



## **Jochen Hanebeck**

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Infineon Technologies AG

### **Annual Press Conference**

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- The spoken word prevails -

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Dear members of the press, dear viewers,

Welcome to Infineon's annual press conference! We appreciate your interest.

#### **Introduction**

Infineon has managed the 2024 fiscal year well and concluded it in line with expectations. The cyclical weakness in the semiconductor market continues at the start of the new fiscal year. The recovery in many of our end markets is sluggish. In this context we are preparing for a muted business trajectory in the 2025 fiscal year. More on this later.

We have three priorities in the current phase: First, we are managing the semiconductor cycle by focusing on that which we can control. Second, we are consistently driving structural measures to improve our competitiveness with our Step Up program. And third, we are leveraging our innovative strength and turning innovations into customer benefits more quickly.

This will ensure that Infineon is optimally positioned for the next upswing. I am very confident about Infineon's future. Our structural growth drivers remain undiminished and Infineon will benefit from them in the long term.

Let's first take a look at last year's business development:

#### **Infineon closes 2024 fiscal year with revenue and earnings growth in the final quarter**

In the **fourth quarter** of the past fiscal year, Group revenues increased by 6 percent compared to the previous quarter to 3 billion 919 million euros. As expected, the fourth quarter was the strongest in the 2024 fiscal year in terms of revenues. The Segment Result improved to 832 million euros. The Segment Result Margin was a robust 21.2 percent compared to 19.8 percent in the previous

quarter. In a quarter-on-quarter comparison, the US dollar to euro exchange rate rose from 1.08 to 1.10. The weaker dollar had a negative impact on revenue and earnings.

The bottom line for the **2024 fiscal year** is a revenue of 14 billion 955 million euros. This is a decrease of 8 percent compared to the record fiscal year 2023. The Segment Result Margin was 20.8 percent after 27.0 percent in the 2023 fiscal year. Free Cash Flow reached 23 million euros. The figure includes investments in large front-end buildings and the acquisition of GaN-Systems. Adjusted Free Cash Flow – which excludes investments in large front-end buildings as well as large acquisitions – amounted to 1 billion 690 million euros. All three figures – revenue, Margin and Free Cash Flow – are fully in line with our long-term financial targets through the semiconductor cycle. This is a credit to Infineon's entire global team. I would like to express my special thanks to our approximately 58,000 employees worldwide.

Dear colleagues,

I am always impressed by your expertise and your great commitment. With a great deal of ambition, good ideas, a sense of responsibility and with perseverance, you ensured that we mastered a challenging year together in 2024 again. On behalf of the entire Management Board team, a big thank you to all of you! Together, we will continue to achieve a great deal in the coming years.

After the completion of the 2024 fiscal year, we will propose a stable dividend of 35 cents per share to Infineon's shareholders at the upcoming Annual General Meeting. We want our shareholders to participate appropriately in Infineon's success and at the same time we want to maintain the financial leeway necessary to further develop our company.

Dear viewers,

With regard to current developments in the automotive industry, allow me to make a few comments on our positioning in what is a key business area for us.

We were able to increase our automotive business by 2 percent in the past fiscal year. Our clear focus on structural growth areas, our broad portfolio and our leading market position once again enabled us to outperform our competitors.

As you know, in recent times the general mood in the automotive industry has significantly deteriorated. We see many customers reducing their semiconductor inventories. We expect this trend to accelerate towards the end of the calendar year. The lessons learned from the last allocation phase seem to have been largely forgotten.

At the same time, forecasts for global vehicle production are slightly down. Furthermore, the share of electric cars is stagnating in many regions and it is unlikely that this will change in the first few

months of 2025. China is the exception to this trend. Every second new car sold there is an electric vehicle, and the trend is on the rise.

In the longer term, we see our structural growth drivers relating to electromobility and software-defined vehicles fully intact. Compared to other suppliers of automotive semiconductors, Infineon has an unrivaled broad product portfolio and a globally diversified customer base. We are well positioned to benefit from the major automotive trends. This is also underpinned by our market share gains in microcontrollers and our leading position in China.

### **Paving the way for the green and digital transformation**

Dear viewers,

Looking beyond the current semiconductor cycle, we continue to see great opportunities for Infineon. Our semiconductor solutions are essential in driving decarbonization and digitalization. Semiconductor demand will increase in the long term, especially in the structural growth areas that we are focusing on: Electromobility, software-defined vehicles, renewable energies, data centers – especially for artificial intelligence, and the IoT.

We will demonstrate the possibilities of our semiconductor solutions at electronica, the world's leading trade fair for the electronics industry. It starts today at the Munich exhibition center. We'd now like to give you an exclusive insight before the doors to the trade fair open. My colleague Michael Schinke will introduce some of our highlights to you.

*[Video clip shows application examples at Infineon's electronica booth]*

Infineon's innovative and efficient power semiconductor solutions make the increasing computing power of AI servers possible in the first place. Many thanks to our trade fair team. These are impressive examples! There is much more to discover on site, dear viewers. Please drop by our stand. Our colleagues are looking forward to your visit and will be happy to speak with you.

You have just seen the Citroen ë-C3 from Stellantis at our stand. As you can see in our press release last week, we are deepening our collaboration with Stellantis. Together we will drive innovations in energy conversion and distribution for future vehicle architectures. We have signed major supply and capacity agreements as a basis. These agreements include our silicon carbide solutions, our AURIX™ microcontrollers and our smart power components. We support Stellantis in providing clean, safe and affordable mobility for all with our solutions.

### **Innovation leader thanks to the most advanced semiconductor technologies**

Ladies and gentlemen,

Decarbonization is a generational task and can only be achieved with the most advanced semiconductor technologies. Many applications, ranging from mobile chargers to electric vehicles,

fast charging stations, solar energy systems and data centers, require higher power density – in other words, more compact systems. This is where the physical properties of the semiconductor materials silicon carbide and gallium nitride come into play. We use them to increase power density and energy efficiency in various applications and thus reduce operating costs.

I have a practical example for you today: our newly developed CoolSiC™ XHP™2 [*presentation of the module in the studio*]. This high-performance module delivers more power and more efficiency for the energy transition. Compared to the previous state of the art, it reduces switching loss by 90 percent. It can switch ten times more current and its service life is ten times longer. The module is suitable for industrial power generation in solar parks and wind turbines, but also for use in trains, where high power in the megawatt range is required. Using our modules, a single electric locomotive can save around 300 megawatt hours of electricity per year. This is roughly equivalent to the annual energy requirements of 100 single-family homes.

We are delighted that our development team has been nominated for the Deutsche Zukunftspreis 2024 by an expert jury for this innovative solution. The Federal President will present the prestigious prize for technology and innovation to the selected winners in late November – of course we're keeping our fingers crossed for our team!

In addition to silicon carbide, we also have our sights firmly set on the still young but rapidly growing market for gallium nitride-based power semiconductors. And not only that: We will shape the market with our innovative strength. We recently became the first company in the world to succeed in developing gallium nitride technology on 300-millimeter wafers. This technology will help us to exploit the full potential of gallium nitride.

Why? Well, it's simple math. The larger diameter allows for 2.3 more chips per wafer. A larger wafer diameter means greater cost efficiency. Another big advantage is that since the manufacturing processes for gallium nitride and silicon are very similar, except for what is called epitaxy, we can now use existing 300-millimeter silicon manufacturing equipment for 300-millimeter gallium nitride technology as well. Fully scaled 300-millimeter gallium nitride production will contribute to cost parity between comparable silicon and gallium nitride products. Leading technology, cost benefits and flexibility – these are ideal prerequisites for quickly bringing gallium nitride-based solutions to the market and to our customers. We can and will shape this growth market.

We have been doing this with silicon for decades – and we are not stopping. We recently became the first company to produce and process ultra-thin silicon power semiconductor wafers. Only 20 micrometers thick, the wafers are only a quarter of the thickness of a human hair and only half as thick as most advanced wafers currently available from competition. What are the benefits? Cutting the wafer thickness in half reduces substrate resistance by 50 percent, which is a significant step towards even more energy-efficient power supply solutions. Specifically, it enables a reduction of more than 15 percent in power losses within power systems, resulting in significant energy savings.

This innovation will let us significantly increase energy efficiency, power density and reliability in power supply solutions. At the same time, we are strengthening our roadmap in the area of AI data centers. In addition to consumer and motor-control applications, the advantages of thin-wafer technology can be used above all in power supplies for advanced AI server applications.

As a leading provider of semiconductor solutions for power systems, we set the pace for our industry. We are consistently expanding our position as the industry's innovation leader in all three relevant power semiconductor technologies: in silicon, silicon carbide and gallium nitride. Outstanding manufacturing expertise combined with a comprehensive technology and product portfolio for a wide range of applications. These are the key success factors in the market for power semiconductors.

### **Outlook: Muted expectations for 2025 fiscal year in a weak market environment**

Dear viewers,

I now come to the **outlook** for the 2025 fiscal year:

As mentioned at the beginning, the cyclical weakness in the semiconductor market continues. The recovery in many of our markets is sluggish. Customers are reducing inventories, particularly in the automotive sector. On the whole, we are seeing short-term ordering behavior and a high proportion of what are called "turns". These are orders that are turned around and delivered in the same quarter and are therefore appearing as revenue at short notice. These factors limit our view of demand trends beyond one or two quarters. Further developments are currently difficult to predict.

In the short term, we expect many of our customers to significantly reduce their inventories due to the end of the year and the companies' year-end reporting. In the current **first quarter**, we expect revenues of around 3.2 billion euros. This forecast is based on an exchange rate of 1.10 US dollars to the euro. The Segment Result Margin will be in the mid-teens percentage range.

We anticipate a slight decline in revenues year-over-year for the **2025 fiscal year** as a whole. In other words: We expect the transition phase to drag on in most of our markets. As our forecast for the first quarter shows, our 2025 fiscal year will get off to a slow start, mainly due to inventory corrections by our customers. We assume that there will only be a modest upturn overall in the later quarters.

Our forecast for the fiscal year is based on the following assumptions: Global economic growth will barely pick up in 2025 and consumer spending on electronics will only increase slowly. Automotive production will be flat compared to the previous year, with the reduction in semiconductor inventories presumably reaching into the second or third quarter of our fiscal year. Outside of China the spread of electric vehicles will only progress comparatively slowly. In China, however, the car market will continue to grow. On the positive side, Infineon is excellently positioned with the country's most important manufacturers.

Our industrial customers will continue to reduce their inventories and hold back on investments. In contrast, investments in AI data centers will remain high, which will significantly accelerate our business with suitable power supply solutions, also due to new design wins. We expect revenues to more than double to over 500 million euros in the 2025 fiscal year. Within the next two years, we will cross the one billion euro revenue line.

In view of the expected weak development of group revenues in the 2025 fiscal year, we will make considerable efforts to support our profitability in the second year of the cyclical correction. We will continue to work consistently on our productivity and will maintain strict cost discipline. Our profitability will also benefit from the initial structural effects of our Step Up program and somewhat lower raw material and energy prices.

Our business model is resilient, but unfavorable price conditions, negative currency effects and, above all, intentionally underutilized production capacities represent a considerable burden on our profitability. All in all, we expect a Segment Result Margin in the mid to high teens for the 2025 fiscal year.

As mentioned earlier, we are concentrating on the factors that we can control. In addition to our operating costs, this also includes our investments. Compared to the previous year, we will reduce investments by around 10 percent. Investments of around 2.5 billion euros are therefore planned for the 2025 fiscal year.

In August, we opened the first manufacturing module of our new silicon carbide factory in Kulim, Malaysia. We will be able to meet foreseeable customer demand with production from the first module and the switch to 200-millimeter technology. We will therefore postpone further construction of clean room capacity. In Dresden, we are making progress as planned with the construction of the fourth production module. This is where we will manufacture smart power technologies for applications in the field of artificial intelligence, for example.

Adjusted for investments in front-end buildings, Free Cash Flow is expected to amount to around 1.7 billion euros, within the corridor of 10 to 15 percent of revenues defined in our target business model. The reported Free Cash Flow is expected to amount to around 900 million euros.

## Summary

Dear viewers,

In conclusion, I would like to summarize:

First, Infineon has managed the 2024 fiscal year well and concluded it in line with expectations. The cyclical recovery in many of our end markets is sluggish. We therefore expect revenue to decline slightly in the 2025 fiscal year.

Second, we are concentrating on the areas that we can control. We will maintain strict cost discipline and will continue to work consistently on our productivity. This will strengthen our profitability and competitiveness.

Third, Infineon is paving the way for the green and digital transformation. Our structural growth drivers are intact. We are consolidating our position as the industry's innovation leader with technological breakthroughs. With our innovative strength and our Step Up program we are optimally positioning Infineon for the future.

Thank you for your interest.

Together with the Management Board team, I will now be happy to answer any questions you may have.