Dr. Sven Schneider

Annual General Meeting 2025

Munich, 20 February 2025

www.infineon.com

Dr. Sven Schneider

Chief Financial Officer

- Check against delivery -

Dear shareholders,

a warm welcome from me as well!

Jochen Hanebeck has just explained to you in detail the challenges that need to be overcome in the current phase of diverse transformations, the contribution Infineon is making, and the opportunities we see. Our solutions for decarbonization and digitalization are making a decisive contribution to a future worth living. Our strategy continues to focus on these two structural growth drivers. In times of change in particular, it is important to keep a close eye on our long-term strategic goals.

At the same time, we have to adapt to changing conditions and continue to develop as a company. This was true in the past and is even more true today. We want to secure the long-term success of your company. In the past fiscal year, we placed a particular focus on measures to structurally improve our cost position. Jochen Hanebeck has already reported to you on the company-wide Step Up program initiated for this purpose. We will continue to work consistently on increasing our profitability in the current 2025 fiscal year.

Dear shareholders,

after the record 2023 fiscal year, 2024 was, as expected, a year of transition for Infineon. This is reflected in the business figures that I will present to you shortly. Overall, we managed the past year well and closed it in line with the reduced expectations.

Infineon achieved revenue of 14 billion 955 million euros in the 2024 fiscal year. In the previous 2023 fiscal year, revenue amounted to 16 billion 309 million euros. The 8 percent decline in revenue was primarily due to the weakness in many target markets as well as negative currency effects and lower selling prices.

In response to the tight supply situation after the coronavirus pandemic, high semiconductor inventories have built up – especially in the areas of classic automotive applications and renewable energy. Reduction of these inventories proved to be more protracted than initially assumed. There has also been a growth slowdown in the electromobility sector outside China.

Gross profit amounted to 6 billion 69 million euros. The gross margin decreased accordingly from 45.5 percent to 40.6 percent compared to the previous year. The cost of goods sold during the reporting year was at the same level as the figure for the previous year. There are a number of factors to consider here: Cost of goods sold fell due to lower sales volumes, an improvement in manufacturing costs, and positive currency effects, although, at the same time, there was a significant increase in idle costs due to the low capacity utilization of our production facilities. In addition, there were higher costs arising from the measurement of inventories in the reporting period.

Our operating expenses amounted to 3 billion 539 million euros in the reporting year. Research and development expenses remained at the previous year's level at 1 billion 985 million euros. Selling expenses, general and administrative expenses declined slightly to 1 billion 554 million euros in the 2024 fiscal year.

Segment Result decreased by 29 percent from 4 billion 399 million euros to 3 billion 105 million euros in the 2024 fiscal year, mainly due to reduced sales volumes and lower prices. Moreover, higher idle costs and negative effects from the measurement of inventories had an adverse impact on the Segment Result. Accordingly, the Segment Result Margin of 20.8 percent was below the previous year's record figure of 27.0 percent.

Profit for the period fell to 1 billion 301 million euros in the 2024 fiscal year, influenced in particular by the costs of the now concluded legal dispute in connection with Qimonda, which I will discuss later. The reduced profit for the period resulted in a corresponding decrease in the basic earnings per share. This amounted to 98 euro cents and was therefore significantly below the previous year's figure of 2 euro 38 cents. Adjusted earnings per share decreased from 2 euro 65 cents in the previous year to 1 euro 87 cents.

Now to our four segments:

The Automotive segment continued to generate the highest revenue. At 8 billion 423 million euros, it contributed 56 percent to Infineon's group revenue. This corresponds to growth of 2 percent compared to the previous year. Electromobility, software-defined vehicle architecture, and the trend towards higher levels of electronic features in vehicles continued to be the main growth drivers in the 2024 fiscal year. Particularly strong growth continued to be seen in our business with microcontrollers. Infineon is now the global market leader in the market for automotive microcontrollers. In addition, we were able to win a large number of contracts worldwide, primarily for our power semiconductors based on silicon carbide, both in the power train and onboard chargers, as well as in DC-DC converters. The Segment Result Margin decreased from 28.9 percent in the previous year to 25.7 percent.

In the Power & Sensor Systems segment, Infineon generated revenue of 3 billion 88 million euros. This corresponds to a decline of 19 percent compared to the previous year. Weak demand for semiconductors persisted in the 2024 fiscal year in the consumer business and in telecommunications infrastructure. There was also a sharp drop in demand for semiconductors used in industrial applications. In contrast, there was a significant increase in demand in the area of power supplies for artificial intelligence (short: AI), as well as for components for mobile phones. However, this positive trend was not sufficient to offset the decline in revenue in the other areas. As a result, the Segment Result Margin decreased from 22.7 percent to 10.9 percent.

Revenue in the Green Industrial Power segment amounted to 1 billion 934 million euros in the reporting period – a decrease of 12 percent compared to the previous year. The decrease in revenue was the result of lower volumes and falling prices. There was a slight decline in the 2024 fiscal year in revenue from products for wind power and from photovoltaic inverter products. Particularly in the area of photovoltaics, customers had built up high inventories in the previous fiscal year. Market demand for factory equipment and automation fell. The energy infrastructure business remained stable in the past fiscal year, while revenue from transportation rose once again. The negative market developments had a significant impact on the Segment Result Margin. At 21.6 percent, this was noticeably below the previous year's level of 30.0 percent.

Revenue in the Connected Secure Systems segment amounted to 1 billion 506 million euros. This corresponds to a decline of 26 percent compared to the previous year. This development was due to a number of factors: The weak market situation resulted in a lower level of demand for our products. Revenue was also adversely affected by high inventories held by our customers and a slowdown in dynamism in certain business areas, especially consumer, IoT, and security solutions. Demand for connectivity solutions and microcontrollers fell as a result of the worsening macroeconomic climate, which caused a reluctance in consumers to spend. On the basis of weaker revenue trends, the Segment Result Margin came under pressure and fell from 23.9 percent in the previous year to 12.1 percent.

In November 2023, the ongoing difficult market environment led to a weaker guidance of revenue growth and profitability compared to the previous year. Due to the lack of market recovery combined with negative currency developments, this guidance was adjusted twice during the 2024 fiscal year. Nevertheless, we overcame the challenges well and closed the fiscal year in line with the reduced expectations. We are successfully managing the semiconductor cycle and focusing on what we can control ourselves.

Beyond that, in our Step Up program we are consistently driving structural measures forward to improve our competitiveness. Initial contributions, for example from strategic purchasing successes, portfolio decisions, and real estate management, are already having a financial impact. The aim is to achieve a high triple-digit million euro range in annual margin improvements. We expect the program to take full effect in the 2027 fiscal year.

Another strategic focus is on turning innovations into customer benefits more quickly. This will ensure that Infineon is optimally positioned for the next upswing.

Now let us take a look at the distribution of revenue by region:

At 34 percent, we generated the largest share of revenue in the Greater China region. This includes Mainland China and Hong Kong with 27 percent of group revenue. Absolute revenue in this region fell slightly compared to the previous year. This is partly due to the increased diversification of our customers' supply chains. For Mainland China and Hong Kong, we estimate that this includes around a third of the supplies for end products that are subsequently re-exported.

The Europe, Middle East, and Africa region accounted for 26 percent. Asia Pacific, excluding Japan and Greater China, accounted for 17 percent, the Americas for 13 percent, and Japan for 10 percent of revenue. We are continuing to pursue our strategy of regionally diversifying Infineon.

Now let's look at selected key financial figures. Our investments amounted to 2 billion 719 million euros in the past fiscal year. This was slightly below the previous year's figure of 2 billion 994 million euros. In the 2024 fiscal year, investments again focused on the expansion of 300-millimeter production capacities in Dresden, the expansion of volume manufacturing for silicon carbide at the Kulim site, and the expansion of frontend manufacturing in Villach.

At 23 million euros, Free Cash Flow in the 2024 fiscal year was significantly below the previous year's figure of 1 billion 158 million euros. Adjusted Free Cash Flow, which has been adjusted for large investments in frontend buildings and large M&A transactions, such as GaN Systems, amounted to 1 billion 690 million euros. This corresponds to an increase of 3 percent compared to the previous year and is in line with our Target Operating Model.

The RoCE, Return on Capital Employed, declined from 16.6 percent in the previous year to 8.5 percent in the 2024 fiscal year. The decline in the return is due on the one hand to the decline in profit from continuing operations due to reduced volumes, falling prices, and negative currency effects, and on the other hand to the increase in capital employed.

Total assets amounted to 28 billion 639 million euros as of 30 September 2024. Equity increased slightly by 175 million euros to 17 billion 219 million euros, while our financial liabilities rose slightly from 4 billion 733 million euros in the previous year to 4 billion 811 million euros in the reporting year. In the 2024 fiscal year, Infineon placed a 500 million euros senior bond under its European Medium Term Notes program. The weaker US dollar compared with the exchange rate as of 30 September 2023 and the repayment of a 350 million US dollars US Private Placement at maturity had the opposite effect, that of reducing financial debt.

A few days ago, Infineon repaid a senior bond in the amount of 500 million euros at maturity. Furthermore, the repayment of a hybrid bond with a volume of 600 million euros is planned for the end of March. To partially finance these two measures, a senior bond with a volume of 750 million euros and a five-year term was issued this month. Thus, Infineon will continue to have a balanced maturity profile until 2033 with low financing costs.

Maintaining our investment grade rating remains at the heart of our financing strategy. This ensures that we have access to all relevant capital markets and financing sources at all times in order to finance our organic and inorganic growth at low cost and with good terms. S&P Global Ratings raised Infineon's investment grade rating from “BBB” with positive outlook to “BBB+” with a stable outlook in February 2024 and confirmed this last month. Our conservative financial policy, the fact that we have met or exceeded our strategic liquidity and debt targets, our robust operating results even in a cyclical low, and our sustainable cash generation are the main reasons for this.

Furthermore, in February 2025, Infineon concluded a committed revolving credit facility with a volume of 2 billion euros with a group of national and international banks. It strengthens our liquidity position and is currently not being utilized. This provides us financial headroom through economic cycles, for example for research and development, organic and inorganic growth in the context of decarbonization and digitalization, and a profit-oriented dividend policy.

Now to the Infineon share – your share:

The number of shares issued remained unchanged at 1 billion 305 million 921 thousand 137 as of 30 September 2024. The company currently holds 6 million 757 thousand 925 treasury shares which are not entitled to dividends.

The number of treasury shares increased during the 2024 fiscal year due to share buybacks. As part of a limited share buyback program, Infineon acquired a total of 7 million shares for a total purchase price of 233 million euros in the period from 26 February 2024 to 18 March 2024. The repurchased shares serve the sole purpose of allocating shares to employees of Infineon, members of the Management Board of the company, and members of the Management Board and management of affiliated companies as part of share-based payments.

Members of the Management Board and executive staff receive part of their variable compensation in the form of shares from the Performance Share Plan, while managers and other selected employees additionally receive shares from the Restricted Stock Unit Plan, the RSUP. Under these two plans, Infineon transferred a total of 2 million 413 thousand 101 treasury shares in the 2024 fiscal year. The transfer of the shares means the shares are now entitled to dividends again.

In January 2025, after the convening of today's Annual General Meeting and already in the 2025 fiscal year, a further 228 thousand treasury shares were transferred as planned as part of an RSUP settlement. This reduced the number of treasury shares to currently 6 million 529 thousand 906. In this respect, the Management Board's proposal for the appropriation of profits from November 2024, on which the convening of the Annual General Meeting and the proposed resolution on the dividend distribution were based, was also adjusted. Due to the slightly higher number of shares entitled to dividends, however, only the total dividend payout has increased slightly by just under 80 thousand to around 455 million euros; the proposed dividend per share naturally remains unchanged.

Let me now turn to the performance of your share price, starting with the past fiscal year. On 1 October 2023, the Infineon shares were trading just over 31 euros. After a temporary setback to the low for the year of around 27 euros at the end of October 2023, the share price rose continuously and reached its high for the 2024 fiscal year of just under 39 euros on 15 December 2023. This was due to hopes of interest rate cuts by central banks and an accompanying year-end rally in technology and growth stocks.

As 2024 progressed, however, the economic outlook clouded over and led to a weakening of forecasts for Infineon and many of its competitors. The downturn particularly affected the late-cycle automotive and industrial sectors, in which Infineon is traditionally strongly represented. For this reason, Infineon shares recorded a significantly weaker performance than the DAX and SOX benchmark indices. The latter continued to be positively influenced by stocks in which artificial intelligence accounts for a significant proportion of business activities. Although our share of revenue in the data center sector, particularly for artificial intelligence, is growing strongly – we are planning to more than double our revenue in this area this fiscal year – it currently only accounts for around 5 percent of our business activities. Based on the guidance for the year that has been well received by the market, and with a tailwind from the rapidly growing business of powering artificial intelligence, Infineon shares have performed significantly better than those of our direct competitors, especially in recent months, and last Friday were quoted at a price of slightly above 37 euros, noticeably higher than at the beginning of the period described.

This brings me to our dividend proposal:

The goal of our dividend policy is to allow Infineon's shareholders to continuously participate appropriately in the company's results. At the same time, we want to maintain the financial leeway necessary to further develop the company. The planned major investments, for example in Kulim and Dresden, and the deteriorating economic outlook for the 2025 fiscal year should also be kept in mind. In connection with item 2 on the agenda, the Management Board and Supervisory Board are therefore proposing a dividend of 35 euro cents per share for the 2024 fiscal year, unchanged from the previous year. The expected total dividend payout would therefore amount to 455 million euros, compared to 456 million euros in the previous year. Together with the share buyback in the 2024 fiscal year, around 90 percent of the Free Cash Flow adjusted only for major M&A transactions will be returned to you, the shareholders of Infineon.

Dear shareholders, let's look ahead. After a robust start to the 2025 fiscal year, Infineon faces a persistently difficult market environment for the remainder of the year. The market situation is influenced by various geopolitical and macroeconomic uncertainties. Many of our core markets will initially remain at a low level. A slight recovery in individual segments is expected in the second half of the calendar year. One pleasing exception is the AI data center segment, where we are already seeing strong growth and expect the trend to continue. In view of the generally subdued growth prospects, the guidance for the year was adjusted upwards only slightly at the beginning of February due to currency effects.

For the 2025 fiscal year, we now expect revenue to be flat to slightly up in comparison with the 2024 fiscal year, after previously assuming a slight decline in revenue. This increase is based on a positive change in the assumed exchange rate of the US dollar to the euro from 1.10 to 1.05. Revenue in the ATV and CSS segments is expected to increase at around the group average percentage rate. Compared with the prior year, a significant decline in revenue is anticipated in the GIP segment and a significant increase in revenue is expected in the PSS segment.

As of 1 January 2025, the “Sense & Control” business line, which was previously allocated to the ATV segment, was reclassified to the PSS segment. By combining our sensor business into one organizational unit, we are strengthening our positioning for profitable growth and making it possible to leverage synergies. This segment is expected to generate revenue of around 700 million euros in the 2025 fiscal year, roughly on a par with the previous year. The above revenue forecast for the 2025 fiscal year is already based on the assumption of this change.

With the forecasted revenue development, we expect the Segment Result Margin to be in the mid-to-high-teens percentage range in the 2025 fiscal year. Investments in property, plant and equipment and other intangible assets, including capitalized development costs, are planned at around 2 billion 500 million euros. The reported Free Cash Flow is expected to reach around 900 million euros. Adjusted for large investments in frontend buildings and large M&A transactions, Free Cash Flow is expected to amount to around 1 billion 700 million euros. The ratio of adjusted Free Cash Flow to revenue is expected to be in line with our Target Operating Model.

Dear shareholders, as a company, we are rigorously adapting to the situation in order to achieve our financial targets for the current fiscal year. At the same time, we are continuing to make important investments for the future. This is how we will exploit the growth opportunities of decarbonization and digitalization in the long term and cope well with cyclically weaker phases. Thank you very much for your trust in Infineon.

Before I conclude and move on to the agenda for today’s Annual General Meeting, I would like to talk about our long-standing Qimonda legal dispute and the settlement with the insolvency administrator of Qimonda AG. As part of the settlement last summer, we agreed on a payment of just over 750 million euros before deduction of taxes. This put an end to the legal dispute that had been pending at Munich Regional Court I since the end of 2010, in which the insolvency administrator had claimed an amount of around 3.4 billion euros plus interest. The decision in favor of the settlement was primarily based on a comprehensive assessment of the litigation and other risks. The company was convinced and remains convinced that the claim is unfounded. However, to have this established in court would have required further years of litigation, possibly over several instances. This would have given rise to considerable uncertainty about the possibility that the courts would ultimately decide otherwise. The settlement served to exclude the corresponding risks and to create legal certainty on terms that were also economically acceptable. After careful consideration, and after taking two detailed expert opinions from external law firms into account, we came to the conclusion that the settlement was in the best interests of the company. The proceedings were therefore concluded in the 2024 fiscal year. The settlement ends all legal disputes and claims of the insolvency administrator against Infineon.

As mentioned, I would like to conclude by moving on to the agenda for today’s Annual General Meeting: Dr. Diess has already addressed most of the items on the agenda, so I will only add to the agenda items 8 and 9:

First, to agenda item 8:

On 25 February 2021, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital in the period until the end of 24 February 2026 once or in partial amounts by a total of up to 30 million euros by issuing new no-par value registered shares against cash contributions for the purpose of issuing them to employees and members of the Management Board of the company and to employees and members of the management of its Group companies (Authorized Capital 2021/I). The Authorized Capital 2021/I is mainly intended to service the existing share programs for Infineon Group executives as part of their variable compensation, namely the Performance Share Plan and the Restricted Stock Unit Plan.

The Authorized Capital 2021/I, of which no use has been made to date and of which the full 30 million euros still remain, would expire on 24 February 2026 and thus possibly before the 2026 Annual General Meeting. In order to give the company the necessary flexibility at any time to service claims from the Performance Share Plan and the Restricted Stock Unit Plan with new shares as an alternative or in addition to issuing treasury shares or making cash payments, the Authorized Capital 2021/I is to be cancelled now and new authorized capital is to be created (Authorized Capital 2025/I).

The written report of the Management Board on agenda item 8 contains further detailed explanations, in particular on the exclusion of subscription rights.

Finally, to agenda item 9:

By resolution of the Annual General Meeting on 16 February 2023, the Management Board was authorized in § 13a of the Articles of Association to provide for the Annual General Meeting to be held in virtual form without the physical presence of the shareholders or their proxies at the venue of the Annual General Meeting for Annual General Meetings to be held prior to the end of 15 February 2028, subject to compliance with the legal requirements provided for this purpose.

The Management Board had already declared on 25 January 2023 that it would only make use of this authorization for a period of two years following the entry of the provision in the Articles of Association in the company's commercial register. The entry in the commercial register was made on 29 March 2023, meaning that the Management Board will no longer make use of this authorization from 28 March 2025 onwards.

For environmental and organizational reasons as well as cost considerations, today's Annual General Meeting will once again be held as a virtual Annual General Meeting. However, the Management Board plans to hold the company's next Annual General Meeting in February 2026 as an in-person event. Nevertheless, the authorization is to be renewed now so that the Annual General Meeting can still be held, even if it is not legally possible to hold an in-person event in 2026, for example in the event of another pandemic.

A corresponding provision in the Articles of Association has to be time-limited, whereby the maximum period pursuant to Section 118a AktG (German Stock Corporation Act) is five years from entry of the corresponding amendment to the Articles of Association in the company's commercial register. Although the Management Board and Supervisory Board are of the opinion that the virtual Annual General Meeting format as such has generally proven its worth in recent years, shareholders should be able to decide on this themselves at regular intervals. The new authorization is therefore to be limited to a period of two years after registration of the corresponding provision in the Articles of Association. Within this authorization period, the Management Board will hold at least one Annual General Meeting, according to current plans the Annual General Meeting in 2026, as an in-person event, and any decision to hold a virtual Annual General Meeting – even if not required by law – will only be made with the approval of the Supervisory Board.

That brings me to the end of my remarks. Thank you for your interest.

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