Q2

Half-Year Financial Report 31 March 2017

Infineon Technologies AG

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Content

Selected Consolidated Financial Data

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except earnings per share, Segment Result Margin and Gross margin	**2017**	2016	**2017**	2016
Selected Results of Operations Data				
Revenue	1,767	1,611	3,413	3,166
Gross margin	36.5%	35.1%	36.2%	35.5%
Segment Result	296	228	542	448
Segment Result Margin	16.8%	14.2%	15.9%	14.2%
Research and development expenses	192	195	392	393
Capital expenditure[1]	219	163	422	329
Depreciation and amortization	205	213	405	424
Income from continuing operations	198	177	364	329
Income from discontinued operations, net of income taxes	1	3	(3)	3
Net income	199	180	361	332
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.18	0.16	0.32	0.30
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.18	0.16	0.32	0.30
Adjusted earnings per share (in euro) - diluted	0.21	0.18	0.38	0.36
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	300	195	581	370
Net cash provided by (used in) investing activities from continuing operations	25	(5)	(243)	(183)
Therein: Purchases (-)/proceeds from sales (+) of financial investments, net	243	145	295	142
Net cash provided by (used in) financing activities from continuing operations	(249)	(225)	(241)	(233)
Free Cash Flow from continuing operations[2]	82	45	43	45

	As of	
€ in millions, except number of employees	**31 March 2017**	30 September 2016
Selected Financial Condition Data		
Total assets	9,475	9,087
Total equity	5,339	5,023
Equity ratio	56.3%	55.3%
Gross cash position[3]	2,049	2,240
Total debt	2,017	1,769
Net cash position[3]	32	471
Market capitalization[4]	21,619	17,892
Employees	36,791	36,299

[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 (unaudited)

Infineon's performance in first half of 2017 fiscal year:

› Revenue, net income, earnings per share and adjusted earnings per share up on previous year

› Strong Automotive business contributes to revenue growth

› Segment Result well up on previous year

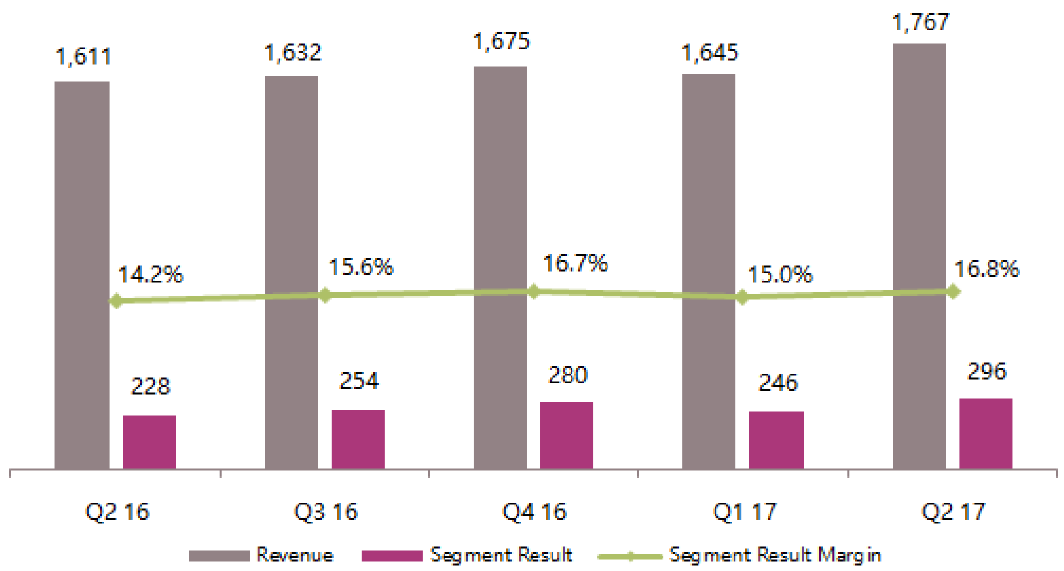
› Outlook for revenue, Segment Result Margin and investments raised

"The favorable market development we saw in the first quarter of the fiscal year has continued into the second three-month period. Current order situation gives us good reason for optimism and we have raised our forecast for the full year," said Dr. Reinhard Ploss, CEO of Infineon. "Apart from a continuation of our outstanding performance in the automotive sector, demand for solutions for industrial applications, power supplies and homeappliances is also gathering pace. We are particularly pleased with the positive customer feedback on our silicon carbide MOSFET. This is a clear sign that we are pursuing the right strategy concerning compound semiconductors."

Operating performance of the segments in second quarter of 2017 fiscal year

In the second quarter of the 2017 fiscal year, revenue grew from €1,645 million to €1,767 million quarter-on-quarter. The 7 percent increase was primarily driven by the Automotive segment. The Industrial Power Control and Power Management & Multimarket segments also recorded revenue growth, whereas Chip Card & Security segment revenue was slightly down on the preceding three-month period.

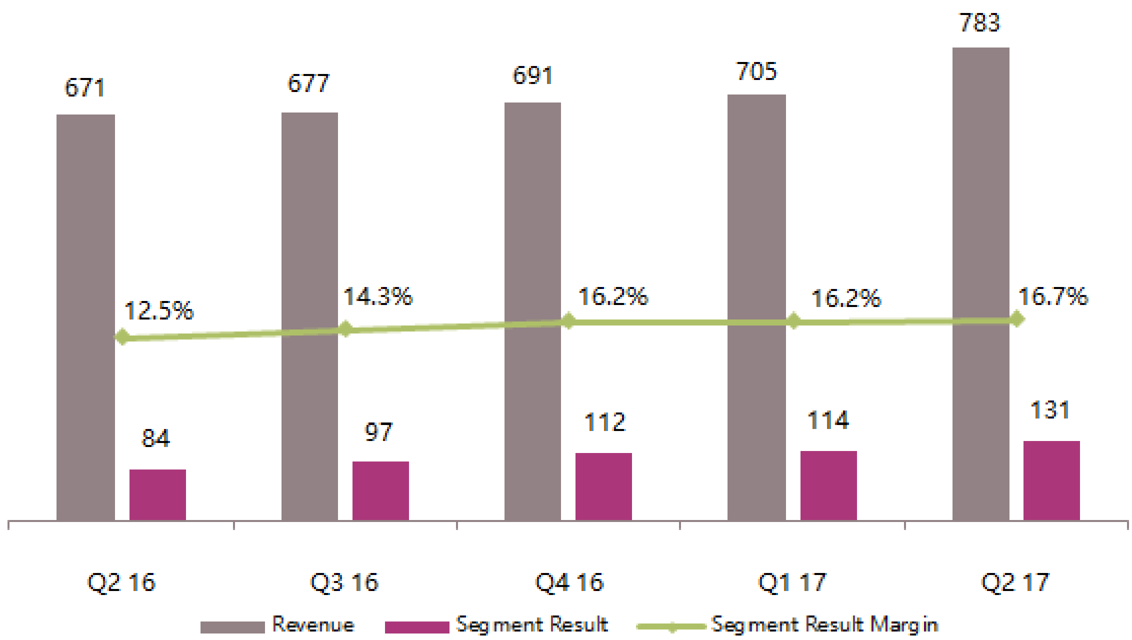
Year-on-year, the Automotive, Industrial Power Control and Power Management & Multimarket segments all reported growth. Only in the Chip Card & Security segment was second-quarter revenue lower than one year earlier.



Effective 1 October 2016, a number of small product groups were allocated to other segments. The previous year's figures have been adjusted accordingly.

Automotive

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2017	2016	**2017**	2016
Revenue	783	671	1,488	1,286
Share of Total Revenue	44%	42%	44%	41%
Segment Result	131	84	245	155
Share of Segment Result of Infineon	44%	37%	45%	35%
Segment Result Margin	16.7%	12.5%	16.5%	12.1%

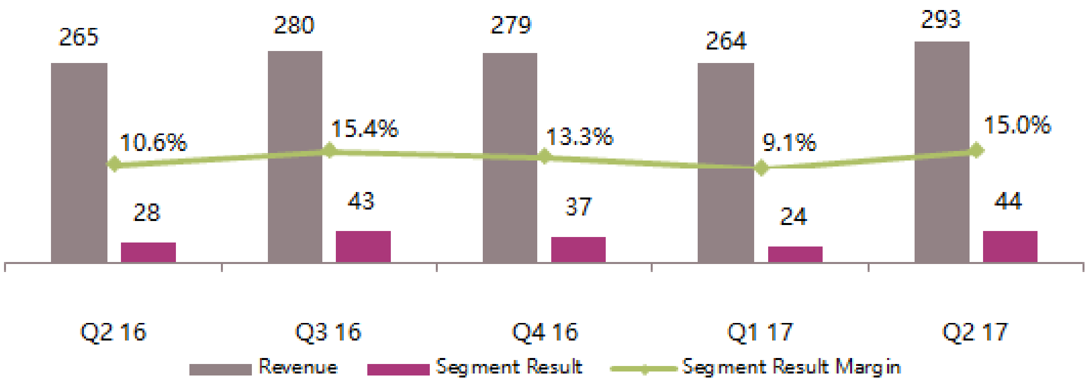


Automotive segment revenue grew by 11 percent to €783 million in the second quarter of the 2017 fiscal year, compared with €705 million in the previous three-month period. The increase was attributable to growing demand in all product areas, particularly also for components installed in driver assistance systems as well as hybrid and electric vehicles. Segment Result improved from €114 million in the first quarter to €131 million in the second quarter of the current fiscal year. The Segment Result Margin came in at 16.7 percent, compared with 16.2 percent one quarter earlier.

Second-quarter revenue for the Automotive segment improved by 17 percent to €783 million compared to the previous year. In the same quarter one year earlier, revenue totaled €671 million. Segment Result for the second quarter also grew year-on-year, rising from €84 million to €131 million. The Segment Result Margin therefore rose to 16.7 percent, compared to 12.5 percent one year earlier.

Industrial Power Control

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2017**	2016	**2017**	2016
Revenue	293	265	557	513
Share of Total Revenue	17%	16%	16%	16%
Segment Result	44	28	68	52
Share of Segment Result of Infineon	15%	12%	13%	12%
Segment Result Margin	15.0%	10.6%	12.2%	10.1%

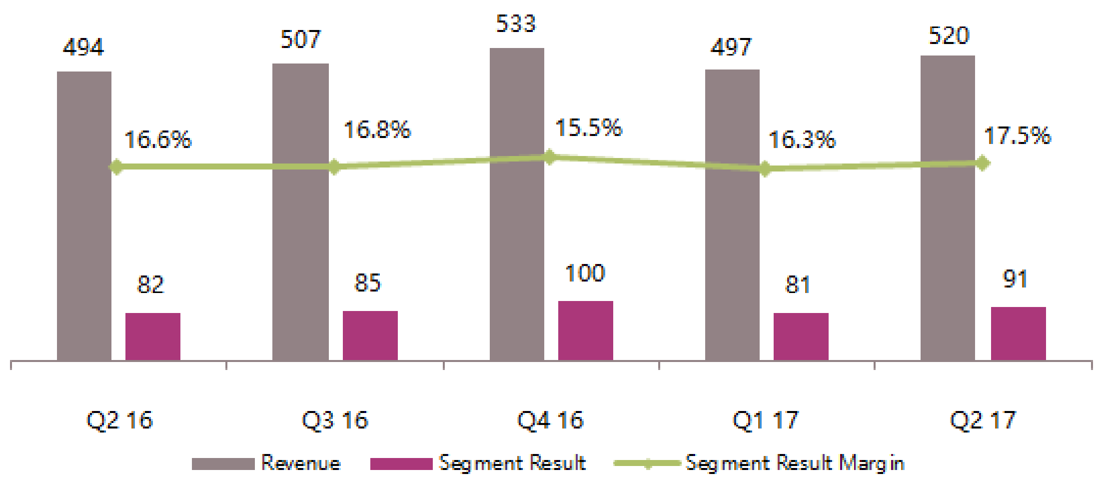


Industrial Power Control segment revenue increased by 11 percent to €293 million in the second quarter of the current fiscal year. The equivalent figure for the previous three-month period was €264 million. Demand was particularly strong in the area of home appliances. Revenue also grew in the fields of traction, electric drives, photovoltaics and wind power. Segment Result grew from €24 million in the first quarter to €44 million in the second quarter of the 2017 fiscal year. The Segment Result Margin improved to 15.0 percent compared with 9.1 percent in the previous quarter.

Second-quarter revenue for the Industrial Power Control segment grew 11 percent year-on-year from €265 million to €293 million. Segment Result for the three-month period also improved year-on-year, rising from €28 million to €44 million. The Segment Result Margin came in at 15.0 percent, compared with the previous year's corresponding figure of 10.6 percent.

Power Management & Multimarket

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2017**	2016	**2017**	2016
Revenue	520	494	1,018	1,002
Share of Total Revenue	29%	31%	30%	32%
Segment Result	91	82	172	168
Share of Segment Result of Infineon	31%	36%	32%	38%
Segment Result Margin	17.5%	16.6%	16.9%	16.8%

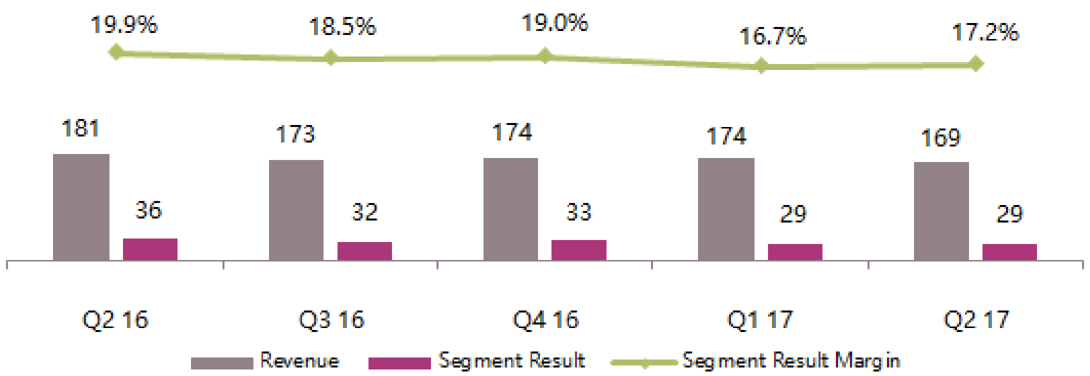


Power Management & Multimarket segment revenue improved from €497 million to €520 million quarter-on-quarter. Strong demand resulted in a 5 percent revenue increase in the fields of AC/DC conversion and DC/DC conversion. Segment Result grew from €81 million in the first quarter to €91 million in the second quarter of the 2017 fiscal year, while the Segment Result Margin increased from 16.3 percent to 17.5 percent.

Power Management & Multimarket segment revenue grew by 5 percent in the second quarter of the current fiscal year to €520 million, up from €494 million one year earlier. Segment Result amounted to €91 million, compared with the previous year's €82 million. The Segment Result Margin improved from 16.6 percent to 17.5 percent year-on-year.

Chip Card & Security

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2017	2016	**2017**	2016
Revenue	169	181	343	356
Share of Total Revenue	10%	11%	10%	11%
Segment Result	29	36	57	70
Share of Segment Result of Infineon	10%	16%	11%	16%
Segment Result Margin	17.2%	19.9%	16.6%	19.7%



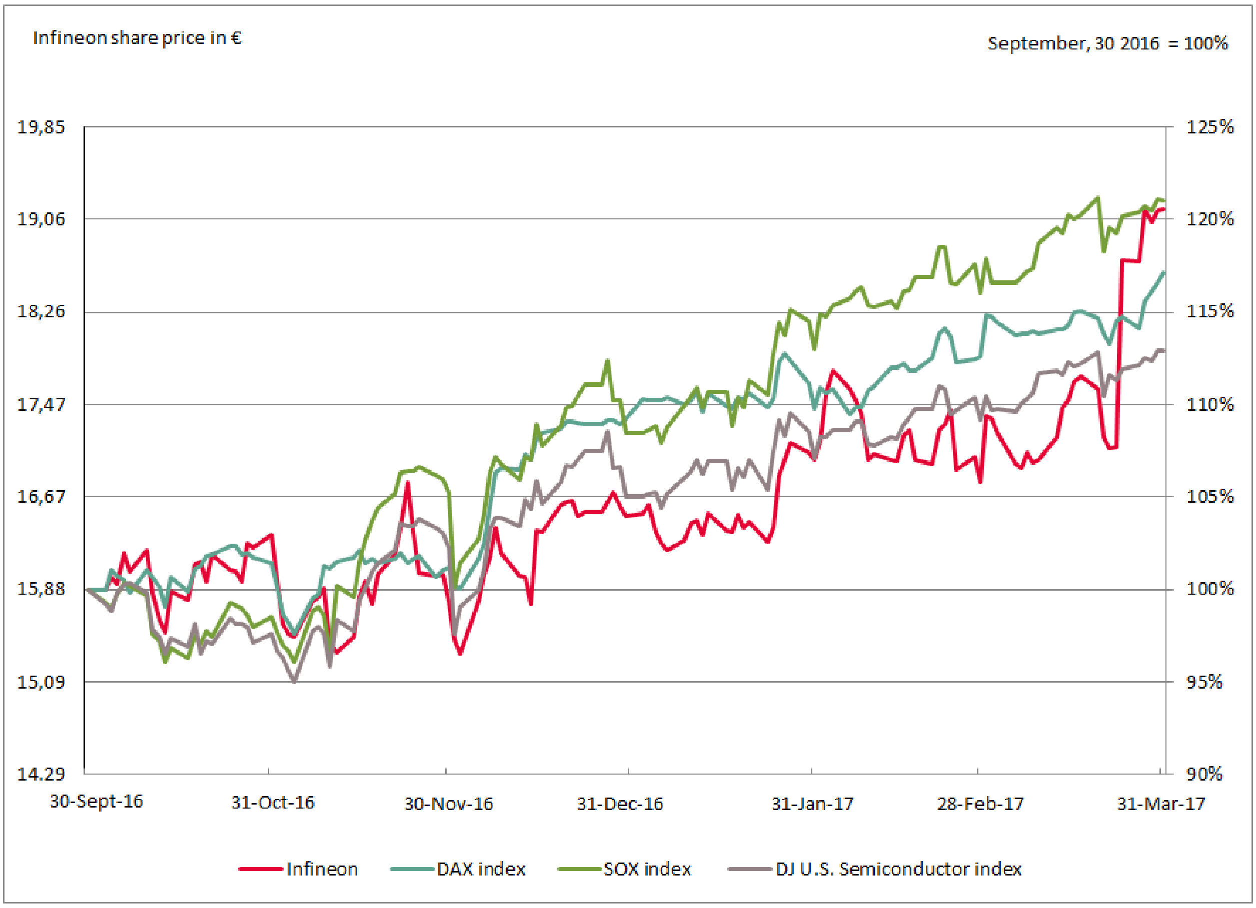
Chip Card & Security segment revenue fell by 3 percent to €169 million in the second quarter, compared with €174 million in the previous quarter. Whereas demand was down for conventional SIM cards, it was up for embedded SIM and Trusted Platform Modules. Payment cards business also generated a slight increase, while revenue in the area of government IDs remained more or less unchanged. Segment Result amounted to €29 million, unchanged compared to the previous quarter. The Segment Result Margin improved from 16.7 percent in the first quarter to 17.2 percent in the second.

Revenue for the Chip Card & Security segment fell by 7 percent in the second quarter from €181 million in the previous fiscal year to €169 million in the current year. Segment Result decreased from €36 million to €29 million. The Segment Result Margin finished at 17.2 percent, compared with 19.9 percent one year earlier.

The Infineon Share

The Infineon share finished the first half of the 2017 fiscal year at €19.15, and therefore 21 percent up on the Xetra closing price of €15.88 recorded on 30 September 2016.

Performance of the Infineon share, the DAX, SOX and Dow Jones U.S. Semiconductor Index during the first six months of the 2017 fiscal year (daily closing prices)



In the 2014 and 2015 fiscal years, Infineon raised the dividend in two steps from €0.12 in the 2013 fiscal year to €0.20 in 2015. For the 2016 fiscal year, the Management Board and the Supervisory Board proposed at the Annual General Meeting held on 16 February 2017 that the dividend be raised by a further 10 percent to €0.22 per share. The shareholders approved the proposal. Accordingly, on 21 February 2017, on the third business day after the Annual General Meeting, pursuant to the new regulations contained in the German Stock Corporation Act (AktG), an amount of €248 million was disbursed to shareholders.

At 31 March 2017, a total of 1,135,201,707 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

In the first quarter of the 2017 calendar year, global economic growth was stronger than expected. In its spring outlook, the International Monetary Fund (IMF) therefore raised its growth forecast for the 2017 calendar year slightly to 2.9 percent. In fall 2016, an increase of 2.8 percent was forecast for the 2017 calendar year. The actual growth in the 2016 calendar year was 2.4 percent. Although the outlook has brightened for many countries, risks for the world economy remain high. These include protectionism, geopolitical risks, terrorism and weak productivity growth in a number of developed countries (IWF, April 2017).

The markets in which Infineon is represented are also benefiting from the continuing world economic upturn. Underlining this development, the market research company IHS Markit recently raised its forecast for the global semiconductor market in the 2017 calendar year (excluding memory chips and microprocessors) from 5.8 percent to 6.9 percent (IHS Markit, December 2016 and April 2017). Most recently, IHS Markit forecast growth of 12.1 percent in the semiconductor market, including memory chips and microprocessors, compared with its previous estimate of 7.4 percent made in December 2016. The reason for the rise is that the market for memory chips in the 2017 calendar year is now expected to grow by 30.4 percent year-on-year (IHS Markit, April 2017), compared with the prediction of 13.7 percent made in December 2016.

The semiconductor markets relevant for Infineon continue to be among the main factors driving the market as a whole. According to IHS Markit, the automotive semiconductor market (excluding memory chips and microprocessors) is set to grow by 6.7 percent in the 2017 calendar year compared with the previous 12-month period and at a compound annual growth rate of 6.8 percent per annum up to 2021. The industrial semiconductor market is forecast to expand by 11.0 percent in the 2017 calendar year and at compound annual growth rate of 9.1 percent up to 2021 (IHS Markit, April 2017). According to the market research institute ABI Research, the market for smart card microcontrollers is set to grow by 3.8 percent in the 2017 calendar year and at an average rate of 4.0 percent per annum up to 2021. (ABI Research, February 2017).

Review of Results of Operations in the first half of the 2017 fiscal year

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except earnings per share	**2017**	2016	**2017**	2016
Revenue	1,767	1,611	3,413	3,166
Gross profit	**645**	**566**	**1,237**	**1,124**
Research and development expenses	(192)	(195)	(392)	(393)
Selling, general and administrative expenses	(208)	(195)	(404)	(395)
Other operating income and expenses, net	(16)	(2)	(28)	4
Operating income	**229**	**174**	**413**	**340**
Net financial result (financial income and expenses, net)	(12)	(19)	(29)	(31)
Income from investments accounted for using the equity method	1	1	1	1
Income tax	(20)	21	(21)	19
Income from continuing operations	**198**	**177**	**364**	**329**
Income from discontinued operations, net of income taxes	1	3	(3)	3
Net income	**199**	**180**	**361**	**332**
Basic earnings per share (in euro)	0.18	0.16	0.32	0.30
Diluted earnings per share (in euro)	0.18	0.16	0.32	0.30
Adjusted diluted earnings per share (in euro)	0.21	0.18	0.38	0.36

Net income improved

Net income for the six-month period under report went up by €29 million or 9 percent to €361 million year-on-year. The generally positive trend in Infineon's business brought about an 8 percent increase in revenue to €3,413 million. The earnings contribution from increased revenue helped operating income to rise by 21 percent or €73 million to €413 million. Higher income tax expense worked in the opposite direction (see note 5 to the Condensed Interim Consolidated Financial Statements). The amounts reported are stated after depreciation, amortization and other expenses relating to the acquisition of International Rectifier (particularly the earnings impact arising from the purchase price allocation), which totaled €84 million for the six-month period under report (October 2015 - March 2016: €102 million).

Positive business trend results in higher revenue

Revenue for the six-month period grew by €247 million to €3,413 million (October 2015 - March 2016: €3,166 million). The Automotive, Industrial Power Control and Power Management & Multimarket segments all recorded higher year-on-year revenue for the six-month period under report, thanks to the positive business trend. Only the Chip Card & Security segment recorded slightly lower revenue.

Significance of Asia-Pacific growing continually; China ahead of Germany as most important sales market

With an increase of €149 million, the majority (60 percent) of revenue growth related to the Asia-Pacific region (excluding Japan), followed by the Europe, Middle East and Africa region, which recorded a €45 million or 18 percent increase in revenue, and the Americas region, where revenue rose by €38 million (15 percent of total revenue growth).

The Asia-Pacific region (excluding Japan) had already been the largest region in the previous fiscal year, when it accounted for 48 percent of revenue, ahead of the Europe, Middle East and Africa region with 33 percent. The importance of the Asia-Pacific region (excluding Japan) continued to grow during the six-month period under report, accounting for 49 percent of revenue, compared to the 32 percent generated in the Europe, Middle East and Africa region.

China accounted for €812 million or 24 percent of Infineon's revenue worldwide and therefore the largest share at individual country level, followed by Germany at €523 million or 15 percent.

	Three months ended 31 March				Six months ended 31 March			
€ in millions, except percentages	**2017**		2016		**2017**		2016	
Europe, Middle East, Africa	591	33%	562	35%	1,097	32%	1,052	33%
Therein: Germany	291	16%	261	16%	523	15%	494	16%
Asia-Pacific (w/o Japan)	843	48%	748	46%	1,659	49%	1,510	48%
Therein: China	404	23%	377	23%	812	24%	772	24%
Japan	115	7%	91	6%	221	6%	206	6%
Americas	218	12%	210	13%	436	13%	398	13%
Therein: USA	177	10%	169	10%	352	10%	320	10%
Total	**1,767**	**100%**	**1,611**	**100%**	**3,413**	**100%**	**3,166**	**100%**

Increase in gross margin

Gross profit (revenue less cost of goods sold) for the six-month period amounted to €1,237 million and was thus 10 percent up on the €1,124 million recorded one year earlier. The percentage increase in gross profit was therefore slightly higher than the 8 percent growth rate posted for revenue.

The gross margin improved accordingly from 35.5 percent to 36.2 percent for the comparable six-month periods. The increase compared to the same period of the previous fiscal year is primarily due to revenue growth in the Automotive segment. The line item "Cost of goods sold" includes the earnings impact arising in conjunction with the purchase price allocation and acquisition-related expenses for International Rectifier amounting to €49 million (in particular higher depreciation/amortization on intangible assets and property, plant and equipment, which were revalued to their fair value as part of the purchase price allocation).

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2017**	2016	**2017**	2016
Cost of goods sold	1,122	1,045	2,176	2,042
Change year-on-year	7%		7%	
Percentage of revenue	63.5%	64.9%	63.8%	64.5%
Gross profit	645	566	1,237	1,124
Percentage of revenue (gross margin)	36.5%	35.1%	36.2%	35.5%

Operating expenses as percentage of revenue continue to fall

Operating expenses (research and development expenses and selling, general and administrative expenses) increased by €8 million or one percent to €796 million in the first half of the 2017 fiscal year (October 2015 - March 2016: €788 million). In percentage terms, operating expenses corresponded to 23.3 percent of six-month revenue, compared with 24.9 percent one year earlier.

Research and development expenses decreased by €1 million euros from €393 million to €392 million for the six-month periods ended 31 March 2017 and 2016 respectively. Expressed as a percentage of revenue, research and development expenses fell from 12.4 percent to 11.5 percent year-on-year.

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2017**	2016	**2017**	2016
Research and development expenses	192	195	392	393
Change year-on-year	(2%)		0%	
Percentage of revenue	10.9%	12.1%	11.5%	12.4%

Selling, general and administrative expenses corresponded to 11.8 percent of revenue in the first six months of the 2017 fiscal year (October 2015 - March 2016: 12.5 percent).

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2017**	2016	**2017**	2016
Selling, general and administrative expenses	208	195	404	395
Change year-on-year	7%		2%	
Percentage of revenue	11.8%	12.1%	11.8%	12.5%

Other operating expenses higher

The net amount from other operating income and expenses decreased year-on-year from positive €4 million to negative €28 million. The amount reported includes contractually agreed compensation of €12 million paid to the US company Cree Inc. following the failure to close the purchase of the Wolfspeed business.

Earnings per share up

The improvement in net income resulted in a corresponding increase in earnings per share. Compared with earnings per share of €0.30 (basic and diluted) for the first six months of the 2016 fiscal year, the corresponding figures (basic and diluted) for the current year to date both amounted to €0.32.

Adjusted earnings per share improved

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	
	2017	2016	**2017**	2016
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	198	177	364	330
Plus/minus:				
Impairments on assets including assets classified as held for sale, net of reversals	3	3	4	8
Impact on earnings of restructuring and closures, net	1	1	2	(9)
Share-based compensation expense	3	2	5	4
Acquisition-related depreciation/amortization and other expenses	41	47	85	103
Losses (gains) on sales of assets, businesses, or interests in subsidiaries, net	1	-	1	1
Other income and expense, net	18	1	32	1
Tax effects on adjustments	(15)	(14)	(30)	(20)
Revaluation of deferred tax assets resulting from the earnings forecast	(11)	(10)	(28)	(17)
Adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**239**	**207**	**435**	**401**
Weighted-average number of shares outstanding – diluted	1,134	1,130	1,132	1,129
Adjusted earnings per share (in euro) – diluted[1]	0.21	0.18	0.38	0.36

[1] 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 2017**	30 September 2016	Change
Current assets	4,391	4,492	(2%)
Non-current assets	5,084	4,595	11%
Total assets	**9,475**	**9,087**	**4%**
Current liabilities	1,541	1,530	1%
Non-current liabilities	2,595	2,534	2%
Total liabilities	**4,136**	**4,064**	**2%**
Total equity	**5,339**	**5,023**	**6%**

Reduction in current assets reflects lower gross cash position

Current assets decreased by €101 million to stand at €4,391 million as of 31 March 2017, compared to €4,492 million as of 30 September 2016. Included in these figures, Infineon's gross cash position (sum total of cash and cash equivalents and financial investments) decreased by €191 million (see “Gross cash position and net cash position” in the chapter “Review of liquidity” for detailed information). By contrast, inventories and trade receivables increased in total by €83 million.

Higher non-current assets due to full consolidation of MoTo

Non-current assets increased by €489 million to stand at €5,084 million at the end of the reporting period (30 September 2016: € 4,595 million). Infineon acquired 93 percent of the shares of MoTo Objekt Campeon GmbH & Co. KG (“MoTo”) effective 30 December 2016, since which time MoTo’s assets and liabilities have been fully consolidated by the Infineon Group. Property, plant and equipment increased by €366 million as a result. Other investments in property, plant and equipment during the six-month reporting period totaling €364 million exceeded the depreciation expense of €324 million. Investments related primarily to the manufacturing sites in Malacca and Kulim (both Malaysia), Regensburg (Germany) and Villach (Austria). Goodwill and other intangible assets went up by €59 million due to exchange rate factors. Unlike with property, plant and equipment, the amount invested in intangible assets (€58 million) was lower than the amortization expense (€81 million).

Increase in liabilities also mainly due to full consolidation of MoTo

Total liabilities stood at €4,136 million as of 31 March 2017 and were therefore €72 million or 2 percent higher than at 30 September 2016 (€4,064 million). Debt increased by a total amount of €248 million during the six-month period, of which €219 million relates to the full consolidation of MoTo debt, as described above. Working in the opposite direction, provisions for pension plans and similar commitments decreased by €105 million, mainly reflecting actuarial gains attributable to the current trend in interest rates (see note 2 to the Condensed Interim Consolidated Financial Statements for more detailed information). Provisions and liabilities to employees decreased by €61 million due to 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.

Increase in equity

Equity went up by €316 million (6 percent) to €5,339 million at the end of the reporting period (30 September 2016: €5,023 million), mainly due to the net income generated in the first half of the 2017 fiscal year amounting to €361 million. In addition, actuarial gains amounting to €112 million after tax, arising in conjunction with the measurement of provisions for pension plans and similar commitments, and translation effects amounting to €61 million – in both cases recognized in other comprehensive income – contributed to the increase in equity. The dividend paid for the 2016 fiscal year reduced equity by €248 million.

As a result, the equity ratio improved to 56.3 percent at the end of the reporting period (30 September: 55.3 percent).

Review of Liquidity

Cash Flow

	Six months ended 31 March	
€ in millions	**2017**	2016
Net cash provided by operating activities from continuing operations	581	370
Net cash used in investing activities from continuing operations	(243)	(183)
Net cash used in financing activities from continuing operations	(241)	(233)
Net change in cash and cash equivalents from discontinued operations	(2)	(16)
Net change in cash and cash equivalents	**95**	**(62)**
Effect of foreign exchange rate changes on cash and cash equivalents	1	(5)
Change in cash and cash equivalents	**96**	**(67)**

Net cash provided by operating activities from continuing operations up significantly

Net cash provided by operating activities from continuing operations in the first half of the 2017 fiscal year totaled €581 million. Taking income from continuing operations before depreciation and amortization, interest and taxes amounting to €822 million as the starting point, cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities totaling €167 million reduced cash and cash equivalents. In addition, income taxes and interest paid totaled €80 million.

Net cash provided by operating activities from continuing operations in the first six months of the previous fiscal year amounted to €370 million.

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

Net cash used in investing activities from continuing operations in the first half of the 2017 fiscal year amounted to €243 million, of which €364 million related to investments in property, plant and equipment. Cash used to acquire the MoTo shares amounted to €112 million, net of cash acquired. A further €58 million related to investments in intangible and other assets. Sales of financial investments resulted in a net cash inflow of €295 million.

Net cash used in investing activities from continuing operations in the first six months of the previous fiscal year amounted to €183 million. Investments in property, plant and equipment and in intangible and other assets totaled €329 million. Sales of financial investments resulted in a net cash inflow of €142 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 2016 fiscal year amounting to €248 million. Overall, the net cash outflow for financing activities totaled €241 million.

Net cash used in financing activities from continuing operations during the first half of the 2016 fiscal year totaling €233 million resulted primarily from the payment of the dividend for the 2015 fiscal year amounting to €225 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 dividend, 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 includes only amounts from continuing operations, and is derived as follows from the Consolidated Statement of Cash Flows:

	Six months ended 31 March	
€ in millions	**2017**	2016
Net cash provided by operating activities from continuing operations	581	370
Net cash used in investing activities from continuing operations	(243)	(183)
Purchases of (proceeds from sales of) financial investments, net	(295)	(142)
Free cash flow	**43**	**45**

Net cash provided by operating activities exceeds investments and acquisition of MoTo

Despite the acquisition of MoTo shares amounting to €112 million, free cash flow from continuing operations in the first half of the 2017 fiscal year of €43 million was almost unchanged compared to the corresponding period in the previous fiscal year.

Gross cash position and net cash position

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 2017**	30 September 2016
Cash and cash equivalents	721	625
Financial investments	1,328	1,615
Gross cash position	**2,049**	**2,240**
Less:		
Short-term debt and current maturities of long-term debt	121	17
Long-term debt	1,896	1,752
Total debt	**2,017**	**1,769**
Net cash position	**32**	**471**

The gross cash position, comprising cash and cash equivalents and financial investments, amounted to €2,049 million at 31 March 2017 and was thus €191 million lower than the €2,240 million reported at 30 September 2016. With free cash flow at a positive amount of €43 million, the decrease in the gross cash position mainly reflected the dividend payment of €248 million for the 2016 fiscal year.

The net cash position, which is defined as the gross cash position less short-term and long-term debt, decreased by €439 million to €32 million at the end of the reporting period (30 September 2016: €471 million). Alongside the €191 million decrease in the gross cash position described above, the other main reason for the reduction in the net cash position was the higher level of debt reported due to the inclusion of MoTo's financial liabilities amounting to €219 million, as described in the chapter "Review of financial condition".

Employees

The size of the Infineon workforce increased slightly during the first half of the 2017 fiscal year. The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

	As of		
	31 March 2017	30 September 2016	Change
Region:			
Europe	15,537	15,176	2%
Therein: Germany	10,056	9,855	2%
Asia-Pacific (w/o Japan)	17,306	17,256	0%
Therein: China	1,941	2,004	(3%)
Japan	176	176	0%
Americas	3,772	3,691	2%
Therein: USA	2,041	2,047	0%
Total	**36,791**	**36,299**	**1%**

Outlook

Outlook for the third quarter of the 2017 fiscal year

In the third quarter of the 2017 fiscal year, Infineon expects quarter-on-quarter revenue growth of 3 percent (plus or minus 2 percentage points). This forecast is based on an assumed exchange rate of US$ 1.10 to the euro. At the mid-point of the revenue guidance, the Segment Result Margin is expected to come in at 17.5 percent.

Outlook for the 2017 fiscal year

In line with the ad hoc notification made on 24 March 2017 of an increased outlook for the 2017 fiscal year, Infineon expects year-on-year revenue growth of 8 to 11 percent, with a Segment Result Margin of approximately 17 percent at the mid-point of the revenue guidance. The outlook is based on an assumed EUR/US dollar exchange rate of 1.10. Automotive segment revenue is expected to grow faster than the Group average. Growth in the Industrial Power Control segment is forecast to be roughly in line with or slightly lower than the Group average. The Power Management & Multimarket and Chip Card & Security segments are both expected to report growth rates below the Group average.

In light of the better than expected development in revenue and orders received, the outlook for investments in property, plant and equipment and intangible assets, including capitalized development costs, has also been raised. It is now forecast that €1,050 million will be invested during the 2017 fiscal year. The figure includes approximately €35 million for the new office building at Infineon's headquarters in Neubiberg near Munich. Depreciation and amortization is still expected to be in the region of €830 million.

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 2016 fiscal year (pages 83 to 94).

During the first six months of the 2017 fiscal year, Infineon did not identify any material changes to the risks and opportunities described in the 2016 Annual Report and in note 10 to the Condensed Consolidated Interim Financial Statements for the six-month period to 31 March 2017.

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

(unaudited) for the three and six months ended 31 March 2017 and 2016

€ in millions	Note	Three months ended 31 March 2017	Three months ended 31 March 2016	Six months ended 31 March 2017	Six months ended 31 March 2016
Revenue		1,767	1,611	3,413	3,166
Cost of goods sold		(1,122)	(1,045)	(2,176)	(2,042)
Gross profit		**645**	**566**	**1,237**	**1,124**
Research and development expenses		(192)	(195)	(392)	(393)
Selling, general and administrative expenses		(208)	(195)	(404)	(395)
Other operating income		3	4	6	8
Other operating expenses		(19)	(6)	(34)	(4)
Operating income		**229**	**174**	**413**	**340**
Financial income		2	1	4	2
Financial expenses		(14)	(20)	(33)	(33)
Gain from investments accounted for using the equity method		1	1	1	1
Income from continuing operations before income taxes		**218**	**156**	**385**	**310**
Income tax	5	(20)	21	(21)	19
Income from continuing operations		**198**	**177**	**364**	**329**
Income (loss) from discontinued operations, net of income taxes	4	1	3	(3)	3
Net income		**199**	**180**	**361**	**332**
Attributable to:					
Non-controlling interests		-	-	-	(1)
Shareholders of Infineon Technologies AG		199	180	361	333
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Basic earnings per share (in euro) from continuing operations		0.18	0.16	0.32	0.30
Basic earnings per share (in euro) from discontinued operations		-	-	-	-
Basic earnings per share (in euro)		**0.18**	**0.16**	**0.32**	**0.30**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Diluted earnings per share (in euro) from continuing operations		0.18	0.16	0.32	0.30
Diluted earnings per share (in euro) from discontinued operations		-	-	-	-
Diluted earnings per share (in euro)		**0.18**	**0.16**	**0.32**	**0.30**

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

Consolidated Statement of Comprehensive Income

(unaudited) for the three and six months ended 31 March 2017 and 2016

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Net income	**199**	**180**	**361**	**332**
Actuarial gains (losses) on pension plans and similar commitments	112	-	112	1
Total items not expected to be reclassified to profit or loss in the future	**112**	**-**	**112**	**1**
Currency translation effects	(20)	(43)	61	(15)
Net change in fair value of hedging instruments	(17)	4	4	3
Net change in fair value of available-for-sale financial assets	1	-	2	-
Total items expected to be reclassified to profit or loss in the future	**(36)**	**(39)**	**67**	**(12)**
Other comprehensive income (loss) for the period, net of tax	**76**	**(39)**	**179**	**(11)**
Total comprehensive income for the period, net of tax	**275**	**141**	**540**	**321**
Attributable to:				
Non-controlling interests	-	-	-	(1)
Shareholders of Infineon Technologies AG	275	141	540	322

Consolidated Statement of Financial Position

as of 31 March 2017 and 2016 (unaudited) and 30 September 2016

€ in millions	Note:	**31 March 2017**	31 March 2016	30 September 2016
ASSETS:				
Cash and cash equivalents		721	606	625
Financial investments		1,328	1,197	1,615
Trade receivables		820	757	774
Inventories		1,228	1,165	1,191
Income tax receivable		7	2	6
Other current assets		287	243	281
Total current assets		**4,391**	**3,970**	**4,492**
Property, plant and equipment		2,534	2,014	2,119
Goodwill and other intangible assets		1,695	1,694	1,656
Investments accounted for using the equity method		33	34	32
Non-current income tax receivable		3	3	3
Deferred tax assets		655	600	623
Other non-current assets		164	155	162
Total non-current assets		**5,084**	**4,500**	**4,595**
Total assets		**9,475**	**8,470**	**9,087**

LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	6	121	848	17
Trade payables		828	690	857
Short-term provisions		292	269	327
Income tax payable		125	131	120
Other current liabilities		175	166	209
Total current liabilities		**1,541**	**2,104**	**1,530**
Long-term debt	6	1,896	928	1,752
Pension plans and similar commitments	2	499	433	604
Deferred tax liabilities		9	70	10
Long-term provisions		68	73	76
Other non-current liabilities		123	81	92
Total non-current liabilities		**2,595**	**1,585**	**2,534**
Total liabilities		**4,136**	**3,689**	**4,064**
Shareholders' equity:	7			
Ordinary share capital		2,270	2,263	2,265
Additional paid-in capital		4,787	5,004	5,016
Accumulated deficit		(1,839)	(2,563)	(2,312)
Other reserves		158	114	91
Own shares		(37)	(37)	(37)
Equity attributable to shareholders of Infineon Technologies AG		**5,339**	**4,781**	**5,023**
Total liabilities and equity		**9,475**	**8,470**	**9,087**

Consolidated Statement of Cash Flows

(unaudited) for the three and six months ended 31 March 2017 and 2016

		Three months ended 31 March		Six months ended 31 March	
€ in millions	Note	**2017**	2016	**2017**	2016
Net income		**199**	**180**	**361**	**332**
Minus: income from discontinued operations, net of income taxes	4	(1)	(3)	3	(3)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization		205	213	405	424
Income tax	5	20	(21)	21	(19)
Net interest result		17	19	32	30
Gains on disposals of property, plant and equipment		1	-	1	1
Impairment charges		3	3	4	8
Other non-cash result		(6)	2	(3)	3
Change in trade receivables		(86)	(90)	(46)	(14)
Change in inventories		17	17	(28)	(39)
Change in trade payables		14	(66)	(33)	(112)
Change in provisions		56	54	(38)	(128)
Change in other assets and liabilities		(104)	(76)	(22)	(50)
Interest received		2	1	4	3
Interest paid		(9)	(13)	(26)	(18)
Income tax paid		(28)	(25)	(54)	(48)
Net cash provided by operating activities from continuing operations		**300**	**195**	**581**	**370**
Net cash provided by (used in) operating activities from discontinued operations		**(3)**	**(1)**	**(2)**	**(16)**
Net cash provided by operating activities		**297**	**194**	**579**	**354**

		Three months ended 31 March		Six months ended 31 March	
€ in millions		**2017**	2016	**2017**	2016
Purchases of financial investments		(563)	(1,011)	(1,469)	(1,904)
Proceeds from sales of financial investments		806	1,156	1,764	2,046
Acquisitions of businesses, net of cash acquired		-	-	(5)	(9)
Acquisition of shares in MoTo, net of cash acquired	3	-	-	(112)	-
Purchases of intangible assets and other assets		(36)	(28)	(58)	(57)
Purchases of property, plant and equipment		(183)	(135)	(364)	(272)
Proceeds from sales of property, plant and equipment and other assets		1	13	1	13
Net cash provided by (used in) investing activities from continuing operations		**25**	**(5)**	**(243)**	**(183)**
Net cash used in investing activities from discontinued operations		**-**	**-**	**-**	**-**
Net cash provided by (used in) investing activities		**25**	**(5)**	**(243)**	**(183)**
Net change in short-term debt		-	-	(1)	(7)
Proceeds from the issuance of long-term debt		-	1	2	4
Repayments of long-term debt		(11)	(5)	(12)	(21)
Change in cash deposited as collateral		-	1	-	1
Proceeds from the issuance of ordinary shares		10	3	18	15
Dividend payments		(248)	(225)	(248)	(225)
Net cash used in financing activities from continuing operations		**(249)**	**(225)**	**(241)**	**(233)**
Net cash used in financing activities from discontinued operations		**-**	**-**	**-**	**-**
Net cash used in financing activities		**(249)**	**(225)**	**(241)**	**(233)**
Net change in cash and cash equivalents		73	(36)	95	(62)
Effect of foreign exchange rate changes on cash and cash equivalents		14	(9)	1	(5)
Cash and cash equivalents at beginning of period		634	651	625	673
Cash and cash equivalents at end of period		**721**	**606**	**721**	**606**

Consolidated Statement of Changes in Equity

(unaudited) for the three and six months ended 31 March 2017 and 2016

€ in millions; except for number of shares	Note	Ordinary shares issued				Other
		Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
Balance as of 1 October 2015	7	**1,129,271,481**	**2,259**	**5,213**	**(2,897)**	**126**
Net income		-	-	-	333	-
Other comprehensive income (loss) for the period, net of tax		-	-	-	1	(15)
Total comprehensive income (loss) for the period, net of tax		-	-	-	334	(15)
Dividends		-	-	(225)	-	-
Issuance of ordinary shares:						
Exercise of stock options		2,078,389	4	11	-	-
Share based compensation		-	-	4	-	-
Other changes in equity		-	-	1	-	-
Balance as of 31 March 2016		**1,131,349,870**	**2,263**	**5,004**	**(2,563)**	**111**
Balance as of 1 October 2016		**1,132,673,109**	**2,265**	**5,016**	**(2,312)**	**98**
Net income		-	-	-	361	-
Other comprehensive income (loss) for the period, net of tax		-	-	-	112	61
Total comprehensive income (loss) for the period, net of tax		-	-	-	473	61
Dividends		-	-	(248)	-	-
Issuance of ordinary shares:						
Exercise of stock options		2,528,598	5	14	-	-
Share based compensation		-	-	5	-	-
Balance as of 31 March 2017		**1,135,201,707**	**2,270**	**4,787**	**(1,839)**	**159**

reserves					
Securities	Hedges	Own shares	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
(1)	**1**	**(37)**	**4,664**	**1**	**4,665**
-	-	-	333	(1)	332
-	3	-	(11)	-	(11)
-	3	-	322	(1)	321
-	-	-	(225)	-	(225)
-	-	-	15	-	15
-	-	-	4	-	4
-	-	-	1	-	1
(1)	**4**	**(37)**	**4,781**	**-**	**4,781**
(2)	**(5)**	**(37)**	**5,023**	**-**	**5,023**
-	-	-	361	-	361
2	4	-	179	-	179
2	4	-	540	-	540
-	-	-	(248)	-	(248)
-	-	-	19	-	19
-	-	-	5	-	5
-	**(1)**	**(37)**	**5,339**	**-**	**5,339**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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 2017 and 2016, 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 2016 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 2016 fiscal year.

The accounting policies applied preparing the accompanying condensed Consolidated Interim Financial Statements are consistent with those used for the 2016 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 2016. The application of these 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.

2 ACCOUNTING POLICIES

Pension plans and similar commitments

IAS 34, “Interim Financial Reporting” requires a mid-year adjustment to the valuation of pension plans and similar commitments if market conditions have changed unexpectedly and significantly. Financial market interest rate developments in the six months ended 31 March 2017 have resulted in a significant increase 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 defined benefit plans increased to 1.7 percent at 31 March 2017 (30 September 2016: 1.0 percent). As a counter effect, the fair value of plan assets decreased slightly so that the total adjustment to pension plan commitments as of 31 March 2017 amounted to €112 million which was recorded as an actuarial gain on pension plans and similar commitments in Other Comprehensive Income.

3 ACQUISITIONS

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

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

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

As a result of the acquisition and consolidation of MoTo, future other financial commitments for minimum operating lease obligations decreased by €290 million compared to the position as at 30 September 2016 (see note 24 in the 2016 annual report).

4 DIVESTITURES AND 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

As a result of recent developments, adjustments to individual provisions in connection with the insolvency of Qimonda were required in the three and six months to 31 March 2017 and 2016 which resulted in earnings after tax shown in the table below.

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Qimonda's share of discontinued operations, net of income taxes	1	3	(3)	3
Income (loss) from discontinued operations, net of income taxes	**1**	**3**	**(3)**	**3**

The risks and provisions relating to Qimonda’s insolvency are described in detail in note 10 “Legal risks – Proceedings in relation to Qimonda”.

5 INCOME TAX

As in the three and six months to 31 March 2016, but to a lesser extent, in the three and six months to 31 March 2017 the effective tax rate was primarily affected by income from deferred tax from the write-up of domestic and foreign deferred tax assets, as well as the release of deferred tax liabilities arising in connection with the acquisition of International Rectifier.

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Income from continuing operations before income taxes	218	156	385	310
Income tax	(20)	21	(21)	19
Effective tax rate	9%	(13%)	5%	(6%)

6 DEBT

Debt consists of the following:

€ in millions	**31 March 2017**	30 September 2016
Current maturities of long-term debt, weighted average interest rate 0.68% (30 September 2016: 1.37%)	121	17
Short-term debt and current maturities of long-term debt	**121**	**17**
Loans payable to banks:		
Unsecured loans, weighted average interest rate 0.87% (30 September 2016: 0.52%), due 2018–2023	27	128
Secured term loans, weighted average rate 2.03%, due 2020	206	-
Bond €300 million, coupon 1.00%, due 2018	298	298
Bond €500 million, coupon 1.50%, due 2022	497	496
USPP notes US$935 million, weighted average interest rate 4.09%, due 2024–2028	868	830
Long-term debt	**1,896**	**1,752**
Total	**2,017**	**1,769**

Gross debt increased to €2.016 million in the first half of the 2017 fiscal year from €1.769 million as of 30 September 2016. This increase is primarily related to the first consolidation of MoTo in December 2016 (see note 3). As part of the acquisition, Infineon took over existing financial liabilities with a fair value of €219 million. These mortgage-backed loans are repayable quarterly and mature in 2020.

In order to optimize its capital structure, Infineon decided to retire part of the financial liabilities in March 2017. A loan of €100 million will be repaid in June 2017 and was accordingly transferred to current financial liabilities as at 31 March 2017.

The agreed credit lines of US$500 million and €200 million for the acquisition of Wolfspeed, which was not completed, have been canceled as of February 2017.

7 EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,270,403,414 as of 31 March 2017 divided into 1,135,201,707 no par value registered shares (thereof 6 million own shares), each representing €2 of the Company's ordinary share capital. As of 30 September 2016 the ordinary share capital stood at €2,265,346,218 divided into 1,132,673,109 no par value registered shares (thereof 6 million own shares). 2,528,598 new shares were issued in the first half of the 2017 fiscal year (thereof 1,341,412 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 16 February 2017, it was resolved that a dividend of €0.22 be paid for each eligible share out of the unappropriated profit of Infineon Technologies AG for the 2016 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 €248 million.

8 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

Infineon has transactions in the normal course of business with associated 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").

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 consist exclusively of trade and other receivables and payables from and to associated and other related companies.

Related companies receivables and payables as of 31 March 2017 and 30 September 2016 consist of the following:

	31 March 2017		30 September 2016	
€ in millions	Associates	Other related companies	Associates	Other related companies
Trade and other receivables	3	-	1	-
Financial receivables	-	1	-	1
Trade and other payables	6	1	8	1
Financial payables	-	1	-	1

Sales and service charges to and products and services received from related companies for the three and six months ended 31 March 2017 and 2016 consist of the following:

	Three months ended 31 March			
	2017		2016	
€ in millions	Associates	Other related companies	Associates	Other related companies
Sales and service charges	6	1	-	-
Products and services received	19	4	19	8

	Six months ended 31 March			
	2017		2016	
€ in millions	Associates	Other related companies	Associates	Other related companies
Sales and service charges	9	1	2	1
Products and services received	37	8	37	12

80,704 (virtual) performance shares each with a fair value of €11.25 were allocated to the Management Board on 1 October 2016.

In the three and six months ended 31 March 2017 and 2016 there were no transactions between Infineon and related persons which fall outside the scope of the existing employment, service or appointment terms, or the contractual arrangements for their remuneration.

With effect from 8 November 2016 Prof. Dr. Doris Schmitt-Landsiedel resigned from the Supervisory Board. Géraldine Picaud was newly elected to the Supervisory Board at the Annual General Meeting on 16 February 2017.

9 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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 2017 and 30 September 2016 is as follows:

€ in millions	Fair value	Fair value by category		
31 March 2017		Level 1	Level 2	Level 3
Current assets:				
Financial investments	**499**	442	57	-
Other current assets	**2**	-	2	-
Non-current assets:				
Other non-current assets	**33**	20	-	13
Total	**534**	**462**	**59**	**13**
Current liabilities:				
Other current liabilities	**1**	-	1	-
Total	**1**	**-**	**1**	**-**
30 September 2016				
Current assets:				
Financial investments	**458**	399	59	-
Other current assets	**1**	-	1	-
Non-current assets:				
Other non-current assets	**32**	18	-	14
Total	**491**	**417**	**60**	**14**
Current liabilities:				
Other current liabilities	**10**	-	10	**-**
Total	**10**	**-**	**10**	**-**

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

Other current assets and liabilities, 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 prior year, no reclassification was carried out within the fair value hierarchy.

The allocation to classes of financial instruments, the valuation methods, and major assumptions are unchanged compared to 30 September 2016 and are described in detail in the notes to the 2016 consolidated financial statements in note 2. A detailed overview of Infineon's financial instruments, the financial risk factors, and the management of financial risks is included in the notes to the 2016 consolidated financial statements in notes 21 and 22.

In order to partly hedge against the exchange rate risk associated with the purchase price obligation arising from the planned acquisition of Wolfspeed, the Company entered into two transaction-dependent Euro/US Dollar foreign currency forward contracts (Deal Contingent Forwards) in July 2016. Each had a nominal value of US$250 million and was accounted for as a cash flow hedge. As result of the discontinuation of the planned acquisition of Wolfspeed, both Deal Contingent Forwards were canceled and the cash flow hedge terminated. Cash inflows for the company of €5 million resulted from the cancelation of the Deal Contingent Forward.

10 Legal risks

Litigation and government inquiries

Smartcard antitrust litigation

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

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

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

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

Proceedings in relation to Qimonda

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

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

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

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

Ausgabebetrag") of the subscribed stock. Additionally the insolvency administrator has asserted a claim for repayment of allegedly unjustly charged consultancy fees in an amount of €10 million in connection with the flotation of Qimonda.

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

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

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

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

Residual liability of Infineon as former shareholder of Qimonda Dresden GmbH & Co. OHG

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

Liabilities, provisions and contingent liabilities relating to Qimonda

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

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions in connection with some of the above mentioned matters totaling €27 million and €32 million as of 31 March 2017 and 30 September 2016, respectively. Of the provisions recorded as of 31 March 2017, €9 million has been provided in connection with the residual liability as former shareholder of Qimonda Dresden. For the defense of the proceedings still pending for the alleged activation of a shell company and liability for impairment of capital, the Company has recorded a provision of €16 million as of 31 March 2017. Remaining provisions in connection with the Qimonda insolvency total €2 million as of 31 March 2017.

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

Other

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

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

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

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

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

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

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

11 SEGMENT INFORMATION

Identification of Segments

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

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

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

Segment data

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

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Revenue:				
Automotive	783	671	1,488	1,286
Industrial Power Control	293	265	557	513
Power Management & Multimarket	520	494	1,018	1,002
Chip Card & Security	169	181	343	356
Other Operating Segments	2	2	4	4
Corporate and Eliminations	-	(2)	3	5
Total	**1,767**	**1,611**	**3,413**	**3,166**

Revenue for the three and six month periods ended 31 March 2017 and 2016 does not contain any inter-segmental revenue.

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Segment Result:				
Automotive	131	84	245	155
Industrial Power Control	44	28	68	52
Power Management & Multimarket	91	82	172	168
Chip Card & Security	29	36	57	70
Other Operating Segments	-	-	-	1
Corporate and Eliminations	1	(2)	-	2
Total	**296**	**228**	**542**	**448**

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

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2017**	2016	**2017**	2016
Segment Result	296	228	542	448
Plus/minus:				
Impairments on assets including assets classified as held for sale, net of reversals	(3)	(3)	(4)	(8)
Impact on earnings of restructuring and closures, net	(1)	(1)	(2)	9
Share-based compensation expense	(3)	(2)	(5)	(4)
Acquisition-related depreciation/amortization and other expenses	(41)	(47)	(85)	(103)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	(1)	-	(1)	(1)
Other income and expense, net	(18)	(1)	(32)	(1)
Operating income	**229**	**174**	**413**	**340**
Financial income	2	1	4	2
Financial expenses	(14)	(20)	(33)	(33)
Gain from investments accounted for using the equity method, net	1	1	1	1
Income from continuing operations before income taxes	**218**	**156**	**385**	**310**

Of the €41 million “acquisition-related depreciation/amortization and other expenses” incurred in the three months ended 31 March 2017, €25 million are attributable to cost of goods sold and €16 million to selling, general and administrative expenses.

Of the €85 million “acquisition-related depreciation/amortization and other expenses” incurred in the six months ended 31 March 2017, €49 million are attributable to cost of goods sold, €2 million to research and development expenses and €34 million to selling, general and administrative expenses.

Neubiberg, 9 May 2017

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 2017

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

Review Report

To the Supervisory Board of Infineon Technologies AG, Neubiberg

We have reviewed the condensed interim consolidated financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of operations, statement of comprehensive income, statement of financial position, statement of cash flows, 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 2016 to 31 March 2017 that are part of the semi annual financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the European Union (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 interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to 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 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun	Pritzer
Wirtschaftsprüfer	Wirtschaftsprüfer

Supplementary Information (unaudited)

Forward-looking Statements

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

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 2017	30 June 2017	1 August 2017
Fourth Quarter and Fiscal Year 2017	30 September 2017	14 November 2017
First Quarter Fiscal Year 2018	31 December 2017	31 January 2018
Second Quarter Fiscal Year 2018	31 March 2018	3 May 2018

Publication date of half-year financial report 31 March 2017: 10 May 2017

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