the entire control loop



## Infineon's position 2015



## 2015 automotive semiconductor market by product category (\$27.4bn)



\* "others" include: opto, small-signal discretes, logic ICs, non-power analog, memory, and other components.

- › Infineon achieved biggest market share gains in "Sensors" of 0.4%-points driven by pressure sensors, magnetic sensors and primarily radar sensor chips
- › Infineon increased market share in "Power" by 0.4%-points resulting in a new all-time-high market share of 25.2%

Source: Strategy Analytics, April 2016.

Four megatrends are shaping the automotive market, significantly increasing the semi content per vehicle

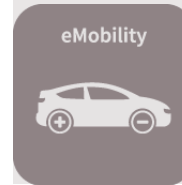
## ADAS/Autonomous driving

- › From ADAS to semi-automated and finally autonomous driving
- › Every world region is striving for “0-accident”



## xEV/eMobility

- › Mandated CO<sub>2</sub> reductions make electrification of powertrain inevitable



- › Advanced connectivity is driven by making the car part of the Internet
- › The car will be fully connected (V2I, V2V, in-vehicle)



## Car Security

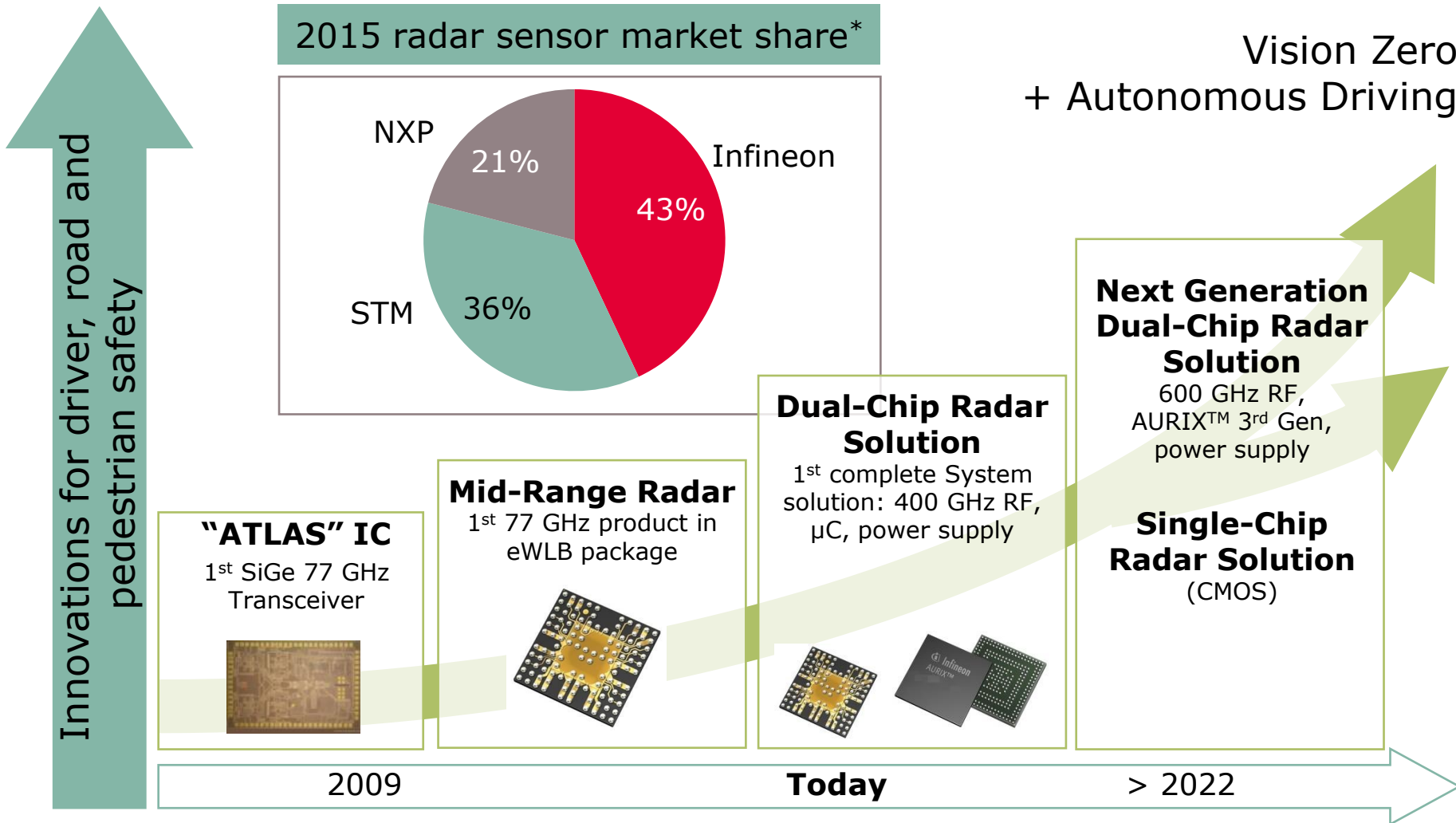
- › Increased connectivity and software content increase risk exposure to hackers
- › Internal/external connectivity must be secured



## Connectivity

## Advanced security

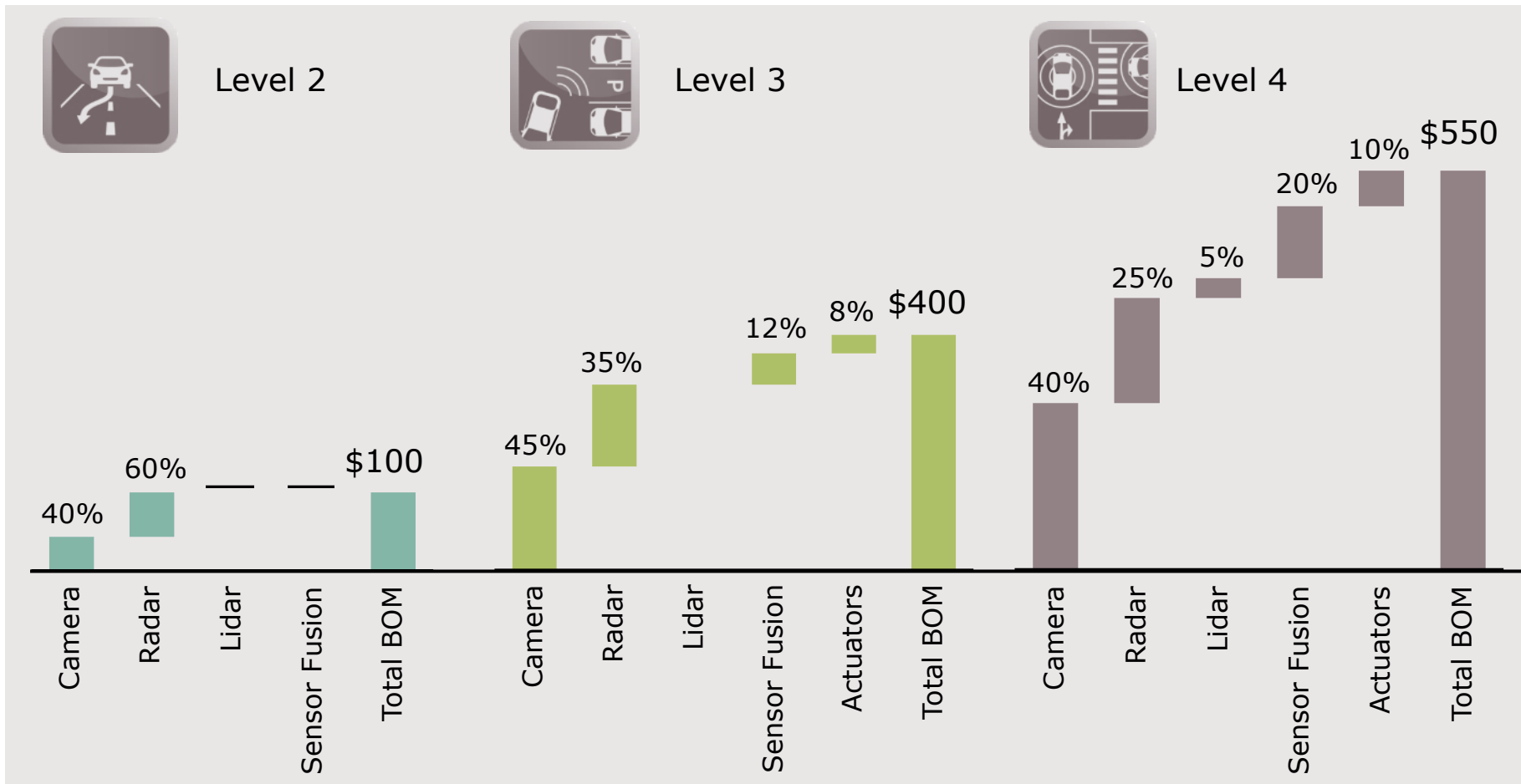
# Infineon is the market leader in Radar, > 15 million chips shipped already



\* Source: IHS Inc., "Advanced Driver Assistance Applications Sensor Market Database – H2 2015", February 2016

# Semiconductor content itemized to automation levels

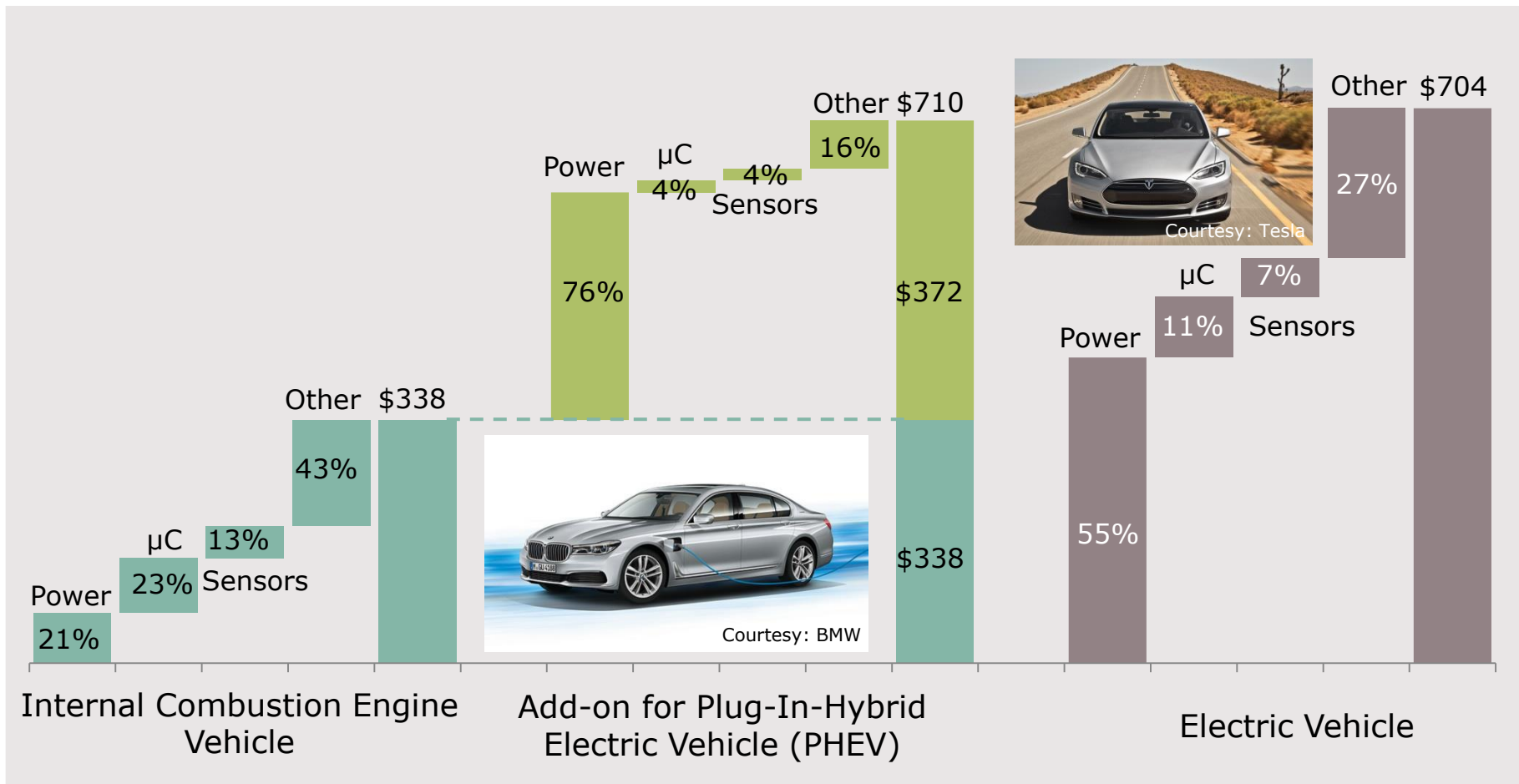
## Average ADAS semiconductor content per level of automation



Source: Infineon estimates

# Semiconductor content of EV/HEV vehicles falls right into Infineon's core competence

## Average semiconductor content



Source: Strategy Analytics, "Automotive Semiconductor Demand Forecast 2013 – 2022", June 2015





# ADAS, CO<sub>2</sub> reduction and adoption of premium features drive Infineon growth

## Vehicle production



- › ~2% growth p.a.
- › Further growth in Western Europe, US, Korea and China
- › Electro-mobility gaining momentum, especially in China

## Drivers for semiconductor content per car

### CO<sub>2</sub> reduction



Courtesy: BMW

- › Driven by legislation
- › Improvements of ICE (e.g. electric steering, electric pumps and motors)
- › Adoption of EV/HEV

### Advanced safety



Courtesy: Audi

- › Current: crash avoidance
- › Next: assisted Driving
- › Future: autonomous driving

### Comfort, premium



- › Premium cars are early adopters of high-end comfort and safety features
- › Trickling down to mid-range

~8% p.a. through-cycle growth

# Infineon is #1 and technology leader in power semiconductors



#1 in the market\*

Broadest product and technology portfolio

Addressing broadest range of applications

300mm thin-wafer manufacturing for power semiconductors

System leader with digitalization of the control loop and functional integration

Leader in next-generation power semiconductor materials GaN and SiC

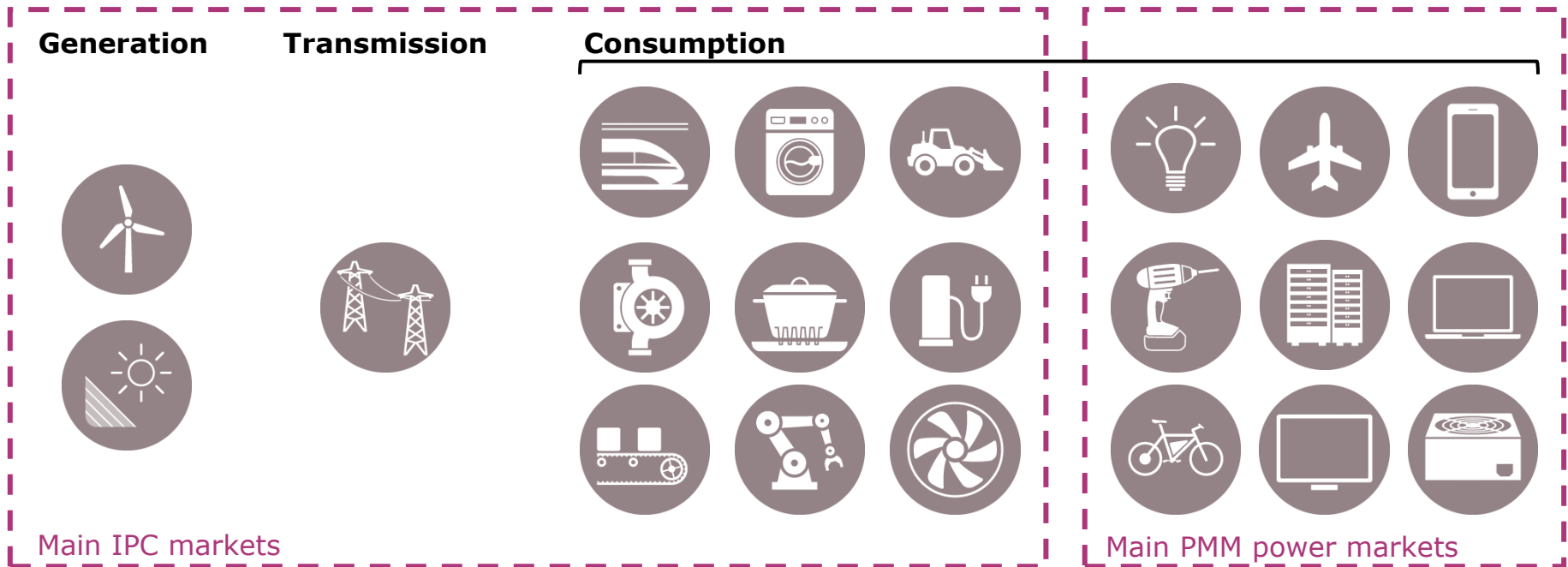
Infineon is ideally positioned to gain further market share and earn superior margins in power semiconductors

\* Source: IHS Inc., "Power Semiconductor Discretets & Modules Report – 2015", September 2015

# As system leader in power Infineon offers solutions to a wide spectrum of applications



## Covering the entire power chain



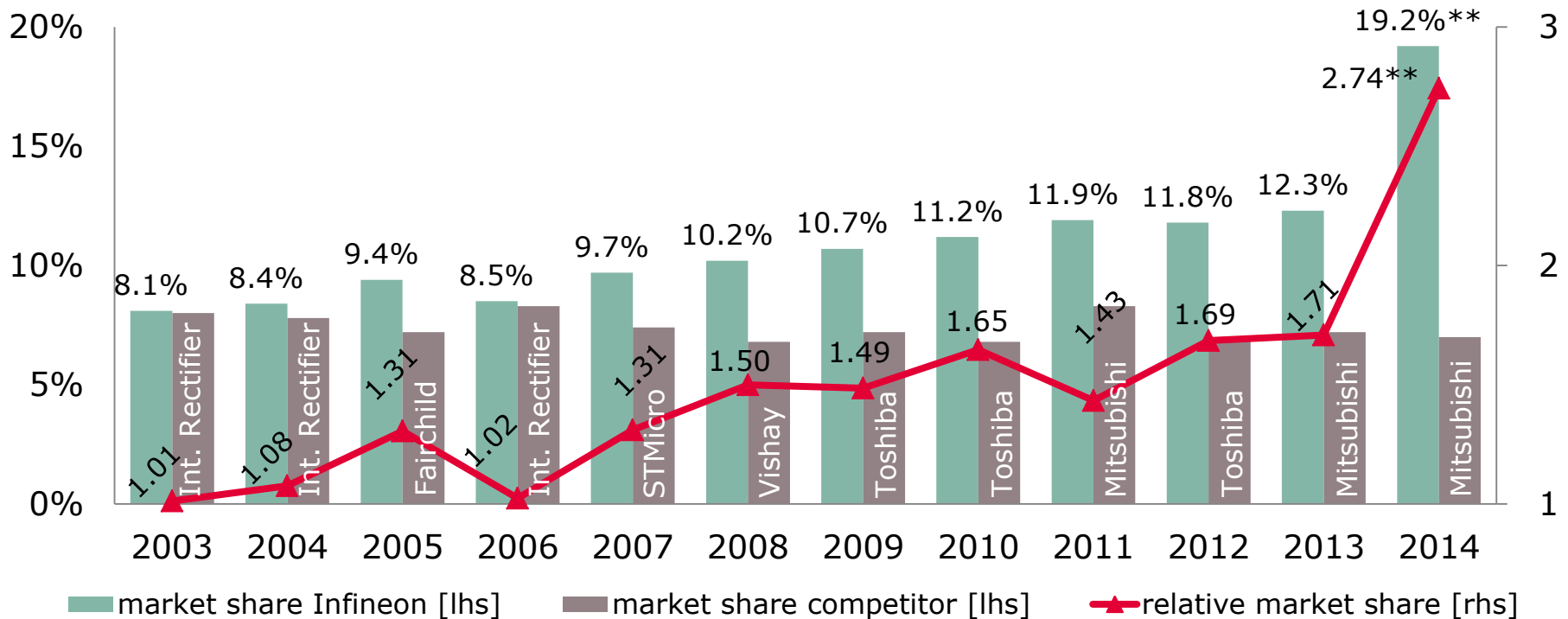
## System competence for highest reliability and highest efficiency

Controllers	Drivers	MOSFETs/IGBTs	Modules	Stacks
<ul style="list-style-type: none"> <li>&gt; Primarion, CHiL</li> <li>&gt; .dp digital power™</li> <li>&gt; Power ICs</li> <li>&gt; XMC™ μC family</li> </ul>	<ul style="list-style-type: none"> <li>&gt; MOSFET driver</li> <li>&gt; IGBT driver</li> <li>&gt; galvanic isolation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; low-voltage MOSFETs</li> <li>&gt; medium-volt. MOSFETs</li> <li>&gt; high-voltage MOSFETs</li> <li>&gt; discrete IGBTs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; low-power</li> <li>&gt; mid-power</li> <li>&gt; high-power</li> </ul>	<ul style="list-style-type: none"> <li>&gt; IGBT stacks</li> </ul>

# Infineon continuously improved market share in power while competitors remained flat



## Development on Infineon's market share and relative market share\* in the total power semiconductor market



\* The relative market share is defined as the proportion of the market share held by the market leader (in all years presented for Infineon) compared to the market share of the second largest competitor in the relevant year.

\*\* Including International Rectifier.

Source: IHS Inc., several reports from 2004 through 2015

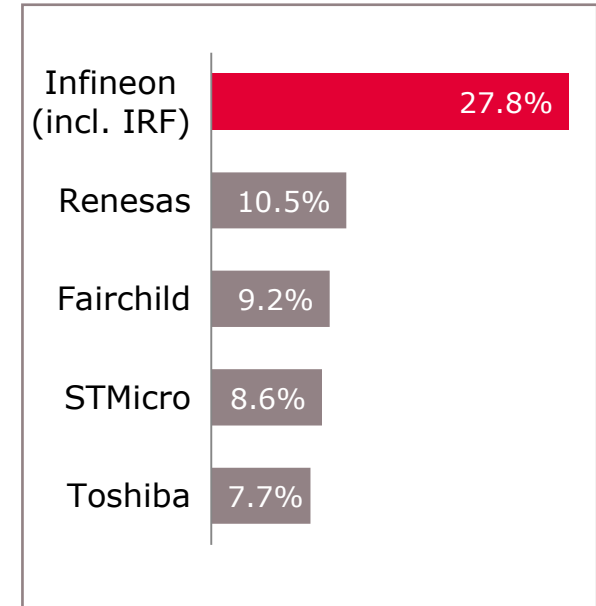
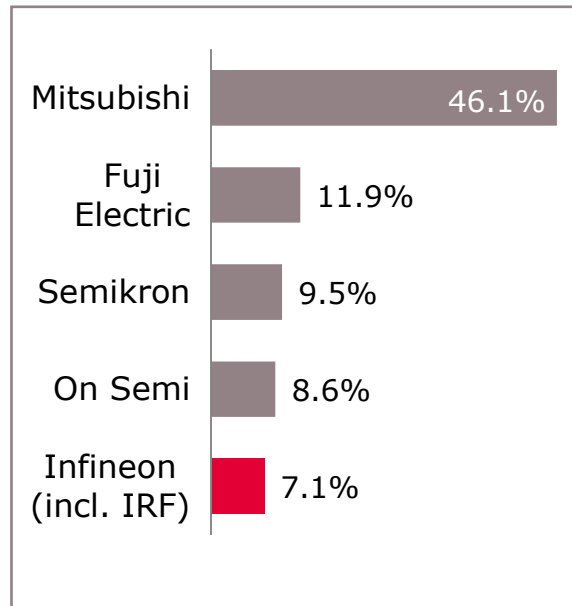
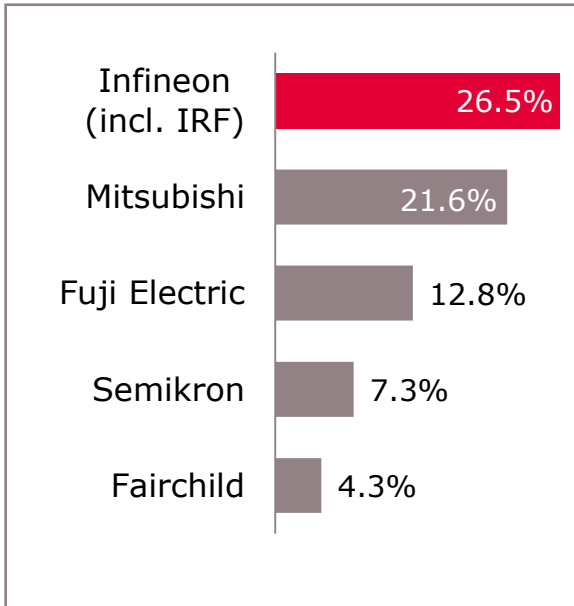
# IRF and LSPS lift Infineon to top-5 position in fast-growing IPM market for the first time



IGBT components\*  
(discretes and modules)  
total market in 2014: \$4.45bn

therein: IPMs  
total market in 2014: \$1.26bn

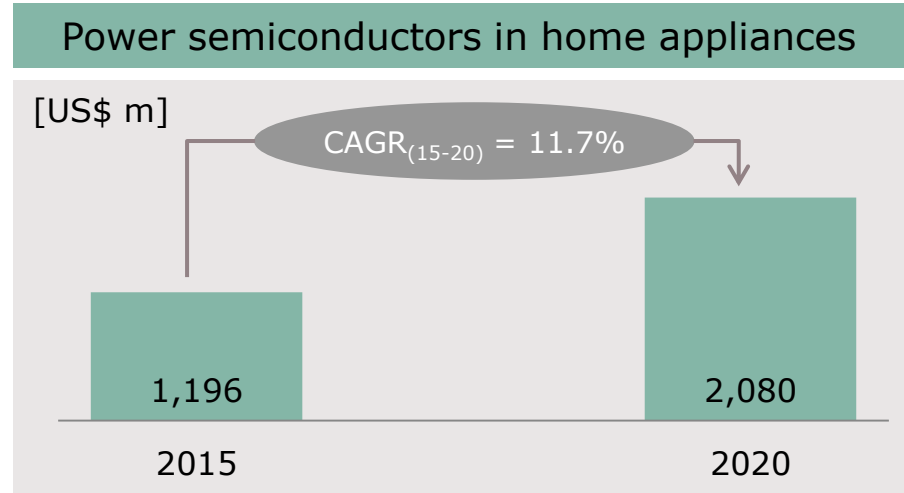
Discrete standard  
MOSFETs  
total market in 2014: \$5.83bn



\* The market for IGBT components (\$4,448m) includes discrete IGBTs (\$947m), Standard IGBT modules (\$1,908m), CIB/PIM (\$333m), and IPMs (\$1,260m).

Source: IHS Inc., "Power Semiconductor Discretes & Modules Report – 2015", September 2015

# IPC: Increasing VSD penetration drives power semiconductors in major home appliances



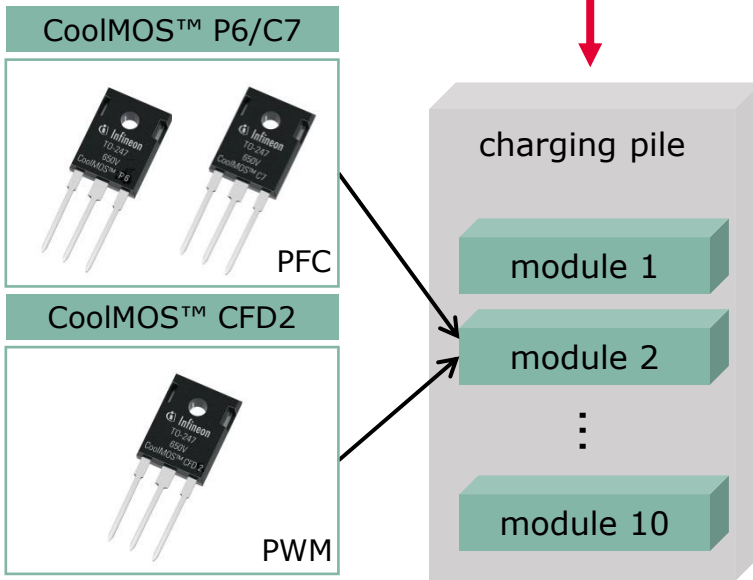
- > Biggest home appliances market for IGBT modules is room air conditioning
- > Efficiency programs led and still lead to higher variable speed drive (VSD) penetration rate
- > Increasing VSD penetration is the key driver for semi growth in MHA

### VSD penetration development

[units m]	2015	2020	CAGR
washing machines	40	84	10.6%
fridges/freezers	24	62	20.9%
dish washer	10	23	18.1%
room air conditioners	71	113	9.7%

Source: IHS Inc., "Major Home Appliance Market Report – 2015", December 2015

# PMM: Infineon provides best-in-class power MOSFETs for Chinese charging infrastructure



PFC = Power Factor Correction  
PWM = Pulse Width Modulation

- › China to build nationwide charging station network to charge 5m electric vehicles expected by 2020:
  - › > 12,000 charging stations\*
  - › > 4.5m charging piles\*

- › 10 kW .. 15 kW per module
- › 7 .. 10 modules

⇒ in total ~100 kW per charging pile with > 100 power MOSFETs

total power semiconductor content per charging pile: \$200 .. \$300

\* According to the „Electric Vehicle Charging Infrastructure Guidelines“, August 2015.



# Efficiency and digitalization are main market drivers for power applications

IPC				PMM	
Drives	Renewables	Traction	MHA	AC-DC	DC-DC
<ul style="list-style-type: none"> <li>› Energy efficiency</li> <li>› Automation</li> <li>› Productivity increase</li> </ul>	<ul style="list-style-type: none"> <li>› Legislation</li> <li>› Growing share of renewable energies as part of the energy generation mix</li> </ul>	<ul style="list-style-type: none"> <li>› Growing population in metropolitan areas</li> <li>› Fast and efficient mass transport system</li> </ul>	<ul style="list-style-type: none"> <li>› Energy efficiency</li> <li>› Growing VSD penetration</li> </ul>	<ul style="list-style-type: none"> <li>› Energy efficiency</li> <li>› Charging time</li> <li>› Compactness (power density)</li> <li>› DPM</li> </ul>	<ul style="list-style-type: none"> <li>› Energy efficiency</li> <li>› Compactness (power density)</li> <li>› DPM</li> <li>› Brushless DC motors</li> </ul>

DPM = Digital Power Management  
MHA = Major Home Appliances  
VSD = Variable Speed Drive

# Infineon is the leader in security solutions for the connected world



#2 in microcontroller-based smart card ICs\*

Complete portfolio of hardware, software, services and turn-key solutions

Infineon Security Partner Network (ISPN)  
⇒ easy implementation of proven semiconductor-based security for manufacturers of connected devices and systems

Leading in growth segments payment, government ID, connected car, and IoT

Infineon is ideally positioned to benefit from the growth trends in the security controller market

\*Source: IHS Inc., July 2015

# Most recent design-wins underline Infineon's #1 position in embedded digital security



## Most recent design-wins for OPTIGA™ TPM

- › Notebooks
  - Lenovo ThinkPad
  - Microsoft Surface Book
- › Tablets
  - Microsoft Surface Pro 4
- › Smart home hub
  - Google OnHub
- › Server
- › IT management platform
  - Huawei
- › IP protection and licencing services
  - Wibu Systems



## Most recent design-wins for OPTIGA™ Trust

- › 3D glasses
- › Motorcycle controller
- › Arcade gaming machines
- › USB memory cable

- › Infineon is market leader in embedded secure microcontrollers with 31% market share\*!

\* Source: IHS Inc., „Embedded Digital Security Report“, January 2016

# Infineon and partners demonstrate IoT security at RSA Conference 2016



## Infineon OPTIGA™ TPM becomes the center of IoT security

### Cisco

- › With Cisco, OPTIGA™ TPM supports protection against
  - › rogue device attacks
  - › snooping
  - › device compromise



### Huawei

- › Huawei's IoT management platform validates the integrity of devices by using the Remote Attestation feature of the OPTIGA™ TPM



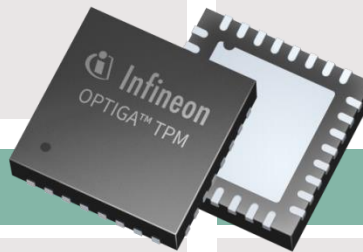
### Wibu-Systems

- › Infineon's hardware-based security supports Wibu-Systems' CodeMeter™ solutions for
  - › licencing services
  - › IP protection



### GlobalSign

- › GlobalSign's management tool securely provisions IoT devices with PKI (public key infrastructure) certificates



# CCS is well positioned to grow faster than the market as leader in security solutions

## Payment



- › Transition to chip-based payment cards in China and the US
- › Growth of mobile payment

## Government Identification



- › Adoption of electronic governmental documents (national ID cards, passports, health cards, etc.)
- › Emergence of multi-application cards

## IoT Security



- › Rise of smart homes, connected cars, automated industries etc.
- › Increasing need for IT security
- › Growth of M2M communication
- › Authentication

## High-end Mobile Communications



- › Greater adoption of NFC technologies for mobile payment and other applications

# Infineon's long-term growth is based on sustainable growth drivers

## ATV



Courtesy: BMW Group

- › CO<sub>2</sub> reduction
- › Advanced Driver Assistance Systems

## IPC



- › Energy efficiency
- › Automation
- › Productivity increase

## PMM



- › Energy efficiency
- › Power density
- › BLDC motors
- › Mobile device and LTE growth

## CCS



- › Security as a function
- › Mobile payments
- › Authentication
- › Internet of Things

~8% p.a. through-cycle growth

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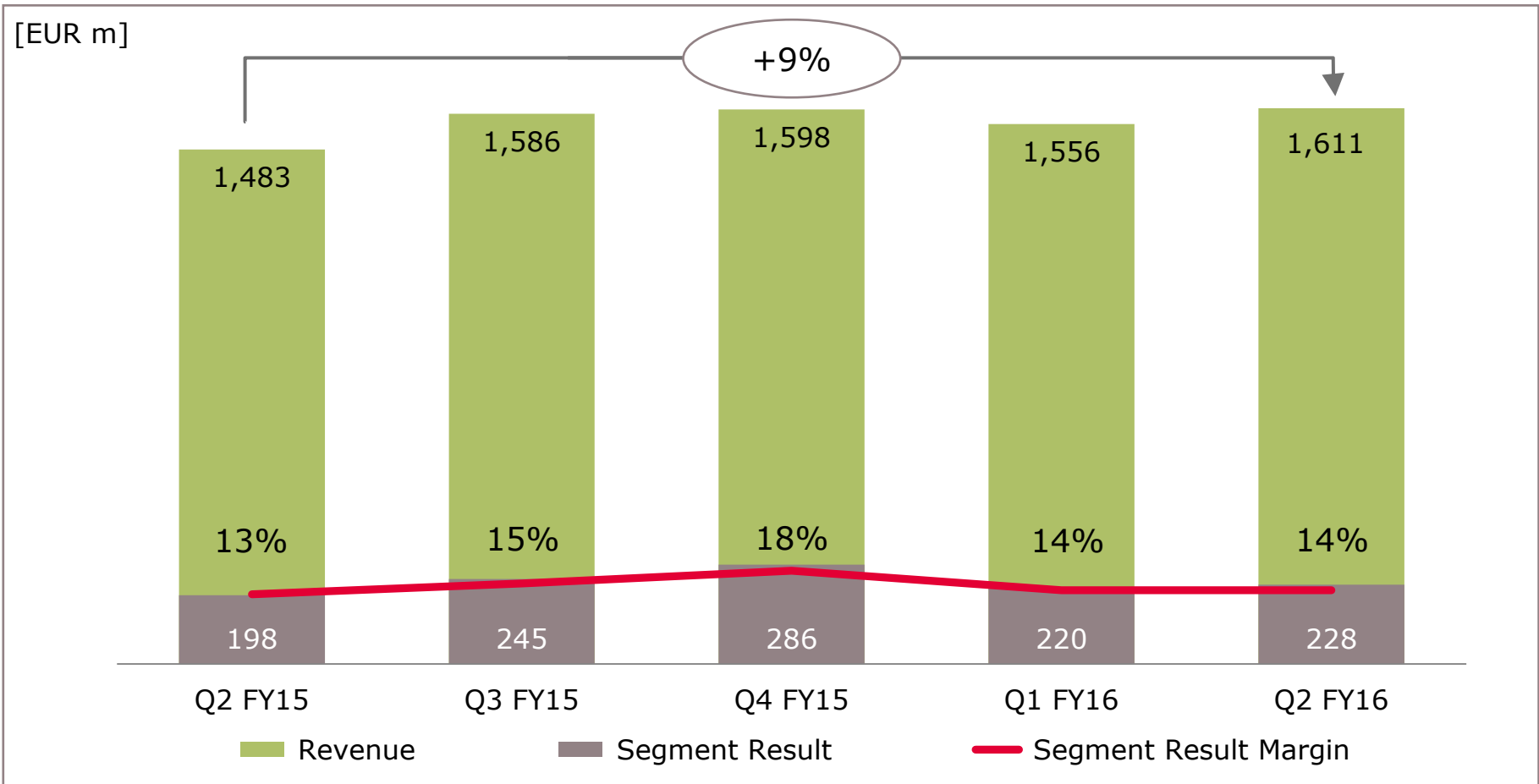
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# ATV, IPC and PMM driving year-on-year growth

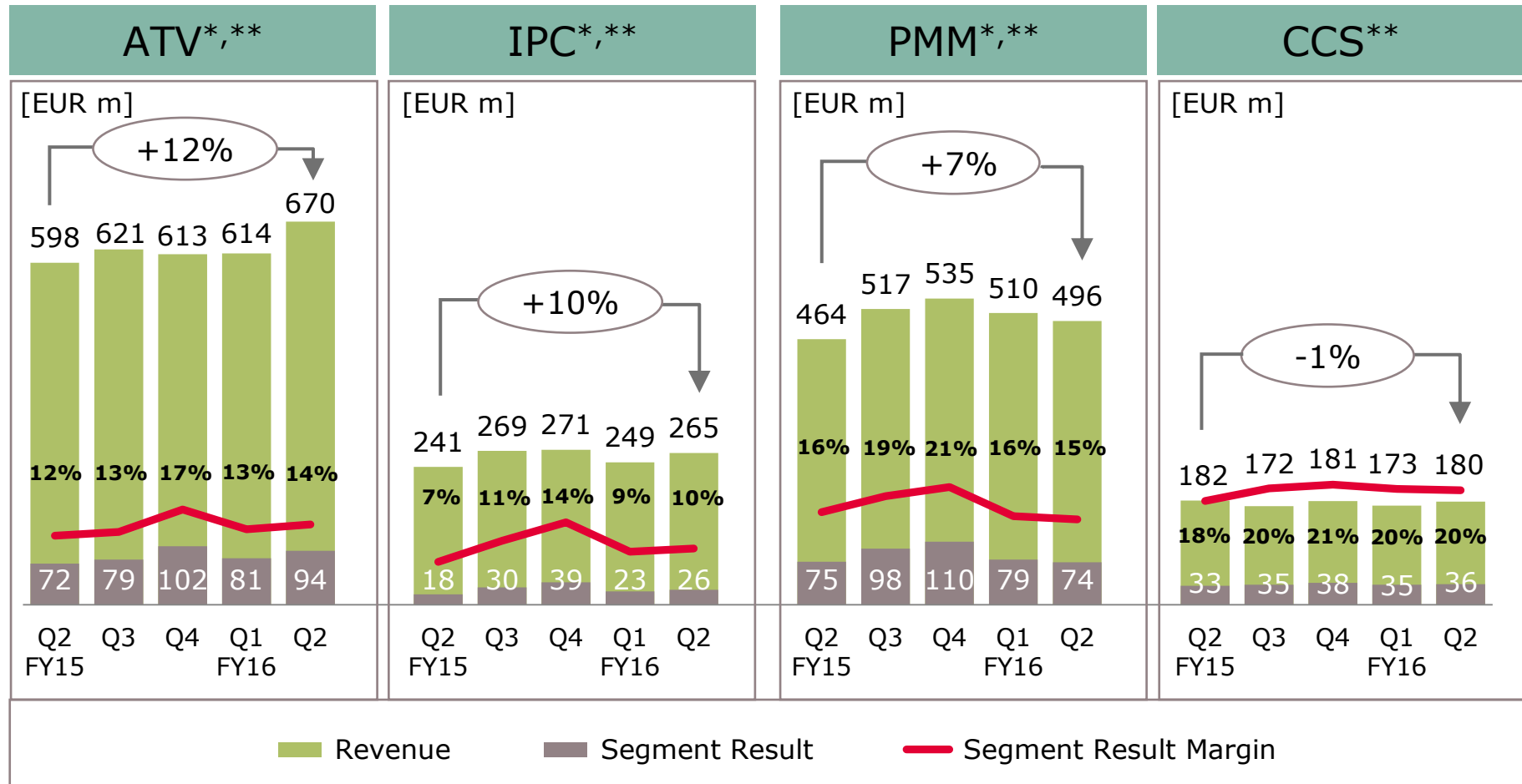
## Revenue and Segment Result\*



\* Including International Rectifier from 13 January 2015.



# Strong growth in ATV due to ADAS and electro-mobility



\* Including International Rectifier from 13 January 2015.

\*\* The business with XMC industrial microcontrollers developed by ATV and CCS was transferred to PMM and IPC with effect from 1 October 2015. The previous year's figures have been adjusted accordingly.

# Guidance for Q3 FY16 and total FY16

	Outlook Q3 FY16* (compared to Q2 FY16)	Outlook FY16* (compared to FY15)
Revenue	Increase of 2% +/- 2%-points	Increase of 12% +/- 2%-points (prev.: Increase of 13% +/- 2%-points**)
Segment Result Margin	At the mid-point of the revenue guidance:  16%	At the mid-point of the revenue guidance: <b>between 15% and 16%</b> (prev.: 16% at the mid-point of the previous revenue guidance**)
Investments in FY16		About €850m
D&A in FY16		About €850m***

\* Based on an assumed average exchange rate of \$1.15 for €1.00.

\*\* Based on an assumed average exchange rate of \$1.10 for €1.00.

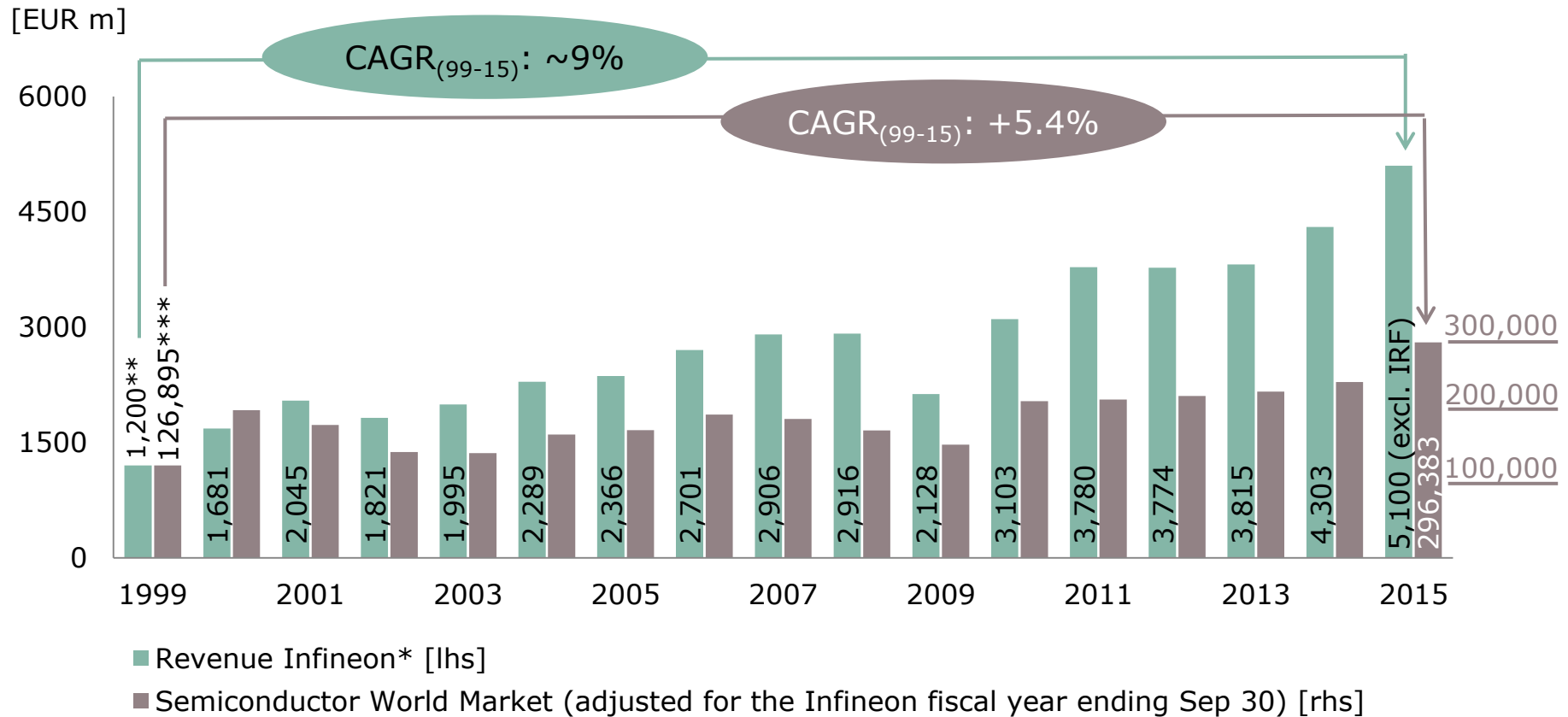
\*\*\* Including D&A on tangible and intangible assets from purchase price allocation of International Rectifier.



Part of your life. Part of tomorrow.



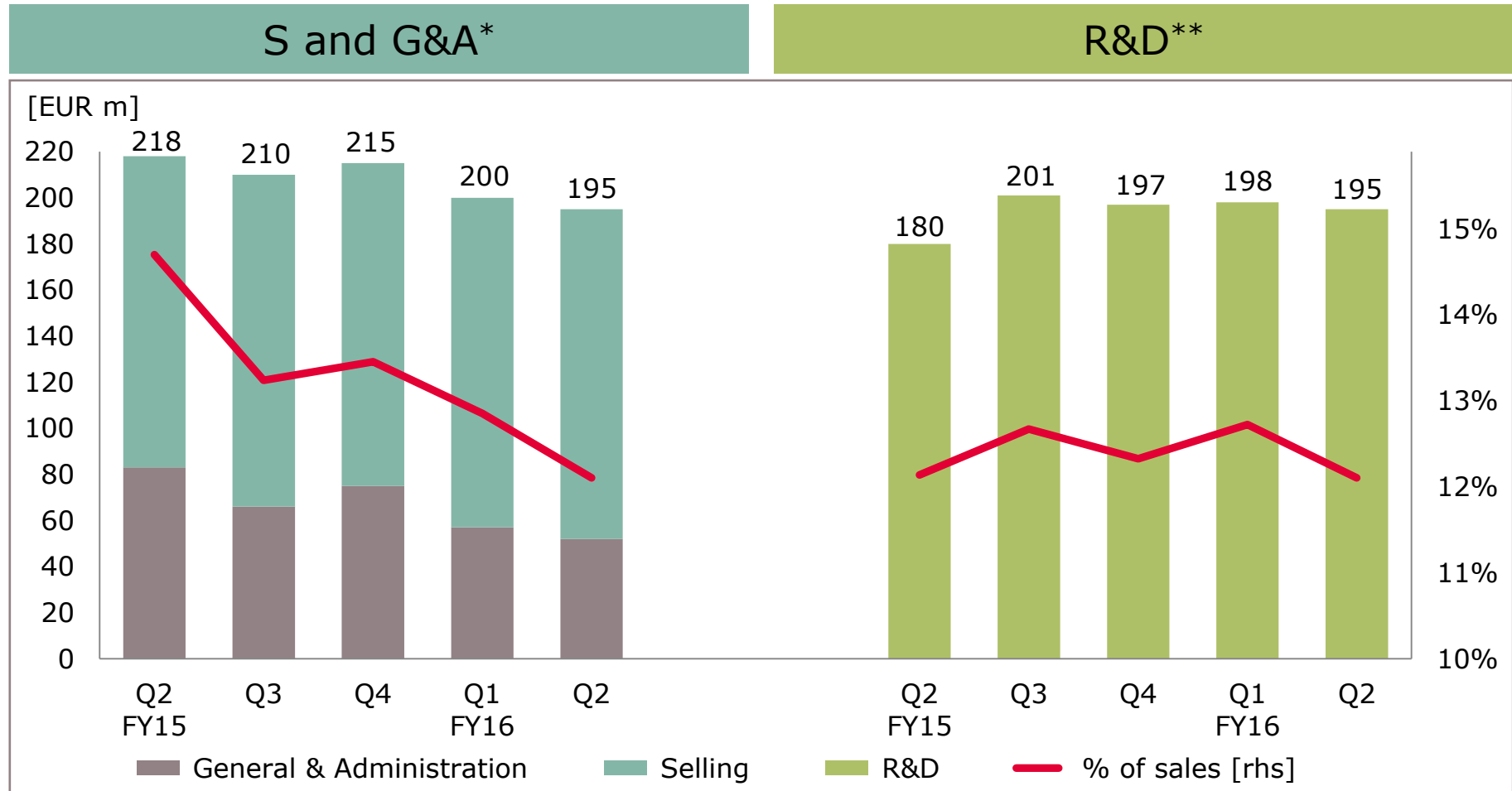
# Infineon's Revenue Development (excl. IRF) Outperformed Total Semi Market



\* Based on Infineon's portfolio (excl. Other Operating Segments and Corporate & Eliminations) per end of 2015 fiscal year.  
 \*\* Based on market development assumptions FY99's revenue figures for some smaller product categories have been derived from the FY00's revenue figures.  
 \*\*\* Scale indexed to the Infineon FY99 revenue.

Source: Infineon; WSTS (World Semiconductor Trade Statistics), November 2015

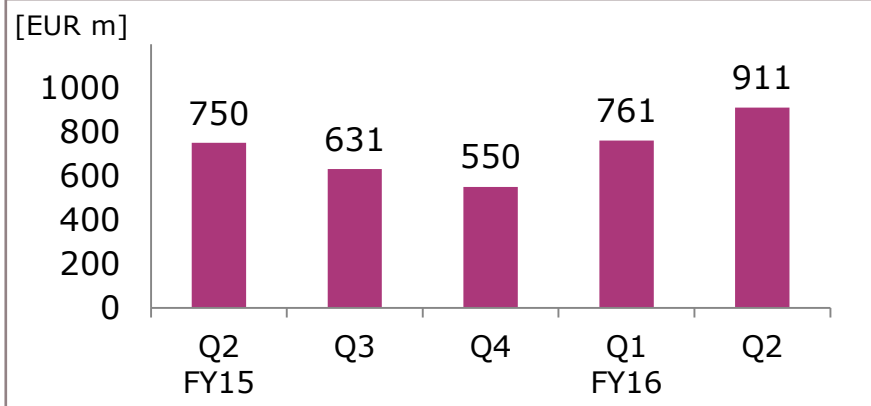
# SG&A still includes noticeable acquisition-related costs that are incrementally declining



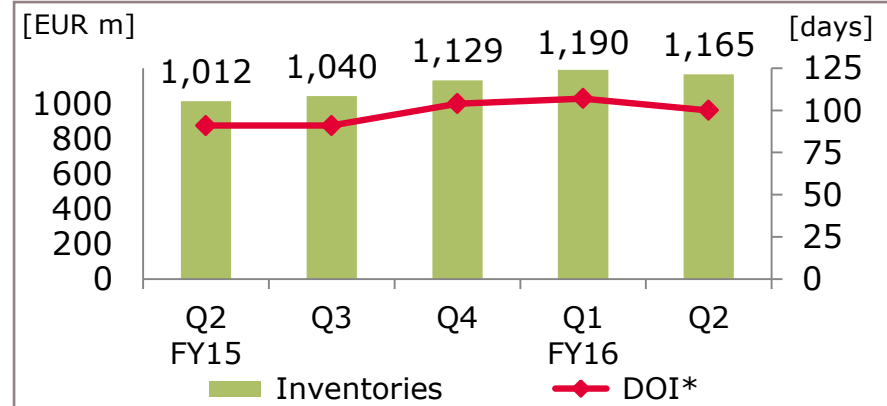
\* Target range for SG&A: „Low teens percentage of sales“.  
 \*\* Target range for R&D: „Low to mid teens percentage of sales“.

# Inventories started to decline correspondent to normal seasonal pattern

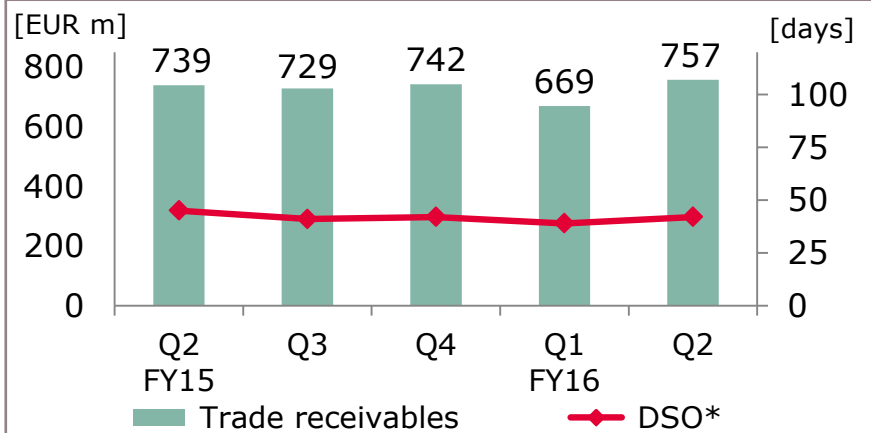
## Working capital



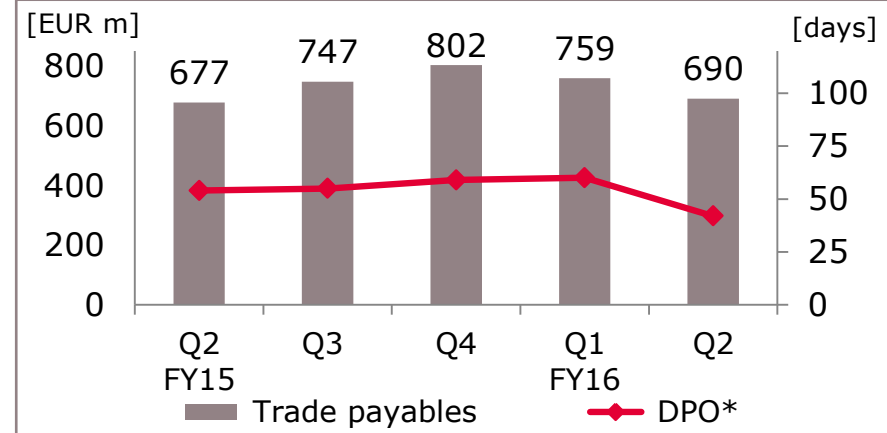
## Inventories



## Trade receivables

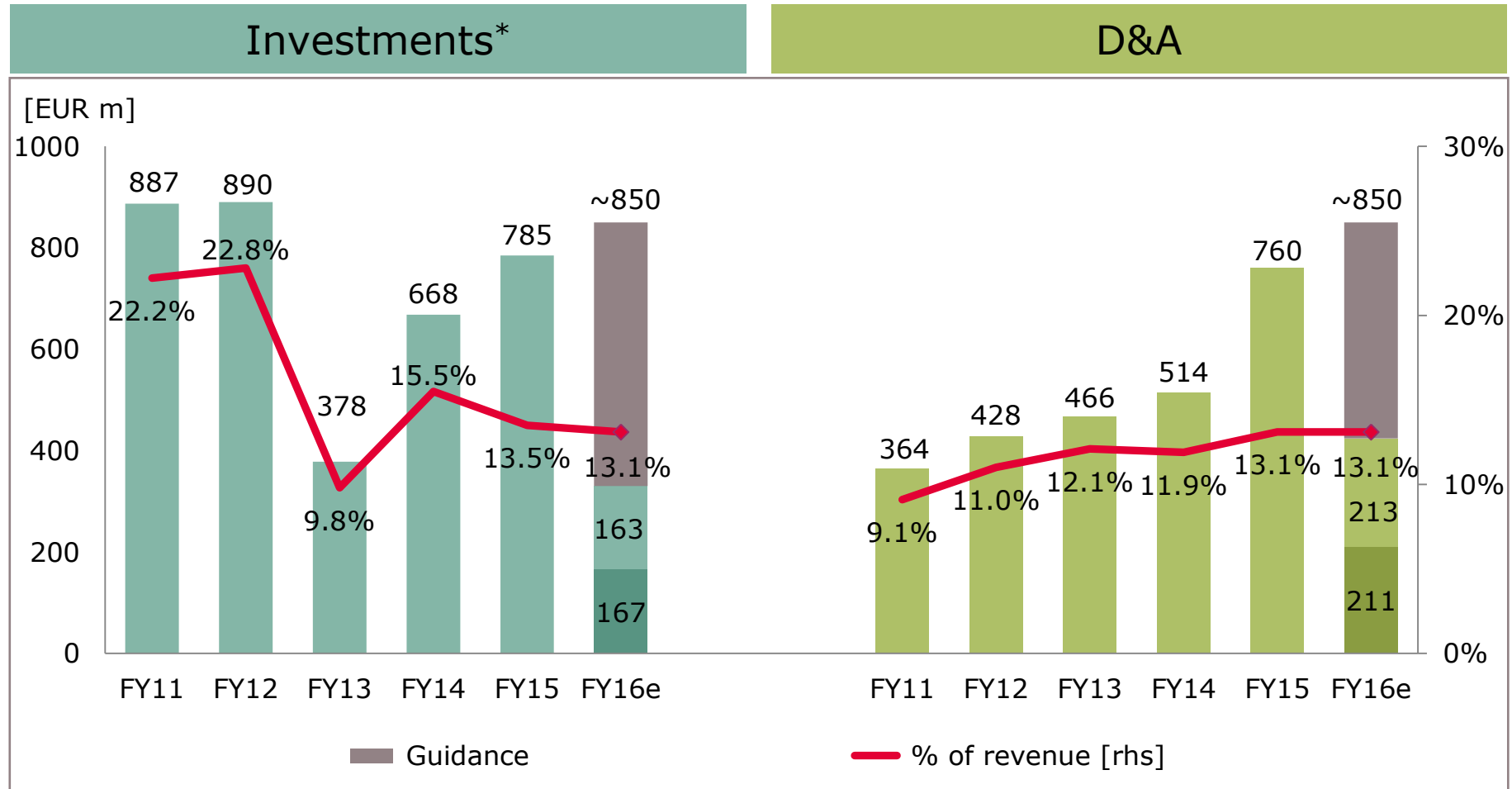


## Trade payables



\* For definition please see page 43.

# Investments on target of ~13% of sales; D&A stable at ~13% of sales



\* For definition please see page 43.

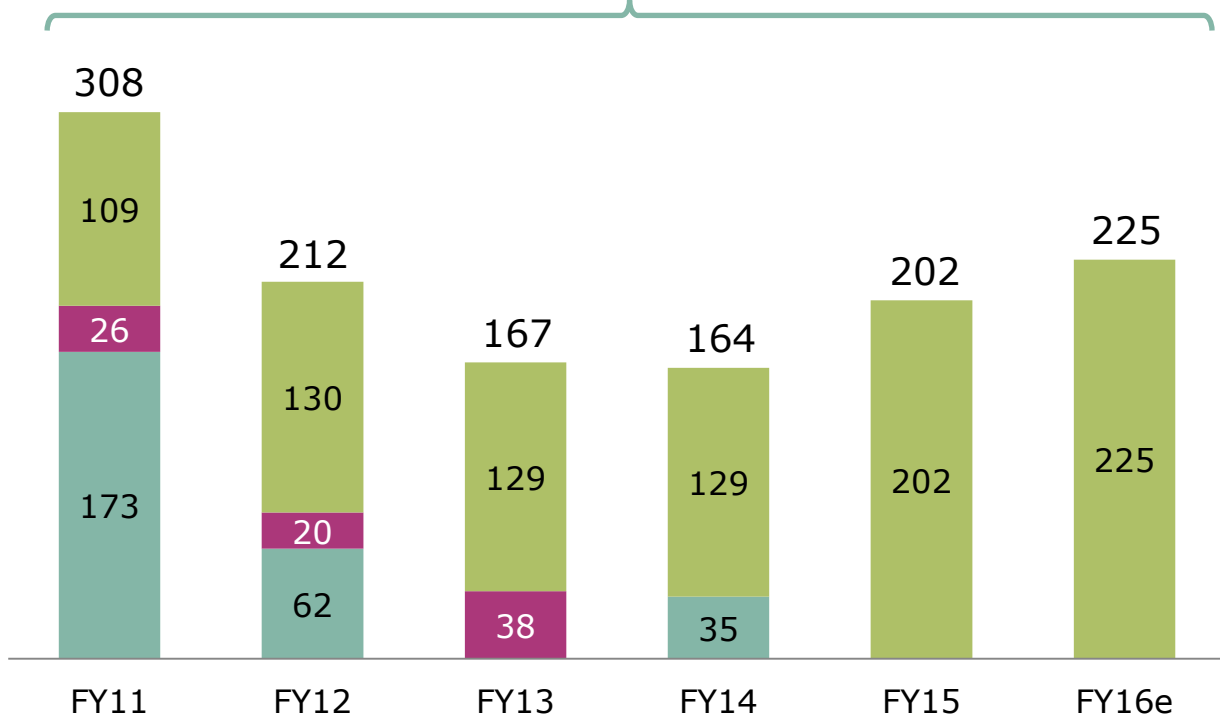
# Dividend of €0.20 has increased capital returns by €225m in February 2016



## Total gross capital returns history

[EUR m]

1,278



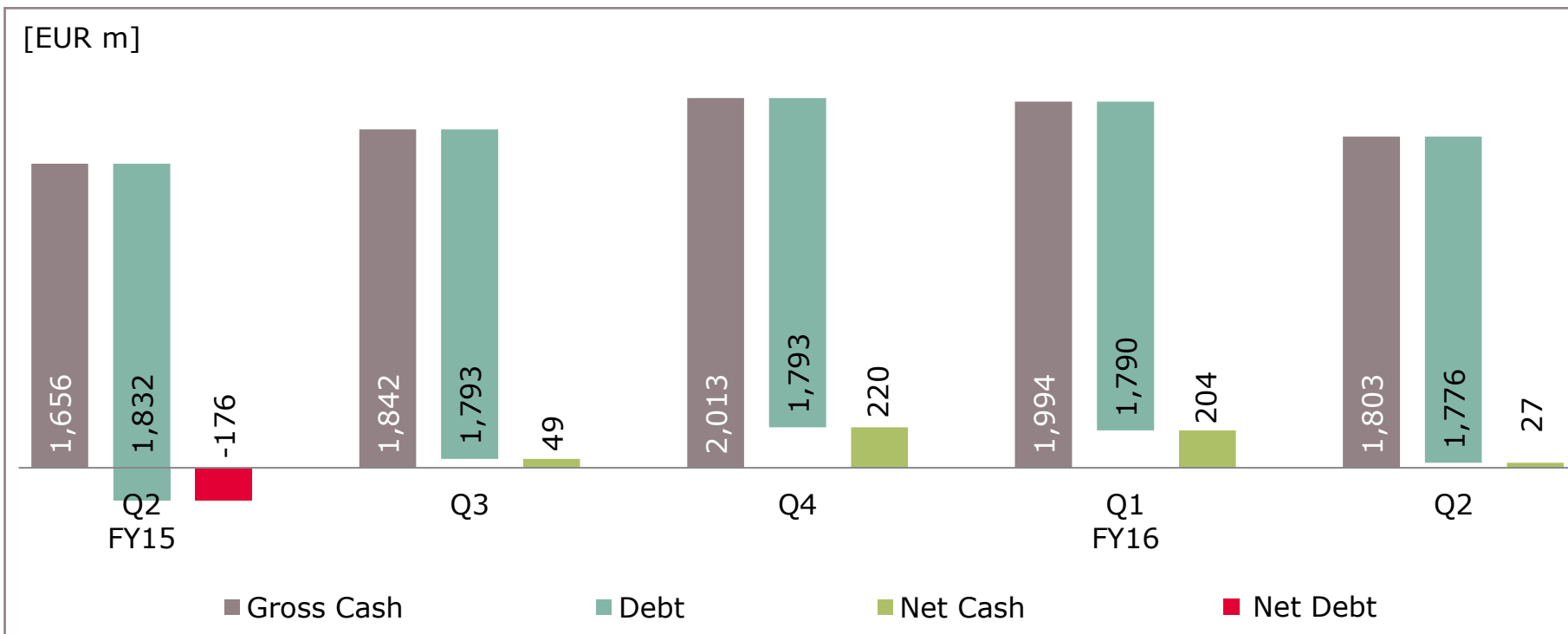
- › Increase of dividend from €0.18 to €0.20.
- › Payout of €225m on 19 Feb 2016.

■ convertible bond buyback ■ share buyback (via put options) ■ dividends



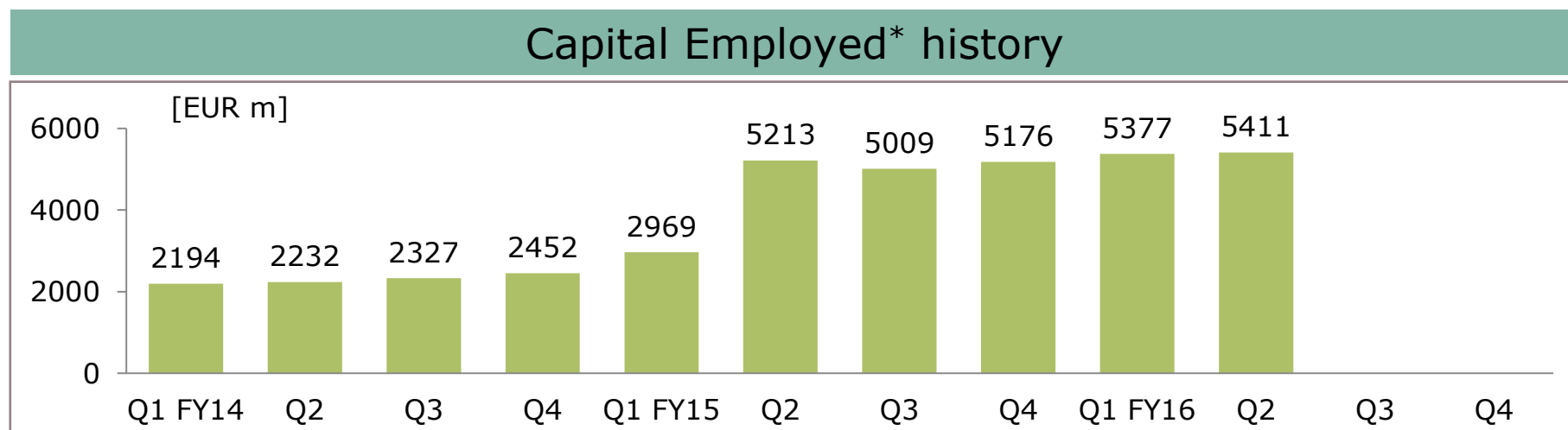
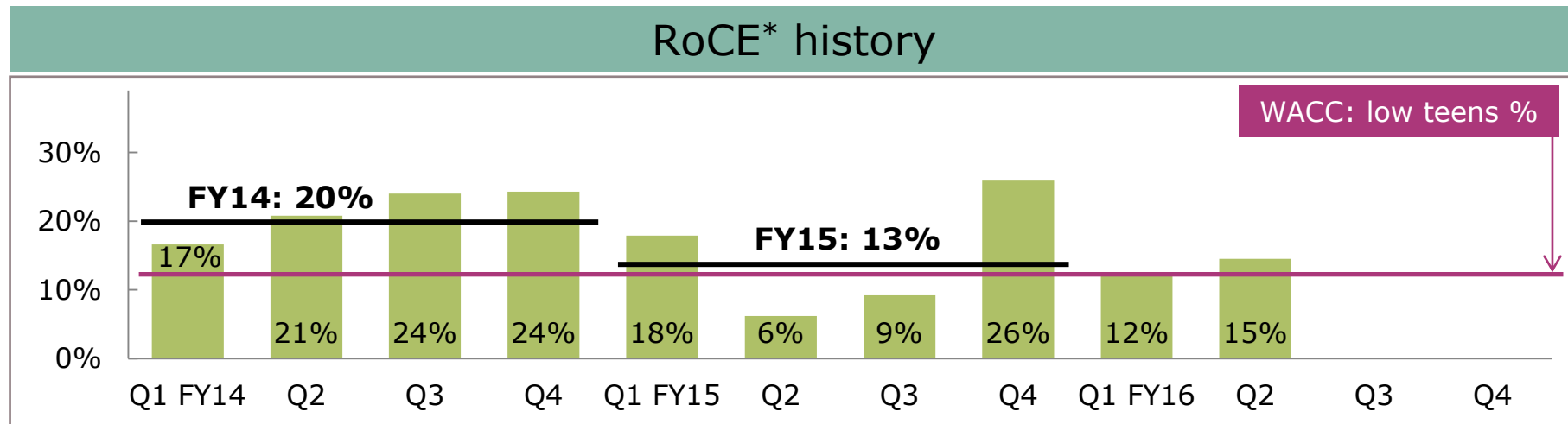
# Net cash decreased due to €225m dividend cash out

## Liquidity development



- > Free Cash Flow from continuing operations was €45m
- > Small decrease in debt due to net repayment of €4m and currency valuation effects

# RoCE expected to increase in FY16 vs FY15



\* For definition please see page 43.

# Notes

## Investments =

- 'Purchase of property, plant and equipment'
- + 'Purchase of intangible assets and other assets' *incl. capitalization of R&D expenses*

## Capital Employed =

- 'Total assets'
- 'Cash and cash equivalents'
- 'Financial investments'
- 'Assets classified as held for sale'
- ('Total Current liabilities'
  - 'Short-term debt and current maturities of long-term debt'
  - 'Liabilities classified as held for sale')

### Please note:

All positions in ' ' refer to the respective accounting position and therefore should be applied with the positive or negative sign used in the relevant accounting table.

## RoCE =

- NOPAT / Capital Employed =
- ('Income from continuing operations'
  - 'financial income'
  - 'financial expense')
- / Capital Employed

## Working Capital =

- ('Total current assets'
  - 'Cash and cash equivalents'
  - 'Financial investment'
  - 'Assets classified as held for sale')
- ('Total current liabilities'
  - 'Short term debt and current maturities of long-term debt'
  - 'Liabilities classified as held for sale')

## DOI (days of inventory; quarter-to-date) =

('Net Inventories' / 'Cost of goods sold') \* 90

## DSO (days sales outstanding; quarter-to-date) =

('Trade receivables' / 'revenue') \* 90

## DPO (days payables outstanding; quarter-to-date) =

('Trade payables' / ['Cost of goods sold' + 'Purchase of property, plant and equipment']) \* 90

# Infineon is a long-standing member of Europe's leading sustainability indices



## Infineon's most recent achievements

MEMBER OF

### Dow Jones Sustainability Indices

In Collaboration with RobecoSAM 

- › Jan 2016: Infineon is listed in the Sustainability Yearbook for the sixth consecutive year and, according to RobecoSAM, among the top 15% most sustainable companies worldwide.
- › Sep 2015: Infineon was listed in the Dow Jones Sustainability Index for the sixth consecutive year. Additionally, Infineon was accepted into the World Index for the first time and as the only European semiconductor company.

- › Sep 2015: Infineon was listed in the STOXX® Global ESG Leaders Indices, which serves as an indicator of the quality of Infineon's performance in the governance, social and environmental areas (ESG).



FTSE4Good

- › Infineon was added to the FTSE4Good Index Series in 2001 and has been confirmed as a member since then.
- › Jun 2015: Most recent review.

- › Dec 2015: In the Carbon Disclosure Project (CDP) climate change report, Infineon achieved a placing among the best companies in the Information Technology sector.



# Financial calendar

Date	Location	Event
23 – 24 May 2016	Boston	JPMorgan Global TMT Conference
25 May 2016	Tarrytown, NY	Berenberg European Conference USA
26 May 2016	Milan	Equita European Conference
30 May 2016	Copenhagen	Danske Bank German Corporate Day
01 Jun 2016	Zurich	Berenberg TMT Conference
08 – 09 Jun 2016	Berlin	Dt. Bank German, Suisse & Austrian Conference
15 – 16 Jun 2016	Paris	Exane European CEO Conference
20 Jun 2016	London	JPMorgan CEO Conference
02 Aug 2016*		Q3 FY16 Results
01 Sep 2016	Frankfurt	Commerzbank Sector Week
21 Sep 2016	Munich	Baader Investment Conference
16 – 17 Nov 2016	Barcelona	Morgan Stanley TMT Conference
23 Nov 2016*		Q4 FY16 and FY 2016 Results
29 – 30 Nov 2016	Scottsdale, AZ	Credit Suisse TMT Conference

\* preliminary

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