Annual General Meeting 2021
Key points Speech Dr. Sven Schneider, Chief Financial Officer

- **Infineon closes a challenging fiscal year with a remarkable result:** Infineon has a robust business model focused on long-term, structural growth and continues to develop steadily. In the 2020 fiscal year, we achieved revenues of €8.567 billion. The segment result was €1.170 billion. This corresponds to a Segment Result Margin of 13.7 percent. The effects of the coronavirus pandemic led to a weaker sales performance, particularly in the Automotive segment. Therefore we had to switch to crisis mode quickly. Revenue and Segment Result were slightly above the forecast we had adjusted first in May and then again in August 2020 to reflect the dynamic overall economic situation.
- **Against the background of the coronavirus pandemic, the four segments developed very differently:** (1) The Automotive segment remained the strongest in terms of revenue at €3.542 billion. Segment Result Margin decreased to 4.4 percent, due in particular to higher underutilization costs. (2) Revenues in the Industrial Power Control segment amounted to €1.406 billion. The Segment Result Margin increased to 18.2 percent. (3) The Power & Sensor Systems segment achieved revenues of €2.650 billion. The Segment Result Margin was on a par with the previous year at 24.0 percent. (4) Revenues in the Connected Secure Systems segment increased by almost 50 percent to €953 million due to the acquisition of Cypress. The Segment Result Margin increased from 12.0 percent to 12.8 percent.

- **Infineon continues its course of regional diversification:** The Greater China and EMEA regions remain the most important regions in terms of revenue. Japan is growing significantly, largely due to the acquisition of Cypress.
- **The key financial figures in the challenging 2020 fiscal year demonstrate Infineon's resilience:** Free cash flow amounted to minus €6.727 billion in the year under review due to the acquisition of Cypress. Excluding acquisition-related expenses, free cash flow reached a positive value of €911 million. We adjusted our capital expenditures to the significantly weaker market environment and therefore reduced them to around €1.1 billion despite the acquisition of Cypress. Return on Capital Employed (RoCE) was 3.0 percent in the 2020 fiscal year.
- **Infineon consistently pursues a conservative financing policy:** (1) The core objective is to maintain a so-called investment grade rating, which gives us access at all times to all relevant capital markets and sources of financing at low cost and good terms and conditions. With the acquisition of Cypress, S&P Global Ratings lowered Infineon's rating by one notch to currently "BBB-" with a now positive outlook. We have consistently and rapidly implemented the conservative financing strategy communicated at the time of the signature of the purchase agreement for Cypress. (2) Following initial equity steps in 2019, we were able to raise just over €1 billion and placed 55 million new shares with institutional investors in a second capital increase at the end of May 2020. The shares were allocated at a placement price of €19.30 per share, representing a discount of 4.2 percent compared with the previous closing price. (3) In June 2020, we successfully placed bonds with maturities of up to twelve years totaling €2.9 billion. As a result, the bridge facility for the acquisition financing was fully repaid just a few weeks after completion of the acquisition. (4) The Management Board and the Supervisory Board propose the creation of a new Authorized Capital 2021/I to replace Authorized Capital 2016/I, which expires on February 17, 2021, with essentially the same content and the same volume of €30 million. It solely serves the purpose of issuance of shares to employees and Management Board members of the Company as well as to employees and members of boards of directors of its Group companies. (5) In line with our strategic liquidity target, we aim to systematically further reduce the currently – due to the acquisition – higher level of debt in the coming years.
- **The strong development of the share price demonstrates the high confidence of investors in the long-term success of Infineon:** The performance since 1 October 2019 was above the development of the Philadelphia Semiconductor Index (SOX). In the 2020 calendar year, Infineon was the DAX stock with the second-best performance overall.

- **The Management Board and Supervisory Board propose a reduced dividend of 22 eurocents per share:** The aim of our dividend policy is to allow Infineon's shareholders to participate appropriately in the company's economic development. In principle, we want to pay out at least a constant dividend even if earnings stagnate or decline. However, we need to take into account the serious economic impact and the continuing risks of the coronavirus pandemic and maintain appropriate financial headroom. Furthermore, the number of shares entitled to dividends increased by a good 4 percent as a result of the capital increase carried out in May. The Executive Board and Supervisory Board therefore propose a dividend of 22 eurocents per share for the 2020 fiscal year, five eurocents less than in the previous fiscal year. The anticipated total dividend payout would therefore be €286 million euros, compared with €336 million in the previous year.
- **After a good start to the new fiscal year, Infineon has slightly raised its full-year guidance:** (1) We expect revenues for the 2021 fiscal year – assuming an exchange rate of US$1.20 to the euro – to be approximately €10.8 billion, plus or minus 5 percent. This includes the first-time consolidation of Cypress for a full fiscal year. (2) At the midpoint of the revenue forecast, we expect a Segment Result Margin of around 17.5 percent. (3) Investments in property, plant and equipment and other intangible assets, including capitalized development costs, are planned to be around €1.6 billion. Free cash flow is predicted to exceed €800 million.
- **Infineon confirms its financial targets:** A year ago, we presented the new financial targets we intend to achieve after the acquisition. We confirm these and continue to aim to grow revenues by more than 9 percent per year over the cycle. As integration progresses, the Segment Result Margin is expected to gradually increase to 19 percent over the cycle. As a result of the reduced capital intensity of the combined company, we plan to achieve a lower investment ratio of 13 percent of revenues over the cycle. These targets will be supported by the realization of planned synergies.