Consolidated Financial Statements

Consolidated Statement of Operations

for the year ended 30 September 2017 and 2016

€ in millions	Notes	2017	2016
Revenue		7,063	6,473
Cost of goods sold		(4,442)	(4,143)
Gross profit		**2,621**	**2,330**
Research and development expenses		(776)	(770)
Selling, general and administrative expenses		(819)	(791)
Other operating income		14	17
Other operating expenses		(57)	(23)
Operating income		**983**	**763**
Financial income		10	6
Financial expenses		(63)	(67)
Gain from investments accounted for using the equity method		3	3
Income from continuing operations before income taxes		**933**	**705**
Income tax	4	(142)	36
Income from continuing operations		**791**	**741**
Income (loss) from discontinued operations, net of income taxes	5	(1)	2
Net income		**790**	**743**
Attributable to:			
Non-controlling interests		–	(1)
Shareholders of Infineon Technologies AG		790	744
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]			
Basic earnings per share (in euro) from continuing operations	6	0.70	0.66
Basic earnings per share (in euro) from discontinued operations	6	–	–
Basic earnings per share (in euro)	6	**0.70**	**0.66**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]			
Diluted earnings per share (in euro) from continuing operations	6	0.70	0.66
Diluted earnings per share (in euro) from discontinued operations	6	–	–
Diluted earnings per share (in euro)	6	**0.70**	**0.66**

1 The calculation of earnings per share is based on unrounded figures.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2017 and 2016

€ in millions	Note	2017	2016
	15		
Net income		**790**	**743**
Actuarial gains (losses) on pension plans and similar commitments[1]		118	(159)
Total items not expected to be reclassified to profit or loss in the future		**118**	**(159)**
Currency translation effects		(49)	(28)
Net change in fair value of hedging instruments		4	(6)
Net change in fair value of available-for-sale financial assets		2	(1)
Total items expected to be reclassified to profit or loss in the future		**(43)**	**(35)**
Other comprehensive income (loss) for the year, net of tax		**75**	**(194)**
Total comprehensive income for the year, net of tax		**865**	**549**
Attributable to:			
Non-controlling interests		–	(1)
Shareholders of Infineon Technologies AG		865	550

1 Contains income from investments accounted for using the equity method in the 2017 fiscal year of €1 million (2016: expense €2 million).

Consolidated Statement of Financial Position

as of 30 September 2017 and 2016

€ in millions	Notes	30 September 2017	30 September 2016
ASSETS			
Cash and cash equivalents		860	625
Financial investments	8	1,592	1,615
Trade receivables	9	851	774
Inventories	10	1,240	1,191
Income tax receivable	4	5	6
Other current assets		300	281
Assets classified as held for sale	5	23	–
Total current assets		**4,871**	**4,492**
Property, plant and equipment	11	2,659	2,119
Goodwill and other intangible assets	11	1,586	1,656
Investments accounted for using the equity method		28	32
Non-current income tax receivable	4	–	3
Deferred tax assets	4	612	623
Other non-current assets		189	162
Total non-current assets		**5,074**	**4,595**
Total assets		**9,945**	**9,087**
LIABILITIES AND EQUITY			
Short-term debt and current maturities of long-term debt	12	323	17
Trade payables		1,020	857
Short-term provisions	13	422	327
Income tax payable	4	103	120
Other current liabilities		230	209
Total current liabilities		**2,098**	**1,530**
Long-term debt	12	1,511	1,752
Pension plans and similar commitments	14	503	604
Deferred tax liabilities	4	18	10
Long-term provisions	13	67	76
Other non-current liabilities		112	92
Total non-current liabilities		**2,211**	**2,534**
Total liabilities		**4,309**	**4,064**
Shareholders' equity:	15		
Ordinary share capital		2,272	2,265
Additional paid-in capital		4,774	5,016
Accumulated deficit		(1,404)	(2,312)
Other reserves		31	91
Own shares at cost		(37)	(37)
Total equity		**5,636**	**5,023**
Total liabilities and equity		**9,945**	**9,087**

Consolidated Statement of Cash Flows

for the year ended 30 September 2017 and 2016

€ in millions	Notes	2017	2016
	21		
Net income		**790**	**743**
Plus/minus: loss (income) from discontinued operations, net of income taxes		1	(2)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11	812	833
Income tax	4	142	(36)
Net interest result		56	58
Losses on disposals of property, plant and equipment		2	5
Dividends received from joint ventures		2	2
Impairment charges	11	5	16
Other non-cash result		28	6
Change in trade receivables	9	(91)	(25)
Change in inventories	10	(73)	(66)
Change in trade payables		177	57
Change in provisions	13	91	(72)
Change in other assets and liabilities		(23)	(60)
Interest received		9	6
Interest paid		(58)	(26)
Income tax paid	4	(142)	(126)
Net cash provided by operating activities from continuing operations		**1,728**	**1,313**
Net cash used in operating activities from discontinued operations		**(5)**	**(22)**
Net cash provided by operating activities		**1,723**	**1,291**
Purchases of financial investments	8	(3,300)	(4,130)
Proceeds from sales of financial investments	8	3,303	3,855
Purchases of other equity investments		(9)	–
Acquisitions of businesses, net of cash acquired		(5)	(11)
Acquisitions of shares in MoTo, net of cash acquired	3	(112)	–
Proceeds from sales of businesses and interests in subsidiaries, net of cash disbursed	5	10	–
Purchases of intangible assets and other assets	11	(148)	(110)
Purchases of property, plant and equipment	11	(874)	(716)
Proceeds from sales of property, plant and equipment and other assets		4	14
Net cash used in investing activities from continuing operations		**(1,131)**	**(1,098)**
Net cash used in investing activities from discontinued operations		**–**	**–**
Net cash used in investing activities		**(1,131)**	**(1,098)**
Net change in short-term debt	12	(1)	(8)
Net change in related party financial receivables and payables	20	–	(1)
Proceeds from issuance of long-term debt	12	2	824
Repayments of long-term debt	12	(119)	(846)
Change in cash deposited as collateral		–	1
Proceeds from issuance of ordinary shares	15	26	26
Dividend payments	15	(248)	(225)
Net cash used in financing activities from continuing operations		**(340)**	**(229)**
Net cash used in financing activities from discontinued operations		**–**	**–**
Net cash used in financing activities		**(340)**	**(229)**
Net change in cash and cash equivalents		252	(36)
Effect of foreign exchange rate changes on cash and cash equivalents		(17)	(12)
Cash and cash equivalents at beginning of period		625	673
Cash and cash equivalents at end of period		**860**	**625**

Consolidated Statement of Changes in Equity

for the year ended 30 September 2017 and 2016

€ in millions, except for number of shares	Notes	Ordinary shares issued		Additional paid-in capital
		Shares	Amount	
	15			
Balance as of 1 October 2015		**1,129,271,481**	**2,259**	**5,213**
Net income		–	–	–
Other comprehensive income (loss) for the period, net of tax		–	–	–
Total comprehensive income (loss) for the period, net of tax		–	–	–
Dividends		–	–	(225)
Issuance of ordinary shares:				
Exercise of stock options		3,401,628	6	19
Share-based compensation	17	–	–	9
Balance as of 30 September 2016		**1,132,673,109**	**2,265**	**5,016**
Balance as of 1 October 2016		**1,132,673,109**	**2,265**	**5,016**
Net income		–	–	–
Other comprehensive income (loss) for the period, net of tax		–	–	–
Total comprehensive income (loss) for the period, net of tax		–	–	–
Dividends		–	–	(248)
Issuance of ordinary shares:				
Exercise of stock options		3,527,820	7	19
Share-based compensation	17	–	–	(13)
Other changes in equity		–	–	–
Balance as of 30 September 2017		**1,136,200,929**	**2,272**	**4,774**

	Accumulated deficit	Other reserves			Own shares	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
		Foreign currency translation adjustment	Securities	Hedges				
	(2,897)	**126**	**(1)**	**1**	**(37)**	**4,664**	**1**	**4,665**
	744	–	–	–	–	744	(1)	743
	(159)	(28)	(1)	(6)	–	(194)	–	(194)
	585	(28)	(1)	(6)	–	550	(1)	549
	–	–	–	–	–	(225)	–	(225)
	–	–	–	–	–	25	–	25
	–	–	–	–	–	9	–	9
	(2,312)	**98**	**(2)**	**(5)**	**(37)**	**5,023**	**–**	**5,023**
	(2,312)	**98**	**(2)**	**(5)**	**(37)**	**5,023**	**–**	**5,023**
	790	–	–	–	–	790	–	790
	118	(49)	2	4	–	75	–	75
	908	(49)	2	4	–	865	–	865
	–	–	–	–	–	(248)	–	(248)
	–	–	–	–	–	26	–	26
	–	–	–	–	–	(13)	–	(13)
	–	(17)	–	–	–	(17)	–	(17)
	(1,404)	**32**	**–**	**(1)**	**(37)**	**5,636**	**–**	**5,636**

Notes to the Consolidated Financial Statements

The Infineon Group ("Infineon") comprising Infineon Technologies AG ("the Company") and its subsidiaries design, develop, manufacture and market a broad range of semiconductors and related system solutions. The focus of activities is on applications for automotive electronics, industrial electronics, information and communications infrastructure as well as hardware-based security. The product range includes standard, application-specific and customer-specific components as well as system solutions for power, digital, analog, high frequency and mixed-signal applications. More than half of Infineon's revenue is generated by power semiconductors, the remaining revenue is attributable to high frequency components, sensors, driver components as well as microcontrollers for automotive, industrial and security applications. Research and development sites, manufacturing facilities, investments and customers are located mainly in Europe, Asia and North America.

Infineon Technologies AG is a listed company under German law and ultimate parent company of the Infineon Group. The principal office of the Company is Am Campeon 1–12, 85579 Neubiberg (Germany). The Company is registered in the Commercial Register of the District Court of Munich (Germany) under the number HRB 126492.

1 Basis of the Consolidated Financial Statements

The Consolidated Financial Statements prepared by Infineon Technologies AG as ultimate parent company for the year ended 30 September 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related interpretations effective as of 30 September 2017 as issued by the International Accounting Standards Board ("IASB") to the extent to which the IFRS and interpretations have been endorsed by the European Union ("EU"). The Consolidated Financial Statements also comply with the supplementary requirements set forth in section 315a, paragraph 1, of the German Commercial Code ("Handelsgesetzbuch" or "HGB") (in the 17 July 2015 version of the Accounting Directive Implementation Act). The aforementioned standards were complied with in full.

The Consolidated Statement of Operations is presented using the cost of sales method.

The fiscal year end for both Infineon and the Company is 30 September of each year.

The Group currency is the euro ("€").

Deviations between amounts presented are possible due to rounding. Negative amounts are presented in parentheses.

The Company's Management Board presented the Consolidated Financial Statements on 17 November 2017.

Financial reporting rules applied for the first time

The IASB has issued the following Standards or amendments to Standards, which are required to be applied in the Consolidated Financial Statements for the year ended 30 September 2017:

Standard/amendment/interpretation		Effective date	Impact on Infineon
IAS 1	Presentation of financial statements (Disclosure initiative – Amendments to IAS 1)	1 January 2016	immaterial
IAS 16/IAS 38	Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 38)	1 January 2016	none
IFRS 11	Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11)	1 January 2016	none
	Annual IFRS improvement cycle 2012–2014	1 January 2016	immaterial

Financial reporting rules issued not yet applied

The following new or amended Standards have been issued by the IASB and will be relevant to Infineon from today's perspective. They have not been applied in the Consolidated Financial Statements as of 30 September 2017 since they are not yet mandatory or, alternatively, have not yet been endorsed by the EU. The new or amended Standards are applicable for fiscal years beginning on or after their respective effective date. As a general rule, they are not applied before their effective date, even if this is permitted for certain standards.

Standard/amendment/interpretation		Effective date	Expected impact on Infineon
IAS 7	Cash flow statements (Disclosure initiative – Amendments to IAS 7)	1 January 2017	immaterial
IAS 12	Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12)	1 January 2017	immaterial
IFRS 2	Share-based payment (classification and measurement of share-based payment transactions – Amendment to IFRS 2)	1 January 2018	immaterial
IFRS 9	Financial instruments	1 January 2018	see explanations below the table
IFRS 15	Revenue from contracts with customers including clarifications to IFRS 15	1 January 2018	see explanations below the table
IFRS 16	Leases	1 January 2019	see explanations below the table
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	immaterial
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	immaterial
	Annual IFRS improvement cycle 2014 – 2016 – Amendments to IFRS 12	1 January 2017	none
	Annual IFRS improvement cycle 2014 – 2016 – Amendments to IFRS 1 and IAS 28	1 January 2018	none

IFRS 9 "Financial Instruments"

IFRS 9 contains new rules for the classification and measurement of financial assets, which are based in particular on the underlying business model of the portfolio to which the financial asset is assigned and the specific form of the contractually agreed cash flows. Infineon assumes that financial assets that are presently recognized at amortized cost or at fair value through equity will in future be recognized at fair value through profit or loss. In future, according to IFRS 9, the recognition of the impairment of financial instruments will be based on expected losses instead of losses already incurred as is the case at present under IAS 39. For this purpose, models have been developed to estimate future credit losses for trade receivables as well as cash and cash equivalents and financial investments, which will be integrated into the existing credit risk management processes. IFRS 9 also contains new rules for the application of hedge accounting, which at Infineon will primarily result in changes to the documentation and effectiveness requirements. The provisions on financial liabilities have been largely adopted from IAS 39, expanded quantitative and qualitative disclosure in the Notes to the Consolidated Financial Statements are also required. The new standard is to be applied to fiscal years beginning on or after 1 January 2018, Infineon will apply the standard from the fiscal year beginning on 1 October 2018. According to present information, Infineon does not anticipate any material effects on the Consolidated Financial Statements, although the impact cannot yet be reliably quantified. The new measurement and classification requirements as well as those for impairments are generally to be applied retrospectively, whereas the new hedge accounting requirements are to be applied prospectively. Infineon will make use of the exemption which allows comparative information for previous periods to remain unadjusted. The difference arising from the transition to IFRS 9 will be recognized directly in equity at the beginning of the fiscal year in which the standard is first applied.

IFRS 15 "Revenue from Contracts with Customers"

The new standard provides a comprehensive framework for determining whether, to what extent, and at which point in time or over which period revenue should be recognized. For this purpose, the standard provides a principle-based, uniform, five-step model, which is to be applied to all categories of revenue transactions with customers. In essence revenue is recognized at the point control is transferred to the customer. IFRS 15 is to be applied to fiscal years beginning on or after 1 January 2018. Infineon will apply the standard from the fiscal year beginning on 1 October 2018. Cumulative effects that arise from the first-time application will be recognized directly in equity (modified retrospective approach).

In a cross-functional IFRS 15 project, Infineon captured and evaluated the effect on the Consolidated Financial Statements. The IFRS 15 project was divided into an analysis and design phase as well as an implementation phase. The analysis phase is well underway as of the balance sheet date, though not yet completed. It has concluded that future revenue under particular contract types will be recognized over a period of time instead of at a particular point in time. This will tend towards an earlier recognition than has previously been the case. For some customers with whom Infineon holds consignment stock, revenue recognition will shift from the point of withdrawal of goods and products by the customer to the point of delivery into the consignment warehouse. The changes will involve the separate disclosure of contract assets and liabilities in the Consolidated Statement of Financial Position as well as expanded quantitative and qualitative disclosure in the Notes to the Consolidated Financial Statements. Infineon does not expect a significant quantitative effect on the Consolidated Financial Statements overall. A reliable estimate of the accounting impact is not possible at this stage of the project, but only after completion of the system implementation of the technical concept.

IFRS 16 "Leases"

IFRS 16 introduces a standardized accounting model by which leasing contracts are to be recorded in the balance sheet of the lessee. This means that in future all assets and liabilities arising from a leasing agreement lessees must be recognized by the lessee. IFRS 16 makes provisions for exceptions for short term leasing arrangements with a duration of twelve months or less, and for leasing arrangements for low-value assets. The distinction between finance and operating leases is still required in the accounts of the lessor.

The new standard applies to fiscal years that begin on or after 1 January 2019, accordingly Infineon will apply the standard from the fiscal year that begins on 1 October 2019. Infineon has just begun to review the quantitative and qualitative effects that the adoption of IFRS 16 will have on the Consolidated Financial Statements, and therefore cannot yet reliably estimate their extent. As lessee Infineon can use either the retrospective approach or the modified retrospective approach with optional practical simplification rules during the transition phase. The Company has not yet decided which transition approach will be adopted.

2 Summary of significant accounting policies

Basis of consolidation

The Consolidated Financial Statements presented here include the financial statements of Infineon Technologies AG and its direct and indirect subsidiaries on a consolidated basis. A subsidiary is defined as an entity which, directly or indirectly, is controlled by Infineon Technologies AG.

Control exists when Infineon is subjected to variable returns arising from its engagement with the subsidiary or has a right to such, and has the ability to influence these returns as a result of its power over the subsidiary. Power means that Infineon has existing rights that give Infineon the current ability to direct the relevant activities (the activities that significantly affect the aforementioned returns).

An entity is included in the Consolidated Financial Statements from the date on which Infineon acquires control. Upon first-time consolidation of an entity, the acquired assets and liabilities are measured on the basis of their fair value at the acquisition date. Any excess of consideration paid (purchase price) over the share of the fair value of acquired assets, liabilities and contingent liabilities is recognized as goodwill. Any excess of Infineon's share of the fair value of items acquired over consideration paid is recognized as a gain.

The financial statements of entities included in the Consolidated Financial Statements are prepared using uniform valuation and accounting policies.

The balance sheet effects of intragroup transactions as well as gains and losses arising from intragroup business relationships are eliminated on consolidation.

P see page 173 ff.

A list of subsidiaries of Infineon Technologies AG is provided in note 26.

Functional currency, reporting currency and foreign currency translation

The functional currency of Infineon Technologies AG is the euro. The Consolidated Financial Statements have been prepared with the euro as reporting currency.

Foreign currency transactions are translated into the functional currency of the relevant entity using the exchange rates prevailing as of the transaction date. Monetary assets and liabilities which are not denominated in the functional currency of the reporting entity are translated at the closing exchange rate prevailing at the end of the relevant reporting period. Exchange rate gains and losses from the currency translation are recognized in the Consolidated Statement of Operations as part of the operating result.

The assets and liabilities of foreign subsidiaries with functional currencies other than the euro are translated into euros using period-end exchange rates. Income and expenses of these entities are translated using the average exchange rate for the period under report. All cumulative differences arising from the currency translation of the equity in foreign subsidiaries arising from changes to exchange rates are recognized directly in equity in "Other reserves".

The exchange rates of the primary currencies (€1 in foreign currency units) used in the preparation of the accompanying Consolidated Financial Statements, in alphabetical order, are as follows:

€1 in units of foreign currency	Closing rate		Annual average exchange rate	
	30 September 2017	30 September 2016	2017	2016
Japanese yen	132.8200	112.9300	123.5746	122.8719
Malaysian ringgit	4.9827	4.6434	4.8052	4.5685
Singapore dollar	1.6031	1.5270	1.5425	1.5266
US dollar	1.1806	1.1225	1.1060	1.1065

Recognition and measurement principles

The following table summarizes the principal measurement bases used in the preparation of the Consolidated Financial Statements:

Balance sheet item	Measurement principle
Assets	
Cash and cash equivalents	Nominal amount
Financial investments	Fair value/amortized cost
Trade receivables	Fair value/amortized cost
Inventories	Lower of acquisition or production cost and net realizable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	(Amortized) Acquisition or production cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
with definite useful life	(Amortized) Acquisition or production cost
Other assets (current and non-current):	
Other financial assets:	
Loans and receivables	Fair value/amortized cost
Available-for-sale	Fair value directly through equity
Measured at fair value through profit or loss	Fair value through profit or loss
Designated hedging instruments	Fair value directly through equity
Remaining other assets	(Amortized) Cost
Equity and liabilities	
Trade payables	Fair value/amortized cost
Debt	Fair value/amortized cost
Provisions	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Other liabilities (current and non-current):	
Other financial liabilities:	
Measured at fair value through profit or loss	Fair value through profit or loss
Designated hedging instruments	Fair value directly through equity
Other financial liabilities	Fair value/amortized cost
Remaining other liabilities	Fair value/amortized cost
Own shares	Acquisition cost

Cash and cash equivalents

Cash and cash equivalents represent cash and all financial resources with a maturity at acquisition date of three months or less, and are measured at their nominal amount.

Financial instruments

Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issuance of financial instruments are only included in the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Regular purchases and sales of financial assets are recognized on the basis of the settlement date.

Financial assets are derecognized when the rights to receive payments from the investments have expired or have been transferred and Infineon has transferred all risks and rewards associated with ownership. Financial liabilities are derecognized when they are extinguished, that is when the contractual obligation is discharged, canceled or expired.

Infineon classifies financial assets into the following categories: “Loans and receivables”, “Available-for-sale financial assets” and “Financial assets measured at fair value through profit and loss”. “Designated hedging instruments (cash flow hedges)” also belong to financial assets. Financial instruments of the category “Assets held-to-maturity” were not held by Infineon.

Infineon classifies financial liabilities into the following categories: “Financial liabilities measured at fair value through profit and loss” and “Other financial liabilities”. Furthermore, “Designated hedging instruments (cash flow hedges)” belong to financial liabilities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At Infineon the balance sheet items “Cash and cash equivalents”, “Financial investments”, “Trade receivables” and current and non-current “Other assets” all contain financial assets which are classified in the category “Loans and receivables”. Loans and receivables are measured on initial recognition at their fair value plus incidental acquisition costs. Subsequently, they are measured at amortized cost using the effective interest method and are tested for impairment. They are considered to be impaired when there is objective evidence that Infineon will not receive all amounts contractually due at the relevant due date. Objective evidence that indicates that impairment should be recorded would include, for example, known financial difficulties or the insolvency of a debtor. The impairment is recorded as an expense in profit or loss (in a separate allowance account). When a payment default becomes certain, such loans and receivables are considered to be uncollectible and derecognized along with the previously recognized allowance.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as available for sale, or are not allocated to any of the other categories (see above). Upon acquisition they are measured at fair value taking into account transaction costs and are subsequently measured at their fair value at the end of the relevant reporting period. Transaction costs relating to the acquisition of available-for-sale financial assets with a definite term and fixed or determinable payments are capitalized and recognized in the Consolidated Statement of Operations using the effective interest method. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. If the fair value is permanently or significantly lower than the amortized cost, then an impairment loss is recognized through profit or loss. For available-for-sale financial assets, a significant or prolonged decline in the fair value of the financial asset below its acquisition cost is considered as an indicator that the assets are impaired. If any such evidence exists, the cumulative loss that had been recognized directly in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss – is removed from equity and transferred to profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments previously recognized in equity are reclassified to profit or loss.

Financial assets or liabilities measured at fair value through profit or loss
At Infineon financial assets or liabilities measured at fair value through profit or loss comprise almost entirely of derivatives used to hedge currency risks for which hedge accounting is not applied.

Designated hedging instruments (cash flow hedges)
Certain derivative financial instruments are used to hedge foreign currency risks or risks of commodity price changes (such as gold prices) for expected and highly probable future transactions in order to minimize the associated risk (cash flow hedges).

Derivative financial instruments are measured at their fair value and included in “Other current assets” or “Other current liabilities”.

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges and are part of hedging relationships that meet the criteria for hedge accounting is recognized directly in equity. “Effective” is the degree to which changes in the fair value or cash flows of the hedged items that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The gain or loss relating to the ineffective portion is recognized in profit or loss. Amounts accumulated in equity are recycled in profit or loss in the periods in which the underlying hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedging relationship no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity until the underlying transaction actually occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Other financial liabilities

Upon acquisition other financial liabilities are measured at fair value after deduction of transaction costs. In subsequent periods they are measured at amortized cost using the effective interest method. The liabilities are derecognized when the contractual obligations are discharged, canceled or expired.

Inventories

Inventories are measured at the lower of historical acquisition or fully absorbed production cost – calculated using the weighted-average method – and net realizable value. Net realizable value corresponds to realizable sale proceeds under normal business conditions less estimated expected costs to complete and sell. Production cost comprises costs of material, production wages and an appropriate portion of attributable overheads, including attributable depreciation and amortization on property, plant and equipment and intangible assets. Overhead mark-ups are determined on the basis of normal capacity utilization levels.

Write-downs to net realizable value are recorded on inventories using a consistent approach throughout Infineon and are determined at product level for technically obsolete and slow-moving inventories on the basis of the amount of revenues expected to be generated by the relevant product.

Property, plant and equipment

Property, plant and equipment are measured at amortized acquisition or construction cost, and its value is reduced by scheduled depreciation and considering any impairment.

Scheduled depreciation on property, plant and equipment is recorded using the straight-line method. Land, property rights and construction in progress are not depreciated on a scheduled basis. Scheduled depreciation on property, plant and equipment is based on the following useful lives, as applied consistently throughout Infineon:

	Years
Buildings	10 – 25
Technical equipment and machinery	3 – 10
Other plant and office equipment	1 – 10

Intangible assets (excluding goodwill)

Intangible assets consist primarily of purchased intangible assets, such as licenses, technology and customer relationships, which are measured at acquisition cost, as well as capitalized development costs. These intangible assets have definite useful lives and are valued at their amortized acquisition or production costs with amortization recorded using the straight-line method over their expected economic life.

Scheduled amortization of intangible assets is based on the following useful lives:

	Years
Capitalized development costs	3 – 5
Customer relationships	1 – 12
Technologies	4 – 12
Licenses and similar rights	3 – 5
Other intangible assets	2 – 8

Infineon did not hold any intangible assets with indefinite useful lives in either the 2017 or 2016 fiscal years.

Recoverability of intangible assets and other long-lived assets

Goodwill

Goodwill acquired in a business combination is the excess of the consideration transferred for an interest in a business over the net fair value of acquired, separately identifiable assets, liabilities and contingent liabilities as of the date of acquisition. Goodwill is reported in the line item “Goodwill and other intangible assets” in the Consolidated Statement of Financial Position and is allocated to the cash-generating units (CGUs) or groups of CGUs that will benefit from the synergies generated by the business combination. A CGU represents the smallest identifiable group of assets that generates cash inflows from continuing activities and that are largely independent of the cash inflows from other assets or group of assets.

Acquired goodwill is only impaired if there is evidence of impairment. Its value is tested at the operating segment level for possible impairment annually as of 30 June and, additionally, whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount of the respective operating segment to which the goodwill is allocated goodwill exceeds the recoverable amount of this CGU, the goodwill is impaired accordingly. Such impairments cannot be reversed in subsequent periods.

Infineon determines the recoverable amount of a particular CGU to which goodwill has been allocated on the basis of its value in use. The value in use is measured by estimating the present value of future cash flows that will be generated by the continuing operations of the CGU discounted using an appropriate discount rate.

Cash flows, including the underlying parameters such as revenue growth and gross margin, are projected based on past experience, current operating results and the five-year strategic business plan approved in the fiscal year just ended. The plan is calculated bottom-up based on certain central assumptions applied consistently throughout Infineon. Cash flows for periods beyond the planning horizon are estimated using a terminal value. Terminal growth rates used do not take into account investments to increase capacity for which no cash outflow has taken place, and are derived from publicly available market studies from market research institutes and do not exceed the historical long-term average growth rate for the sector in which the relevant segment operates.

The discount rate for future cash flows is based on the after-tax weighted average cost of capital (WACC) for the CGU in question. The Capital Asset Pricing Model (CAPM) is used to calculate the cost of equity. The relevant pre-tax WACC used to discount future pre-tax cash flows in line with IAS 36, is derived from estimated future after-tax cash flows and the after-tax WACC using a typical tax rate for each reporting segment. The risk-free interest rate is derived using the Svensson method taking into account risk premiums, and the beta factor and debt ratio are derived from a group of companies comparable to the operating segment. In this way the discount rate derived reflects the current market rate of return as well as the specific risks attached to the respective segment.

The following table shows the allocation of the carrying amount of goodwill to the segments, as well as the valuation parameters used:

	Book value of allocated goodwill € in millions		pre-tax WACC[1] in %		after-tax WACC[1] in %		terminal growth rate[1] in %	
Segment	2017	2016	2017	2016	2017	2016	2017	2016
Automotive	5	0	12.3	n. a.	9.2	n. a.	1.5	n. a.
Industrial Power Control	48	51	12.4	12.8	9.4	9.9	1.5	1.0
Power Management & Multimarket	704	746	14.1	14.0	10.4	10.7	1.5	1.0
Corporate	2	2						
Total	**759**	**799**						

1 Valuation parameters as of 30 June 2017 and 2016.

In addition, by applying different parameters that Infineon considers to be possible but not probable, sensitivity analyses are performed on the calculation of revenue growth, gross margins, the WACC and terminal growth rates. In this way Infineon takes account of the inherently uncertain nature of estimates and carries out impairment tests on goodwill based on scenarios that are less favorable than those considered most likely. Changes considered to be possible to the parameters identified would have had no effect on the value of goodwill.

As a result of the impairment tests and the resulting sensitivity analyses carried out, Infineon concluded that none of the operating segments gave rise to an impairment of goodwill in the year under report. As of the reporting date, there were no triggering events that indicate that the recoverable amount of a CGU to which goodwill had been allocated could have fallen below the book value.

Intangible assets and other non-current assets

Infineon reviews non-current assets, including property, plant and equipment and intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets held for use is measured by comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. The value in use is generally calculated based on discounted future cash flows of the CGU to which the asset is allocated. Considerable management judgment is necessary to estimate future cash flows.

If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying value of the assets exceeds their recoverable amount. An impairment loss recognized in prior periods for an asset other than goodwill is reversed insofar as, since the last impairment, a change in the underlying assumptions has occurred which leads to a lower impairment requirement. The maximum possible reversal of an impairment loss is that which would lead to the carrying amount that would have been determined (net of scheduled depreciation and amortization) if no impairment loss had been recognized for that asset in prior years.

P see page 131

Capitalized development costs (see also the section “Research and development expenses” in this chapter) that are not subject to scheduled depreciation are tested for impairment annually and additionally whenever there are indications of impairment. Indications for impairment in particular include a reduction of expected revenues or increased costs.

Pensions and similar obligations

Infineon provides benefits to most of its employees for the period after they have retired, either directly or as a result of payments to private and public institutions. The benefits provided differ according to the legal, economic and tax circumstances prevailing in the respective country and are mostly dependent on the length of service and the salary of the employee concerned. The occupational pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, Infineon pays pre-determined amounts based on statutory or contractual regulations to an independent fund or to public or private pension insurance companies. Once the contributions are paid, Infineon has no further performance obligation. The contributions are recognized as expense in the year in which they fall due and are included in costs by function within the operating result. Liabilities are recorded for payments due to the various defined contribution plans. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction of future payments is possible.

All other plans that do not fall under the definition of a defined contribution plan are accounted for as defined benefit plans. These relate to the commitments of Infineon to pay vested rights and current benefits to eligible present and former employees and their dependants. The obligations also relate to retirement pensions. The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of the plan assets, together with adjustments for past service costs. The present value of the DBO and resulting pension cost are determined in accordance with IAS 19 “Employee Benefits” annually for each separate plan by independent, qualified actuaries using the projected-unit-credit method. For the calculation, actuarial procedures are applied for which it is necessary to make specific assumptions. The most important of these are the discount rate, future expected increases in salaries and pensions, and mortality rates.

Discount rates are determined on the basis of market yields at the end of the reporting period on high-grade, fixed interest corporate bonds from issuers carrying a very high credit rating that are denominated in the currency in which the benefits will be paid and that have remaining maturities approximating the terms of the related pension liability.

All items of income and expense relating to defined benefit plans, with the exception of the net interest result, are recognized on a net basis in the functional areas within the operating result. The net interest result arising from the multiplication of the net pension obligation (pension obligation less plan assets) by the discount rate is reported as financial expense. Actuarial gains and losses resulting from experience adjustments for defined benefit pension obligations and plan assets and from changes in actuarial assumptions are recognized directly in equity and presented in the Consolidated Statement of Comprehensive Income in the period in which they arise. Past service costs are recognized immediately in profit or loss.

Provisions

Provisions are recognized for present legal and/or constructive obligations arising from past events that are likely to result in a future outflow of resources, the amount of which can be reliably estimated.

With regard to legal proceedings and litigation, for example, the Qimonda insolvency, Infineon regularly assesses the probability of an unfavorable outcome. Infineon records provisions and liabilities, including provisions for significant legal costs, for those obligations and risks relating to legal disputes which it assesses at the relevant reporting date are likely to occur. That is where, from Infineon’s perspective at the date of assessment, there is compelling evidence which indicates an obligation or risk, and the obligation or risk can be quantified with reasonable accuracy at the time of assessment. As soon as additional information is available the affected estimates are reviewed and, where necessary, provisions for these proceedings are revised.

Provisions are measured at their expected settlement amount. The amount recognized for a provision is the best estimate of the expenditure required to settle the present obligation. Estimates of outcomes and financial effects are dependent upon the judgment of management, supplemented by experience gained from similar transactions and, where appropriate, the assessment of independent experts. If the circumstances to be assessed encompass a large number of possible outcomes, the obligation is estimated by weighting all possible outcomes by their associated probabilities (expected value method). Where there is a continuous range of possible outcomes and each point in that range is as likely as any other, the average is used.

Where cash flows are expected to arise after the next twelve months and the interest effect is considered material, provisions are stated at the present value of expected cash outflows.

If the obligation decreases as a result of a change in the estimate, the provision is adjusted accordingly and the resulting income recognized in the same functional area of the Consolidated Statement of Operations in which the original charge was recognized.

Contingent liabilities

Contingent liabilities are either possible obligations whose actual existence is dependent on the occurrence of one or more uncertain future events not wholly within the control of Infineon, or they are present obligations that will probably not result in the outflow of resources or whose outflow of resources cannot be quantified reliably. Contingent liabilities are not recognized in the Statement of Financial Position, instead they are disclosed and described in the Notes to the Consolidated Financial Statements (see notes 18 and 19).

P see page 152 ff.

Revenue recognition

Infineon generates revenues from the sale of semiconductor products and related system solutions. Infineon's semiconductor products include a wide variety of chips and components used in electronic applications ranging from automotive electronics and industrial applications to chip cards. Infineon's products are also used in a wide variety of microelectronic applications, such as computer systems, telecommunications systems and consumer goods. Revenue is allocated to the individual segments on the basis of differences in product type and applications.

In addition, Infineon generates a small portion of its revenue from the granting of licenses.

Revenues from product sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and it is sufficiently probable that the economic benefits associated with the sale will flow to Infineon. The amount of revenues recognized is based on the fair value of the consideration received or receivable taking into account returns, settlement discounts and bonuses.

In principle Infineon recognizes revenue on sales to distributors by using the “sell in” method, that is when a product is sold to the distributor. In accordance with established business practice in the semiconductor industry, under certain circumstances distributors can apply for price protection and ship and debit credit notes. Price protection allows a distributor to request a credit note for unsold products held in inventory if Infineon has reduced the standard list price of these products. In addition, in certain cases the distributor may request a ship and debit credit note for price adjustments. The authorization of these credits remains fully within the control of Infineon. Infineon calculates the provision for price protection and ship and debit in the period in which the related revenue is recorded. The ship and debit provision is determined based on rolling trends in the difference between the contract price and the standard list price to the distributor. The price protection provision is based on actual list prices and distributor inventory on hand. The availability of detailed distributor inventory data, the transparency of pricing for standard products and the long distributor pricing history enable Infineon to reliably estimate provisions for price protection and ship & debit credit notes at the end of the reporting period.

Distributors can, subject to certain conditions, return a limited amount of inventory (stock return) or request scrap allowances. Stock return credit notes are accrued based on expected stock returns in accordance with the contractual agreement combined with historical experience. Distributor scrap allowances are accrued based on the contractual agreement and, upon submission of a valid claim, are granted up to a certain maximum based on turnover in a given period. Infineon monitors such product returns on an ongoing basis and adjusts accrual assumptions accordingly. Other returns are only permitted for quality defects within the ordinary warranty period.

In some cases, rebate programs are offered to specific customers or distributors whereby the customer or distributor is granted a rebate upon achievement of a defined sales volume. Such rebates are taken into account for revenue recognition purposes.

Cost of goods sold

Cost of goods sold includes the manufacturing costs of products sold during the reporting period. In addition, among other things cost of goods sold contains idle costs, inventory risks, warranty issues as well as the amortization of capitalized development costs. Recognized foreign currency effects as well as changes in the fair value of undesignated derivative financial instruments that are connected to the operating business are recognized in cost of goods sold.

Research and development expenses

Costs of research activities are expensed as incurred. Costs for development activities, the results of which lead to a plan or design for the production of new or substantially improved products or process improvements, are capitalized if the development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Infineon intends, and has sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and directly attributable general overhead expense that serves to prepare the asset for use. Such capitalized costs are presented as internally generated intangible assets within "Goodwill and other intangible assets" (see note 11). Development costs, which do not fulfill the criteria for capitalization, are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment charges. After the completion of the development phase and following the ramp-up of production, internally generated intangible assets are generally amortized as part of cost of goods sold over a period of three to five years.

P see page 140 ff.

Grants

Grants are recognized when it is reasonably assured that Infineon will comply with the conditions attached to the grant, and it is reasonably assured that the grant will be received. Investment related grants are deducted from the purchase and production cost of the related asset and thereby reduce depreciation and amortization expense in future periods.

Grants that are related to expenses are presented as a reduction of the related expense in the Consolidated Statement of Operations (see note 7).

P see page 137

Current and deferred income taxes

The current income tax expense is calculated in accordance with taxation provisions in force at the end of the reporting period.

Deferred taxes are calculated on temporary differences between the tax base and the book value of assets and liabilities, and on tax losses available for carry-forward. By contrast, no deferred tax is recognized on goodwill arising in connection with business combinations. Similarly, deferred taxes are not recognized on the initial recognition of an asset or liability in connection with a transaction that is not a business combination and which, at the time of the transaction, affects neither the pre-tax income according to IFRS nor taxable profit. Deferred tax assets and liabilities are measured using applicable tax rates and laws that have been enacted by the end of the reporting period or are about to be enacted, and are to be applied when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets in respect of deductible temporary differences and tax loss carry-forwards which exceed deferred tax liabilities in respect of taxable temporary differences, are only recognized to the extent that it is probable that the relevant Group entity can generate sufficient taxable profit to realize the corresponding benefit. Infineon reviews deferred tax assets for impairment at every reporting date. The assessment requires management to make assumptions about future taxable profits as well as other positive and negative influencing factors.

Deferred tax assets and liabilities are netted to the extent they relate to the same tax authority and to the same taxpayer or a group of different taxpayers who are jointly assessed for income tax purposes.

Income taxes are recognized in the Consolidated Statement of Operations, with the exception of income taxes relating to items recognized directly in equity or in other comprehensive income.

For uncertain tax positions additional tax provisions are recorded or, in case of tax losses carried forward, respective deferred tax assets are reduced accordingly. The assessment of uncertain tax positions is based on best estimates.

Estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that have an impact on the presented amounts and the associated disclosures.

Estimates and assumptions undergo regular review and must be adjusted where appropriate. They can vary from period to period and have a material effect on the financial condition, liquidity position and results of operations of Infineon.

Although these estimates and assumptions are applied by management to the best of its knowledge based on current events and circumstances, actual events may result in deviations from these estimates.

Areas containing estimates and assumptions and that are consequently most likely to be affected when actual results vary from estimates are:

P see page 131 f. and page 133 ff.
- recognition and recoverability of deferred tax assets (see “Current and deferred income taxes” and note 4),

P see page 126 and page 139
- valuation of inventory (see “Inventories” and note 10),

P see page 127 f.
P see page 140 ff.
- recoverability of non-financial assets especially goodwill (see “Recoverability of intangible assets and other long-lived assets” and note 11),

P see page 129 f., page 143 f. and page 154 ff.
- recognition and valuation of provisions (see “Provisions” and notes 13 and 19) and

P see page 128 f. and page 144 ff.
- valuation of pension plans (see “Pensions and similar obligations” and note 14).

All assumptions and estimates are based on the circumstances and assessments as of the balance sheet date, and taking into account knowledge gained up to the approval by the Management Board of the Consolidated Financial Statements on 17 November 2017.

3 Acquisitions

Acquisition of 93 percent of the shares in MoTo Objekt Campeon GmbH & Co. KG

With a purchase agreement dated 17 November 2016 and with an effective date of 30 December 2016, Infineon acquired 93 percent of the shares in MoTo Objekt Campeon GmbH & Co. KG (MoTo) for €112 million, net of cash acquired. MoTo is owner and lessor of the existing Campeon office complex in Neubiberg near Munich, the location of Infineon’s headquarters. Besides fixed assets with a fair value of €366 million, Infineon also took over MoTo’s existing financial liabilities of €219 million. In addition, cash of €1 million was acquired.

The share acquisition is classified as an “asset deal” in accordance with IFRS 3 and the assets and liabilities were recognized at their respective fair value. MoTo was fully consolidated from 30 December 2016.

4 Income tax

Income tax from continuing operations for the fiscal years ending 30 September 2017 and 2016 is as follows:

€ in millions	2017	2016
Current tax expense	(125)	(116)
Deferred tax income (expense)	(17)	152
Income tax	**(142)**	**36**

Current tax expense includes an income tax expense of €4 million relating to previous fiscal years.

A deferred tax benefit of €51 million results from the creation and reversal of temporary differences.

The German combined statutory tax rate for Infineon Technologies AG is 29 percent for the 2017 and 2016 fiscal years. This comprises a corporate tax rate of 15 percent, plus a solidarity surcharge of 5.5 percent and a municipal trade tax rate of 13 percent.

Taxable income earned by foreign subsidiaries is determined on the basis of the tax laws applicable in the relevant countries and is taxed based on the applicable tax rates for these countries.

A reconciliation of income taxes from continuing operations for the fiscal years ended 30 September 2017 and 2016, using as a basis the German combined statutory tax rate of 29 percent for the 2017 and 2016 fiscal years is as follows:

€ in millions	2017	2016
Expected income tax expense	(271)	(203)
Change in available tax credits	49	70
Tax rate differential	25	27
Effects from the difference between local and functional currency (Malaysia)	(11)	7
Non-deductible expenses and tax-exempt income, net	34	25
Prior year taxes	12	19
Change in valuation allowance on deferred tax assets	39	63
Effects due to changes in tax rate	(18)	32
Other	(1)	(4)
Actual income taxes	**(142)**	**36**

Effects due to changes in applicable tax rates arise mainly from changes to applicable tax rates in Germany (municipal trade tax) and in Singapore.

In the 2017 fiscal year, the profit or loss effect from the valuation allowances on deferred tax assets for tax credits amounted to €4 million, and from temporary differences €15 million. A write-up of deferred tax assets for tax loss carry forwards of €76 million was recorded. For temporary differences the write-up amounted to €17 million in the 2017 fiscal year.

The utilization of tax loss carry forwards, tax credits and temporary differences for which deferred tax assets had not previously been recorded resulted in current tax income of €13 million in the 2017 fiscal year.

Deferred tax assets and liabilities as of 30 September 2017 and 2016 comprise the following:

€ in millions	30 September 2017		30 September 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	35	(210)	17	(206)
Property, plant and equipment	122	(40)	93	(26)
Provisions and pension obligations	255	(212)	190	(173)
Tax loss carry-forwards	430	–	492	–
Unused tax credits and excess foreign tax credits	141	–	146	–
Other	165	(92)	142	(62)
Total deferred taxes	**1,147**	**(554)**	**1,080**	**(467)**
Netting	(536)	536	(457)	457
Total	**612**	**(18)**	**623**	**(10)**

In Germany Infineon Technologies AG had corporate tax loss carry-forwards of €1.8 billion and municipal trade tax loss carry-forwards of €2.9 billion as of 30 September 2017.

In other jurisdictions corporate tax loss carry-forwards amounted to €31 million and local income tax loss carry-forwards amounted to €216 million. Additionally there are unused tax credits and excess foreign tax credits of €401 million.

Infineon assessed its deferred tax assets for the need for a valuation allowance. Based on the results of the assessment of deferred tax assets, considering all positive and negative factors and information relating to the foreseeable future, Infineon recognized deferred tax assets, after netting, of €612 million as of 30 September 2017.

No deferred taxes were recorded for the following items (gross amounts):

€ in millions	2017	2016
Tax loss carry forwards (corporate tax and local income tax)	1,868	2,427
Tax credits	260	243
Temporary differences	516	740

There are no tax loss carry-forwards for which material deferred tax assets were not recognized and which are subject to expiration under statutory tax regulations. Of the tax credits for which no deferred tax assets were recognized, €27 million will expire in the coming five years.

The change of the net amount of deferred tax assets and liabilities can be broken down as follows:

€ in millions	2017	2016
Deferred taxes, net as of the beginning of the fiscal year	**613**	**457**
Deferred taxes attributable to continuing operations	(17)	153
Deferred taxes recognized in equity	(2)	5
Foreign currency translation	–	(2)
Deferred taxes, net as of the end of the fiscal year	**594**	**613**

In connection with investments in subsidiaries there are taxable temporary differences of €668 million for which no deferred tax has been recognized because the timing of the reversal can be controlled and it is not probable that the temporary difference will reverse in the foreseeable future.

Including the items recognized directly in equity and the expense/benefit from continuing and discontinued operations, the income tax consisted of the following:

€ in millions	2017	2016
Income taxes from continuing operations	(142)	36
Income taxes from discontinued operations	(6)	(3)
Income taxes recognized directly in equity	–	5
Income taxes	**(148)**	**38**

Income taxes recorded directly in equity consist of current and deferred taxes of €2 million, respectively, which offset one another.

5 Disposals and discontinued operations and assets classified as held for sale

Qimonda – discontinued operations

On 23 January 2009, Qimonda AG ("Qimonda"), a majority owned company, filed an application at the Munich Local Court to commence insolvency proceedings. On 1 April 2009, the insolvency proceedings opened. Insolvency proceedings were also opened for further domestic and foreign subsidiaries of Qimonda. Some of these insolvency proceedings have already been completed. The impacts of these proceedings are reported as discontinued operations in Infineon's Consolidated Statement of Operations and Consolidated Statement of Cash Flows, to the extent that the underlying events occurred before the commencement of insolvency proceedings. To the extent that the events occurred after the commencement of insolvency proceedings, their results are reported as part of continuing operations.

In the 2017 and 2016 fiscal years adjustments to individual provisions arose as a result of recent developments in connection with the insolvency of Qimonda, as well as subsequent income from other discontinued operations. These led to earnings after tax as shown in the table below.

P see page 154 f.

The current risks and provisions relating to Qimonda's insolvency are described in detail in note 19 "Proceedings in relation to Qimonda".

Income/loss from discontinued operations, net of income taxes

€ in millions	2017	2016
Qimonda's share of discontinued operations, net of income taxes	(1)	(1)
Others business' share of discontinued operations, net of income taxes	–	3
Income from discontinued operations, net of income taxes	**(1)**	**2**

Newport

On 29 September 2017, 100 percent of the shares of IR Newport Limited ("Newport") were sold. The consideration received in the 2017 fiscal year amounted to €15 million. Overall, a loss on deconsolidation of €13 million arose from the transaction which was recorded under other operating expenses. This primarily resulted from the reclassification to profit or loss of €20 million of cumulative currency translation effects due to the devaluation of the British pound, which had been recognized in other comprehensive income during the previous fiscal year just ended and previous fiscal years. Assets of €33 million were deconsolidated in the 2017 fiscal year in connection with the loss of control. This included cash divested in the amount of €5 million. In addition, liabilities of €6 million were deconsolidated.

Assets classified as held for sale

On 30 September 2017, land and buildings as well as technical equipment and machinery with a carrying amount of €23 million (30 September 2016: €0 million) were disclosed as assets classified as held for sale.

6 Earnings per share

Basic earnings per share are calculated by dividing earnings by the weighted average number of shares outstanding during the reporting period. The calculation of the diluted earnings per share is based on the assumption that all potentially dilutive instruments are converted into ordinary shares, resulting in a corresponding increase in the number of shares on the one hand and a corresponding reduction in the charge on earnings for these instruments, such as interest expense, on the other.

Basic and diluted earnings per share are calculated as follows for the fiscal years ended 30 September 2017 and 2016:

€ in millions (unless otherwise stated)	2017	2016
Earnings attributable to shareholders of Infineon Technologies AG – basic and diluted	**790**	**744**
thereof from continuing operations	791	742
thereof from discontinued operations	(1)	2
Weighted-average number of shares outstanding (in millions):		
– Ordinary share capital	1,134.6	1,131.2
– Adjustment for own shares	(6.0)	(6.0)
Weighted-average number of shares outstanding – basic	**1,128.6**	**1,125.2**
Adjustments for:		
– Effect of share-based compensation	5.3	4.1
Weighted-average number of shares outstanding – diluted	**1,133.9**	**1,129.3**
Basic and diluted earnings per share [1] (in euro):		
Earnings per share (in euro) from continuing operations	0.70	0.66
Earnings per share (in euro) from discontinued operations, net of income taxes	–	–
Earnings per share (in euro) – basic and diluted	**0.70**	**0.66**

1 The calculation of earnings per share is based on unrounded figures.

7 Additional notes to the Statement of Operations

Cost of materials and purchased services as well as personnel expense

The Consolidated Statement of Operations (continuing and discontinued operations) includes the following expenses for purchased services, materials and personnel.

Expenses for purchased services and materials comprised the following in the 2017 and 2016 fiscal years:

€ in millions	2017	2016
Cost of raw materials, supplies and purchased goods	1,497	1,412
Cost of purchased services	1,426	1,295
Total (continuing and discontinued operations)	**2,923**	**2,707**

Personnel expenses comprised the following in the 2017 and 2016 fiscal years:

€ in millions	2017	2016
Wages and salaries	1,868	1,734
Social insurance levies, pensions and similar obligations	338	313
Total (continuing and discontinued operations)	**2,206**	**2,047**

The average number of employees by geographic region is as follows for the 2017 and 2016 fiscal years:

	2017	2016
Europe	15,566	14,971
Therein: Germany	10,124	9,727
Asia-Pacific (without Japan)	17,448	17,148
Therein: China	1,963	1,998
Japan	181	172
Americas	3,767	3,705
Therein: USA	2,062	2,092
Total	**36,962**	**35,996**

Grants and subsidies

Infineon has received grants and subsidies from various governmental institutions under government business development programs including grants for the construction of manufacturing facilities, for research and development activities and employee development. Grants and subsidies taken into consideration in profit or loss in the Consolidated Financial Statements during the 2017 and 2016 fiscal years are as follows:

€ in millions	2017	2016
Included in the Consolidated Statement of Operations in:		
Cost of goods sold	37	33
Research and development expenses	68	75
Selling, general and administrative expenses	1	2
Total	**106**	**110**

P see page 153

For compliance with the requirements attached to the grants and subsidies received and potential repayment requirements in case of nonfulfillment, see note 18.

8 Financial investments

Financial investments comprise fixed-term deposits with banks, investment funds, money market funds and securities. While fixed-term deposits with banks with an original term of more than three months and money market funds qualify as loans and receivables pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, investment funds and securities are categorized as available-for-sale financial assets (for valuation see note 2).

P see page 123 ff.

P see page 158 ff.

Financial investments as of 30 September 2017 and 2016 comprise the following (for further information see also notes 22 and 23):

€ in millions	30 September 2017	30 September 2016
Fixed-term bank deposits and money market funds	1,070	1,157
Investment funds	466	399
Securities	56	59
Financial investments	**1,592**	**1,615**

9 Trade receivables

Trade receivables due within one year as of 30 September 2017 and 2016 consist of the following:

€ in millions	30 September 2017	30 September 2016
Trade receivables, third parties	860	784
Trade receivables, related parties	–	1
Trade receivables, gross	**860**	**785**
Allowance for doubtful accounts	(9)	(11)
Trade receivables, net	**851**	**774**

Changes in the allowance for doubtful accounts for the 2017 and 2016 fiscal years were as follows:

€ in millions	2017	2016
Allowance for doubtful accounts at beginning of the fiscal year	11	7
Current year’s allowance, net of reversals	(2)	4
Allowance for doubtful accounts at end of the fiscal year	**9**	**11**

Third party trade receivables, net of allowances for doubtful accounts, at the reporting date comprise the following:

€ in millions	Carrying amount	Thereof not past due	Past due 0–30 days	Past due > 31 days
Third party trade receivables, net of allowances as of 30 September 2017	851	831	16	4
Third party trade receivables, net of allowances as of 30 September 2016	773	753	14	6

With respect to trade receivables that are not overdue and not impaired at the end of the reporting period, there are no indications that customers, based on their past credit history and current creditworthiness assessments, are not able to meet their obligations.

Receivables with a maturity of more than one year are presented as other non-current assets.

10 Inventories

Inventories as of 30 September 2017 and 2016 consist of the following:

€ in millions	30 September 2017	30 September 2016
Raw materials and supplies	131	111
Work in progress	749	701
Finished goods and merchandise	360	379
Total	**1,240**	**1,191**

Cost of sales consists mainly of inventory-related expenses in the 2017 and 2016 fiscal years.

Inventories as of 30 September 2017 and 2016 are stated net of write-downs of €131 million and €136 million, respectively.

11 Property, plant and equipment, goodwill and other intangible assets

A summary of changes in property, plant and equipment as well as in goodwill and other intangible assets for the years ended 30 September 2017 and 2016 is as follows:

Changes in property, plant and equipment and goodwill and other intangible assets 2017

	Cost							
€ in millions	1 October 2016	Additions	Acquisitions through business combinations[1]	Disposals	Reclassification	Transfers[2]	Foreign currency effects	30 September 2017
Property, plant and equipment								
Land, land rights and buildings	1,095	32	366	(21)	45	(10)	(6)	1,501
Technical equipment and machinery	7,648	437	–	(127)	215	–	(27)	8,146
Other plant and office equipment	1,210	76	–	(65)	14	–	(8)	1,227
Payments on account and construction in progress	284	329	–	(2)	(274)	(4)	(1)	332
Total property, plant and equipment	**10,237**	**874**	**366**	**(215)**	**–**	**(14)**	**(42)**	**11,206**
Goodwill and other intangible assets								
Goodwill acquired for consideration	799	–	5	–	–	–	(45)	759
Capitalized development costs	517	129	–	(3)	–	–	–	643
Customer relationships	396	–	–	–	–	–	(4)	392
Technologies	283	–	2	–	–	–	(10)	275
Licenses and similar rights	212	19	–	(11)	–	–	(1)	219
Other intangible assets	18	–	–	–	–	–	–	18
Total goodwill and other intangible assets	**2,225**	**148**	**7**	**(14)**	**–**	**–**	**(60)**	**2,306**

1 For the year ended 30 September 2017, amounts shown under property, plant and equipment as "Acquisitions through business combinations" relate to assets acquired in connection with the acquisition of MoTo.
2 For the year ended 30 September 2017, transfers relate to assets that were classified as held for sale.

Changes in property, plant and equipment and goodwill and other intangible assets 2016

	Cost							
€ in millions	1 October 2015	Additions	Acquisitions through business combinations	Disposals	Reclassification	Transfers	Foreign currency effects	30 September 2016
Property, plant and equipment								
Land, land rights and buildings	1,003	26	–	(9)	73	–	2	1,095
Technical equipment and machinery	7,220	336	–	(95)	210	–	(23)	7,648
Other plant and office equipment	1,175	83	–	(64)	15	–	1	1,210
Payments on account and construction in progress	314	271	–	(3)	(298)	–	–	284
Total property, plant and equipment	**9,712**	**716**	**–**	**(171)**	**–**	**–**	**(20)**	**10,237**
Goodwill and other intangible assets								
Goodwill acquired for consideration	803	–	–	–	–	–	(4)	799
Capitalized development costs	419	98	–	–	–	–	–	517
Customer relationships	395	–	–	–	–	–	1	396
Technologies	294	–	–	(12)	–	–	1	283
Licenses and similar rights	201	12	–	(1)	–	–	–	212
Other intangible assets	18	–	–	–	–	–	–	18
Total goodwill and other intangible assets	**2,130**	**110**	**–**	**(13)**	**–**	**–**	**(2)**	**2,225**

Depreciation/amortization and impairment								Carrying amount	
1 October 2016	Depre-ciation/ amor-tization	Disposals	Reclassi-fication	Transfers [2]	Impair-ments	Foreign currency effects	30 Septem-ber 2017	30 Septem-ber 2017	30 Septem-ber 2016
(731)	(60)	15	(1)	2	–	4	(771)	730	364
(6,305)	(498)	113	1	–	–	20	(6,669)	1,477	1,343
(1,082)	(94)	64	–	–	–	5	(1,107)	120	128
–	–	–	–	–	–	–	–	332	284
(8,118)	**(652)**	**192**	**–**	**2**	**–**	**29**	**(8,547)**	**2,659**	**2,119**
–	–	–	–	–	–	–	–	759	799
(205)	(39)	2	–	–	(5)	–	(247)	396	312
(121)	(58)	–	–	–	–	–	(179)	213	275
(70)	(41)	–	–	–	–	2	(109)	166	213
(163)	(21)	10	–	–	–	–	(174)	45	49
(10)	(1)	–	–	–	–	–	(11)	7	8
(569)	**(160)**	**12**	**–**	**–**	**(5)**	**2**	**(720)**	**1,586**	**1,656**

Depreciation/amortization and impairment								Carrying amount	
1 October 2015	Depre-ciation/ amor-tization	Disposals	Reclassi-fication	Transfers	Impair-ments	Foreign currency effects	30 Septem-ber 2016	30 Septem-ber 2016	30 Septem-ber 2015
(693)	(42)	9	–	–	6	(11)	(731)	364	310
(5,867)	(536)	89	–	–	(7)	16	(6,305)	1,343	1,353
(1,059)	(87)	64	–	–	–	–	(1,082)	128	116
–	–	–	–	–	–	–	–	284	314
(7,619)	**(665)**	**162**	**–**	**–**	**(1)**	**5**	**(8,118)**	**2,119**	**2,093**
–	–	–	–	–	–	–	–	799	803
(159)	(31)	–	–	–	(15)	–	(205)	312	260
(53)	(68)	–	–	–	–	–	(121)	275	342
(32)	(43)	5	–	–	–	–	(70)	213	262
(144)	(20)	1	–	–	–	–	(163)	49	57
(4)	(6)	–	–	–	–	–	(10)	8	14
(392)	**(168)**	**6**	**–**	**–**	**(15)**	**–**	**(569)**	**1,656**	**1,738**

Depreciation on property, plant and equipment is presented in the Consolidated Statement of Operations mainly in cost of goods sold. Amortization of intangible assets is mainly presented in cost of goods sold or selling, general and administrative expenses. Impairments on property, plant and equipment and intangible assets are reported under other operating expenses.

Property, plant and equipment of €210 million serves mainly as collateral for existing financing arrangements as of 30 September 2017 (prior year: €0 million) (see note 12).

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Undiscounted future minimum lease payments to be received from operating lease arrangements excluding sub-lease arrangements (see note 18) for Infineon as lessor are as follows:

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Payments due in (€ in millions)	**Total**	Less than 1 year	1 – 5 years	After 5 years
As of 30 September 2017	**96**	21	60	15
As of 30 September 2016	**8**	6	2	–

12 Debt

Debt as of 30 September 2017 and 2016 consists of the following:

€ in millions	30 September 2017	30 September 2016
Current maturities of long-term debt, weighted average interest rate: 1.65% (2016: 1.37%)	24	17
Bond €300 million, coupon 1.00%, due 2018	299	–
Short-term debt and current maturities of long-term debt	**323**	**17**
Loans payable to banks:		
Unsecured loans, weighted average interest rate 0.73% (2016: 0.52%), due 2018 – 2023	27	128
Secured term loans, weighted average interest rate 2.03%, due 2018 – 2021	198	–
Bond €300 million, coupon 1.00%, due 2018	–	298
Bond €500 million, coupon 1.50%, due 2022	496	496
USPP notes US$935 million, weighted average interest rate 4.09%, due 2024 – 2028	790	830
Long-term debt	**1,511**	**1,752**
Total	**1,834**	**1,769**

In connection with the acquisition of shares in MoTo in December 2016 Infineon took over existing financial liabilities with a fair value of €219 million, secured on the property (land and buildings). Following intervening repayments, the carrying amount as of 30 September 2017 is €214 million of which €198 million is reported under long-term liabilities.

In order to optimize its capital structure Infineon repaid a loan of €100 million in June 2017.

The bond of €300 million is due for repayment in September 2018 and was therefore transferred to short-term debt as of 30 September 2017.

Infineon has established further independent financing arrangements in the form of both short- and long-term credit facilities, in order to finance operating business requirements.

The total lines of credit as of 30 September 2017 and 2016 are summarized in the following table:

€ in millions	30 September 2017			30 September 2016		
Term	Aggregate facility	Drawn	Available	Aggregate facility	Drawn	Available
Short-term	95	23	72	91	17	74
Long-term	225	225	–	773	127	646
Total	**320**	**248**	**72**	**864**	**144**	**720**

The credit lines agreed in the previous fiscal year of US$500 million and €200 million for the acquisition of Wolfspeed which was not successfully concluded were canceled early by Infineon in February 2017.

Aggregate amounts of debt and interest maturing in the coming years are as follows:

€ in millions	30 September 2017		30 September 2016	
	Debt	Interest	Debt	Interest
Less than 1 year	322	48	17	46
1 – 2 years	20	44	303	46
2 – 3 years	21	44	108	43
3 – 4 years	176	41	8	42
5 years and after	1,297	178	1,341	186
Total	**1,836**	**355**	**1,777**	**363**

Net financial result for the 2017 and 2016 fiscal year includes €56 million and €58 million net interest expenses which include in addition to borrowing costs other interest expenses such as net interest expense for pension liabilities.

13 Provisions

Short-term and long-term provisions as of 30 September 2017 consist of the following:

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€ in millions	1 October 2016	Additions	Usage	Reversals	30 September 2017
Obligations to employees	288	282	(210)	(6)	354
Warranties	46	34	(10)	(17)	53
Provisions related to Qimonda (see note 19)	32	10	(5)	(4)	33
Other	37	26	(7)	(7)	49
Total provisions	**403**	**352**	**(232)**	**(34)**	**489**
Thereof short-term	327				422
Thereof long-term	76				67

Obligations to employees include, among others, costs of variable compensation, outstanding vacation and flextime, service anniversary awards, other personnel costs and social security costs.

Provisions for warranties mainly represent the estimated future cost of fulfilling contractual requirements associated with products sold.

Other provisions comprise provisions for litigations (other than provisions relating to Qimonda), asset retirement obligations, onerous contracts and miscellaneous other liabilities.

Of the total provisions as of 30 September 2017 and 2016, a cash outflow of €422 million and €327 million, respectively, is expected to occur within one year. With the exception of the service anniversary awards of €27 million as of 30 September 2017 and 2016, respectively, the cash outflow for the majority of the remaining €40 million and €49 million as of 30 September 2017 and 2016, respectively, is expected within two to seven years.

14 Pension plans

Defined benefit pension plans

Infineon's employee benefit plans consist of domestic and foreign defined benefit and defined contribution pension plans providing retirement, disability and surviving dependents' benefits. For the Infineon Group, the significant benefit plans in Germany pertain to Infineon Technologies AG, and among the foreign benefit plans to Infineon Technologies Austria AG.

In Germany Infineon primarily offers defined contribution benefits which provide for the employees when they reach retirement age, or in the event of disability or death. With the Infineon pension plan new entrants receive a defined contribution benefit which is funded by Infineon. Payments by the Infineon pension plan are generally made in twelve installments. For active employees who were, before the Infineon Pension Plan came into force, entitled to benefits in the form of an annuity, this commitment is the overriding one and thereby the possibility of an annuity is guaranteed. Together with former employees, whose pension benefit obligations are no longer transferred into the Infineon Pension Plan, this group makes up the largest part of the obligation at this time. The statutory framework is provided by the Company Pension Act (in German: Betriebsrentengesetz or "BetrAVG") and by employment law in general. An appropriate provision is recorded for the German defined benefit pension plans, which are partly backed by plan assets. Individual agreements are in place for the members of the Management Board which are backed by plan assets (detailed in the chapter "Compensation Report").

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The benefit obligation of some foreign plans is measured according to the income in the last month or year of service, others are dependent on average income over the service period. Furthermore, in certain countries Infineon makes severance payments irrespective of the reason for the termination of employment, these payments are usually defined by law in the relevant country. The liabilities arising from foreign defined benefit pension plans are partly covered by plan assets.

The valuation date of both the German and foreign pension plans is 30 September.

The Group defined benefit pension plans are exposed to risks arising from changes to actuarial assumptions such as interest rates, salary and pension trends, investment risks and longevity risks. A low discount rate leads to higher pension liabilities. Equally, a lower than expected growth in plan assets could lead to a deterioration of the funded status, or require the payment of additional contributions.

The development of Infineon's German (domestic) and non-German (foreign) pension plans and the plan assets to 30 September 2017 and 2016 is presented in the following table:

€ in millions	2017			2016		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
Change in defined benefit obligations taking into account future salary increases:						
Present value at beginning of year	(964)	(172)	(1,136)	(773)	(141)	(914)
Current service cost	(24)	(6)	(30)	(21)	(5)	(26)
Past service income (cost)	1	–	1	(5)	–	(5)
Interest cost	(10)	(4)	(14)	(18)	(5)	(23)
Actuarial gains (losses) for:						
Experience adjustments	(21)	1	(20)	(2)	(1)	(3)
Adjustments to demographic assumptions	–	–	–	–	(13)	(13)
Adjustments to financial assumptions	128	8	136	(159)	(20)	(179)
Benefits paid by Infineon	14	5	19	14	8	22
Foreign currency effects	–	4	4	–	5	5
Present value of defined benefit obligation at end of year	**(876)**	**(164)**	**(1,040)**	**(964)**	**(172)**	**(1,136)**
Change in fair value of plan assets:						
Fair value of plan assets at beginning of year	470	62	532	437	51	488
Expected return on plan assets	5	2	7	11	2	13
Actuarial gains (losses)	(1)	–	(1)	23	11	34
Contributions from Infineon	14	6	20	13	11	24
Benefits paid	(14)	(5)	(19)	(14)	(8)	(22)
Foreign currency effects	–	(2)	(2)	–	(5)	(5)
Fair value of plan assets at end of year	**474**	**63**	**537**	**470**	**62**	**532**
Net pension liability	**(402)**	**(101)**	**(503)**	**(494)**	**(110)**	**(604)**
Thereof: Infineon Technologies AG	(373)	–	(373)	(461)	–	(461)
Thereof: Infineon Technologies Austria AG	–	(53)	(53)	–	(56)	(56)

Pension obligations are reported in the Consolidated Statement of Financial Position under "Pension plans and similar commitments".

Since no asset ceilings applied, the funded status of the Infineon pension plans corresponds to the amounts reported in the Consolidated Statement of Financial Position as of 30 September 2017 and 2016.

The funding of the defined benefit obligations is as follows:

€ in millions	30 September 2017			30 September 2016		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
Plans that are wholly unfunded	10	81	91	11	93	104
Plans that are wholly or partly funded	866	83	949	953	79	1,032
Total	**876**	**164**	**1,040**	**964**	**172**	**1,136**

Actuarial assumptions

The weighted-average assumptions used in calculating the actuarial values for the pension plans are as follows:

in %	30 September 2017		30 September 2016	
	Domestic plans	Foreign plans	Domestic plans	Foreign plans
Discount rate at the end of the fiscal year	1.8	2.7	1.0	2.2
Rate of salary increase	2.0	2.6	2.0	2.3
Projected future pension increases	1.8	2.1	2.0	1.9

Discount rates are derived from high-grade fixed interest corporate bonds from issuers carrying a very high credit rating.

Sensitivity analysis

The following sensitivity analysis table shows how the present value of all defined benefit pension obligations would be affected by changes in the aforementioned actuarial assumptions. In each case they reflect the effect of changes in one actuarial assumption holding all other assumptions constant.

€ in millions	30 September 2017			30 September 2016		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
Present value of defined benefit pension plans with:						
a 50 basis points higher discount rate	804	153	957	878	160	1,038
a 50 basis points lower discount rate	956	177	1,133	1,059	186	1,245
a 50 basis points higher expected rate of salary increase	887	168	1,055	975	177	1,152
a 50 basis points lower expected rate of salary increase	866	160	1,026	954	167	1,121
a 50 basis points higher expected rate of pension increase	893	170	1,063	982	177	1,159
a 50 basis points lower expected rate of pension increase	863	159	1,022	940	164	1,104
Increase in life expectancy by one year	896	167	1,063	992	172	1,164

The 2005 G actuarial tables by Dr. Klaus Heubeck were used for Germany, and for Austria the AVÖ 2008-P (Ang.) tables were applied.

Investment strategies

The pension plans' assets are invested with several fund managers. The investment guidelines require a mix of active and passive investment management programs covering different asset classes. Taking the duration of the underlying liabilities into account, a portfolio of investments of plan assets in equity, debt and other securities, and reinsurance policies is targeted to maximize the total long-term return on assets for a given level of risk. Investment risk is monitored on an ongoing basis through periodic portfolio reviews, coordination with investment managers and annual liability measurements. Investment policies and strategies are periodically reviewed as part of detailed studies of assets and liabilities by independent investment advisors and actuaries to ensure the objectives of the plans are met, taking into account any changes in benefit plan structure, market conditions or other material items. The aim is to optimize the risk-return portfolio of plan assets against the liabilities using a diversified portfolio of investments within a defined risk budget and to thereby increase the funding ratio in the long term.

Plan asset allocation

As of 30 September 2017 and 2016 the allocation of invested plan assets to the major asset categories is as follows:

€ in millions	30 September 2017		30 September 2016	
	Quoted in an active market	Not quoted in an active market	Quoted in an active market	Not quoted in an active market
Government bonds	127	–	140	–
Corporate bonds	160	1	153	1
Equity securities	150	–	133	–
Cash and cash equivalents	3	–	6	–
Reinsurance policies	1	34	–	33
Property	3	15	3	19
Other	24	19	25	19
Total	**468**	**69**	**460**	**72**

Government and corporate bonds are traded in liquid markets and the majority of them have an investment grade rating.

The position "Other" in the table above comprises mainly commodity funds and certificates.

As a matter of policy Infineon's pension plans do not invest in shares or debt instruments of Infineon.

The actual return on plan assets in the fiscal year ended 30 September 2017 was €6 million (2016: €47 million).

Amounts recognized in profit or loss and in total comprehensive income

The expenses and income of defined benefit plans for the years ended 30 September 2017 and 2016 comprise the following:

€ in millions	2017			2016		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
Current service cost	(24)	(6)	(30)	(21)	(5)	(26)
Interest cost	(10)	(4)	(14)	(18)	(5)	(23)
Expected return on plan assets	5	2	7	11	2	13
Amortization of unrecognized past service (cost) benefit	1	–	1	(5)	–	(5)
Pension cost	**(28)**	**(8)**	**(36)**	**(33)**	**(8)**	**(41)**

Service costs are recorded within cost of goods sold to the extent that they relate to production employees, otherwise they are recorded as research and development or selling, general and administrative expenses. Interest costs and expected return on plan assets were recorded net as part of financial expense.

Actuarial gains of €115 million and actuarial losses of €161 million have been recognized outside net income in other comprehensive income for the years ended 30 September 2017 and 2016, respectively.

As of 30 September 2017 and 2016, cumulative actuarial losses amounted to €368 million and €482 million, respectively. In addition, cumulative actuarial losses amounting to €6 million and €7 million, respectively, resulting from deferred compensation and health care plans, are also recognized directly in other comprehensive income.

In the 2018 fiscal year, payments of €26 million are expected to be made to plan assets which relate to benefits paid directly to pension recipients by the Group companies.

The weighted average duration of defined benefit plans is around 17 and 18 years as of 30 September 2017 and 2016, respectively.

The following table shows the expected disbursements for defined benefit plans for the next ten fiscal years as of 30 September 2017 and 2016:

€ in millions	30 September 2017	30 September 2016
Less than 1 year	26	21
1 – 2 years	27	22
2 – 5 years	98	81
5 – 10 years	223	191
Total	**374**	**315**

Defined contribution plans

In connection with defined contribution plans, fixed contributions are made to external insurance providers or funds. Infineon has no further performance obligations or risks with regard to these pension plans in excess of the fixed contributions paid. Additionally, the Group makes contributions to government pension schemes. Expenses for defined contribution plans amounted to €165 million and €162 million in the fiscal years ended 30 September 2017 and 2016, respectively.

15 Equity

Ordinary share capital

The ordinary share capital of Infineon Technologies AG increased during the 2017 fiscal year by €7,055,640. 3,527,820 new shares were issued as a result of the exercise of stock options by employees as well as by current and past members of the Management Board (2016: 3,401,628). As of 30 September 2017, the ordinary share capital stood at €2,272,401,858 divided into 1,136,200,929 no par value registered shares, each representing €2 of the Company's ordinary share capital and is fully paid. Each share grants the holder one vote and an equal portion of the profits in the form of a dividend as resolved by the Annual General Meeting. As of 30 September 2017, of the abovementioned total number of issued shares the Company held 6 million own shares (2016: 6 million). Own shares held by the Company as of the date of the Annual General Meeting carry no voting rights and are not entitled to dividend.

Additional paid-in capital

Additional paid-in capital reported in the Consolidated Statement of Financial Position decreased by €242 million in the 2017 fiscal year, of which €248 million related to the dividend paid in February 2017. The exercise of stock options by employees as well as by current and past members of the Management Board increased additional paid-in capital by €19 million. Expenses amounting to €13 million for share-based compensation were recorded in the 2017 fiscal year, additional paid-in capital increased by the same amount. In addition, negative €26 million (net after tax) was recorded in additional paid-in capital in the 2017 fiscal year in connection with the settlement of the 2014 fiscal year tranche of the Performance Share Plan. The Management Board and the Supervisory Board decided to settle the tranche in cash for the 2014 fiscal year. This amount has been reclassified to other current liabilities (for details see note 17).

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Additional paid-in capital reported in the Consolidated Statement of Financial Position decreased by €197 million in the 2016 fiscal year, of which €225 million related to the dividend paid in February 2016. The exercise of stock options by employees as well as by current and past members of the Management Board increased additional paid-in capital by €19 million. Expenses amounting to €9 million for share-based compensation were recorded in the 2016 fiscal year, additional paid-in capital increased by the same amount.

Authorized share capital

As of 30 September 2017, the Company's Articles of Associations provide for two authorized share capitals amounting to up to €706,000,000:

- Section 4, paragraph 4, of the Articles of Association provides that the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in the period until its expiry on 11 February 2020 once or in partial amounts by a total of up to €676,000,000 through the issue of new no par value registered shares, carrying a dividend right from the beginning of the fiscal year in which they are issued, against contributions in cash or in kind (Authorized Capital 2015/I). The Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in certain cases. In accordance with German law, cash capital increases with subscription rights excluded pursuant to section 186, paragraph 3, sentence 4, of the AktG, are not permitted to exceed 10 percent of a company's share capital – neither at the time of the authorization becoming effective nor at the time of its exercise. For share capital increases against contributions in kind or a combination of cash contributions and contributions in kind, the authorization further provides an upper limit of 20 percent of the share capital, again measured either at the time the authorization becomes effective or, if the value is lower, at the time of its exercise.
- Section 4, paragraph 7, of the Articles of Association provides that the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to 17 February 2021 – either once or in partial amounts – by a total of up to €30,000,000 by issuing new no par value registered shares against contributions in cash for the purpose of increasing the issue to employees of the Company or its Group companies (Authorized Capital 2016/I). The subscription rights of the shareholders are excluded in relation to these shares. The shares may be issued in such a manner that the contribution to be paid on such shares is covered by the portion of the profit for the year that the Management Board and Supervisory Board could transfer to revenue reserves in accordance with section 58, paragraph 2, AktG.

Conditional capital

As of 30 September 2017, the Company's Articles of Associations provide for two conditional capitals amounting to up to €274,910,838:

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- Pursuant to section 4, paragraph 5, of the Articles of Association the share capital is conditionally increased by up to €14,910,838 through the issue of up to 7,455,419 new no par value registered shares in connection with the Company's "Infineon Technologies AG Aktienoptionsplan 2010" ("Stock Option Plan 2010") (see note 17) (Conditional Capital 2010/I). During the 2017 fiscal year, a total of 3,527,820 new no par value shares with a proportionate amount of share capital of €2 per share were issued out of the Conditional Capital 2010/I as a result of the exercise of share options in connection with the Stock Option Plan 2010. Conditional Capital 2010/I decreased accordingly by €7,055,640 to €7,855,198. The corresponding change to the Articles of Association was submitted after the end of the reporting period and entered into the Commercial Register as requested.
- Pursuant to section 4, paragraph 6, of the Articles of Association the share capital is conditionally increased by up to €260,000,000 through the issue of up to 130,000,000 new no par value registered shares to satisfy the rights of the holders of warrants or convertible bonds, which the Company may issue at any time prior to 12 February 2019 (Conditional Capital 2014).

Other reserves

Changes in other reserves during the 2017 and 2016 fiscal years are as follows:

€ in millions	2017			2016		
	Pretax	Tax	Net after tax	Pretax	Tax	Net after tax
Foreign currency translation differences	(66)	–	(66)	(28)	–	(28)
Deal Contingent Forward	6	–	6	(6)	–	(6)
Realized (gains) losses resulting from hedge accounting	1	–	1	(1)	–	(1)
Unrealized gains (losses) resulting from hedge accounting	(2)	(1)	(3)	4	(3)	1
Realized (gains) losses resulting from securities	1	–	1	–	–	–
Unrealized gains (losses) resulting from securities	1	–	1	(1)	–	(1)
Total	**(59)**	**(1)**	**(60)**	**(32)**	**(3)**	**(35)**

Accumulated deficit

The following table shows a reconciliation of accumulated deficit as of 30 September 2017 and 2016:

€ in millions	
As of 1 October 2015	(2,897)
Net income attributable to shareholders of Infineon Technologies AG	744
Actuarial losses on pension plans and similar commitments net of tax of €5 million	(159)
As of 30 September 2016	**(2,312)**
Net income attributable to shareholders of Infineon Technologies AG	790
Actuarial gains on pension plans and similar commitments net of tax of €2 million	118
As of 30 September 2017	**(1,404)**

Dividends

For the 2016 fiscal year, a cash dividend of €0.22 per share (total amount: €248 million) was paid. For the 2015 fiscal year, a cash dividend of €0.20 per share (total amount: €225 million) was paid in the 2016 fiscal year.

Due to the results achieved in the reporting period as well as a positive business outlook, a dividend of €0.25 for each share entitled to a dividend shall be proposed to be paid from the €306 million of distributable profits of Infineon Technologies AG for the 2017 fiscal year, an increase of €0.03 compared to the previous year. This would result in an expected distribution of approximately €283 million. The payment of this dividend depends on the approval of the Annual General Meeting on 22 February 2018.

16 Capital management

Infineon's main capital management objective is to ensure financial flexibility on the basis of a solid capital structure. As with comparable companies in the semiconductor industry, it is of prime importance that sufficient cash funds are available to finance operating activities and planned investments throughout all phases of the business cycle. On the other hand, debt should only constitute a modest portion of the financing mix.

Based on these principles Infineon has defined key objectives for capital management. Accordingly, Infineon plans to maintain a liquidity level (gross cash position) of at least €1 billion plus additionally 10 to 20 percent of revenue. Gross debt shall amount to no more than two times EBITDA.

Infineon is not subject to any statutory capital requirements, nor are any such defined in the Articles of Association.

Capital management as well as the corresponding targets and definitions are based on indicators determined on the basis of the consolidated IFRS financial statements. Gross cash is defined as the total of cash, cash equivalents and financial investments. Infineon defines EBIT as earnings (loss) from continuing operations before interest and taxes and EBITDA as EBIT plus scheduled depreciation and amortization.

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The gross cash position increased from €2,240 million as of 30 September 2016 to €2,452 million as of 30 September 2017 (for details see the chapter "Review of liquidity" in the Combined Management Report). Based on revenue of €7,063 million, the ratio of gross cash to revenue was €1 billion plus 20.6 percent of revenue as of 30 September 2017, thereby slightly above the target range. In the previous year the ratio of gross cash to revenue was €1 billion plus 19.2 percent of revenue.

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With gross debt of €1,834 million as of 30 September 2017 (30 September 2016: €1,769 million) and EBITDA of €1,801 million for the 2017 fiscal year (2016: €1,596 million), gross debt to EBITDA ratio was 1.0 as of 30 September 2017 (30 September 2016: 1.1). Infineon continues to have sufficient financial flexibility to ensure that in addition to financing its planned investments it is also able to pay regular dividends (see note 15).

The USPP notes of US$935 million issued in April 2016 contain a number of standard covenants, including among other things change of control clauses as well as the compliance with a debt coverage ratio, which provides for a certain relationship between the size of debt (adjusted) and earnings (adjusted). The financial liabilities, which were taken over in connection with the acquisition of MoTo, also contain three standard covenants based on certain financial ratios (equity ratio, debt ratio and liquidity ratio).

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In the 2017 fiscal year Infineon was significantly above the minimum requirements of all covenants. Should Infineon not comply with the covenants attached to the USPP notes, then all USPP notes outstanding as of 30 September 2017 amounting to US$935 million (see note 12) could become immediately repayable. A lack of compliance with the covenants of the financial liabilities, which were taken over in connection with the acquisition of MoTo, would only result in additional annual fees, but not in a repayment obligation.

17 Share-based compensation

The Company makes use of the Stock Option Plan 2010 and, from the 2014 fiscal year, the Performance Share Plan in order to provide share-based compensation.

Performance share plan

A new Long Term Incentive Plan (LTI) consisting of a "performance share" plan was developed for the Management Board and selected senior executives as a successor to the Stock Option Plan 2010.

Under this plan, (virtual) performance shares are initially provisionally allocated on 1 October (from the 2018 fiscal year 1 March) of the current fiscal year according to a pre-determined LTI allocation amount in euro. With the allotment of a virtual performance share, the participant in the plan acquires the right to receive (real) Infineon shares once a personal investment in Infineon shares – depending on position and LTI allotment amount – has reached a four-year holding period.

50 percent of the performance shares are performance-related, 50 percent are not dependent on performance. The performance-related shares are only finally allocated if the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) during the period between the date of the provisional allocation and the end of the holding period. If at the end of the holding period the requirements for an allocation of performance shares – either all or only those that are not performance related – are fulfilled, then the entitlement to the transfer of the corresponding number of (real) Infineon shares is acquired. The value of the performance shares ultimately assigned to members of the Management Board may not exceed 250 percent of the respective LTI allocation amount; above this level performance shares are forfeited.

The fair value of the performance shares at the date of allocation was determined by an external expert using a recognized financial-mathematical method (Monte Carlo simulation model for the prediction of share price and index developments). The fair value of the instruments granted was determined taking into account future dividends as well as the payment cap.

The following is an overview of the allocations made:

Tranche	End of the waiting period	Average share price of the nine months before grant in €	Number of performance shares outstanding as of 30 September 2017	Fair value per performance share in €
Fiscal year 2017: Employees	30 September 2020	13.01	934,232	11.86
Fiscal year 2017: Management Board	30 September 2020	13.01	80,704	11.25
Fiscal year 2016: Employees	30 September 2019	10.56	1,142,538	7.26
Fiscal year 2016: Management Board	30 September 2019	10.56	80,964	7.07
Fiscal year 2015: Employees	30 September 2018	8.49	988,112	5.44
Fiscal year 2015: Management Board	30 September 2018	8.49	100,702	5.31
Fiscal year 2014: Employees	30 September 2017	6.62	1,182,830	5.72
Fiscal year 2014: Management Board	30 September 2017	6.62	114,046	5.20

The Management Board (for employees) and the Supervisory Board (for the Management Board) resolved and communicated within the fourth quarter of the 2017 fiscal year to settle the tranche for the 2014 fiscal year due in October 2017 in cash. As a result, €28 million (at a share price of €21.90) were reclassified from the additional paid-in capital to other current liabilities at that date.

Stock Option Plan 2010

2.5 million and 6.0 million stock options with an average exercise price per option of €7.08 and €7.18 were outstanding as of 30 September 2017 and 2016, respectively. Of these, 2.5 and 1.9 million were exercisable as of 30 September 2017 and 2016, respectively.

Costs for share-based compensation

The costs for share-based compensation amounted to €13 million and €9 million in the 2017 and 2016 fiscal years, respectively.

18 Other financial commitments

In addition to provisions and liabilities, Infineon also has other financial obligations which are not recognized in the Consolidated Statement of Financial Position, relating in particular to lease arrangements and unconditional purchase commitments. These are explained in more detail below.

Undiscounted future minimum lease payments arising from operating lease arrangements to be made by Infineon as lessee are the following:

Payments due in (€ in millions)	Total	Less than 1 year	1 – 5 years	After 5 years
As of 30 September 2017	308	96	140	72
As of 30 September 2016	598	118	278	202

Total undiscounted future minimum sub-lease payments to be received as of 30 September 2017 amounted to €1 million (30 September 2016: €133 million).

Rental expenses under operating lease arrangements amounted to €60 million and €83 million in the 2017 and 2016 fiscal years, respectively, and related mainly to minimum lease payments made. Total income arising from sub-lease arrangements amounted to €4 million and €16 million in the 2017 and 2016 fiscal years.

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The changes compared to the previous fiscal year are mainly due to the full consolidation of MoTo Objekt Campeon GmbH & Co. KG as owner of the Campeon office complex in Neubiberg near Munich, the location of Infineon's headquarters, from 30 December 2016 (see note 3). Since then Infineon is no longer the operating lessee, but the owner of this office complex. The decline in undiscounted future minimum sub-lease payments to be received is accompanied by an increase in undiscounted future minimum lease payments to be received from operating lease arrangements excluding sub-lease arrangements (see note 11).

Contracts already entered into for commenced or planned investments in property, plant and equipment (purchase commitments) as of 30 September 2017 amount to €359 million (30 September 2016: €274 million). Purchase commitments for planned investments in intangible assets as of 30 September 2017 amount to €1 million (30 September 2016: €1 million). Besides there were further commitments to invest in non-current assets amounting to €10 million (30 September 2016: €0 million).

Long-term purchase commitments are in place for the supply of commodities and raw materials, in particular for wafers, semiconductor intermediate products, electricity and gas. Overall, these minimum purchase commitments give rise to other financial obligations amounting to approximately €958 million as of the reporting date (30 September 2016: €810 million). These contracts generally have terms of between one and five years. Purchases under these agreements are recorded as incurred in the normal course of business. Infineon assesses its anticipated purchase requirements on a regular basis in order to meet customer demand for its products. An assessment of potential losses under these purchase contracts is made on a regular basis, for example, in the event that anticipated purchase quantities fall below the minimum contractual quantities.

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In conjunction with its investing activities, Infineon receives government grants and subsidies related to the construction and financing of certain of its production facilities. Grants are also received for selected research and development projects. These amounts are recognized upon the achievement of specified criteria. Certain of these grants have been received contingent upon Infineon complying with and maintaining of certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to maintaining these requirements, and from today's perspective Infineon expects to be able to do so. Nevertheless, should such requirements not be met, as of 30 September 2017, a maximum of €131 million (30 September 2016: €66 million) of these subsidies could be refundable. This amount does not include any potential liabilities for Qimonda-related subsidies (see note 19).

In total, Infineon has guarantees outstanding to third parties outside the Group as of 30 September 2017 amounting to €2 million (30 September 2016: €1 million).

Infineon, through certain sales and other agreements may, in the normal course of business, be obligated to indemnify its counterparties under certain conditions for warranties, patent infringement or other matters. The maximum amount of potential future payments under these types of agreements is not predictable with any degree of certainty, since the potential obligation is contingent on events that may or may not occur in the future, and depends on certain facts and circumstances specific to each agreement. Historically, payments made by Infineon under these types of agreements have not had a material adverse effect on Infineon's financial condition, liquidity position and results of operations.

19 Legal risks

Litigation and government inquiries

Smartcard antitrust litigation

In October 2008 the EU Commission initiated an investigation into the Company and other manufacturers of chips for smartcards for alleged violations of antitrust laws. In September 2014 the EU Commission imposed a fine of €83 million on Infineon which was paid in October 2014. Infineon rejects the allegations as unfounded. Infineon brought an action against the decision before the General Court of the European Union in November 2014. The Court dismissed Infineon's action and in February 2017 Infineon filed an appeal to the European Court of Justice against this decision.

Two class actions for damages of an unspecified amount in connection with the EU Commission investigative proceedings have been filed in Canada: The first action was filed in the state of British Columbia in July 2013, and the second in the state of Quebec in September 2014. The actions followed the press reports on the investigation and subsequent decision of the EU Commission. No dates have been set for court proceedings.

In December 2014 an indirect customer filed a lawsuit against Infineon and Renesas in London (Great Britain) which was served upon the Company in April 2015. In this lawsuit the plaintiff claims for damages in an amount still to be determined in connection with the allegations of the EU Commission.

Any further statements about these matters by the Company could seriously compromise the Company's position in these proceedings.

Proceedings in relation to Qimonda

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out from Infineon and transferred to Qimonda in the form of a non-cash contribution with economic effect from 1 May 2006. Qimonda filed an application at the Munich Local Court to commence insolvency proceedings on 23 January 2009. On 1 April 2009, the insolvency proceedings formally opened. The insolvency of Qimonda has given rise to various disputes between the insolvency administrator and Infineon.

Alleged activation of a shell company and liability for impairment of capital

The insolvency administrator filed a request for declaratory judgment in an unspecified amount against Infineon Technologies AG and, by way of third party notice, Infineon Technologies Holding B.V. and Infineon Technologies Investment B.V., at Regional Court Munich I in November 2010. This requested that Infineon be deemed liable to make good the deficit balance of Qimonda as it stood when the insolvency proceedings in respect of the assets of Qimonda began, i.e., to refund to Qimonda the difference between the latter's actual business assets when the insolvency proceedings began and its share capital (in German: "Unterbilanzhaftung"). The insolvency administrator contended that the commencement of operating activities by Qimonda amounted to what is considered in case law to be the activation of a shell company (in German: "Wirtschaftliche Neugründung"), and that this activation of a shell company was not disclosed in the correct manner. On 6 March 2012, with respect to another matter, the German Federal High Court issued a ruling on principle that any liability resulting from the activation of a shell company only depends on the situation at the date of the activation of a shell company and not, as asserted by the insolvency administrator, on the situation at the date on which insolvency proceedings are opened.

In addition to the request for declaratory judgment against Infineon in an unspecified amount, on 14 February 2012 the insolvency administrator also lodged a request for payment based on an alternative claim (in German: "Hilfsantrag"), as well as making other additional claims. In conjunction with this alternative claim, the insolvency administrator has requested the payment of at least €1.71 billion plus interest in connection with the alleged activation of a shell company. On 15 June 2012 the insolvency administrator increased his request for payment of 14 February 2012 on the grounds of activation of a shell company to at least approximately €3.35 billion plus interest. Furthermore, the insolvency administrator continues to base a substantial part of his alleged payment claims, as already asserted out of court against Infineon in August 2011 for an unspecified amount, on liability for impairment of capital (in German "Differenzhaftung"). This claim is based on the allegation that, from the very beginning, the carved-out memory products business had a negative billion euro value. The insolvency administrator therefore asserts that Infineon is obliged to make good the difference between this negative value and the lowest issue price (in German: "geringster Ausgabebetrag") of the subscribed stock. Additionally, the insolvency administrator has asserted a claim for repayment of allegedly unjustly charged consultancy fees in an amount of €10 million in connection with the flotation of Qimonda.

The alleged impairment of capital runs contrary to two valuations prepared as part of the preparatory documentation for the capital increase by independent auditing companies, one of which had been engaged by Infineon and the other of which was acting in the capacity of a court-appointed auditor of non-cash contributions and post-formation acquisitions. The auditing company engaged by Infineon concluded in its valuation that the business area contributed had a value of several times the lowest issue price of the shares issued, while the court-appointed auditor of non-cash contributions and post-formation acquisitions confirmed to the court that the lowest issue price of the shares issued was covered – as legally required – by the value of the non-cash contributions. Additionally, in the course of its defense against the claims asserted by the insolvency administrator, Infineon has commissioned several expert opinions all of which arrive at the same conclusion, that the objections raised by the insolvency administrator against the valuation of the non-cash contribution are not valid.

The legal dispute has, in the meantime, focused on the claims asserted for alleged lack of value. On 29 August 2013 the court appointed an independent expert to clarify the valuation issues raised by the insolvency administrator and to address technical matters.

The legal dispute is being pursued with great effort by both parties, and many extensive written submissions have already been exchanged between the parties. Both sides have engaged numerous specialists and experts who are supporting the respective parties with assessments and opinions.

Due to the highly complex nature of the issues to be decided and the level of the claims asserted, it is not clear at this stage if this legal dispute can be resolved with an out of court settlement, and, if this is not the case, when a first-instance court decision would be reached.

Residual liability of Infineon as former shareholder of Qimonda Dresden GmbH & Co. OHG
Infineon was a shareholder with personal liability of Qimonda Dresden until the carve-out of the memory business; as a result certain long-standing creditors have residual liability claims against Infineon. These claims can only be exercised by the insolvency administrator acting in the name of the creditors concerned. In the meantime, settlements have been concluded with most of the major liability creditors.

Liabilities, provisions and contingent liabilities relating to Qimonda
Infineon recognizes provisions and liabilities for such obligations and risks which it assesses at the end of each reporting period are more likely than not to be incurred (that is where, from Infineon's perspective at the end of each reporting period, the probability of having to settle an obligation or risk is greater than the probability of not having to) and the obligation or risk can be estimated with reasonable accuracy at this time.

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions in connection with some of the abovementioned matters totaling €33 million and €32 million as of 30 September 2017 and 30 September 2016, respectively. Of the provisions recorded as of 30 September 2017, €6 million has been provided in connection with the residual liability as former shareholder of Qimonda Dresden. For the defense of the proceedings still pending for the alleged activation of a shell company and liability for impairment of capital, the Company has recorded a provision of €25 million as of 30 September 2017. Remaining provisions in connection with the Qimonda insolvency total €2 million as of 30 September 2017.

There can be no certainty that the provisions recorded for Qimonda will be sufficient to cover all of the liabilities that could ultimately be incurred in relation to the insolvency of Qimonda and, in particular, the matters discussed above. In addition, it is possible that liabilities and risks materialize that are currently considered to be unlikely to do so, and accordingly represent contingent liabilities that are not included in provisions. This applies in particular to the legal dispute for alleged activation of a shell company and liability for impairment of capital described above. Should the alleged claims prove to be valid, substantial financial obligations could arise for Infineon which could have a material adverse effect on its business and its financial condition, liquidity position and results of operations. Any further statements about these matters by the Company could seriously compromise the Company's position in these proceedings.

Other

Infineon is also involved in various other legal disputes and proceedings in connection with its existing or previous business activities. These can relate to products, services, patents, environmental issues and other matters.

Based on its current knowledge, Infineon does not believe that the ultimate resolution of these other pending legal disputes and proceedings will have a material adverse effect on Infineon's financial condition, liquidity position and results of operations. However, future revisions to this assessment cannot be ruled out and any reassessment of the miscellaneous legal disputes and proceedings could have a material adverse effect on the financial condition, liquidity position and results of operations, particularly in the period in which reassessment is made.

Furthermore, in connection with its existing or previous business operations, Infineon is also exposed to numerous legal risks which have until now not resulted in legal disputes. These include risks related to product liability, environment, capital market, anti-corruption, competition and antitrust legislation as well as other compliance regulations. Claims could also be made against Infineon in connection with these matters in the event of breaches of law committed by individual employees or third parties.

Provisions and contingent liabilities for legal proceedings and other uncertain legal issues

Provisions relating to legal proceedings and other uncertain legal issues are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. To the extent that liabilities arising from legal disputes and other uncertain legal positions are not probable or cannot be reliably estimated, then they qualify as contingent liabilities.

Any potential liability is reviewed again as soon as additional information becomes available and the estimates are revised if necessary. Provisions with respect to these matters are subject to future developments or changes in circumstances in each of the matters, which could have a material adverse effect on Infineon's financial condition, liquidity position and results of operations.

A settlement or adverse judicial decision in any of the matters described above could result in significant financial liabilities for Infineon and other adverse effects, and these in turn could have a material adverse effect on its business and financial condition, liquidity position and results of operations. Irrespective of the validity of the allegations and the success of the aforementioned claims and other matters described above, Infineon could incur significant costs in the defense of these matters.

20 Transactions with related companies and persons

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Infineon has transactions in the normal course of business with joint ventures and other related companies (collectively, "related companies"). The related companies are disclosed in note 26. Related persons are persons in key management positions in particular members of the Management and Supervisory Board (see note 26) and their close relatives (collectively "related persons").

Related companies

Infineon purchases certain raw materials and services from and sells certain products and services to related companies. These purchases from and sales to related companies are generally effected at arm's length.

Related companies receivables and payables as of 30 September 2017 and 2016 consist of the following:

€ in millions	30 September 2017		30 September 2016	
	Joint ventures	Other related companies	Joint ventures	Other related companies
Trade and other receivables	–	–	1	–
Financial receivables	–	1	–	1
Trade and other payables	10	1	8	1
Financial payables	–	1	–	1

Sales and service charges to and products and services received from related companies in the 2017 and 2016 fiscal years consist of the following:

€ in millions	2017		2016	
	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	16	2	3	1
Products and services received	79	17	77	14

As of 30 September 2017, sales and services relationships with related companies resulted in purchase commitments of €23 million (30 September 2016: €5 million).

Related persons

Members of the Management Board active in the 2017 fiscal year received fixed non-performance-related compensation for their services of €3.4 million (2016: €2.9 million). In addition, the members of the Management Board received variable performance-related compensation for their services in the 2017 fiscal year of €3.8 million (2016: €2.8 million). This comprised a Short Term Incentive of €2.0 million (2016: €1.3 million), and a Mid Term Incentive of €1.8 million (2016: €1.5 million). Furthermore, the Management Board received a Long Term Incentive (LTI) which, since 2014, takes the form of performance shares. The expense resulting from the LTI amounted to €0.9 million (2016: €0.4 million). The compensation granted to active members of the Management Board amounted to €8.1 million in the 2017 fiscal year (2016: €6.1 million).

The compensation of the members of the Supervisory Board of Infineon Technologies AG in the 2017 fiscal year, including attendance fees, amounted to €2.0 million (2016: €1.7 million). Employee representatives in the Supervisory Board who are employed by Infineon also receive a salary for their activities as employees.

Former members of the Management Board received payments of €1.3 million (in particular pension payments) in the 2017 fiscal year (2016: €1.2 million).

As of 30 September 2017, pension liabilities for former members of the Management Board amounted to €67.9 million (2016: €77.0 million).

Disclosure of the individual remuneration of the members of the Management Board and the Supervisory Board as required by section 315a, paragraph 1, in connection with section 314, paragraph 1, no. 6a, sentences 5 to 8, of the German Commercial Code, is provided in the Compensation Report which is part of the Combined Management Report.

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In the 2017 and 2016 fiscal years there were no further significant transactions between Infineon and related persons which fall outside of the scope of the existing employment, service or appointment terms, or of the contractual arrangements for their remuneration.

21 Supplemental cash flow information

Cash and cash equivalents reported as of 30 September 2017 and 2016 totaling €860 million and €625 million, respectively, include €128 million and €115 million, respectively, which were subject to legal transfer restrictions and so were not available for general use by Infineon. This amount represents cash and cash equivalents of consolidated companies located in countries where the transfer of cash is legally restricted, for example, the People's Republic of China.

22 Additional disclosures on financial instruments

The following table presents the carrying amounts and the fair values of financial instruments by their respective classes, and a breakdown by category of financial instruments as defined by IAS 39.

€ in millions		Categories of financial assets				
Financial assets	Carrying amount	At fair value through profit or loss	Available for sale	Loans and receivables	Designated cash flow hedges	Fair value
Balance as of 30 September 2017						
Current assets:						
Cash and cash equivalents	860	–	–	860	–	860
Financial investments	1,592	–	522	1,070	–	1,592
Trade receivables	851	–	–	851	–	851
Other current assets	101	3	–	97	1	101
Non-current assets:						
Other non-current assets	163	–	40	123	–	163
Total	**3,567**	**3**	**562**	**3,001**	**1**	**3,567**
Balance as of 30 September 2016						
Current assets:						
Cash and cash equivalents	625	–	–	625	–	625
Financial investments	1,615	–	458	1,157	–	1,615
Trade receivables	774	–	–	774	–	774
Other current assets	88	–	–	87	1	88
Non-current assets:						
Other non-current assets	132	–	32	100	–	132
Total	**3,234**	**–**	**490**	**2,743**	**1**	**3,234**

€ in millions Financial liabilities	Carrying amount	Categories of financial liabilities: At fair value through profit or loss	Categories of financial liabilities: Other financial liabilities (amortized cost)	Designated hedging instruments (cash flow hedges)	Fair value
Balance as of 30 September 2017					
Current liabilities:					
Short-term debt and current maturities of long-term debt	323	–	323	–	326
Trade payables	1,020	–	1,020	–	1,020
Other current liabilities	137	2	135	–	137
Non-current liabilities:					
Long-term debt	1,511	–	1,511	–	1,566
Other non-current liabilities	40	–	40	–	40
Total	**3,031**	**2**	**3,029**	**–**	**3,089**
Balance as of 30 September 2016					
Current liabilities:					
Short-term debt and current maturities of long-term debt	17	–	17	–	17
Trade payables	857	–	857	–	857
Other current liabilities	121	2	111	8	121
Non-current liabilities:					
Long-term debt	1,752	–	1,752	–	1,827
Other non-current liabilities	8	–	8	–	8
Total	**2,755**	**2**	**2,745**	**8**	**2,830**

For assets measured at amortized cost categorized as “Loans and receivables”, it is assumed that the fair values correspond to their carrying amounts. The same assumption applies to liabilities resulting from trade payables and other current liabilities categorized as “Other financial liabilities (amortized cost)”.

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Other non-current assets include €75 million (2016: €75 million) relating to the Campeon leasing agreement and MoTo’s loan agreements (see note 12) which are deposited in ascrow. Additional €9 million (2016: €0 million) from an agreement related to the residual liability of Infineon as former shareholder of Qimonda Dresden GmbH & Co. OHG (see note 19) which are deposited in escrow in order to secure potential claims against Infineon.

Financial instruments measured at fair value are allocated to the following measurement levels in accordance with IFRS 13. The allocation to the different levels is based on the market proximity of the valuation parameters used in the determination of the fair value:

› Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities,

› Level 2: valuation parameters whose prices are not the ones considered in Level 1, but which can be observed either directly or indirectly for the assets or liabilities,

› Level 3: valuation parameters for assets and liabilities which are not based on observable market data.

The allocation to the levels as of 30 September 2017 and 2016 is as follows:

€ in millions	Fair value	Fair value by category		
		Level 1	Level 2	Level 3
30 September 2017				
Current assets:				
Financial investments	522	466	56	–
Other current assets	4	–	4	–
Non-current assets:				
Other non-current assets	40	19	–	21
Total	**566**	**485**	**60**	**21**
Current liabilities:				
Other current liabilities	2	–	2	–
Total	**2**	**–**	**2**	**–**
30 September 2016				
Current assets:				
Financial investments	458	399	59	–
Other current assets	1	–	1	–
Non-current assets:				
Other non-current assets	32	18	–	14
Total	**491**	**417**	**60**	**14**
Current liabilities:				
Other current liabilities	10	–	10	–
Total	**10**	**–**	**10**	**–**

There is no active market for the securities included in financial investments. The fair value is calculated as the present value of future expected cash flows, taking into account valuation parameters which can be observed in the market (Level 2).

Other current assets and liabilities contain derivative financial instruments, including cash flow hedges. Their fair value is determined by discounting future cash flows according to the discounted cash flow method. Where possible, valuation parameters observed on the reporting date in the relevant markets (such as currency rates or commodity prices) drawn from reliable external sources are used (Level 2).

Other non-current assets include equity holdings and investments in funds. Where these are traded on an active market, the fair value is based on the actual market price (Level 1). For equity investments where no actively traded market price is available, the fair value is determined by considering existing contractual arrangements based on externally observable dividend policy (Level 3).

In the 2017 and 2016 fiscal years there were no reclassifications between the levels.

The net gain or loss on financial instruments (including interest income and expense) within continuing operations in the Consolidated Statement of Operations amounted to the following:

€ in millions	2017	2016
Available-for-sale financial assets	–	2
Loan and receivables	(96)	(22)
Designated as fair value through profit and loss	(2)	–
Held for trading	(2)	7
Other financial liabilities	63	(33)
Total	**(37)**	**(46)**

The currency effects included within net gains and losses amount to positive €5 million (2016: positive €1 million). This net currency effect arose exclusively from recognized financial instruments.

Interest income from financial instruments not measured at fair value through profit and loss in the 2017 fiscal year amounted to €9 million (2016: €6 million); interest expense from such financial instruments amounted to €49 million (2016: €53 million).

Infineon does not net financial instruments. The Infineon Group conducts derivative transactions according to the global netting agreement (Master Agreement) of the International Swaps and Derivatives Association (ISDA) and other comparable national framework agreements. Under the terms of these agreements, any netting arising from the occurrence of certain future events would have no material effect on the balance sheet presentation of these financial instruments.

Derivative financial instruments and hedging activities

Infineon holds derivative financial instruments exclusively for hedging purposes. This includes the use of forward exchange contracts and commodity swaps. The objective is to reduce the impact of exchange rate and commodity price fluctuations on future net cash flows.

The nominal values and fair values of Infineon's derivative instruments as of 30 September 2017 and 2016 are as follows:

€ in millions	30 September 2017		30 September 2016	
	Nominal value	Fair value	Nominal value	Fair value
Forward exchange contracts sold	281	–	165	–
Forward exchange contracts purchased	126	1	167	(2)
Designated cash flow hedges				
Deal Contingent Forward	–	–	455	(8)
Commodity swaps	33	1	39	1
Total		**2**		**(9)**

Foreign exchange derivatives are entered into by Infineon to offset the exchange risk from anticipated cash receipts from operating activities. In 2017 as in 2016 no foreign exchange derivatives used to hedge ongoing business were designated as cash flow hedges.

In order to partly hedge against the exchange rate risk associated with the purchase price obligation arising from the planned acquisition of Wolfspeed, the Company entered into two transaction-dependent Euro/US Dollar foreign currency forward contracts (Deal Contingent Forwards) in July 2016. Each had a nominal value of US$250 million and was accounted for as a cash flow hedge. As of 30 September 2016 the two Deal Contingent Forwards had a total fair value of negative €8 million. The change in value of negative €6 million was recorded in other reserves. In the 2016 fiscal year Deal Contingent Forward ineffectiveness totaling €2 million was recorded in the Consolidated Statement of Operations. As result of the discontinuation of the acquisition of Wolfspeed in February 2017, both Deal Contingent Forwards were canceled and the cash flow hedge terminated. Cash inflows for the Company of €5 million resulted from the cancellation of the Deal Contingent Forwards. The book value of the two Deal Contingent Forwards as well as the amount recognized in the other reserves were derecognized and financial income of €7 million was recorded in the 2017 fiscal year.

To offset the price risks of highly probable gold purchases in the coming fiscal years, Infineon entered into swaps which are designated as cash flow hedges. The fair value of these swaps amounted to positive €1 million as of 30 September 2017 and positive €1 million as of 30 September 2016. €2 million of unrealized losses arose from these transactions in the 2017 fiscal year (2016: €4 million unrealized gains), these decreased other reserves by a corresponding amount. At the same time, €1 million of losses were realized in the 2017 fiscal year on swap transactions concluded in the previous year (2016: €1 million gain); this amount was transferred from other reserves into the Consolidated Statement of Operations. As in the previous year, no hedge ineffectiveness was recorded in the Consolidated Statement of Operations for these hedging relationships. As in the previous year, no gains or losses were transferred from other reserves to profit or loss as a result of cash flow hedges for future raw material purchases being canceled following the decision that the occurrence of the hedged transaction had become unlikely.

23 Financial risk management

Infineon's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, financing and liquidity risk. Infineon's financial risk management program seeks to minimize potential adverse effects on its profitability and liquidity. Infineon uses derivative financial instruments to hedge certain risks to which it is exposed. Financial risk management is carried out by the central Finance & Treasury (FT) department in accordance with policies approved by the Chief Financial Officer. The FT department identifies, evaluates and hedges financial risks in close cooperation with the operating units. The FT department's policy contains principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

Market risk

Market risk is defined as the risk of losses resulting from adverse changes in the market prices of financial instruments, including those related to foreign exchange rates, interest rates and other price risks.

Infineon is exposed to various market risks in the ordinary course of business, primarily resulting from changes in foreign exchange rates and interest rates. Infineon enters into a range of derivative financial transactions with various counterparties to limit such risks. Derivative instruments are used only for hedging purposes and not for trading or speculative purposes.

Foreign exchange risk

Foreign exchange risk within the meaning of IFRS 7 is the risk arising from changes to foreign exchange rates. Accordingly, foreign exchange risks are associated with monetary financial instruments that are denominated in a foreign currency that does not correspond to the functional currency, and the foreign currency represents the relevant risk variable. Risks arising from the translation into Infineon's reporting currency are not risks within the meaning of IFRS 7.

Although Infineon prepares the Consolidated Financial Statements in euros, a varying but significant portion of its revenue as well as cost of goods sold, research and development and product distribution costs are denominated in currencies other than the euro, primarily the US dollar. Fluctuations in the exchange rates of these currencies compared to the euro had an effect on the results of Infineon in the 2017 and 2016 fiscal years.

The Management Board has established policies that require Infineon's individual legal entities to manage the foreign exchange risk with respect to their functional currency. Group entities prepare a monthly rolling cash flow forecast by currency in order to determine foreign exchange risks. The net foreign exchange positions determined in these forecasts are required to be hedged, usually by entering into internal hedging contracts. Infineon's policy with respect to limiting short-term foreign currency exposure is to hedge at least 75 percent of its estimated net cash flow for the following two months, at least 50 percent of its estimated net cash flow for the third month and, depending on the nature of the underlying transactions, a portion for the periods thereafter. Part of the foreign currency risk cannot be mitigated due to differences between actual and forecasted amounts. Infineon calculates this remaining risk based on net cash flows considering items in the Statement of Financial Position, actual orders received or placed and all other planned cash receipts and payments.

For the net result related to foreign currency derivatives and foreign currency transactions included within net income see note 22.

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The following table shows the effects on profit or loss for the 2017 and 2016 fiscal year and equity as of 30 September 2017 and 2016 for continuing operations of a 10 percent shift in exchange rates for the major foreign currencies (which can be found in note 2). The assumed exchange rate changes relate only to financial instruments within the meaning of IFRS 7.

€ in millions	Profit or Loss		Equity	
	+10%	(10%)	+10%	(10%)
30 September 2017	21	(25)	–	–
30 September 2016	6	(7)	(40)	49

Interest rate risk

In accordance with IFRS 7 “Financial Instruments: Disclosures”, interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Infineon is exposed to interest rate risk through its financial assets and debt instruments resulting from bond issuances and debt financing. Due to the cyclical nature of its core business and the need to maintain high operational flexibility, Infineon holds a relatively high level of liquid financial assets that are invested in short-term fixed-interest instruments. These investments generally have a contract duration of between one and twelve months in order to achieve short-term interest rate returns. The risk to these assets of changing interest rates is not material in the current period of low or zero interest rates.

To reduce the net remaining risks caused by changes in interest rates, Infineon is able to make use of interest rate derivatives in order to align the fixed interest periods of assets and liabilities.

IFRS 7 requires a sensitivity analysis showing the effect of possible changes in market interest rates on profit or loss and equity. Infineon prepares this using the iteration method. Infineon does not hold any fixed-rate financial assets or liabilities that are measured at fair value through profit or loss. Furthermore, Infineon did not hold any fixed-rate available for sale financial assets either in 2017 or 2016.

Changes in market interest rates affect interest income and interest expense on variable rate financial instruments. Assuming an increase (decrease) of 100 basis points in market interest rates in 2017, interest result in the 2017 fiscal year would have been worse (better) by €1 million; assuming an increase (decrease) of 100 basis points in market interest rates in 2016, interest result in the 2016 fiscal year would have been worse (better) by €2 million.

Other price risk

According to IFRS 7 “Financial Instruments: Disclosures”, other price risk is defined as the risk that the fair value or future cash flows of a financial instrument could fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), irrespective of whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Infineon held financial instruments that are exposed to market price risks. A change in the relevant market prices would have no significant impact on the result of the 2017 and 2016 fiscal years.

Additionally, Infineon is exposed to price risks with respect to raw materials upon which it is dependent. Infineon seeks to minimize these risks through its procurement policy (including the use of multiple sources, where possible) and its operating procedures. In line with these measures Infineon concluded additional financial derivative contracts for certain commodity supplies (gold) for the following fiscal year in order to mitigate the remaining risk arising from the fluctuation of commodity prices. The change in relevant market prices as of 30 September 2017 and 2016 had no significant impact on equity in the 2017 and 2016 fiscal years.

Credit risk

Credit risk arises when a customer or other counterparty of a financial instrument fails to discharge its contractual obligations. Infineon is exposed to this risk as a consequence of its ongoing operations, its financial investments and certain financing activities. Infineon's credit risk arises primarily from trade receivables, cash and cash equivalents, financial investments and derivative financial instruments. Excluding the impact of any collateral received, the carrying amount of financial investments, cash and cash equivalents and trade receivables corresponds to the maximum credit risk.

Credit risk with respect to trade receivables is limited by the large number and geographic diversity of the customer base. Infineon controls credit risk through comprehensive credit evaluations for all major customers, the use of credit limits and monitoring procedures. New customers are evaluated for creditworthiness in accordance with Infineon guidelines. Credit limits are also in place for individual customers and creditworthiness and credit limits are constantly monitored. A further measure taken to reduce credit risk is the use of reservation of title clauses. However, despite continuous monitoring, Infineon cannot fully exclude the possibility of a loss arising from the default of one of its contract parties.

Worldwide foreign exchange and interest hedging contracts as well as the investment of liquid assets in cash equivalents and financial investments are entered into with major financial institutions worldwide that have high credit ratings. Infineon assesses the creditworthiness of banks using a methodology that establishes investment limits for individual banks that are updated on a daily basis based on current ratings (S&P, Moody's or Fitch) and credit default swap premiums. Possible breaches of stipulated investment thresholds result in immediate notification and the requirement to reduce the risk.

Infineon has spread its cash investments over more than ten banks. As of 30 September 2017 no financial institution was responsible for more than 12 percent (2016: 13 percent) of Infineon's cash investments. This gives rise to a maximum risk of €181 million (2016: €177 million) in the event of the default of a single financial institution assuming no deposit insurance scheme is in place. Infineon also holds derivative financial instruments with a positive fair value of €4 million in 2017 (2016: €1 million).

Financing and liquidity risk

Financing and liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities.

Liquidity risk could arise from a potential inability of Infineon to meet maturing financial obligations. Infineon's liquidity management provides that sufficient levels of cash and other liquid assets are available as well as ensuring the availability of funding through adequate levels of committed credit facilities.

The following table discloses the maturity profile for non-derivative financial liabilities and a cash flow analysis for derivative financial instruments with negative fair values. The table shows the undiscounted contractually agreed cash flows that result from the respective financial liability. Cash flows are recognized at the date when Infineon becomes a contractual partner to the financial instrument. Amounts in foreign currencies are translated using the closing rate at the reporting date. The value of financial instruments with variable interest payments is determined using the interest rate from the last interest fixing date before 30 September 2017. The cash outflows of financial liabilities that can be repaid at any time are assigned to the period in which the earliest redemption is possible.

€ in millions		Due in the fiscal year					
As of 30 September 2017	Total	2018	2019	2020	2021	2022	beyond 2022
Non derivative financial liabilities	3,390	1,532	68	69	246	539	936
Derivative financial liabilities:							
Cash outflow	208	208	–	–	–	–	–
Cash inflow [1]	(206)	(206)	–	–	–	–	–
Total	**3,392**	**1,534**	**68**	**69**	**246**	**539**	**936**
As of 30 September 2016	Total	2017	2018	2019	2020	2021	beyond 2021
Non derivative financial liabilities	3,137	1,052	352	152	52	46	1,483
Derivative financial liabilities:							
Cash outflow	709	709	–	–	–	–	–
Cash inflow [1]	(698)	(698)	–	–	–	–	–
Total	**3,148**	**1,063**	**352**	**152**	**52**	**46**	**1,483**

1 Cash inflows from derivative financial liabilities that arise upon settlement of the instrument.

24 Segment reporting

Identification of segments

Infineon identifies reportable segments on the basis of the differences between the products and applications.

During the 2017 fiscal year, Infineon's business was structured on the basis of four operating segments, namely Automotive, Industrial Power Control, Power Management & Multimarket and Chip Card & Security. Additionally, Infineon differentiates between Other Operating Segments and Corporate and Eliminations.

Automotive

The Automotive segment designs, develops, manufactures and markets semiconductors for use in automotive applications.

Industrial Power Control

The Industrial Power Control segment designs, develops, manufactures and markets semiconductors for the conversion of electrical energy for medium and high-power applications. The products are used in applications for generation, low loss transmission and efficient use of electrical energy.

Power Management & Multimarket

The Power Management & Multimarket segment designs, develops, manufactures and markets semiconductors for energy-efficient power supplies, mobile devices, mobile phone network infrastructures as well as applications with special demands on their robustness and reliability.

Chip Card & Security

The Chip Card & Security segment designs, develops, manufactures and markets semiconductor-based security products for card-based applications, government documents, and security functions in networked systems.

Other Operating Segments

Other Operating Segments comprises the remaining activities of businesses that have been disposed of, and other business activities. Since the closing of the sale of the Wireless mobile phone business, supplies of product to Intel Mobile Communications under the corresponding production agreements, other than those assigned to discontinued operations, are included in this segment.

Corporate and Eliminations

Corporate and Eliminations reflects the elimination of intragroup revenue and profits/losses to the extent that these arise between the segments.

Similarly, certain items are included in Corporate and Eliminations which are not allocated to the other segments. These include certain corporate headquarters costs and selected topics, which are not allocated to the segments since they arise from corporate decisions and are not within the direct control of segment management.

Furthermore, raw materials, supplies and work in progress of the common frontend production, and raw materials and supplies of the common backend production, are not under the control or responsibility of the operating segment management and are therefore allocated to corporate functions. Only work in progress of backend production and finished goods are allocated to the operating segments.

Chief Operating Decision Maker, definition of Segment Result and allocation of assets and liabilities to the individual segments

The Management Board, as joint Chief Operating Decision Maker, decides how resources are allocated to the segments.

Based on revenue and Segment Result, the Management Board assesses performance and defines operating targets and budgets for the segments.

Segment Result is defined as the operating income (loss) excluding: asset impairments (net of reversals); impact on earnings of restructuring measures and closures; share-based compensation expense; acquisitionrelated depreciation/amortization and other expenses; gains (losses) on sales of assets, businesses, or interests in subsidiaries and other income (expense), including the costs of legal proceedings.

Decisions relating to financing and the investment of cash funds are taken at a Group level and not at a segment level. For this reason, financial income and financial expense (including interest income and expense) are not allocated to the segments.

Neither assets, liabilities nor cash flows per segment are reported to the Management Board, nor is segment performance assessed on this basis.

The exception to this approach is certain inventory information which is regularly analyzed at a segment level. Infineon also allocates depreciation and amortization expense to the operating segments based on production volume and products produced using standard costs.

Segment information

Individual small product groups were transferred to other segments with effect from 1 October 2016. The previous year’s figures have been adjusted accordingly.

The following tables present selected segment data:

€ in millions	2017	2016
Revenue:		
Automotive	2,989	2,656
Industrial Power Control	1,206	1,072
Power Management & Multimarket	2,148	2,041
Chip Card & Security	708	703
Other Operating Segments	9	8
Corporate and Eliminations	3	(7)
Total	**7,063**	**6,473**

There are currently limited levels of trading relationships between the operating segments. Costs are recharged in general without impact on profit or loss.

€ in millions	2017	2016
Segment Result:		
Automotive	474	363
Industrial Power Control	183	133
Power Management & Multimarket	427	354
Chip Card & Security	124	135
Other Operating Segments	1	1
Corporate and Eliminations	(1)	(4)
Total	**1,208**	**982**

The following table provides the reconciliation of Segment Result to income from continuing operations before income taxes:

€ in millions	2017	2016
Segment Result:	**1,208**	**982**
Plus/minus:		
Impairment on assets including assets classified as held for sale, net of reversals	(5)	(16)
Impact on earnings of restructuring and closures, net	(3)	7
Share-based compensation expense	(13)	(9)
Acquisition-related depreciation/amortization and other expenses	(153)	(191)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	(15)	(4)
Other income and expense, net	(36)	(6)
Operating income	**983**	**763**
Financial income	10	6
Financial expenses	(63)	(67)
Gain (loss) from investments accounted for using the equity method, net	3	3
Income from continuing operations before income taxes	**933**	**705**

In the 2017 fiscal year €0 million (2016: €6 million) of impairments of intangible assets, property, plant and equipment assets and assets classified as held for sale was allocated to the Automotive segment, €0 million (2016: €4 million) to the Industrial Power Control segment, €3 million (2016: €1 million) to the Power Management & Multimarket segment and €2 million (2016: €4 million) to the Chip Card & Security segment. €0 million (2016: €1 million) was allocated to Corporate and Eliminations.

Of the €153 million (2016: €191 million) "acquisition-related depreciation/amortization and other expenses" incurred in the 2017 fiscal year, €89 million (2016: €96 million) is attributable to cost of goods sold, €2 million (2016: €10 million) to research and development expenses and €62 million (2016: €85 million) to selling, general and administrative expenses.

€ in millions	2017	2016
Depreciation and amortization:		
Automotive	350	302
Industrial Power Control	112	120
Power Management & Multimarket	173	186
Chip Card & Security	47	82
Other Operating Segments	1	3
Depreciation and amortization allocated to the segments	**683**	**693**
Depreciation and amortization not allocated to the segments	129	140
Total depreciation and amortization	**812**	**833**

Income from joint ventures accounted for using the equity method totaled €3 million in the 2017 and 2016 fiscal years, respectively, and was recognized in the Industrial Power Control segment. This allocated income is however not included in the Segment Result.

€ in millions	30 September 2017	30 September 2016
Inventories:		
Automotive	397	338
Industrial Power Control	129	115
Power Management & Multimarket	264	255
Chip Card & Security	49	49
Other Operating Segments	–	–
Corporate and Eliminations	401	434
Total	**1,240**	**1,191**

Entity-wide disclosures in accordance with IFRS 8

The following is a summary of revenue in the 2017 and 2016 fiscal year and of non-current assets by geographic area for the years ended 30 September 2017 and 2016:

€ in millions	2017	2016
Revenue:		
Europe, Middle East, Africa	2,272	2,147
Therein: Germany	1,094	1,000
Asia-Pacific (without Japan)	3,447	3,083
Therein: China	1,735	1,574
Japan	463	424
Americas	881	819
Therein: USA	714	661
Total	**7,063**	**6,473**

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The allocation of revenues from external customers is based on the customers' billing location. The average number of employees by geographic region is provided in note 7.

No single customer accounted for more than 10 percent of Infineon's revenue during the 2017 and 2016 fiscal year.

€ in millions	30 September 2017	30 September 2016
Non-current assets:		
Europe	2,306	1,718
Therein: Germany	1,727	1,095
Asia-Pacific (without Japan)	873	834
Therein: China	41	38
Japan	2	2
Americas	1,118	1,286
Therein: USA	1,110	1,279
Total	**4,299**	**3,840**

Non-current assets do not include financial instruments, deferred tax assets and assets from employee benefits.

25 Significant events after the end of the reporting period

No significant events occurred between the end of the reporting period and the preparation of the Consolidated Financial Statements.

26 Additional information in accordance with HGB

Information pursuant to section 161 Stock Corporation Act (AktG)

The Declaration of Compliance prescribed by section 161 AktG was drawn up by the Management Board and the Supervisory Board and made permanently available to the public on Infineon's website.

@ www.infineon.com/cms/en/about-infineon/investor/corporate-governance/declaration-of-compliance/

Accounting fees pursuant to section 314, paragraph 1, no. 9 HGB

Year-end audit fees

At the Annual General Meeting held on 16 February 2017, the shareholders elected KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), Munich, as auditor for the 2017 Separate Financial Statements and the Consolidated Financial Statements of Infineon Technologies AG. The audit fees charged by KPMG in the 2017 fiscal year amounted to €1.8 million for the audit of the Consolidated Financial Statements and various Separate Financial Statements including an integrated audit review of the Interim Financial Statements.

Fees for other advisory services

In addition to the amounts described above, KPMG charged an aggregate of €0.1 million in the 2017 fiscal year for other audit services which include, in particular, the audit of the disclosures in the Sustainability Report, as well as other legally or contractually mandatory audits, e.g. audits according to the EEG, EMIR audit pursuant to section 20 WpHG, and confirmations of compliance with contractual terms.

Fees for tax advisory services

In addition to the amounts described above, KPMG charged €0.3 million in the 2017 fiscal year for tax consulting services in connection with implemented business acquisitions, restructuring and the assessment of individual items.

Fees for other services

Fees of €0.1 million were charged by KPMG in the 2017 fiscal year for other services. These included quality assurance in the implementation of regulatory requirements and advisory services in connection with the introduction of new accounting principles, such as IFRS 15 and IFRS 9.

Management Board and Supervisory Board

Management compensation in the 2017 fiscal year

As required by section 314, paragraph 1, no. 6a, sentences 5 to 8, HGB, the remuneration of the individual members of the Management Board and the Supervisory Board is disclosed in the Compensation Report which is part of the Combined Management Report.

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Management Board

The members of the Management Board during the 2017 fiscal year were as follows:

Name	Position	Membership of Supervisory Boards and governing bodies of domestic and foreign companies (as of 30 September 2017)
Dr. Reinhard Ploss	Chairman of the Management Board, Chief Executive Officer, Labor Director	Member of the Supervisory Board › Infineon Technologies Austria AG, Villach, Austria (Chairman) Member of the Board of Directors › Infineon Technologies Americas Corp., Wilmington, Delaware, USA (since 5 October 2017)
Dominik Asam	Member of the Management Board, Executive Vice President, Chief Financial Officer	Member of the Supervisory Board › EPCOS AG, Munich, Germany (until 17 May 2017) › Infineon Technologies Austria AG, Villach, Austria › Zalando SE, Berlin, Germany (since 31 May 2017) Member of the Board of Directors › Infineon Technologies Americas Corp., Wilmington, Delaware, USA › Infineon Technologies Asia Pacific Pte., Ltd., Singapore › Infineon Technologies China Co., Ltd., Shanghai, People's Republic of China
Dr. Helmut Gassel	Member of the Management Board	Member of the Board of Directors › Infineon Technologies Americas Corp., Wilmington, Delaware, USA (Chairman) › Infineon Technologies Asia Pacific Pte., Ltd., Singapore (Chairman) › Infineon Technologies Japan K.K., Tokyo, Japan (Chairman)
Jochen Hanebeck	Member of the Management Board	Member of the Supervisory Board › Infineon Technologies Austria AG, Villach, Austria Member of the Board of Directors › Infineon Technologies (Kulim) Sdn. Bhd., Kulim, Malaysia (Chairman)

The Supervisory Board

The members of the Supervisory Board during the 2017 fiscal year, the Supervisory Board position held by them, their occupation, and their membership of other supervisory and governing bodies are as follows:

Name	Occupation	Membership of Supervisory Boards and comparable governing bodies of domestic and foreign companies (as of 30 September 2017)
Wolfgang Mayrhuber Chairman	Management Consultant	Member of the Supervisory Board › Deutsche Lufthansa AG, Cologne, Germany (Chairman) (until 24 September 2017) › Münchener Rückversicherungs-Gesellschaft AG, Munich, Germany (until 31 December 2016) Member of the Board of Directors › Heico Corporation, Hollywood, Florida, USA
Johann Dechant [1] Deputy Chairman	Chairman of the Infineon Works Council Regensburg, Infineon Technologies AG	Member of the Administrative Board › BKK of Siemens AG, Heidenheim/Brenz, Germany
Peter Bauer	Management Consultant	Member of the Supervisory Board › OSRAM Licht AG, Munich, Germany (Chairman) › OSRAM GmbH, Munich, Germany (Chairman)
Dr. Herbert Diess	Member of the Management Board Volkswagen AG, Wolfsburg, Germany	Member of the Supervisory Board › Porsche Austria GmbH, Salzburg, Austria › Porsche Holding GmbH, Salzburg, Austria › Porsche Retail GmbH, Salzburg, Austria Member of the Board of Directors › FAW-Volkswagen Automotive Co., Ltd., Changchun, People's Republic of China › Shanghai Volkswagen Automotive Co., Ltd., Anting, People's Republic of China Member of the Advisory Board › Porsche Holding GmbH, Salzburg, Austria

Name	Occupation	Membership of Supervisory Boards and comparable governing bodies of domestic and foreign companies (as of 30 September 2017)
Annette Engelfried [1]	Labor union secretary IG Metall district management, Berlin-Brandenburg-Saxony	Member of the Supervisory Board › Infineon Technologies Dresden GmbH, Dresden, Germany
Peter Gruber [1] Representative of Senior Management	Senior Vice President Operations Finance Infineon Technologies AG	Member of the Supervisory Board › Infineon Technologies Dresden GmbH, Dresden, Germany Member of the Board of Directors › Infineon Technologies (Kulim) Sdn. Bhd., Kulim, Malaysia
Gerhard Hobbach [1]	Member of the Infineon Works Council Campeon, Infineon Technologies AG	
Hans-Ulrich Holdenried	Management Consultant	Member of the Advisory Board › Bridge imp GmbH, Grünwald, Germany
Prof. Dr. Renate Köcher	Managing Director Institut für Demoskopie Allensbach GmbH, Allensbach, Germany	Member of the Supervisory Board › Allianz SE, Munich, Germany (until 3 May 2017) › BMW AG, Munich, Germany › Robert Bosch GmbH, Gerlingen, Germany › Nestlé Deutschland AG, Frankfurt/Main, Germany
Dr. Susanne Lachenmann [1]	Development Engineer	
Géraldine Picaud (since 16 February 2017)	Group CFO Essilor International, Charenton-le-Pont, France	Member of the Board of Directors › Alstom S.A., Saint-Ouen, France › Vision For Life Foundation, Charenton-le-Pont, France (until 7 July 2017) › Vision Direct Group Ltd., London, Great Britain › Essilor India Private Limited, Bangalore, India › Xiamen Yarui Optical Co. Ltd., Xiamen, People's Republic of China › Artgri Group International Pte. Ltd., Singapore
Dr. Manfred Puffer	Management Consultant	Member of the Supervisory Board › Athene Lebensversicherung AG, Wiesbaden, Germany › Bremer Kreditbank AG, Bremen, Germany › Bankhaus Neelmeyer, Bremen, Germany (since 4 April 2017) › Nova KBM Bank, Maribor, Slovenia Member of the Board of Directors › Athene Holding Ltd., Pembroke, Bermuda
Jürgen Scholz [1]	First authorized agent of IG Metall Regensburg	Member of the Supervisory Board › Krones AG, Neutraubling, Germany Member of the Administrative Board › BKK of BMW AG, Dingolfing, Germany
Kerstin Schulzendorf [1]	Expert in the frontend-production	
Dr. Eckart Sünner	Independent Attorney	Member of the Supervisory Board › K+S AG, Kassel, Germany
Diana Vitale [1]	Deputy Chairwoman of the Infineon Works Council Warstein, Infineon Technologies AG	
Former members of the Supervisory Board		
Prof. Dr. Doris Schmitt-Landsiedel (until 8 November 2016)	Professor Munich Technical University, Munich, Germany	

1 Employee representative

Supervisory Board committees

Mediation Committee
Wolfgang Mayrhuber (Chairman)
Johann Dechant
Hans-Ulrich Holdenried
Jürgen Scholz

Executive Committee
Wolfgang Mayrhuber (Chairman)
Johann Dechant
Gerhard Hobbach
Hans-Ulrich Holdenried

Investment, Finance and Audit Committee
Dr. Eckart Sünner (Chairman)
Johann Dechant
Annette Engelfried
Wolfgang Mayrhuber

Strategy and Technology Committee
Peter Bauer (Chairman)
Peter Gruber
Hans-Ulrich Holdenried
Dr. Susanne Lachenmann
Wolfgang Mayrhuber
Jürgen Scholz

Nomination Committee
Wolfgang Mayrhuber (Chairman)
Prof. Dr. Renate Köcher
Dr. Manfred Puffer

The members of the Company’s Supervisory Board, individually or in aggregate, do not own more than 1 percent of Infineon Technologies AG’s outstanding share capital as of 30 September 2017.

The business address of each member of the Supervisory Board is: Infineon Technologies AG, Am Campeon 1–12, D-85579 Neubiberg (Germany).

Subsidiaries, joint ventures and other related companies as of 30 September 2017

Name of company	Registered office	Share-holdings in %	thereof Infineon Techno-logies AG	Equity (€ in millions)	Net result (€ in millions)	Foot-note
Fully consolidated subsidiaries:						
DICE Danube Integrated Circuit Engineering GmbH & Co. KG	Linz, Austria	72	0	2.39	2.34	7
Hitex GmbH	Karlsruhe, Germany	100	100	2.16	0.00	7,12,13
Infineon Integrated Circuit (Beijing) Co., Ltd.	Beijing, People's Republic of China	100	0	15.77	1.76	10
Infineon Semiconductors (Wuxi) Co. Ltd.	Wuxi, People's Republic of China	100	0	18.79	0.04	10
Infineon Technologies (Advanced Logic) Sdn. Bhd.	Melaka, Malaysia	100	0	26.14	2.63	7
Infineon Technologies (Kulim) Sdn. Bhd.	Kulim, Malaysia	100	0	138.45	21.64	7
Infineon Technologies (Malaysia) Sdn. Bhd.	Melaka, Malaysia	100	0	160.12	21.53	7
Infineon Technologies (Wuxi) Co., Ltd.	Wuxi, People's Republic of China	100	0	123.70	10.43	10
Infineon Technologies (Xi'an) Co., Ltd.	Xi'an, People's Republic of China	100	0	6.70	0.24	10
Infineon Technologies Americas Corp.	Wilmington, Delaware, USA	100	0	2,495.67	(15.77)	7
Infineon Technologies Asia Pacific Pte Ltd	Singapore, Singapore	100	0	296.83	326.40	7
Infineon Technologies Australia Pty Limited	Bayswater, Australia	100	0	1.40	0.08	7
Infineon Technologies Austria AG	Villach, Austria	100	0,004	771.93	128.98	7
Infineon Technologies Batam PT	Batam, Indonesia	100	0	13.26	0.99	7
Infineon Technologies Cegléd Kft.	Cegléd, Hungary	100	0	15.71	1.21	7
Infineon Technologies Center of Competence (Shanghai) Co., Ltd.	Shanghai, People's Republic of China	100	0	3.54	0.23	10
Infineon Technologies China Co., Ltd.	Shanghai, People's Republic of China	100	0	150.12	14.86	10
Infineon Technologies Dresden GmbH	Dresden, Germany	100	100	224.27	0.00	7,12,14
Infineon Technologies Epi Services, Inc.	Wilmington, Delaware, USA	100	0	(7.74)	3.18	7
Infineon Technologies Finance GmbH	Neubiberg, Germany	100	50	369.89	0.00	7,12,13
Infineon Technologies France S.A.S.	St. Denis, France	100	0	8.26	0.43	7
Infineon Technologies Holding 2 B.V.	Rotterdam, The Netherlands	100	0	34.96	(0.06)	7
Infineon Technologies Holding Asia Pacific Pte. Ltd.	Singapore, Singapore	100	0	1,435.84	160.74	9
Infineon Technologies Holding B.V.	Rotterdam, The Netherlands	100	100	4,860.63	282.39	7
Infineon Technologies Hong Kong Sales Limited	Hong Kong, People's Republic of China	100	0	23.18	3.40	7
Infineon Technologies Hong Kong Ltd.	Hong Kong, People's Republic of China	100	0	1.86	0.33	7
Infineon Technologies India Private Limited	Bangalore, India	100	0	9.97	(4.65)	4
Infineon Technologies Investment B.V.	Rotterdam, The Netherlands	100	0	0.13	0.00	7
Infineon Technologies Italia s.r.l.	Milan, Italy	100	0	4.20	0.77	7
Infineon Technologies IT-Services GmbH	Klagenfurt, Austria	100	0	6.84	4.20	7
Infineon Technologies Japan K.K.	Tokyo, Japan	100	0	16.19	3.35	7
Infineon Technologies Korea Co., Ltd.	Seoul, Republic of Korea	100	0	4.02	1.03	7
Infineon Technologies Maasstad C.V.	Rotterdam, The Netherlands	100	0	10.29	0.29	7
Infineon Technologies Neu-Isenburg Vertriebs GmbH	Neu-Isenburg, Germany	100	0	14.30	3.74	6
Infineon Technologies Newport Holding Limited	Bristol, Great Britain	100	0	34.96	0.00	7
Infineon Technologies Nordic AB	Kista, Sweden	100	0	5.49	0.30	7
Infineon Technologies Philippines, Inc.	Muntinlupa City, Philippines	100	0	(0.18)	0.12	7
Infineon Technologies Power Semitech Co., Ltd.	Cheonan, Republic of Korea	100	100	43.44	1.72	7
Infineon Technologies Reigate Limited	Bristol, Great Britain	100	0	156.71	2.97	7
Infineon Technologies Romania & Co. Societate in Comandita	Bucharest, Romania	100	0	2.85	1.15	7
Infineon Technologies Shared Service Center, Unipessoal Lda.	Maia, Portugal	100	100	1.97	0.31	7
Infineon Technologies Taiwan Co., Ltd.	Taipei, Taiwan	100	0	2.88	0.74	7
Infineon Technologies U.K. Limited	Bristol, Great Britain	100	0	(0.63)	0.07	7
Infineon Technologies US HoldCo Inc.	Wilmington, Delaware, USA	100	0	2,149.55	0.00	7
Infineon Technologies US InterCo LLC	Wilmington, Delaware, USA	100	0	1,511.21	8.07	7
Infineon Technologies Vermögens-verwaltungsgesellschaft mbH	Neubiberg, Germany	100	100	10.19	0.00	7,12,14

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Name of company	Registered office	Share-holdings in %	thereof Infineon Techno-logies AG	Equity (€ in millions)	Net result (€ in millions)	Foot-note
Innoluce B.V.	Nijmegen, The Netherlands	100	0	1.25	0.49	10
International Rectifier HiRel Denmark ApS	Herlev, Denmark	100	0	1.71	0.13	7
International Rectifier HiRel Products, Inc.	Wilmington, Delaware, USA	100	0	55.46	52.00	7
International Rectifier Japan Co., Ltd.	Tokyo, Japan	100	0	7.10	(1.38)	7
International Rectifier Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100	0	0.49	0.07	5
International Rectifier Mauritius, Inc.	Curepipe, Mauritius	100	0	1.81	(0.03)	7
Molstanda Vermietungsgesellschaft mbH	Neubiberg, Germany	100	6	0.38	(1.54)	8,12,13
MoTo Objekt Campeon GmbH & Co. KG	Neubiberg, Germany	93	0	71.49	8.53	10,16
Rectificadores Internacionales, S.A. de C.V.	Tijuana, Mexico	100	0	9.62	0.42	7
Shanghai International Rectifier Trading Ltd.	Shanghai, People's Republic of China	100	0	3.22	0.39	10
Joint ventures:						
Infineon Technologies Bipolar GmbH & Co. KG	Warstein, Germany	60	60	65.27	0.38	7,17
Infineon Technologies Bipoláris Kft.	Cegléd, Hungary	60	0	1.99	0.20	7
Other companies (not consolidated): [1]						
Advanced Power Electronics Corp.	Hsinchu County, Taiwan	n. a.	0	n. a.	n. a.	3
CHiL Semiconductors Corporation	Wilmington, Delaware, USA	100	0	0.00	0.00	7
DICE Danube Integrated Circuit Engineering GmbH	Linz, Austria	72	0	0.10	0.00	7
EPOS embedded core & power systems GmbH & Co. KG	Duisburg, Germany	100	100	0.57	0.22	7
EPOS embedded core & power systems Verwaltungs GmbH	Duisburg, Germany	100	100	0.06	0.00	7
Haus der Zukunft gGmbH	Berlin, Germany	n. a.	n. a.	n. a.	n. a.	3
Hitex (UK) Limited	Coventry, Great Britain	88	0	1.71	0.28	7
Infineon Technologies Bipolar Verwaltungs GmbH	Warstein, Germany	60	60	0.03	0.00	7
Infineon Technologies Canada, Inc.	St. John, New Brunswick, Canada	100	0	0.00	0.00	7
Infineon Technologies Delta GmbH	Neubiberg, Germany	100	100	0.02	0.00	7
Infineon Technologies Gamma GmbH	Neubiberg, Germany	100	100	0.02	0.00	7
Infineon Technologies Iberia, S.L.U.	Madrid, Spain	100	0	0.14	0.04	7
Infineon Technologies Ireland Limited	Dublin, Ireland	100	0	0.39	0.13	7
Infineon Technologies Campeon Verwaltungsgesellschaft mbH	Neubiberg, Germany	100	0	0.02	0.00	7
Infineon Technologies Mantel 26 AG	Neubiberg, Germany	100	100	0.04	0.00	7
Infineon Technologies Mantel 27 GmbH	Neubiberg, Germany	100	100	0.03	0.00	7,12,13
Infineon Technologies Mantel 28 GmbH	Neubiberg, Germany	100	100	n. a.	n. a.	11,12,13
Infineon Technologies Mantel 29 GmbH	Neubiberg, Germany	100	100	n. a.	n. a.	11,12,13
Infineon Technologies Mantel 30 GmbH	Neubiberg, Germany	100	100	n. a.	n. a.	11
Infineon Technologies Mantel 31 GmbH	Neubiberg, Germany	100	100	n. a.	n. a.	11
Infineon Technologies Sp. z o.o.	Warsaw, Poland	100	0	0.11	0.06	10
Infineon Technologies Romania s.r.l.	Bucharest, Romania	100	0	0.03	0.00	10
Infineon Technologies RUS LLC	Moscow, Russian Federation	100	0	0.12	0.00	10
Infineon Technologies Schweiz GmbH in liquidation	Baden, Switzerland	100	0	0.21	0.03	7
Infineon Technologies South America Ltda	São Paulo, Brazil	100	0	0.13	0.16	10
International Rectifier Power Management Private Limited (in Liquidation)	Bangalore, India	100	0	0.00	0.00	7
IR International Holdings China, Inc.	Wilmington, Delaware, USA	100	0	0.00	0.00	7
IR International Holdings, Inc.	Wilmington, Delaware, USA	100	0	0.00	0.00	7
ITA Vermögensverwertungs GmbH in liquidation	Villach, Austria	100	0	0.99	(0.16)	10
KAI Kompetenzzentrum Automobil- und Industrieelektronik GmbH	Villach, Austria	100	0	0.09	0.00	10
KFE Kompetenzzentrum Fahrzeug Elektronik GmbH	Lippstadt, Germany	24	24	1.78	0.06	10
MicroLinks Technology Corp.	Kaohsiung, Taiwan	n. a.	0	n. a.	n. a.	3
OSPT IP Pool GmbH	Neubiberg, Germany	100	100	0.02	0.00	7
R Labco, Inc.	Wilmington, Delaware, USA	100	0	0.00	0.00	7
Silicon Alps Cluster GmbH	Villach, Austria	n. a.	0	n. a.	n. a.	3

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Name of company	Registered office	Share-holdings in %	thereof Infineon Techno-logies AG	Equity (€ in millions)	Net result (€ in millions)	Foot-note
Schweizer Electronic AG	Schramberg, Germany	9	9	53.75	4.73	10
TTTech Computertechnik AG	Vienna, Austria	n. a.	n. a.	n. a.	n. a.	3
Xi'an IR PERI Company, Ltd.	Xi'an, People's Republic of China	50	0	n. a.	n. a.	–
XMOS Limited	Bristol, Great Britain	n. a.	0	n. a.	n. a.	15
Qimonda AG and its subsidiaries: [2]						
Celis Semiconductor Corp.	Colorado Springs, Colorado, USA	17		–	–	2
Itarion Solar Lda.	Vila do Conde, Portugal	40		–	–	2
Qimonda (Malaysia) Sdn. Bhd. in liquidation	Melaka, Malaysia	77		–	–	2
Qimonda AG in insolvency	Munich, Germany	77	28	–	–	2
Qimonda Asia Pacific Pte. Ltd.	Singapore, Singapore	77		–	–	2
Qimonda Belgium BVBA in insolvency	Leuven, Belgium	77		–	–	2
Qimonda Beteiligungs GmbH in insolvency	Munich, Germany	77		–	–	2
Qimonda Bratislava s.r.o. in liquidation	Bratislava, Slovakia	77		–	–	2
Qimonda Dresden GmbH & Co. OHG in insolvency	Dresden, Germany	77		–	–	2
Qimonda Dresden Verwaltungsgesellschaft mbH in insolvency	Dresden, Germany	77		–	–	2
Qimonda Europe GmbH in liquidation	Munich, Germany	77		–	–	2
Qimonda Finance LLC in insolvency	Wilmington, Delaware, USA	77		–	–	2
Qimonda Flash Geschäftsführungs GmbH in liquidation	Dresden, Germany	77		–	–	2
Qimonda Flash GmbH in insolvency	Dresden, Germany	77		–	–	2
Qimonda France SAS in liquidation	St. Denis, France	77		–	–	2
Qimonda Holding B.V. in insolvency	Rotterdam, The Netherlands	77		–	–	2
Qimonda International Trade (Shanghai) Co. Ltd.	Shanghai, People's Republic of China	77		–	–	2
Qimonda Investment B.V.	Rotterdam, The Netherlands	77		–	–	2
Qimonda IT (Suzhou) Co., Ltd. in liquidation	Suzhou, People's Republic of China	77		–	–	2
Qimonda Italy s.r.l. in liquidation	Padua, Italy	77		–	–	2
Qimonda Korea Co. Ltd. in liquidation	Seoul, Republic of Korea	77		–	–	2
Qimonda Licensing LLC	Fort Lauderdale, Florida, USA	77		–	–	2
Qimonda Memory Product Development Center (Suzhou) Co., in liquidation	Suzhou, People's Republic of China	77		–	–	2
Qimonda North America Corp. in insolvency	Wilmington, Delaware, USA	77		–	–	2
Qimonda Richmond LLC in insolvency	Wilmington, Delaware, USA	77		–	–	2
Qimonda Solar GmbH	Dresden, Germany	77		–	–	2
Qimonda Taiwan Co. Ltd. in liquidation	Taipei, Taiwan	77		–	–	2
Qimonda UK Ltd. in liquidation	High Blantyre, Scotland	77		–	–	2

1 Certain subsidiaries were not consolidated due to immateriality.
2 On 23 January 2009 Qimonda AG applied to the Munich District Court for insolvency proceedings to be opened. Insolvency proceedings were formally opened on 1 April 2009. The equity and earnings of Qimonda AG and its subsidiaries are not disclosed due to the substantial and ongoing restriction of Infineon's rights as a result of Qimonda AG's insolvency. In addition, the list of subsidiaries held by Qimonda AG is based on information from 30 September 2010, since Infineon had not received any further information from the insolvency administrator of Qimonda AG with respect to the insolvency or liquidation of Qimonda companies. Since all Qimonda-related investments were written down in full in previous years, they have no effect on Infineon's net assets, financial position and results of operations.
3 Share of not more than 5 percent.
4 Equity and net result as of 31 March 2016.
5 Equity and net result as of 15 June 2016 (period from 1 October 2015 until 15 June 2016).
6 Equity and net result as of 30 June 2016.
7 Equity and net result as of 30 September 2016.
8 Equity and net result as of 30 September 2016 (period from 1 January 2016 until 30 September 2016).
9 Equity and net result as of 30 September 2016 (period from 18 January 2016 until 30 September 2016).
10 Equity and net result as of 31 December 2016.
11 The entity was founded in the 2017 fiscal year.
12 Control and profit transfer agreement.
13 Exemption pursuant to section 264, paragraph 3, German Commercial Code from the obligations to disclose the annual financial statements pursuant to section 325 German Commercial Code.
14 Exemption pursuant to section 264, paragraph 3, German Commercial Code from certain obligations to prepare annual financial statements and a management report pursuant to section 264 et seq. German Commercial Code from the obligations to disclose the annual financial statements pursuant to section 325 German Commercial Code.
15 Exemption pursuant to section 285, paragraph 11b, German Commercial Code from the obligations to disclose information of subsidiaries.
16 Exemption pursuant to section 264b German Commercial Code from the obligations to prepare a management report and to disclose the annual financial statements.
17 Infineon accounts for its interest using the equity method because there are certain contractual participation rights of the other joint ventures inhibiting Infineon from exercising control.

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Neubiberg, 17 November 2017
Infineon Technologies AG

Management Board

Dr. Reinhard Ploss	Dominik Asam	Dr. Helmut Gassel	Jochen Hanebeck