



Q2

Half-Year Financial Report 31 March 2019

Infineon Technologies AG



(This page intentionally left blank)

Content

Selected Consolidated Financial Data.....	2
Interim Group Management Report	3
Operating performance of the segments in second quarter of 2019 fiscal year.....	4
The Infineon Share.....	9
Review of Business Environment	9
Review of Results of Operations in the first half of the 2019 fiscal year	10
Review of Financial Condition	13
Review of Liquidity	14
Employees.....	17
Outlook	17
Risks and Opportunities	18
Consolidated Statement of Operations.....	19
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Cash Flows.....	22
Consolidated Statement of Changes in Equity	24
Notes to the condensed Consolidated Interim Financial Statements	26
Responsibility Statement by the Management Board	40
Review Report	41
Supplementary Information	42

Selected Consolidated Financial Data

€ in millions, except earnings per share, Segment Result Margin and Gross margin	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Selected Results of Operations Data				
Revenue	1,983	1,836	3,953	3,611
Gross margin	37.8%	37.1%	38.7%	36.8%
Segment Result	332	314	691	597
Segment Result Margin	16.7%	17.1%	17.5%	16.5%
Research and development expenses	236	200	472	395
Capital expenditure ¹	349	263	757	556
Depreciation and amortization	233	211	463	416
Income from continuing operations	249	457	503	663
Income from discontinued operations, net of income taxes	(18)	-	(18)	(1)
Net income	231	457	485	662
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.20	0.40	0.43	0.59
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.20	0.40	0.43	0.58
Adjusted earnings per share (in euro) - diluted	0.24	0.26	0.48	0.46
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	215	310	524	468
Net cash provided by (used in) investing activities from continuing operations	65	(127)	(130)	(394)
Therein: Purchases (-)/proceeds from sales (+) of financial investments, net	417	(151)	752	(125)
Net cash used in financing activities from continuing operations	(305)	(209)	(323)	(222)
Free Cash Flow from continuing operations ²	(137)	334	(358)	199

€ in millions, except number of employees	As of	
	31 March 2019	30 September 2018
Selected Financial Condition Data		
Total assets	11,093	10,879
Total equity	6,664	6,446
Equity ratio	60.1%	59.3%
Gross cash position ³	1,882	2,543
Total debt	1,549	1,532
Net cash position ³	333	1,011
Market capitalization⁴		
	20,008	22,134
Employees		
	41,449	40,098

¹ Capital expenditure: the total amount invested in property, plant and equipment and intangible assets, including capitalized research and development expenses.

² Free cash flow is defined as net cash provided by/used in operating activities from continuing operations and net cash provided by/used in investing activities from continuing operations after adjusting for cash flows related to the purchase and sale of financial investments.

³ Gross cash position is defined as cash and cash equivalents and financial investments. Net cash position is defined as gross cash position less short-term and long-term debt.

⁴ The calculation is based on unrounded figures. Own shares were not taken into consideration for calculation of market capitalization.

Interim Group Management Report

Infineon's performance in first half of 2019 fiscal year:

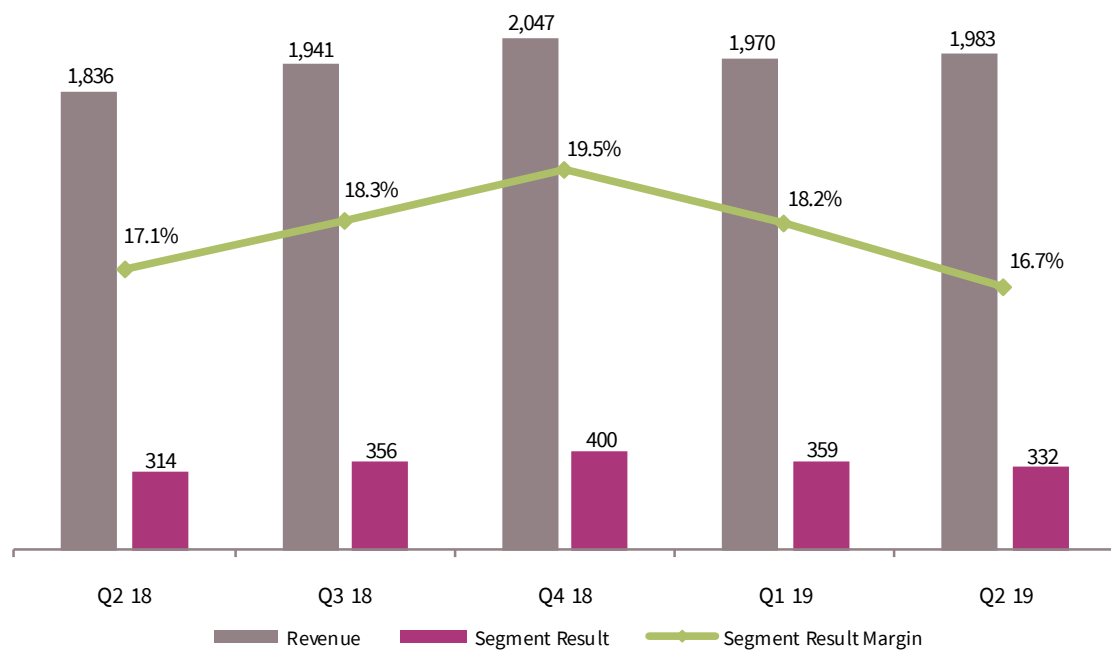
- › Revenue and Segment Result both up, despite challenging market environment
 - › Net income and earnings per share down year-on-year – mainly due to gain on sale of major part of Radio Frequency Power Component business to Cree, Inc. included in prior-year corresponding period
 - › Adjusted earnings per share up by 2 cents to €0.48 year-on-year
 - › The outlook for revenue and Segment Result for the 2019 fiscal year, as announced in the ad hoc notification dated 27 March 2019, is confirmed
-

"Infineon's robust business model has enabled us to perform well during the second quarter, despite a significant slowdown of the market", stated Dr. Reinhard Ploss, CEO of Infineon. "The boom is over for the time being, the momentum in demand has weakened. At the end of March, we responded to this trend by adjusting our outlook for the year and prepared for a lower level of growth. At the same time, we have acted consistently to successfully manage the current cycle and cut costs. We will continue to pursue strategic investment initiatives with the aim of safeguarding Infineon's future. This is driven by the excellent long-term prospects in our key target markets, which include electro mobility, autonomous driving, renewable energy, data centers and mobile communications."

Operating performance of the segments in second quarter of 2019 fiscal year

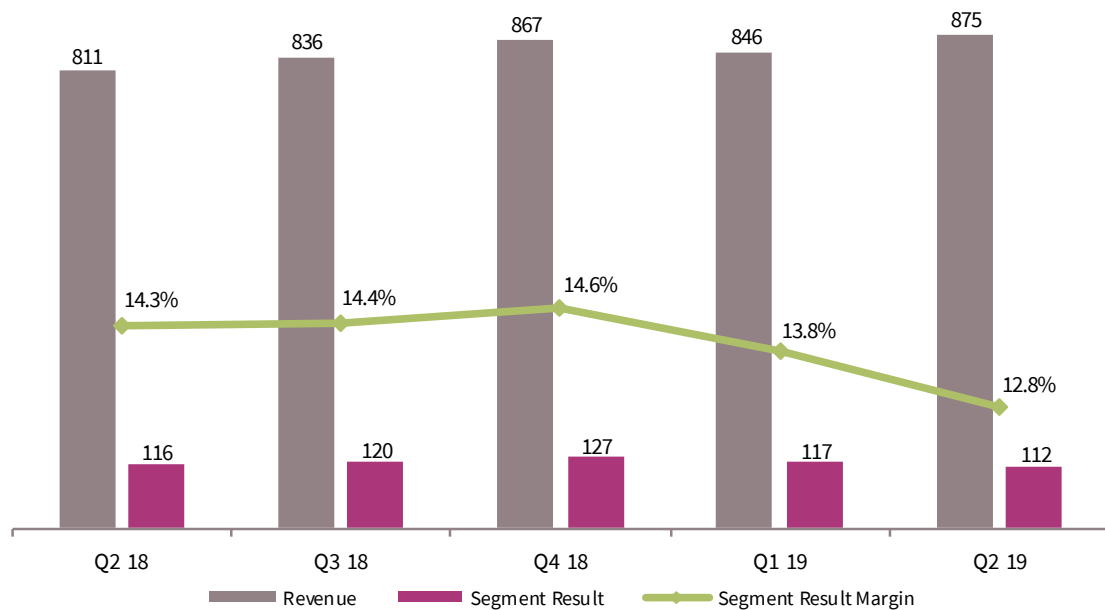
In the second quarter of the 2019 fiscal year, revenue grew by 1 percent from €1,970 million to €1,983 million quarter-on-quarter. Revenue was up in the Automotive and Digital Security Solutions segments, marginally down in the Industrial Power Control segment and somewhat more significantly down in the Power Management & Multimarket segment.

Year on year, revenue increased in the Automotive, Industrial Power Control and Power Management & Multimarket segments and remained at the previous year's level in the Digital Security Solutions segment.



Automotive

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Revenue	875	811	1,721	1,582
Share of Total Revenue	44%	44%	43%	44%
Segment Result	112	116	228	219
Share of Segment Result of Infineon	34%	37%	33%	37%
Segment Result Margin	12.8%	14.3%	13.2%	13.8%

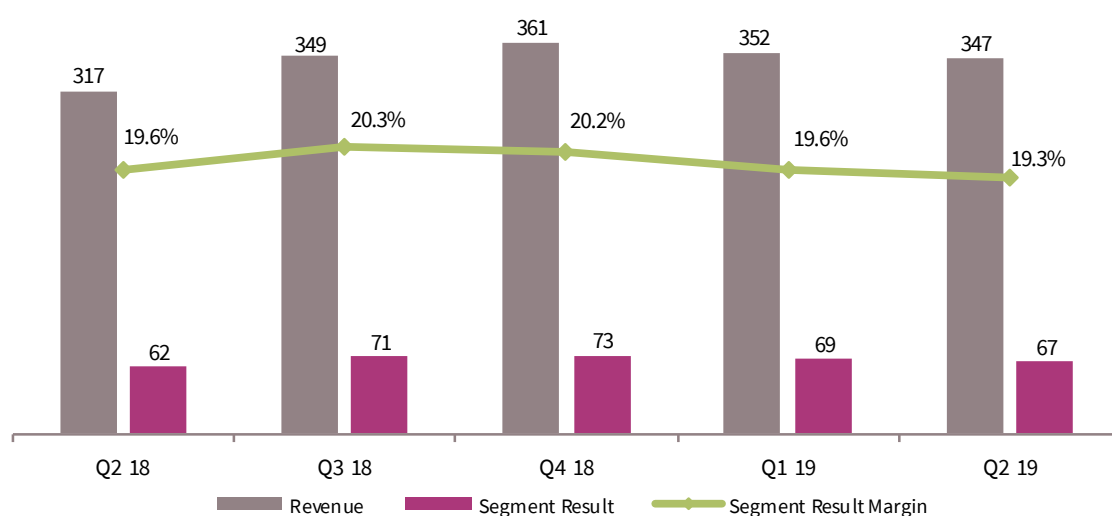


The Automotive segment revenue went up from €846 million in the previous quarter to €875 million in the second quarter of the 2019 fiscal year. The growth was achieved on the back of higher demand for electric drivetrain products and driver assistance systems. Segment Result for the three-month period amounted to €112 million, down from €117 million in the previous quarter. The Segment Result Margin slipped from 13.8 percent to 12.8 percent quarter-on-quarter.

Second-quarter revenue for the Automotive segment rose by 8 percent to €875 million compared to the previous fiscal year's reported figure of €811 million. Segment Result for the three-month period under report amounted to €112 million, compared to €116 million one year earlier. The Segment Result Margin came in at 12.8 percent, down on the previous year's corresponding figure of 14.3 percent.

Industrial Power Control

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Revenue	347	317	699	614
Share of Total Revenue	18%	17%	18%	17%
Segment Result	67	62	137	111
Share of Segment Result of Infineon	20%	20%	20%	19%
Segment Result Margin	19.3%	19.6%	19.6%	18.1%

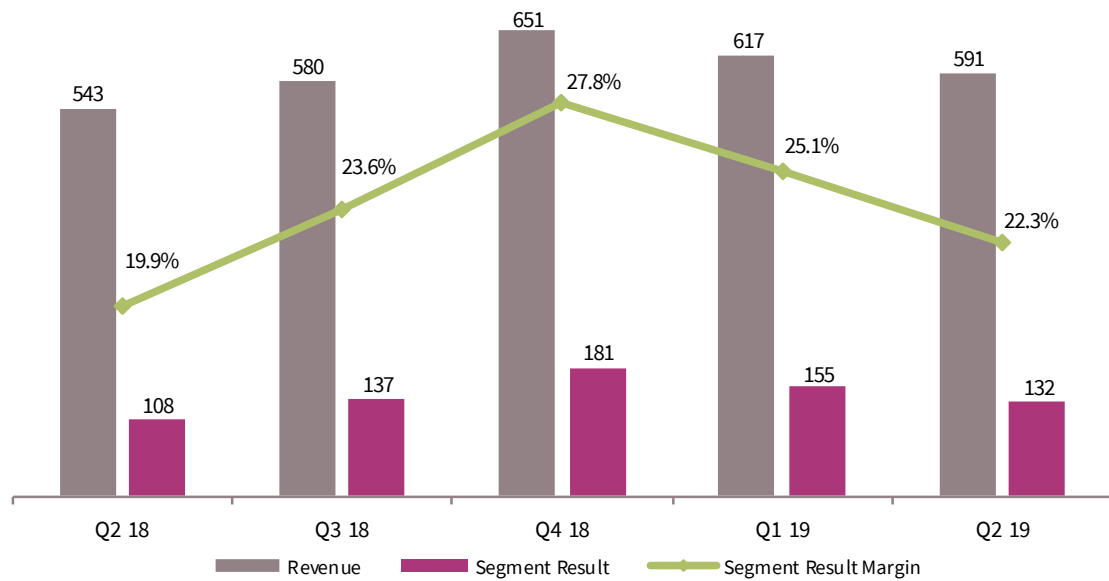


The Industrial Power Control segment revenue in the second quarter of the current fiscal year totaled €347 million, compared to €352 million in the first quarter. The 1 percent decrease was mainly attributable to lower demand for industrial drives, photovoltaics and home appliances, while demand in the areas of traction and wind increased. Segment Result fell from €69 million to €67 million quarter-on-quarter. The Segment Result Margin came in at 19.3 percent, compared to 19.6 percent in the previous quarter.

Second-quarter revenue for the Industrial Power Control segment grew by 9 percent year-on-year from €317 million to €347 million. Segment Result for this period is rising from €62 million to €67 million. The Segment Result Margin stood at 19.3 percent, compared to 19.6 percent in the second quarter of the previous fiscal year.

Power Management & Multimarket

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Revenue	591	543	1,208	1,088
Share of Total Revenue	30%	30%	31%	30%
Segment Result	132	108	287	214
Share of Segment Result of Infineon	40%	34%	42%	36%
Segment Result Margin	22.3%	19.9%	23.8%	19.7%

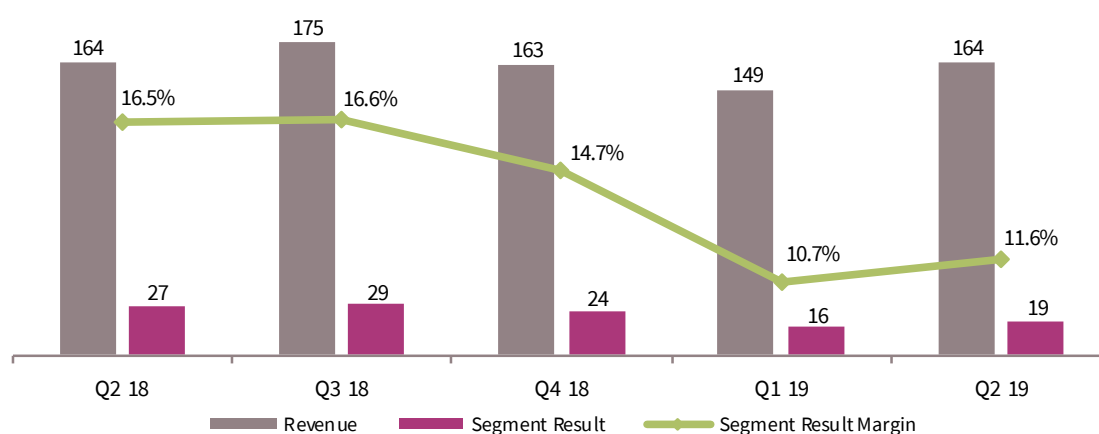


The Power Management & Multimarket segment revenue totaled €591 million in the second quarter of the 2019 fiscal year, compared to €617 million in the previous quarter. The 4 percent decrease reflects weaker demand in most product areas. Inventories of power supply components for a broad range of end applications remain at a high level throughout the supply chain. Products for mobile devices were impacted by the usual seasonal downturn. Segment Result for the second quarter totaled €132 million, compared to €155 million in the previous three-month period. The Segment Result Margin came in at 22.3 percent, compared with a margin of 25.1 percent reported for the first quarter of the 2019 fiscal year.

Power Management & Multimarket segment revenue grew by 9 percent in the second quarter of the current fiscal year to €591 million, up from €543 million one year earlier. Segment Result increased to €132 million from €108 million year-on-year, while the Segment Result Margin improved from 19.9 percent to 22.3 percent.

Digital Security Solutions

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Revenue	164	164	313	326
Share of Total Revenue	8%	9%	8%	9%
Segment Result	19	27	35	52
Share of Segment Result of Infineon	6%	9%	5%	9%
Segment Result Margin	11.6%	16.5%	11.2%	16.0%



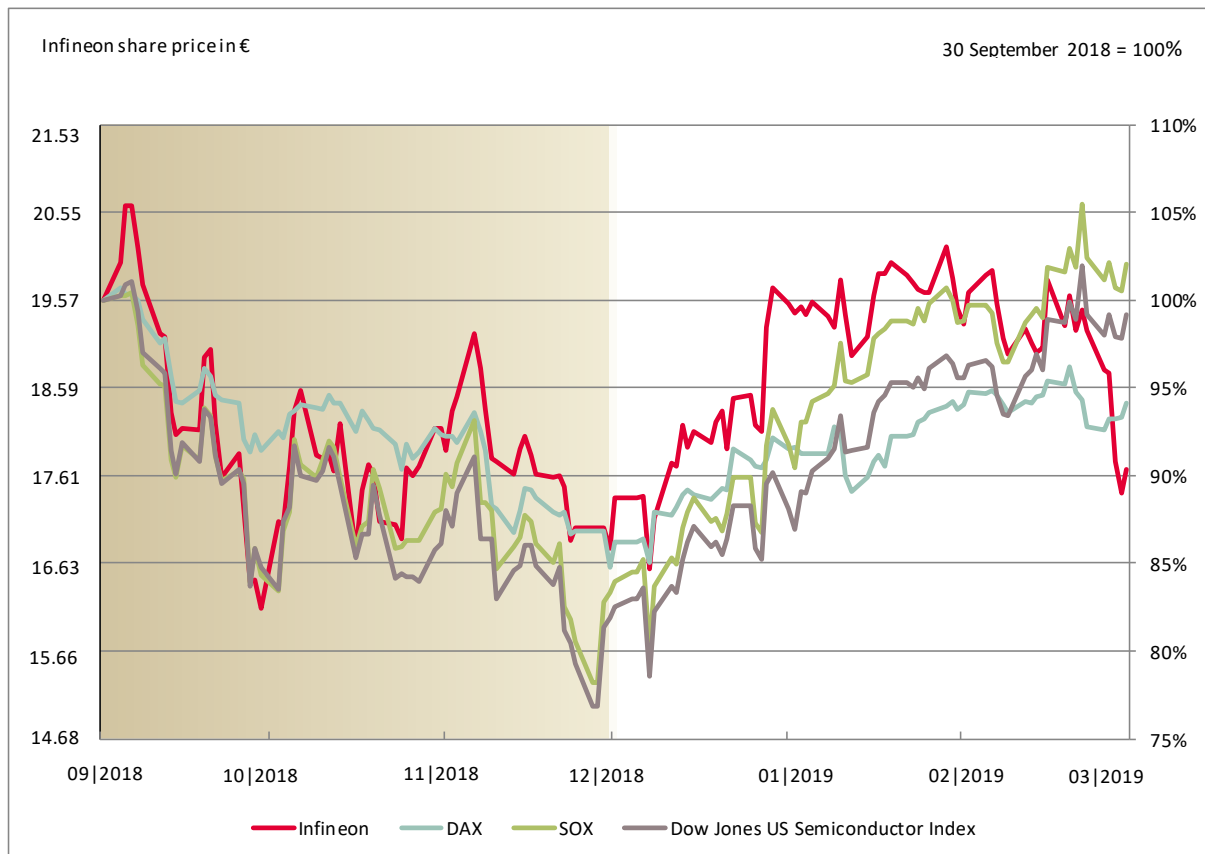
The Digital Security Solutions segment revenue grew by 10 percent quarter-on-quarter from €149 million to €164 million, mainly due to growth in the payment card business. Revenue from embedded SIMs (eSIM) for vehicles also increased noticeably compared to the previous quarter. Segment Result increased from €16 million to €19 million quarter-on-quarter. The Segment Result Margin came in at 11.6 percent, up on the 10.7 percent reported for the preceding three-month period.

Second-quarter revenue generated by the Digital Security Solutions segment remained unchanged year-on-year at €164 million. Segment Result went down from €27 million to €19 million and the Segment Result Margin finished at 11.6 percent, compared to 16.5 percent in the second quarter of the previous fiscal year.

The Infineon Share

The Infineon share finished the **first half of the 2019 fiscal year** at €17.69 and therefore 10 percent below the Xetra closing price of €19.57 recorded on 30 September 2018.

Performance of the Infineon share, the DAX, SOX and Dow Jones US Semiconductor Index during the first six months of the 2019 fiscal year (daily closing prices)



At the Annual General Meeting held on 21 February 2019, the Management Board and the Supervisory Board proposed that the dividend for the 2018 fiscal year be raised by 2 cents or 8 percent to €0.27 per share. The shareholders approved the proposal and an amount of €305 million was accordingly disbursed to shareholders during the first half of the 2019 fiscal year.

On the final day of business of the first half-year, a total of 1,137,344,594 shares were in issue. This figure includes 6 million own shares (unchanged since the end of the previous reporting period) that do not qualify for the payment of a dividend.

Review of Business Environment

Global economic growth slowed significantly during the second half of the 2018 calendar year and is also turning out to be weaker than originally expected in the 2019 calendar year. After an increase of 3.1 percent in the 2018 calendar year, the experts of the International Monetary Fund (IMF) currently predicts that the global economy will grow by only 2.7 percent in the 2019 calendar year (IMF, April 2019). In the fall of 2018, growth of 3.1 percent was still expected for the 2019 calendar year. Both the trade dispute between the USA and China and the as yet unresolved outcome of the Brexit process continue to be cited as risks for the global economy.

The significant slowdown in the global economy is also leaving its mark on the semiconductor industry. The global semiconductor market relevant for Infineon (excluding memory ICs and microprocessors) is expected to shrink by 2.6 percent in the 2019 calendar year compared to the 2018 calendar year, after growing by 5.7 percent in the previous calendar year (market research company IHS Markit, March 2019). The current forecast is therefore considerably lower than that issued in the fall of 2018. At that stage, IHS Markit's experts were still predicting growth of 6.1 percent for the 2019 calendar year. This is already included in the current growth outlook. All growth figures are based on market sizes measured in US dollars.

Review of Results of Operations in the first half of the 2019 fiscal year

€ in millions, except earnings per share	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Revenue	1,983	1,836	3,953	3,611
Gross profit	749	682	1,528	1,328
Research and development expenses	(236)	(200)	(472)	(395)
Selling, general and administrative expenses	(212)	(209)	(430)	(414)
Other operating income and expenses, net	4	259	6	260
Operating income	305	532	632	779
Net financial result (financial income and expenses, net)	(9)	(13)	(22)	(26)
Income from investments accounted for using the equity method	(1)	-	(5)	-
Income tax	(46)	(62)	(102)	(90)
Income from continuing operations	249	457	503	663
Income from discontinued operations, net of income taxes	(18)	-	(18)	(1)
Net income	231	457	485	662
Basic earnings per share (in euro)	0.20	0.40	0.43	0.59
Diluted earnings per share (in euro)	0.20	0.40	0.43	0.58
Adjusted diluted earnings per share (in euro)	0.24	0.26	0.48	0.46

Net income for the six-month period under report decreased by €177 million or 27 percent to €485 million year-on-year. Compared to the same period of the previous fiscal year, revenue and gross profit could be increased by 9 percent and 15 percent respectively. Higher operating expenses and in particular lower other operating income had an offsetting effect. The latter included a pre-tax gain of €268 million arising in the 2018 fiscal year on the sale of the major part of the RF power components business to Cree, Inc. The amounts reported include acquisition-related depreciation, amortization and other expenses essentially relating to the acquisition of International Rectifier (particularly the earnings impact arising from the purchase price allocation) totaling €53 million (October 2017 – March 2018: €58 million).

Power semiconductors contribute to revenue growth

Revenue for the six-month period rose by €342 million year-on-year to €3,953 million (October 2017 – March 2018: €3,611 million), with power semiconductors contributing €324 million to revenue growth. The Automotive segment accounted for the largest share (41 percent or €139 million) of total revenue growth, followed by Power Management & Multimarket (35 percent or €120 million) and Industrial Power Control (25 percent or €85 million). Digital Security Solutions revenue fell by 4 percent or €13 million due to unfavorable market conditions.

The change in the US dollar exchange rate had a positive impact on revenues during the first half of the 2019 fiscal year. The average euro/US dollar exchange rate was 1.14 compared to 1.20 in the corresponding period of the previous fiscal year.

More than one third of revenue generated in Greater China

At €1,330 million or 34 percent, more than one third of revenue in the six-month period under report was generated in Greater China (October 2017 – March 2018: €1,213 million or 34 percent), followed by Europe, the Middle East and Africa with €1,191 million or 30 percent (October 2017 – March 2018: €1,212 million or 34 percent).

The Americas region accounted for the largest share of revenue growth in the first half of the 2019 fiscal year, with revenue up by €120 million or 35 percent. This performance was in contrast to the previous year, which saw a €21 million decrease in revenue compared to the 2017 fiscal year.

China accounted for €1,023 million or 26 percent of Infineon's revenue worldwide in the first half of the 2019 fiscal year and therefore commands the largest share at individual country level, followed by Germany at €570 million or 14 percent. Revenue generated in Germany decreased slightly by 2 percent year-on-year.

€ in millions, except percentages	Three months ended 31 March				Six months ended 31 March			
	2019		2018		2019		2018	
Europe, Middle East, Africa	631	32%	636	35%	1,191	30%	1,212	34%
therein: Germany	302	15%	306	17%	570	14%	583	16%
Asia-Pacific (excluding Japan, Greater China)	295	15%	270	15%	604	15%	528	14%
Greater China	640	32%	594	32%	1,330	34%	1,213	34%
therein: China	494	25%	437	24%	1,023	26%	899	25%
Japan	143	7%	126	7%	293	7%	243	7%
Americas	274	14%	210	11%	535	14%	415	11%
therein: USA	227	11%	167	9%	442	11%	331	9%
Total	1,983	100%	1,836	100%	3,953	100%	3,611	100%

Gross margin improved

Gross profit (revenue less cost of goods sold) for the six-month period amounted to €1,528 million and was thus 15 percent up on the €1,328 million recorded one year earlier. The percentage increase in gross profit was therefore more pronounced than the 9 percent growth rate posted for revenue.

The **gross margin** improved accordingly from 36.8 percent to 38.7 percent for the comparable six-month periods. The increase was primarily due to revenue growth in the Automotive, Industrial Power Control and Power Management & Multimarket segments, while higher idle costs had an offsetting effect. Furthermore, the line item "Cost of goods sold" includes earnings effects from the purchase price allocation as well as acquisition-related expenses of € 29 million (in particular depreciation/amortization on intangible assets and property, plant and equipment, which were revalued to their fair value as part of the purchase price allocation for International Rectifier).

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Cost of goods sold	1,234	1,154	2,425	2,283
Change year-on-year	7%		6%	
Percentage of revenue	62.2%	62.9%	61.3%	63.2%
Gross profit	749	682	1,528	1,328
Percentage of revenue (gross margin)	37.8%	37.1%	38.7%	36.8%

Research and development expenses lead to higher operating expenses

Operating expenses (research and development expenses and selling, general and administrative expenses) increased by €93 million or 11 percent to €902 million in the first half of the 2019 fiscal year (October 2017 – March 2018: €809 million), mainly due to higher research and development expenses. In percentage terms, operating expenses amounted to 22.8 percent of six-month revenue, compared to 22.4 percent one year earlier.

Research and development expenses increased by €77 million from €395 million to €472 million for the six-month periods ended 31 March 2018 and 2019 respectively. Expressed as a percentage of revenue, research and development expenses increased from 10.9 percent to 11.9 percent year-on-year.

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Research and development expenses	236	200	472	395
Change year-on-year	18%		19%	
Percentage of revenue	11.9%	10.9%	11.9%	10.9%

Research and development activities were further intensified during the first half of the 2019 fiscal year, partly by recruiting additional staff. A total of 7,590 employees worked in research and development functions at the end of the reporting period, compared to 7,161 employees at 30 September 2018 and 6,756 at 31 March 2018.

Selling, general and administrative expenses corresponded to 10.9 percent of revenue in the first six months of the 2019 fiscal year (October 2017 – March 2018: 11.5 percent).

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Selling, general and administrative expenses	212	209	430	414
Change year-on-year	1%		4%	
Percentage of revenue	10.7%	11.4%	10.9%	11.5%

Decrease in other operating income

The net amount from other operating income and expenses for the six-month period dropped from €260 million to €6 million, whereby the previous year's figure included a pre-tax gain of €268 million arising on the sale of the major part of the RF power components business to Cree, Inc.

Earnings per share down

The lower **net income** resulted in a corresponding decrease in **earnings per share**. Compared with earnings per share of €0.59 (basic and diluted) for the first six months of the 2018 fiscal year, the corresponding figures for the current year to date amounted to €0.43 in each case.

Adjusted earnings per share increased in first half of 2019 fiscal year

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular International Rectifier) as well as by other exceptional items. To enable better comparability of operating performance over time, Infineon computes **adjusted earnings per share (diluted)** as follows:

€ in millions (unless otherwise stated)	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Net income from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	249	457	503	663
Plus/minus:				
Impairments (such as on goodwill), net of reversals ¹	-	11	-	11
Share-based compensation expense	3	2	5	7
Acquisition-related depreciation/amortization and other expenses	24	29	53	58
Gains on sales of businesses, or interests in subsidiaries, net ²	-	(268)	-	(267)
Other income and expense, net	-	8	1	9
Tax effects on adjustments	(6)	61	(13)	53
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(2)	(3)	(7)	(11)
Adjusted net income from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	268	297	542	523
Weighted-average number of shares outstanding (in million) – diluted	1,132	1,134	1,132	1,134
Adjusted earnings per share (in euro) – diluted ³	0.24	0.26	0.48	0.46

¹ Since 1 October 2018 impairments/reversal of impairments on assets are generally shown in Segment Result (excluding impairments for Goodwill). The previous period's figures were not adjusted.

² Without gains and losses from the disposal of assets since 1 October 2018. The previous period's figures were not adjusted.

³ The calculation of the adjusted earnings per share is based on unrounded figures.

Adjusted net income and adjusted earnings per share (diluted) should not be seen as a replacement or superior performance indicator, but rather as additional information to the net income and earnings per share (diluted) determined in accordance with IFRS.

Review of Financial Condition

€ in millions, except percentages	31 March 2019	30 September 2018	Change
Current assets	5,193	5,423	(4%)
Non-current assets	5,900	5,456	8%
Total assets	11,093	10,879	2%
Current liabilities	1,875	2,182	(14%)
Non-current liabilities	2,554	2,251	13%
Total liabilities	4,429	4,433	0%
Total equity	6,664	6,446	3%

Decrease in current assets mainly reflects lower gross cash position

Current assets decreased by €230 million to stand at €5,193 million as of 31 March 2019, compared to €5,423 million as of 30 September 2018, mainly due to the €661 million decrease in the gross cash position (see “Gross cash position and net cash position” in the chapter “Review of Liquidity” for further information). The increase in inventories by €226 million and the recognition of contract assets in connection with the first-time application of IFRS 15 totaling €106 million had an offsetting effect (see note 1 to the condensed Consolidated Interim Financial Statements).

Increase in non-current assets due to investing activities and acquisition of Siltectura

Non-current assets increased by €444 million from €5,456 million at the end of the previous fiscal year to €5,900 million as of 31 March 2019. Investments in property, plant and equipment during the six-month reporting period totaling €683 million exceeded the depreciation expense of €388 million. Investments related among others to the production sites in Kulim and Melaka (both Malaysia), Dresden and Regensburg (both Germany) and Villach (Austria). Investments in intangible assets (€74 million) were only slightly lower than the amortization expense (€75 million). The acquisition of 100 percent of the shares in Siltectura GmbH resulted in an increase in goodwill and other intangible assets of €130 million (see note 3 to the condensed Consolidated Interim Financial Statements).

Liabilities almost unchanged

Liabilities stood at €4,429 million at the end of the reporting period, virtually unchanged compared with their level at 30 September 2018 (€4,433 million). Provisions and liabilities to employees went down by €130 million, mainly reflecting the fact that bonus payments for prior-year performance-related remuneration exceeded the amount allocated to the provision during the six-month period under report. The €80 million increase in the line item “Pensions and similar commitments”, mainly attributable to actuarial losses totaling €74 million arising in connection with the measurement of pension obligations, had an offsetting effect (see note 2 to the condensed Consolidated Interim Financial Statements).

Increase in equity

Equity increased by €218 million (3 percent) to stand at €6,664 million at the end of the reporting period (30 September 2018: €6,446 million), mainly due to the net income generated in the first half of the 2019 fiscal year amounting to €485 million and foreign currency effects amounting to €57 million. The first-time application of IFRS 15 effective 1 October 2018 caused equity to increase by €37 million. The main offsetting effects came from the payment of the dividend (€305 million) for the 2018 fiscal year and actuarial losses amounting to €66 million (net of tax) – recognized through other comprehensive income – arising in conjunction with pension plans and similar commitments (see note 2 to the condensed Consolidated Interim Financial Statements).

Overall, the equity ratio improved to 60.1 percent at the end of the reporting period (30 September 2018: 59.3 percent).

Review of Liquidity

Cash Flow

€ in millions	Six months ended 31 March	
	2019	2018
Net cash provided by operating activities from continuing operations	524	468
Net cash used in investing activities from continuing operations	(130)	(394)
Net cash used in financing activities from continuing operations	(323)	(222)
Net change in cash and cash equivalents from discontinued operations	(2)	3
Net change in cash and cash equivalents	69	(145)
Effect of foreign exchange rate changes on cash and cash equivalents	8	11
Change in cash and cash equivalents	77	(134)

Increase in net cash provided by operating activities from continuing operations

Net cash provided by operating activities from continuing operations in the first half of the 2019 fiscal year totaled €524 million, an increase of €56 million compared to one year earlier. Taking income from continuing operations before depreciation and amortization, interest and taxes amounting to €1,088 million as the starting point, cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities totaling €463 million reduced cash and cash equivalents. In addition, income taxes and interest paid totaled €107 million.

Net cash provided by operating activities from continuing operations in the first six months of the previous fiscal year amounted to €468 million. Taking income from continuing operations before depreciation and amortization, interest,

taxes and the gain on the sale of the major part of Infineon's RF power components business amounting to €926 million as the starting point, cash and cash equivalents were reduced by €366 million in total, mainly as a result of cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities.

Net cash used in investing activities from continuing operations influenced by investments in property, plant and equipment and acquisition of Siltectura

Net cash used in investing activities from continuing operations in the first half of the 2019 fiscal year amounted to €130 million, including investments in property, plant and equipment (€683 million) and in intangible and other assets (€74 million). Net cash was also reduced by net cash out of €123 million to acquire 100 percent of the shares in Siltectura GmbH. Proceeds from sales of financial investments amounting to €752 million had an offsetting effect.

Net cash used in investing activities from continuing operations in the first half of 2018 fiscal year amounted to €394 million. Of this amount, €479 million was invested in property, plant and equipment, €77 million in intangible assets and other assets and €125 million in net cash outflows to purchase financial investments. By contrast, cash received in connection with the sale of the major part of the RF power components business to Cree, Inc. amounted to €321 million.

Dividend payment results in net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations during the six-month period resulted primarily from the payment of the dividend for the 2018 fiscal year amounting to €305 million. Overall, the net cash outflow for financing activities totaled €323 million (October 2017 – March 2018: €222 million).

Free cash flow

Infineon reports the free cash flow figure, defined as net cash provided by and/or used in operating activities and net cash provided by and/or used in investing activities, both from continuing operations, after adjusting for cash flows related to the purchase and sale of financial investments. Free cash flow serves as an additional performance indicator, since Infineon holds part of its liquidity in the form of financial investments. This does not mean that the free cash flow calculated in this way is available to cover other disbursements, since dividends, debt-servicing obligations and other fixed disbursements are not deducted. Free cash flow should not be seen as a replacement or superior performance indicator, but rather as an additional useful item of information over and above the disclosure of the cash flow reported in the Consolidated Statement of Cash Flows, and as a supplementary disclosure to other liquidity performance indicators and other performance indicators derived from the IFRS figures. Free cash flow only includes amounts from continuing operations, and is derived as follows from the Consolidated Statement of Cash Flows:

€ in millions	Six months ended 31 March	
	2019	2018
Net cash provided by operating activities from continuing operations	524	468
Net cash used in investing activities from continuing operations	(130)	(394)
Purchases of (proceeds from sales of) financial investments, net	(752)	125
Free cash flow	(358)	199

Investments and purchase price for Siltectura higher than cash provided by operating activities

Free cash flow from continuing operations in the first half of the 2019 fiscal year was a negative amount of €358 million. Investments in property, plant and equipment and intangible and other assets amounting to €757 million and the acquisition of 100 percent of the shares in Siltectura GmbH for €123 million exceeded net cash provided by operating activities from continuing operations totaling €524 million.

Gross cash position and net cash position both down

The following table reconciles the gross cash position and the net cash position (i.e. after deduction of debt). Since some liquid funds are held in the form of financial investments, which, for IFRS purposes, are not considered to be “cash and cash equivalents”, Infineon reports on its gross and net cash positions in order to provide investors with a better understanding of its overall liquidity. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	31 March 2019	30 September 2018
Cash and cash equivalents	809	732
Financial investments	1,073	1,811
Gross cash position	1,882	2,543
Less:		
Short-term debt and current maturities of long-term debt	28	25
Long-term debt	1,521	1,507
Total debt	1,549	1,532
Net cash position	333	1,011

The **gross cash position**, comprising cash and cash equivalents and financial investments, amounted to €1,882 million at 31 March 2019 and was thus €661 million lower than the €2,543 million reported at 30 September 2018. The decrease was mainly due to negative free cash flow of €358 million during the six-month period and the disbursement of the dividend for the 2018 fiscal year amounting to €305 million. The **net cash position**, which is defined as the gross cash position less short-term and long-term debt, decreased accordingly by €678 million to €333 million at the end of the reporting period (30 September 2018: €1,011 million).

Employees

The size of the Infineon workforce increased during the first half of the 2019 fiscal year to stand at 41,449 employees at 31 March 2019. The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

	As of		Change
	31 March 2019	30 September 2018	
Region:			
Europe	18,341	17,411	5%
therein: Germany	11,868	11,328	5%
Asia-Pacific (excluding Japan, Greater China)	16,823	16,494	2%
Greater China	2,097	2,085	1%
therein: China	1,934	1,928	0%
Japan	204	194	5%
Americas	3,984	3,914	2%
therein: USA	2,006	1,976	2%
Total	41,449	40,098	3%

Outlook

Outlook for the third quarter of the 2019 fiscal year

Based on an assumed exchange rate of US\$1.15 to the euro, Infineon expects revenue to grow by 1 percent quarter-on-quarter (plus or minus 2 percentage points) in the third quarter of the 2019 fiscal year. At the mid-point of the revenue guidance, the Segment Result Margin is predicted to come in at about 15 percent.

Updated outlook for the 2019 fiscal year

For the 2019 fiscal year as a whole, Infineon expects to generate revenue of €8.0 billion, plus or minus 2 percent. This corresponds to a forecast increase of just over 5 percent over the previous fiscal year, where revenue had amounted to €7.6 billion. The outlook is based on an assumed EUR/USD exchange rate of 1.15 for the remainder of the year. Revenue growth in the Automotive and Industrial Power Control segments is expected to exceed the Group average. Power Management & Multimarket segment revenue is likely to grow at a slightly slower pace than the Group average. Revenue for the Digital Security Solutions segment is likely to decrease by a mid-single-digit percentage year-on-year. The Segment Result Margin is predicted to be in the region of 16 percent at the mid-point of the revenue guidance.

A free cash flow of between break-even and negative €150 million is now expected for the 2019 fiscal year. Compared to the 20.5 percent reported at 30 September 2018, RoCE is forecast to decrease significantly in the 2019 fiscal year.

Investments in property, plant and equipment, intangible assets and capitalized development costs are planned at approximately €1.5 billion for the 2019 fiscal year. The figure includes the cost of constructing the cleanroom for the future 300-millimeter production facility in Villach. Depreciation and amortization are expected to be in the region of €1 billion, whereby approximately €90 million of that amount relates to amortization resulting from purchase price allocations, primarily for International Rectifier.

Risks and Opportunities

Infineon's international structure and the broad range of its products offer a multitude of opportunities, whilst also exposing it to numerous risks. Coordinated risk management and control systems are in place to identify relevant risks and opportunities at an early stage and manage them to Infineon's advantage. Risk management at Infineon is embedded in the Group's planning systems, playing an important role in all entrepreneurial decisions and business processes. As such, it is a vital aspect of securing lasting success for the business.

Specific risks which could have a materially adverse effect on Infineon's financial condition, liquidity position and results of operations, specific opportunities and the concept behind Infineon's risk management system are described in the Group Management Report for the 2018 fiscal year (pages 76 to 86).

During the first six months of the 2019 fiscal year, Infineon did not identify any material changes to the risks and opportunities described in the 2018 Annual Report and in note 9 to the condensed Consolidated Interim Financial Statements for the six-month period to 31 March 2019.

Further risks – of which Infineon is not currently aware or which are not at present considered material – could also impair business activities in the future. At the date of this report, Infineon is not aware of any substantial risks which could jeopardize its going-concern status.

Consolidated Statement of Operations

for the three and six months ended 31 March 2019 and 2018

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2019	2018	2019	2018
Revenue	12	1,983	1,836	3,953	3,611
Cost of goods sold		(1,234)	(1,154)	(2,425)	(2,283)
Gross profit		749	682	1,528	1,328
Research and development expenses		(236)	(200)	(472)	(395)
Selling, general and administrative expenses		(212)	(209)	(430)	(414)
Other operating income		12	280	23	285
Other operating expenses		(8)	(21)	(17)	(25)
Operating income		305	532	632	779
Financial income		6	3	11	6
Financial expenses		(15)	(16)	(33)	(32)
Gain from investments accounted for using the equity method		(1)	-	(5)	-
Income from continuing operations before income taxes		295	519	605	753
Income tax	4	(46)	(62)	(102)	(90)
Income from continuing operations		249	457	503	663
Loss from discontinued operations, net of income taxes	5	(18)	-	(18)	(1)
Net income		231	457	485	662
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: ¹					
Basic earnings per share (in euro) from continuing operations		0.22	0.40	0.45	0.59
Basic earnings per share (in euro) from discontinued operations		(0.02)	-	(0.02)	-
Basic earnings per share (in euro)		0.20	0.40	0.43	0.59
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: ¹					
Diluted earnings per share (in euro) from continuing operations		0.22	0.40	0.45	0.58
Diluted earnings per share (in euro) from discontinued operations		(0.02)	-	(0.02)	-
Diluted earnings per share (in euro)		0.20	0.40	0.43	0.58

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

Consolidated Statement of Comprehensive Income

for the three and six months ended 31 March 2019 and 2018

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2019	2018	2019	2018
Net income		231	457	485	662
Actuarial gains (losses) on pension plans and similar commitments	2	(66)	(2)	(66)	(2)
Total items not expected to be reclassified to profit or loss in the future		(66)	(2)	(66)	(2)
Currency translation effects		43	(27)	57	(40)
Net change in fair value of hedging instruments		1	-	3	-
Total items expected to be reclassified to profit or loss in the future		44	(27)	60	(40)
Other comprehensive loss for the period, net of tax		(22)	(29)	(6)	(42)
Total comprehensive income for the period, net of tax		209	428	479	620
Attributable to:					
Shareholders of Infineon Technologies AG		209	428	479	620

Consolidated Statement of Financial Position

as of 31 March 2019 and 2018 and 30 September 2018

€ in millions	Note:	31 March 2019	31 March 2018	30 September 2018 ¹
ASSETS:				
Cash and cash equivalents		809	726	732
Financial investments		1,073	1,712	1,811
Trade receivables		891	859	971
Inventories		1,706	1,305	1,480
Income tax receivable		63	6	52
Contract assets		106	-	-
Other current assets		533	336	366
Assets classified as held for sale		12	29	11
Total current assets		5,193	4,973	5,423
Property, plant and equipment		3,304	2,788	3,038
Goodwill and other intangible assets		1,758	1,520	1,596
Investments accounted for using the equity method		37	38	37
Deferred tax assets		639	636	648
Other non-current assets		162	116	137
Total non-current assets		5,900	5,098	5,456
Total assets		11,093	10,071	10,879
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	6	28	320	25
Trade payables		1,128	957	1,181
Short-term provisions	7	311	314	590
Income tax payable		140	125	117
Other current liabilities		268	181	269
Total current liabilities		1,875	1,897	2,182
Long-term debt	6	1,521	1,469	1,507
Pension plans and similar commitments	2	632	509	552
Deferred tax liabilities		12	16	9
Long-term provisions	7	243	67	46
Other non-current liabilities		146	134	137
Total non-current liabilities		2,554	2,195	2,251
Total liabilities		4,429	4,092	4,433
Shareholders' equity:	8			
Ordinary share capital		2,275	2,273	2,274
Additional paid-in capital		4,187	4,496	4,486
Retained earnings (accumulated deficit)		123	(744)	(333)
Other reserves		116	(9)	56
Own shares		(37)	(37)	(37)
Equity attributable to shareholders of Infineon Technologies AG		6,664	5,979	6,446
Total liabilities and equity		11,093	10,071	10,879

¹ No prior period adjustments are required as a result of the new valuation and accounting methods arising from our chosen transition approach in accordance with IFRS 15 and IFRS 9.

Consolidated Statement of Cash Flows

for the three and six months ended 31 March 2019 and 2018

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2019	2018	2019	2018
Net income		231	457	485	662
Plus: income from discontinued operations, net of income taxes	5	18	-	18	1
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		233	211	463	416
Income tax	4	46	62	102	90
Net interest result		10	13	20	25
Losses (gains) on disposals of property, plant and equipment		(1)	1	(1)	1
Gain from sale of RF Power Business		-	(268)	-	(268)
Dividends from joint ventures		-	-	-	6
Impairment charges		-	11	-	11
Other non-cash result		(6)	5	(3)	8
Change in trade receivables		(36)	(63)	74	(11)
Change in inventories		(107)	(46)	(250)	(91)
Change in trade payables		(65)	11	(69)	(61)
Change in provisions		56	61	(106)	(97)
Change in other assets and liabilities		(117)	(97)	(112)	(106)
Interest received		4	2	10	6
Interest paid		(8)	(8)	(28)	(26)
Income tax paid		(43)	(42)	(79)	(98)
Net cash provided by operating activities from continuing operations		215	310	524	468
Net cash provided by (used in) operating activities from discontinued operations		(2)	(2)	(2)	3
Net cash provided by operating activities		213	308	522	471

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2019	2018	2019	2018
Purchases of financial investments		(285)	(881)	(752)	(1,378)
Proceeds from sales of financial investments		702	730	1,504	1,253
Proceeds from sales of businesses and interests in subsidiaries, net of cash disbursed		-	321	-	321
Investments in related companies		(5)	(10)	(5)	(10)
Acquisitions of businesses, net of cash acquired	3	-	(24)	(123)	(24)
Purchases of intangible assets and other assets		(35)	(40)	(74)	(77)
Purchases of property, plant and equipment		(314)	(223)	(683)	(479)
Proceeds from sales of property, plant and equipment and other assets		2	-	3	-
Net cash provided by (used in) investing activities from continuing operations		65	(127)	(130)	(394)
Net cash used in investing activities from discontinued operations		-	-	-	-
Net cash provided by (used in) investing activities		65	(127)	(130)	(394)
Net change in related party financial receivables and payables		(1)	-	(13)	-
Proceeds from the issuance of long-term debt		-	-	1	-
Repayments of long-term debt		-	(2)	(8)	(15)
Change in cash deposited as collateral		-	75	-	74
Proceeds from the issuance of ordinary shares		1	1	2	2
Dividend payments		(305)	(283)	(305)	(283)
Net cash used in financing activities from continuing operations		(305)	(209)	(323)	(222)
Net cash used in financing activities from discontinued operations		-	-	-	-
Net cash used in financing activities		(305)	(209)	(323)	(222)
Net change in cash and cash equivalents		(27)	(28)	69	(145)
Effect of foreign exchange rate changes on cash and cash equivalents		9	9	8	11
Cash and cash equivalents at beginning of period		827	745	732	860
Cash and cash equivalents at end of period		809	726	809	726

Consolidated Statement of Changes in Equity

for the six months ended 31 March 2019 and 2018

€ in millions; except for number of shares	Note	Ordinary shares issued			Retained earnings (accumulated deficit)	Other Foreign currency translation adjustment
		Shares	Amount	Additional paid-in capital		
Balance as of 1 October 2017	8	1,136,200,929	2,272	4,774	(1,404)	32
Net income		-	-	-	662	-
Other comprehensive income (loss) for the period, net of tax		-	-	-	(2)	(40)
Total comprehensive income (loss) for the period, net of tax		-	-	-	660	(40)
Dividends		-	-	(283)	-	-
Issuance of ordinary shares:						
Exercise of stock options		247,330	1	1	-	-
Share based compensation		-	-	4	-	-
Balance as of 31 March 2018		1,136,448,259	2,273	4,496	(744)	(8)
Balance as of 30 September 2018	8	1,136,995,834	2,274	4,486	(333)	59
Effects from the first time application to IFRS 9 and IFRS 15	1				37	
Balance as of 1 October 2018		1,136,995,834	2,274	4,486	(296)	59
Net income		-	-	-	485	-
Other comprehensive income (loss) for the period, net of tax		-	-	-	(66)	57
Total comprehensive income (loss) for the period, net of tax		-	-	-	419	57
Dividends		-	-	(305)	-	-
Issuance of ordinary shares:						
Exercise of stock options		348,760	1	2	-	-
Share based compensation		-	-	4	-	-
Balance as of 31 March 2019		1,137,344,594	2,275	4,187	123	116

reserves		
Hedges	Own shares	Total equity attributable to shareholders of Infineon Technologies AG
(1)	(37)	5,636
-	-	662
-	-	(42)
-	-	620
-	-	(283)
-	-	2
-	-	4
(1)	(37)	5,979
(3)	(37)	6,446
		37
(3)	(37)	6,483
-	-	485
3	-	(6)
3	-	479
-	-	(305)
-	-	3
-	-	4
-	(37)	6,664

Notes to the condensed Consolidated Interim Financial Statements

1 Basis of Presentation

The condensed Consolidated Interim Financial Statements of the Infineon Group (“Infineon”) comprising Infineon Technologies AG (hereafter also “the Company”) and its subsidiaries for the three and six months ended 31 March 2019 and 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The condensed Consolidated Interim Financial Statements have been prepared in compliance with IAS 34, “Interim Financial Reporting”. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of 30 September 2018 presented herein was derived from audited consolidated financial statements, not all related disclosures required by IFRS for these are included. The condensed Consolidated Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with IFRS, as adopted by the EU, for the 2018 fiscal year. In interim periods, tax expense is calculated based on the current estimated effective tax rate for the full year.

The accounting policies applied preparing the accompanying condensed Consolidated Interim Financial Statements are consistent with those used for the 2018 fiscal year. An exemption to this principle is the application of new or revised standards and interpretations which are effective for fiscal years starting from 1 January 2018. The impacts of the first time application of IFRS 9 and IFRS 15 are described in detail in the section “Financial reporting rules applied for the first time”. The application of all other new or revised standards does not have any material impact on Infineon’s financial position, results of operations and cash flows.

In the opinion of management, these condensed Consolidated Interim Financial Statements contain all necessary adjustments and present a true and fair view of the financial position, results of operations and cash flows. All adjustments recorded are of a normal recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full fiscal year.

The preparation of the condensed Consolidated Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from management’s estimates.

All amounts presented in the condensed Consolidated Interim Financial Statements are shown in euro (€) unless stated otherwise. Negative amounts are presented in parentheses.

Deviations in amounts presented may occur due to rounding.

Financial reporting rules applied for the first time

The following new or revised IASB standards and interpretations have been applied for the first time in the Consolidated Interim Financial Statements.

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” replaces the existing rules contained in IAS 39 “Financial Instruments; Recognition and Measurement” and was applied by Infineon for the first time as of 1 October 2018. IFRS 9 contains new rules for the classification and measurement of financial assets, as well as new regulations for impairments, although the requirements for financial liabilities most relevant to Infineon had largely been adopted from IAS 39. In addition the new standard requires more comprehensive disclosure, and contains accounting rules for hedging transactions.

The first time application was made by an adjustment of the cumulative effect to the opening balance of equity. The previous periods are disclosed according to the old requirements (modified retrospective approach).

The classification and measurement of financial assets are based on the underlying business model of the portfolio according to which the financial asset is managed, as well as the specific form of the contractually agreed cash flows.

From now on a limited number of financial assets (debt instruments) held by Infineon are recognized at fair value through profit or loss; these were previously recognized at amortized cost or at fair value through other comprehensive income according to IAS 39. Infineon measures equity instruments at fair value through profit or loss.

According to IFRS 9 the recognition of the impairment of financial instruments is based on expected credit losses, instead of losses already incurred as was the case previously under IAS 39. Infineon applies the simplified impairment model for trade receivables and the general impairment model for cash and cash equivalents and financial investments. The probability-weighted models to estimate expected credit losses have been integrated into the credit risk management process.

The new rules for the application of hedge accounting, whose target is to better represent risk management strategy, has primarily resulted in changes to the documentation and effectiveness requirements for Infineon. All existing hedging arrangements fulfill the hedge accounting requirements as set out in IFRS 9, and are continuing as before. Therefore there was no effect on the Statement of Financial Position arising from the first time application as of 1 October 2018.

The requirements for the classification and measurement of financial liabilities according to IFRS 9 substantially correspond to the previous requirements of IAS 39. The first application of IFRS 9 had no effect on the classification and measurement of financial liabilities.

Further information about Financial Instruments may be found in note 11.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” has been applied by Infineon for the first time as of 1 October 2018. It replaces all previous standards and revenue recognition interpretations including IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. IFRS 15 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. The amount to be recognized as revenue is based on the value of the consideration that the entity expects to receive.

The first time application was made by an adjustment of the cumulative effect to the opening balance of equity. The previous periods are disclosed according to the old requirements (modified retrospective approach).

According to IFRS 15, revenue under particular contract types is recognized over a period of time instead of at a particular point in time, as was previously the case. For Infineon, this primarily affects the sale of customer-specific products with no alternative use for which Infineon has the enforceable right to payment for performance completed to date, even before delivery has taken place. When recognizing revenue over a period of time performance progress is determined using an input-based method. For sales to some customers with whom Infineon holds consignment stock, revenue recognition has shifted from the point of withdrawal of finished goods and products by the customer to the point of delivery into the consignment warehouse. Apart from these cases, there are no other material effects on earnings or financial position for Infineon. This is because Infineon’s customer contracts generally only contain one performance obligation that is fulfilled either over a period of time or at a particular point in time.

The first time application of IFRS 15 as of 1 October 2018 in particular resulted in the recognition of contract assets of €89 million and a reduction of inventories by €45 million so that accumulated deficit decreased by €37 million as of 1 October 2018 after the effect of deferred taxes.

The following tables show the effect of the application of IFRS 15 to the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows.

Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income for the 6 months to 31 March 2019:

€ in millions	as reported	IFRS 15 Adjustments	Balances without IFRS 15 Adjustments
Revenue	3,953	17	3,936
Cost of goods sold	(2,425)	(10)	(2,415)
Net income	485	7	478
Total comprehensive income, net of tax	479	7	472

Consolidated Statement of Financial Position as of 31 March 2019:

€ in millions	as reported	IFRS 15 Adjustments	Balances without IFRS 15 Adjustments
Inventories	1,706	(55)	1,761
Contract assets	106	106	-
Deferred tax assets	639	(6)	645
Total assets	11,093	45	11,048
Retained earnings	123	45	78
Total equity	6,664	45	6,619

Consolidated Statement of Cash Flows for the 6 months to 31 March 2019:

€ in millions	as reported	IFRS 15 Adjustments	Balances without IFRS 15 Adjustments
Net income	485	7	478
Change in inventories	(250)	10	(260)
Change in other assets and liabilities	(112)	(17)	(95)
Net cash provided by operating activities	522	-	522

See note 12 for the disaggregation of revenue.

Financial reporting rules issued but not yet applied

Infineon is currently in the process of implementing the new standard IFRS 16 “Leases”.

A cross-functional project was started with regard to IFRS 16, which addresses quantitative, and qualitative analyses, interviews and contract analyses, as well as the system and process implementation of the new IFRS 16 requirements. The Company is currently analyzing the effects on the first-time adoption of IFRS 16; reliable quantitative results are not available at this time.

2 ACCOUNTING POLICIES

Pension plans and similar commitments

IAS 34, "Interim Financial Reporting" requires an adjustment to the valuation of pension plans and similar commitments during the period if market conditions have changed unexpectedly and significantly. Financial market interest rate developments in the six months ended 31 March 2019 have resulted in a significant reduction in the discount rates used in the valuation of defined benefit plans, resulting in a considerable effect on the defined benefit obligation of such plans. The discount rate for domestic and Austrian defined benefit plans decreased to 1.2 percent at 31 March 2019 (30 September 2018: 1.7 percent). The fair value of plan assets increased accordingly. As a result pension plan commitments as of 31 March 2019 were adjusted by €74 million before tax and €66 million after tax, which was recorded as an actuarial loss on pension plans and similar commitments in Other Comprehensive Income.

3 ACQUISITIONS

Acquisition of 100 percent of the shares in Siltectura GmbH

On 9 November 2018, Infineon acquired all of the shares in Siltectura GmbH (Siltectura), which is based in Dresden (Germany).

Siltectura has developed a technology that allows to cut the silicon carbide (SiC) crystal to be very precisely and efficiently processed. As a result there is virtually no loss of material in comparison to the previous method. This technology can be used in two ways. One is cutting the boule into wafers yielding significantly more wafers than the conventional approach. The other use case is to lift off a very thin layer from the top of a wafer and to use the remaining wafer once more. This 2-out-of-1 concept is very important as the future long-term supply of SiC wafers could be a limiting factor, especially when SiC will ramp in a larger scale in electro-mobility. In the coming years Infineon will work on making the Siltectura technology useable in volume production.

The consideration transferred (purchase price) for the acquired company amounts to €124 million. The purchase price allocation based on the fair values of the assets and liabilities as at the acquisition date results in the recognition of the technology as an asset, and goodwill.

The following table shows the final allocation of the purchase price to assets and liabilities as at the acquisition date:

€ in millions	
Other intangible assets (technology)	35
Other assets	4
Total assets	39
Deferred tax liabilities	7
Other liabilities	3
Total liabilities	10
Net assets acquired	29
Goodwill	95
Purchase price	124
Paid in cash and cash equivalents during the six months ended 31 March 2019	124
Acquired cash and cash equivalents	(1)
Net cash outflow for the acquisition	123

Goodwill of €95 million arises from the acquisition which is not deductible for tax purposes. This goodwill is mainly attributable to the expected cost benefits from the use and future development of the technology developed by Siltectura.

Siltectura did not generate any revenue during the reporting period. From the first time consolidation of Siltectura to 31 March 2019 Siltectura contributed a loss of €1 million after tax to the Consolidated Statement of Comprehensive Income. The inclusion of Siltectura from 1 October 2018 would not have had a material effect on Infineon's earnings.

4 Income Tax

In the three and six months to 31 March 2019, the effective tax rate was primarily affected by foreign tax rates, tax credits and the revaluation of deferred tax assets, as well as deferred tax income from the release of deferred tax liabilities arising in connection with the acquisition of International Rectifier.

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Income from continuing operations before income taxes	295	519	605	753
Income tax	(46)	(62)	(102)	(90)
Effective tax rate	16%	12%	17%	12%

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.

The risks and provisions relating to Qimonda’s insolvency are described in detail in note 9 “Legal risks – Proceedings in relation to Qimonda”.

In the three and six months to 31 March 2019 adjustments to individual provisions arose as a result of recent developments in connection with the insolvency of Qimonda. Infineon is assuming that the duration of proceedings relating to the activation of a shell company and liability for impairment of capital will be prolonged. As a result, provisions recognized have been adjusted accordingly and transferred from current to non-current (see note 7).

Income/loss from discontinued operations, net of income taxes

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Qimonda's share of discontinued operations, net of income taxes	(21)	-	(21)	-
Others business' share of discontinued operations, net of income taxes	3	-	3	(1)
Income (loss) from discontinued operations, net of income taxes	(18)	-	(18)	(1)

Assets classified as held for sale

On 31 March 2019, land and buildings as well as technical equipment and machinery with a carrying amount of €12 million (30 September 2018: €11 million) were disclosed as assets classified as held for sale.

6 Debt

Debt consists of the following:

€ in millions	31 March 2019	30 September 2018
Current maturities of long-term debt, weighted average interest rate 1.60% (30 September 2018: 1.65%)	28	25
Short-term debt and current maturities of long-term debt	28	25
Loans payable to banks:		
Unsecured loans, weighted average interest rate 1.11% (30 September 2018: 0.95%), due 2020–2023	15	19
Secured term loans, weighted average interest rate 2.03%, due 2020	178	185
Bond €500 million, coupon 1.50%, due 2022	498	497
USPP notes US\$935 million, weighted average interest rate 4.09%, due 2024–2028	830	806
Long-term debt	1,521	1,507
Total	1,549	1,532

7 Provisions

Short-term and long-term provisions consist of the following:

€ in millions	31 March 2019	30 September 2018
Obligations to employees	282	374
Warranties	35	42
Provisions related to Qimonda (see notes 5 and 9)	205	185
Other	32	35
Total provisions	554	636
Thereof short-term	311	590
Thereof long-term	243	46

8 Equity

The ordinary share capital of Infineon Technologies AG stood at €2,274,689,188 as of 31 March 2019 divided into 1,137,344,594 no par value registered shares (thereof 6 million own shares), each representing €2 of the Company's ordinary share capital. As of 30 September 2018 the ordinary share capital stood at €2,273,991,668 divided into 1,136,995,834 no par value registered shares (thereof 6 million own shares). 348,760 new shares were issued in the first half of the 2019 fiscal year (thereof 183,000 in the second quarter) as a result of the exercise of stock options by employees as well as current and past members of the Management Board.

At the Annual General Meeting on 21 February 2019, it was resolved that a dividend of €0.27 be paid for each eligible share out of the unappropriated profit of Infineon Technologies AG for the 2018 fiscal year. Taking into account the non-entitlement to a dividend of own shares as well as new shares issued following the exercise of stock options by employees as well as by current and past members of the Management Board, this resulted in a distribution of €305 million. As in previous years, the distribution for the 2018 fiscal year was paid out of additional paid-in capital which consisted of an accumulated deficit as of 30 September 2018.

9 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. 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. On 26 September 2018 the European Court of Justice referred the case back to the court of first instance in order to re-review the proportionality of the fine.

In Canada two class actions for damages of an unspecified amount in connection with the EU Commission investigative proceedings are pending: 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.

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 contribution in kind 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 the 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 contributions in kind 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 contributions in kind 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 contributions in kind. Additionally, in the course of its defense against the claims asserted by the insolvency administrator, Infineon has commissioned several expert opinions, all of which arrived at the same conclusion that the objections raised by the insolvency administrator against the valuation of the contribution in kind 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.

On 21 September 2018, in consultation with the parties, the independent expert appointed by the court presented an interim report on his preliminary assessment of the value of the contribution in kind. The Company is in principle prepared to conduct discussions about an out of court settlement of the legal dispute on the basis of the interim report.

It is not clear at this stage if the 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. In consideration of the interim report from the court-appointed expert, Infineon recorded provisions relating to Qimonda of €205 million in total as of 31 March 2019. This comprises mainly provisions for the still pending legal dispute over the alleged activation of a shell company and liability for impairment of capital including legal costs. As of 30 September 2018, provisions relating to Qimonda amounted to €185 million.

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. Should the alleged claims relating to the activation of a shell company and liability for impairment of capital prove to be valid, substantial financial obligations above the provisions already recorded could arise for Infineon, which could have a material adverse effect on its business and its financial condition, liquidity position and results of operations.

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.

10 Transactions with related companies and persons

Infineon has transactions in the normal course of business with joint ventures and other related companies (collectively, "related companies"). Related persons are persons in key management positions, in particular members of the Management and Supervisory Board 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 31 March 2019 and 30 September 2018 consist of the following:

€ in millions	31 March 2019		30 September 2018	
	Joint ventures	Other related companies	Joint ventures	Other related companies
Trade and other receivables	4	-	7	-
Financial receivables	34	1	18	1
Trade and other payables	8	1	10	1
Financial payables	-	-	-	1

Sales and service charges to and products and services received from related companies for the three and six months ended 31 March 2019 and 2018 consist of the following:

€ in millions	Three months ended 31 March			
	2019		2018	
	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	10	4	4	-
Products and services received	20	3	18	5

€ in millions	Six months ended 31 March			
	2019		2018	
	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	18	9	8	1
Products and services received	40	6	36	9

Related persons

44,954 (virtual) performance shares each with a fair value of €13.79 were allocated to the Management Board on 1 March 2019.

With effect from the end of 31 March 2019, and with the agreement of the Supervisory Board, Mr. Dominik Asam relinquished his position as a member of the Management Board of Infineon Technologies AG and left the company. In line with his contract of service, his entitlements arising from the Short Term Incentive (STI) for the 2019 fiscal year are forfeited, as are those from the ongoing Mid Term Incentive (MTI) und Long Term Incentive (LTI) tranches. A post-contractual non-compete agreement with a duration of 18 months was agreed with Mr. Asam. The net earnings (including required adjustments to pension obligations) as a result of the departure of Mr. Asam amounted to around €1 million.

Beyond this, in the three and six months ended 31 March 2019 and 2018 there were no transactions between Infineon and related persons which fall outside the scope of the already existing service or appointment terms.

In accordance with the suggestion of the Executive Committee, in a meeting on 13 March 2019 the Supervisory Board appointed Dr. Sven Schneider as the new Chief Financial Officer who took up his duties on 1 May 2019.

11 Additional disclosures on financial instruments

The classification of financial instruments into categories, along with the related valuation methods are carried out in accordance with IFRS 9 for the first time and are explained in note 1. Material assumptions are largely unchanged since 30 September 2018 and are described in detail in note 2 to the 2018 Consolidated Financial Statements. A detailed overview of Infineon's financial instruments, the financial risk factors and the management of financial risks are to be found in notes 22 and 23 to the 2018 Consolidated Financial Statements.

The following table illustrates the classification and measurement categories of financial assets according to IAS 39 and the reconciliation to the new classification and measurement categories according to IFRS 9, along with the respective carrying amounts as of 1 October 2018.

€ in millions	Original classification under IAS 39	Classification under IFRS 9	Carrying amount as of 30 September 2018	Carrying amount as of 1 October 2018
Cash and cash equivalents	Loans and receivables	Amortized cost	732	643
		At fair value through profit or loss	-	89
Financial Investments	Loans and receivables	Amortized cost	1,248	1,246
		At fair value through profit or loss	563	563
Trade receivables	Loans and receivables	Amortized cost	971	973
Other current assets	Loans and receivables	Amortized cost	110	110
	At fair value through profit and loss	At fair value through profit or loss	3	3
Other non-current assets	Loans and receivables	Amortized cost	64	46
		At fair value through profit or loss	-	18
	Available-for-sale	At fair value through profit or loss	40	36
		Not assignable to any IFRS 9 measurement category	-	4
Total			3,731	3,731

There was no conversion effect arising from the changes to classification and measurement categories as of 1 October 2018 for Infineon.

The following table shows the neutral effect on earnings of the first application of the new impairment model as of 1 October 2018.

€ in millions	2018
Balance at 1 October per IAS 39	9
Adjustment on initial application of IFRS 9	
Loss allowance on trade receivables	2
Loss allowance on financial investments	(2)
Balance at 1 October per IFRS 9	9

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 31 March 2019 and 30 September 2018 is as follows:

€ in millions	Fair value	Fair value by category		
		Level 1	Level 2	Level 3
31 March 2019				
Current assets:				
Cash and cash equivalents	61	61	-	-
Financial investments	119	119	-	-
Other current assets	2	-	2	-
Non-current assets:				
Other non-current assets	54	36	-	18
Total	236	216	2	18
Current liabilities:				
Other current liabilities	2	-	2	-
Total	2	-	2	-
30 September 2018				
Current assets:				
Financial investments	563	563	-	-
Other current assets	3	-	3	-
Non-current assets:				
Other non-current assets	40	18	-	22
Total	606	581	3	22
Current liabilities:				
Other current liabilities	5	-	5	-
Total	5	-	5	-

Cash equivalents partly include investments in money market funds.

Other current assets and liabilities, respectively, 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 market (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).

As in the previous fiscal year, no reclassification was carried out within the fair value hierarchy.

12 Segment information

Identification of Segments

Infineon's business is structured into the four operating segments Automotive, Industrial Power Control, Power Management & Multimarket and Digital Security Solutions.

Other Operating Segments comprise the remaining activities of businesses that have been disposed of, and other business activities. Since the sale of the Wireless mobile phone business, supplies to Intel Mobile Communications are included in this segment. Since the sale of the major part of Infineon's Radio Frequency Power Components business, supplies of LDMOS wafers and related components, as well as packaging and test services for Cree, Inc. are also included.

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

Segment data

€ in millions	Total		Power		Embedded control		RF & Sensors	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from contracts with customers								
Automotive	1,721	1,582	1,110	1,007	319	292	292	283
Industrial Power Control	699	614	699	614	-	-	-	-
Power Management & Multimarket	1,208	1,088	943	807	-	-	265	281
Digital Security Solutions	313	326	-	-	313	326	-	-
Subtotal	3,941	3,610	2,752	2,428	632	618	557	564
Other Operating Segments	12	1						
Corporate and Eliminations	-	-						
Total	3,953	3,611						

€ in millions	Total		Power		Embedded control		RF & Sensors	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from contracts with customers								
Automotive	875	811	561	515	165	150	149	146
Industrial Power Control	347	317	347	317	-	-	-	-
Power Management & Multimarket	591	543	465	410	-	-	126	133
Digital Security Solutions	164	164	-	-	164	164	-	-
Subtotal	1,977	1,835	1,373	1,242	329	314	275	279
Other Operating Segments	6	1						
Corporate and Eliminations	-	-						
Total	1,983	1,836						

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Segment Result:				
Automotive	112	116	228	219
Industrial Power Control	67	62	137	111
Power Management & Multimarket	132	108	287	214
Digital Security Solutions	19	27	35	52
Other Operating Segments	2	1	5	1
Corporate and Eliminations	-	-	(1)	-
Total	332	314	691	597

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

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
Segment Result	332	314	691	597
Plus/minus:				
Impairments (such as on goodwill), net of reversals ¹	-	(11)	-	(11)
Share-based compensation expenses	(3)	(2)	(5)	(7)
Acquisition-related depreciation/amortization and other expenses	(24)	(29)	(53)	(58)
Gains on sales of businesses, or interests in subsidiaries, net ²	-	268	-	267
Other income and expense, net	-	(8)	(1)	(9)
Operating income	305	532	632	779
Financial income	6	3	11	6
Financial expenses	(15)	(16)	(33)	(32)
Gain from investments accounted for using the equity method	(1)	-	(5)	-
Income from continuing operations before income taxes	295	519	605	753

¹ Since 1 October 2018 impairments/reversal of impairments on assets are generally shown in segment result (excluding impairments for Goodwill). The previous period's figures were not adjusted.

² Without gains and losses from the disposal of assets since 1 October 2018. The previous period's figures were not adjusted.

Of the €24 million “acquisition-related depreciation/amortization and other expenses” incurred in the three months ended 31 March 2019, €14 million are attributable to cost of goods sold and €10 million to selling, general and administrative expenses.

Of the €53 million “acquisition-related depreciation/amortization and other expenses” incurred in the six months ended 31 March 2019, €29 million are attributable to cost of goods sold, €1 million to research and development expenses and €23 million to selling, general and administrative expenses.

€ in millions	31 March 2019	30 September 2018
Inventories:		
Automotive	535	454
Industrial Power Control	196	159
Power Management & Multimarket	344	302
Digital Security Solutions	22	49
Other Operating Segments	3	-
Corporate and Eliminations	606	516
Total	1,706	1,480

Neubiberg, 9 May 2019

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Neubiberg, 9 May 2019

Dr. Reinhard Ploss

Dr. Sven Schneider

Dr. Helmut Gassel

Jochen Hanebeck

Review Report

To the Infineon Technologies AG, Neubiberg

We have reviewed the condensed consolidated interim financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of operations, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and selected explanatory notes – together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from 1 October 2018 to 31 March 2019 that are part of the semi annual financial report according to § 115 WpHG [“Wertpapierhandelsgesetz”: “German Securities Trading Act”]. The preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We performed our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 9 May 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

Andrejewski

Wirtschaftsprüfer

Pritzer

Wirtschaftsprüfer

Supplementary Information

Forward-looking Statements

This Half-Year Financial Report contains forward-looking statements about the business, financial condition and earnings performance of Infineon.

These statements are based on assumptions and projections resting upon currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected.

Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

Financial Calendar

Fiscal Period	Period end date	Results press release (preliminary)
Third Quarter Fiscal Year 2019	30 June 2019	1 August 2019
Fourth Quarter and Fiscal Year 2019	30 September 2019	12 November 2019

Publication date of half-year financial report 31 March 2019: 10 May 2019

Contact information

Infineon Technologies AG

Investor Relations

Am Campeon 1-15

85579 Neubiberg near Munich, Germany

Phone: +49 89 234-26655

Fax: +49 89 234-9552987

E-Mail: investor.relations@infineon.com

Visit <http://www.infineon.com/investor> for an electronic version of this report and other information.

