Annual General Meeting 2023

Key points speech Dr. Sven Schneider, Chief Financial Officer

- **Infineon closes a challenging fiscal year with a record result.** We achieved revenue of more than 14.218 billion euros. In times of multiple global crises this record result once again shows that Infineon's business model is robust and continuously developing. Our corporate strategy consistently focuses on the key trends of decarbonization and digitalization. The Segment Result of 3.378 billion euros equals a Segment Result Margin of 23.8 percent, illustrating the significant positive profitability development. The Segment Result Margin has improved more than 5 percentage points compared to the previous year's figure of 18.7 percent.
  Greater China and EMEA remain the most important sales regions. The strong business development is also reflected in the earnings per share, which at 1.65 euros comes in significantly above last year's value of 87 euro cents. Adjusted earnings per share increased from 1.20 euros to 1.97 euros.
- **Infineon's four segments performed positively, despite a challenging environment.** (1) The Automotive segment continued to have the highest revenue at 6.516 billion euros. The Segment Result Margin increased significantly to 22.9 percent. Electromobility, driver assistance systems and the trend towards higher levels of electronic equipment in vehicles continued to be the main drivers behind our growth in the 2022 fiscal year. (2) The Power & Sensor Systems segment achieved a revenue of 4.070 billion euros. The Segment Result Margin of 27.9 percent was above the previous year's level. The high demand for semiconductors in the areas of servers, data centers as well as in telecommunication infrastructure overcompensated the lower demand in products for consumer electronics. (3) The revenue of the Connected Secure Systems segment amounted to 1.822 billion euros and was limited by the restricted capacities at contract manufacturers. The Segment Result Margin increased to 20.7 percent. Demand for connectivity solutions and microcontrollers remained strong and the trend towards cashless and contactless payments continued. Products for secure authentication and sovereign documents also saw increased demand. (4) Revenue in the Industrial Power Control segment amounted to 1.790 billion euros. The demand in renewable energy and energy infrastructure remained at a high level. The Segment Result Margin increased to 21.5 percent.
- **Key financial figures show Infineon's positive business development in the 2022 fiscal year.** Free cash flow amounted to 1.648 billion euros in the reporting year, mainly due to the positive business development. We adjusted our capital expenditures to the forecasted increasing demand for our products in our markets and therefore significantly raised the amount to 2.310 billion euros. The return on capital employed (RoCE) was increased as well to 12.6 percent.

- **Infineon is implementing its conservative financing concept consistently.** (1) The core objective is to maintain an investment grade rating, which gives us access to all relevant capital markets and financing sources at all times and at low cost with good terms. (2) The main reasons for maintaining our rating are our conservative financial policy, the fact that we meet or even exceed our strategic liquidity and gearing targets, and our good operating results and successful cash generation. (3) As a result, we were also able to repay ahead of time the last remaining financing instruments directly related to the acquisition of Cypress in the 2022 fiscal year.
- **Upgraded Target Operating Model well received by investors.** We see great potential for Infineon's business development in the future, based on the megatrends of decarbonization and digitalization. Therefore, we have published a more ambitious Target Operating Model and raised our long-term financial targets against which we will be measured in the future. Over the cycle, we expect sales growth to average more than 10 percent. The Segment Result Margin is expected to average 25 percent. For the first time, we are including a free cash flow target in our Target Operating Model, replacing the former invest-to-sales ratio. Through the cycle the expected free cash flow margin, excluding major frontend buildings, is expected to be between 10 and 15 percent of revenue. Since announcing our new Target Operating Model in mid-November, the share price has developed positively in both absolute and relative terms, compared to the Philadelphia Semiconductor Index (SOX) and main competitors.
- **The Management Board and the Supervisory Board propose a dividend of 32 euro cents per share.** The goal of our dividend policy is to enable Infineon shareholders to participate appropriately in the company's financial development. Based on the very successful 2022 fiscal year and the positive outlook for the 2023 fiscal year, a further significant increase seems appropriate. The Management Board and the Supervisory Board therefore propose a dividend of 32 euro cents per share, five euro cents higher than in the previous year. This would result in an expected total dividend payment of 417 million euros, compared to 351 million euros in the last year.
- **Following a good start in the new fiscal year, Infineon has slightly raised its full-year guidance despite the challenging geopolitical and macroeconomic environment.** (1) We expect revenues in 2023 to be 15.5 billion euros, plus or minus 500 million euros, at an assumed EUR/USD exchange rate of 1.05 (previously 1.00). This represents an increase of approximately 9 percent compared to the previous year. (2) At the midpoint of our revenue guidance, we expect the Segment Result Margin to be approximately 25 percent (previously 24 percent). (3) Capital expenditures for property, plant and equipment as well as other intangible assets, including capitalized development costs, are planned to amount to approximately 3.0 billion euros. The free cash flow is expected to be around 0.8 billion euros and the adjusted free cash flow, excluding major frontend buildings, is expected to be around 1.5 billion euros.