

Report of the Month

ReportWatch e.com

February 2012

Infineon

Neubiberg, Germany



Report Facts

Company name: Infineon Technologies AG

Fiscal year end: September 30, 2011

Report title: *We're making progress*

Chief executive officer: Peter Bauer

Number of books: 1

Report length: 260 pages

Auditors: KPMG AG

Web: <http://www.infineon.com/cms/en/corporate/investor/>

E-mail: Investor.Relations@infineon.com

Design: HGB & Co, Hamburg

Report Rating: ★★★★★

(Rating scale below)

Profile - Business

Infineon Technologies... offers semiconductor and system solutions addressing three central challenges to modern society: energy efficiency, mobility, and security. Applications range from engine and transmission control to battery management, from light management systems to computer power supplies, from payment systems to electronic passports, and many other uses.

(Source: Annual Report) (Italics are own company's words)

Key Figures

Revenue: € 3,997 million

Operating income: € 736 million

Net income: € 1,119 million

Earnings per share (basic): € 1.03

Dividend per share: € 0.12

Return on equity: 33%

Return on assets: 19%

Debt-to-equity: 9%

Employees: 25,720

(2011 figures sourced from the annual report)

Peers - Competitors

- STMicroelectronics
- FAIRCHILD
- TOSHIBA
- NXP
- ANALOG Devices
- SAMSUNG Electronics
- TEXAS INSTRUMENTS
- VISHAY
- ON Semiconductor
-

Report Rating: ★★☆☆

Triple A

- > Whatever the business conditions -and the company has gone through turbulent times since its spin-off from Siemens- the German semiconductor leader has always come up with reporting consistency and clarity unmatched in its industry and up to best practice. E.g. with a number of sustained strengths: *At a glance* intro showing *Key customers* and *Main competitors* -a tiny percentage of annuals do this-; comprehensive, well-structured and intelligible review of businesses; solid financial performance and position analysis.
- > Product ranges and applications, market trends, year-on-year changes, growth drivers put most clearly.
- > Key performance indicators (Selected Page) well defined, compared, and forecast for the next year.
- > Excellent management report, regarding performance as well as a *Review of liquidity* and *Treasury and capital requirements*.
- > Thorough *Outlook* section (almost ten pages long).

Double A

- > Straightforward *Letter to Shareholders*, explaining why and how the company has been making progress (e.g. on *operating margin*), and looking forward in a strategic perspective (*growth trajectory*).
- > Useful *Financial* and *Technology* glossaries.

Simple A

- > The front cover title is maybe a bit understated but pleasantly departs from buzzwords and other fables. That said, the cover is far from most appealing.

B Sides

- > Annual report not really highlighted on the investor web pages. No added value online, to say the least, which is odd for a company that operates in such an industry. And why is copying content from the PDF not allowed?
- > Designed in Deutsches pedestrian style, i.e. klar und sauber but also looking like hundreds of German reports, from the letter to shareholders and board portraits (these really look all the same) to layout until the last page.
- > Why pushing a short overview of year events to p 82?

Rating Scale

★★★★★: First-rate ★★★★★(*): Excellent ★★★★★: Very good ★★★(*): Sound ★★: Average
★(*): Uneven ★: Common ★(*): Substandard ★: Poor (*): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the *Annual Report on Annual Reports*.

e.com-ReportWatch does not provide comments other than the ones published in *Reports of the Month*.

How does the company report in key areas? What are the main report pluses and minuses? The **Report Scan** gives an overview of strengths and weaknesses, and scores each item. Contact e.com@reportwatch.net

The table set forth below shows the key performance indicators used by Infineon in conjunction with actual and forecast values:

€ in millions, % cap percentages	2010	2011	2011	2012
	Actual	Original outlook	Actual	Outlook
Principal performance indicators				
Total Segment Result Margin	14.4%	Mid to high teens range	19.7%	Low to mid teens range
Free cash flow	57.3	Solid	106	Markedly negative
RoCE	30%	Well above cost of capital	62%	Well above cost of capital
Supplementary performance indicators				
Growth and profitability performance indicators				
Revenue growth compared to previous year	50.3%	Nearly 10%	21.3%	Decrease of mid-single-digit percentage rate compared to FY 2011
Gross margin	37.5%	Low 40% range	41.4%	Below 40% of revenue
Research and development expenses	399	Increase in line with revenue growth	439	Increase of 5–10% compared to FY 2011
Selling, general and administrative expenses	384	Total cost increase in line with revenue growth, administrative expenses lower	449	Increase of 5–10% compared to FY 2011
Liquidity performance indicators				
Gross cash position	1,727	Higher than target of 30–40% of revenue	2,692	Higher than target of 30–40% of revenue
Net cash position	1,331	Net cash position (cash holdings higher than debt)	2,347	Net cash position (cash holdings higher than debt)
Working capital	(130)	Not disclosed	(643)	Higher than at September 30, 2011
Investments	325	550	867	Similar level to FY 2011
Operational early indicators				
Orders received in relation to revenue	1.71	Not disclosed	1.06	No forecast

Favorable business conditions during the 2011 fiscal year meant that revenue growth was significantly higher than the predicted 10 percent. As a consequence, the Total Segment Result Margin and the Group RoCE were significantly above expectations. Even though investment volumes were significantly higher than originally planned, we were nevertheless able to keep cash flow roughly at the level of the dividend payment.

