Q2

Half-Year Financial Report 31 March 2018

Infineon Technologies AG

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Content

Selected Consolidated Financial Data

€ in millions, except earnings per share, Segment Result Margin and Gross margin	Three months ended 31 March 2018	Three months ended 31 March 2017	Six months ended 31 March 2018	Six months ended 31 March 2017
Selected Results of Operations Data				
Revenue	1,836	1,767	3,611	3,413
Gross margin	37.1%	36.5%	36.8%	36.2%
Segment Result	314	296	597	542
Segment Result Margin	17.1%	16.8%	16.5%	15.9%
Research and development expenses	200	192	395	392
Capital expenditure[1]	263	219	556	422
Depreciation and amortization	211	205	416	405
Income from continuing operations	457	198	663	364
Income from discontinued operations, net of income taxes	-	1	(1)	(3)
Net income	457	199	662	361
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.40	0.18	0.59	0.32
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.40	0.18	0.58	0.32
Adjusted earnings per share (in euro) - diluted	0.26	0.21	0.46	0.38
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	310	300	468	581
Net cash provided by (used in) investing activities from continuing operations	(127)	25	(394)	(243)
Therein: Purchases (-)/proceeds from sales (+) of financial investments, net	(151)	243	(125)	295
Net cash used in financing activities from continuing operations	(209)	(249)	(222)	(241)
Free Cash Flow from continuing operations[2]	334	82	199	43

€ in millions, except number of employees	As of 31 March 2018	As of 30 September 2017
Selected Financial Condition Data		
Total assets	10,071	9,945
Total equity	5,979	5,636
Equity ratio	59.4%	56.7%
Gross cash position[3]	2,438	2,452
Total debt	1,789	1,834
Net cash position[3]	649	618
Market capitalization[4]	24,576	24,039
Employees	38,828	37,479

[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 2018 fiscal year:

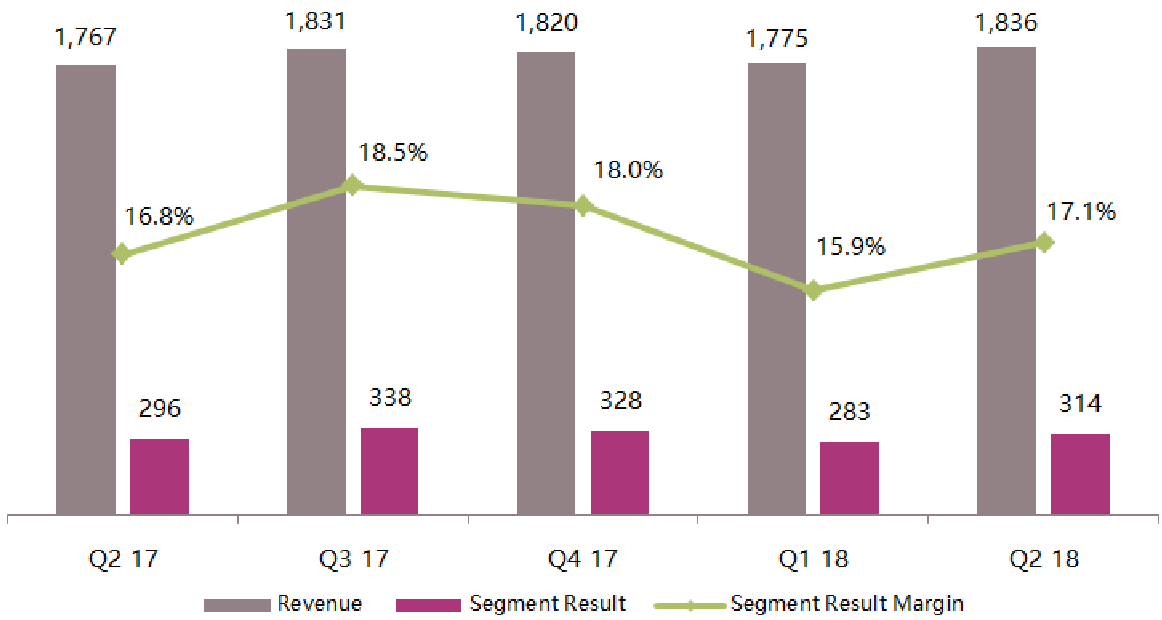
- Positive business development helps boost revenue and Segment Result despite weak US dollar
- Sharp rise in net income and earnings per share, partly due to gain on sale of major part of Radio Frequency Power Component business to Cree
- Adjusted earnings per share up year-on-year

"Infineon continues to grow profitably," stated Dr. Reinhard Ploss, CEO of Infineon. "Our growth is broadly based: Solutions for the entire range of drivetrain systems for all types of electric vehicles, including 48-volt systems, high-speed trains and renewable power generation. In addition, we are seeing growing demand for data center power supplies for artificial intelligence. Our order books are bulging. We therefore are very confident that we will achieve our revenue targets for the 2018 fiscal year. Compared to the previous year's March quarter, the average US dollar exchange rate against the euro fell by around 16 percent in the three-month period to 31 March 2018. Despite headwinds from the US dollar and rising material prices, we expect to achieve our targeted Segment Result Margin of 17 percent again in the 2018 fiscal year. This demonstrates the robustness of our business model," continued Dr. Reinhard Ploss.

Operating performance of the segments in second quarter of 2018 fiscal year

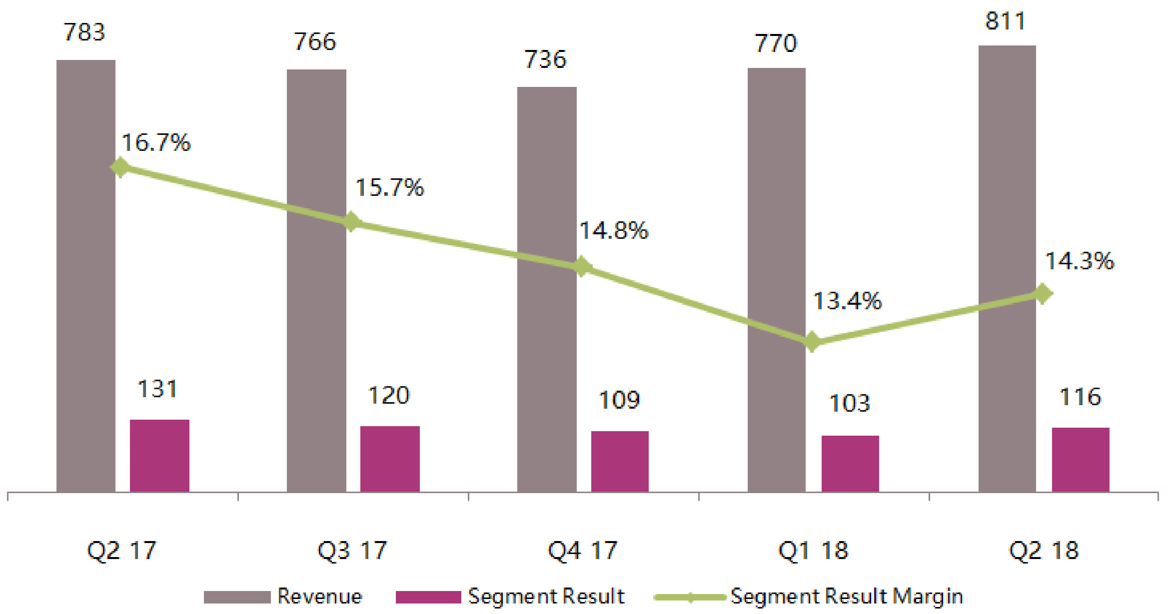
In the second quarter of the 2018 fiscal year, revenue grew from €1,775 million to €1,836 million quarter-on-quarter. The 3 percent increase was primarily driven by the Automotive and Industrial Power Control segments. The Chip Card & Security segment also recorded slightly higher revenue, while revenue for the Power Management & Multimarket segment was slightly down on the preceding quarter.

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.



Automotive

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2018	2017	**2018**	2017
Revenue	811	783	1,582	1,488
Share of Total Revenue	44%	44%	44%	44%
Segment Result	116	131	219	245
Share of Segment Result of Infineon	37%	44%	37%	45%
Segment Result Margin	14.3%	16.7%	13.8%	16.5%

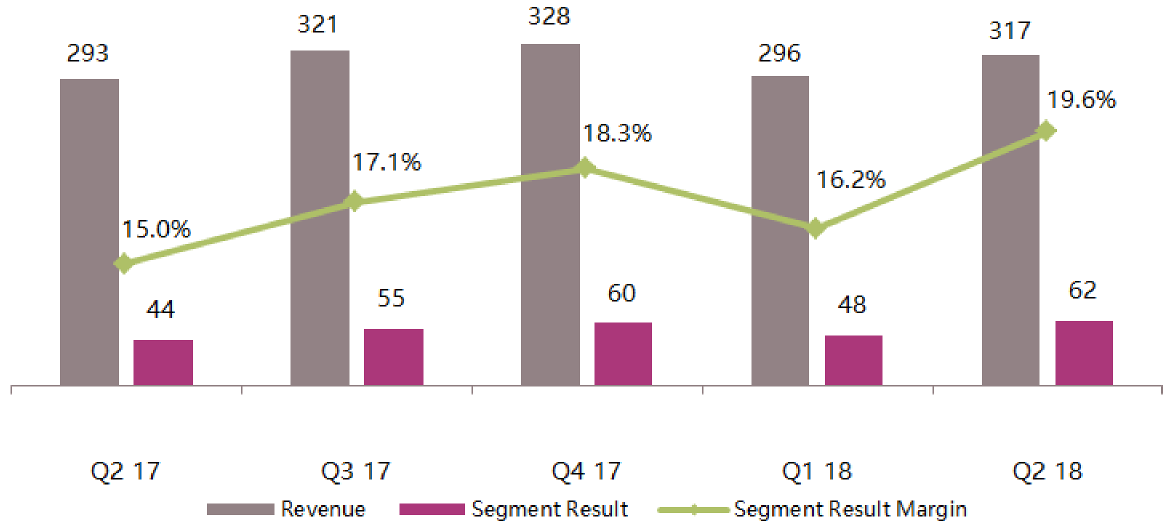


Automotive segment revenue rose to €811 million in the second quarter of the 2018 fiscal year, up by 5 percent on the previous quarter's figure of €770 million, mainly reflecting greater demand for driver assistance systems and products for premium vehicles. Segment Result for the second quarter totaled €116 million, compared with €103 million in the preceding quarter. The Segment Result Margin came in at 14.3 percent, compared with 13.4 percent in the first quarter.

Second-quarter revenue for the Automotive segment improved by 4 percent to €811 million compared to the previous year. In the same quarter one year earlier, revenue totaled €783 million. Segment Result for the three-month period deteriorated, however, dropping from €131 million to €116 million year-on-year. The Segment Result Margin came in at 14.3 percent, compared to 16.7 percent one year earlier.

Industrial Power Control

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2018**	2017	**2018**	2017
Revenue	317	293	614	557
Share of Total Revenue	17%	17%	17%	16%
Segment Result	62	44	111	68
Share of Segment Result of Infineon	20%	15%	19%	13%
Segment Result Margin	19.6%	15.0%	18.1%	12.2%

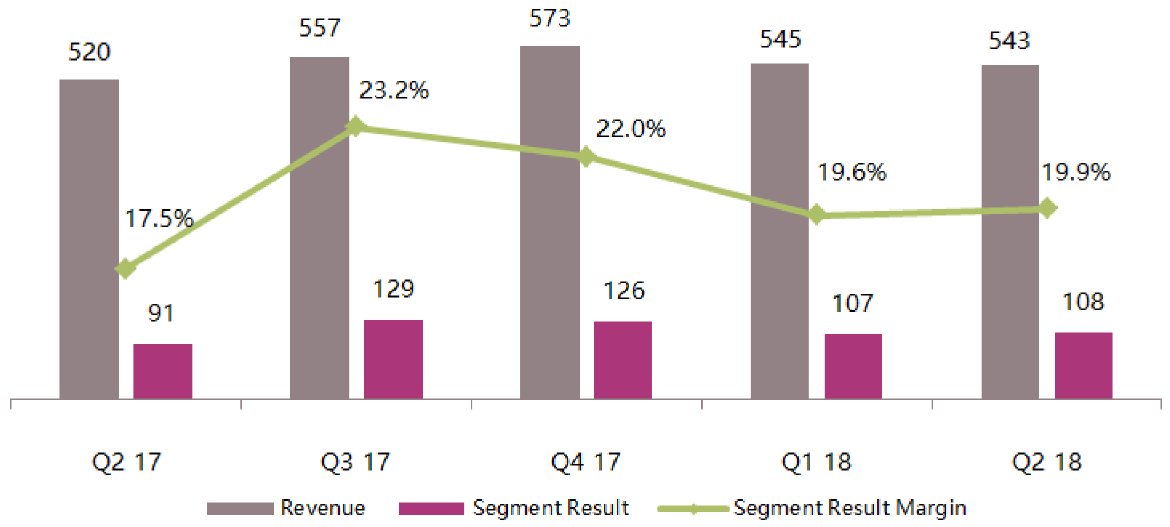


Industrial Power Control segment revenue climbed by 7 percent from €296 million in the first quarter to €317 million in the second quarter of the current fiscal year, with significant growth recorded for products for electric drives, trains and home appliances. In the field of renewable energy, sales of products used in wind power plants grew, while sales for solar power generation remained stable. Segment Result increased from €48 million in the first quarter to €62 million in the second quarter of the current fiscal year. The Segment Result Margin came in at 19.6 percent, compared to 16.2 percent in the preceding quarter.

Second-quarter revenue for the Industrial Power Control segment grew by 8 percent year-on-year from €293 million to €317 million. Segment Result for the three-month period was also up on one year earlier, rising from €44 million to €62 million. The Segment Result Margin stood at 19.6 percent, compared with the previous year's corresponding figure of 15.0 percent.

Power Management & Multimarket

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2018	2017	**2018**	2017
Revenue	543	520	1,088	1,018
Share of Total Revenue	30%	29%	30%	30%
Segment Result	108	91	214	172
Share of Segment Result of Infineon	34%	31%	36%	32%
Segment Result Margin	19.9%	17.5%	19.7%	16.9%

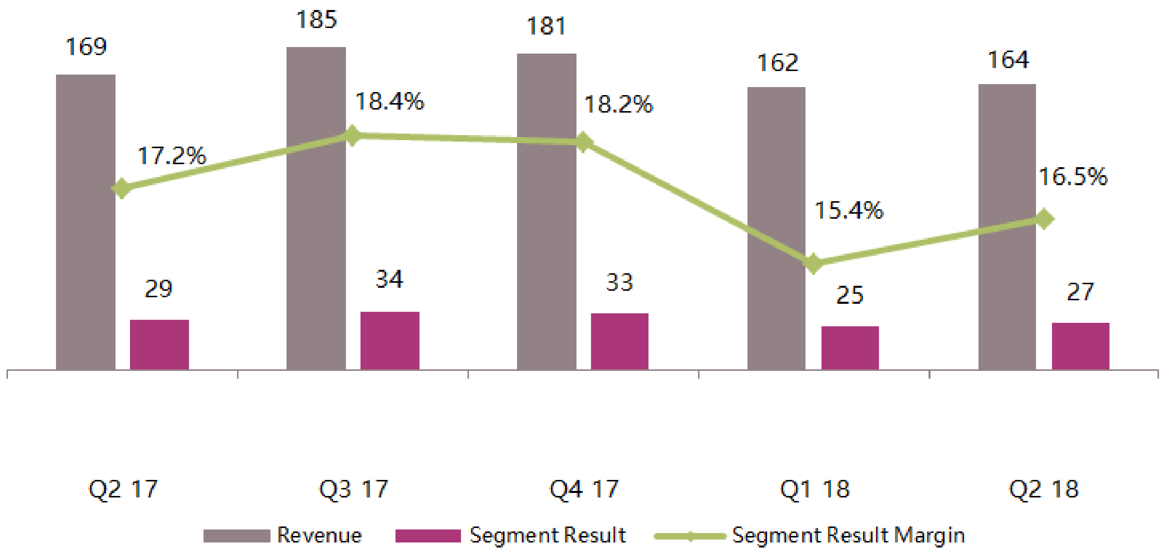


Second-quarter revenue generated by the Power Management & Multimarket segment totaled €543 million, virtually unchanged from the previous quarter, in which revenue had amounted to €545 million. With demand from the server sector remaining buoyant, increased production capacities enabled the segment to generate revenue growth with products for DC-DC power supply. Revenue from the sale of products for AC-DC power supply was slightly down on the previous quarter. As expected, business with components for mobile devices declined due to seasonal factors. The sale of the major part of Infineon's Radio Frequency Power Components business to Cree Inc., Durham, North Carolina (USA), with effect from 6 March 2018, also had a slightly negative effect on revenue. At €108 million, the second-quarter Segment Result was about the same level as the previous quarter's €107 million. The Segment Result Margin improved from 19.6 percent to 19.9 percent quarter-on-quarter.

Power Management & Multimarket segment revenue grew by 4 percent in the second quarter of the current fiscal year to €543 million, up from €520 million one year earlier. Segment profit rose to €108 million from €91 million in the previous year, while the Segment Result Margin improved from 17.5 percent to 19.9 percent.

Chip Card & Security

€ in millions, except percentages	Three months ended 31 March 2018	Three months ended 31 March 2017	Six months ended 31 March 2018	Six months ended 31 March 2017
Revenue	164	169	326	343
Share of Total Revenue	9%	10%	9%	10%
Segment Result	27	29	52	57
Share of Segment Result of Infineon	9%	10%	9%	11%
Segment Result Margin	16.5%	17.2%	16.0%	16.6%



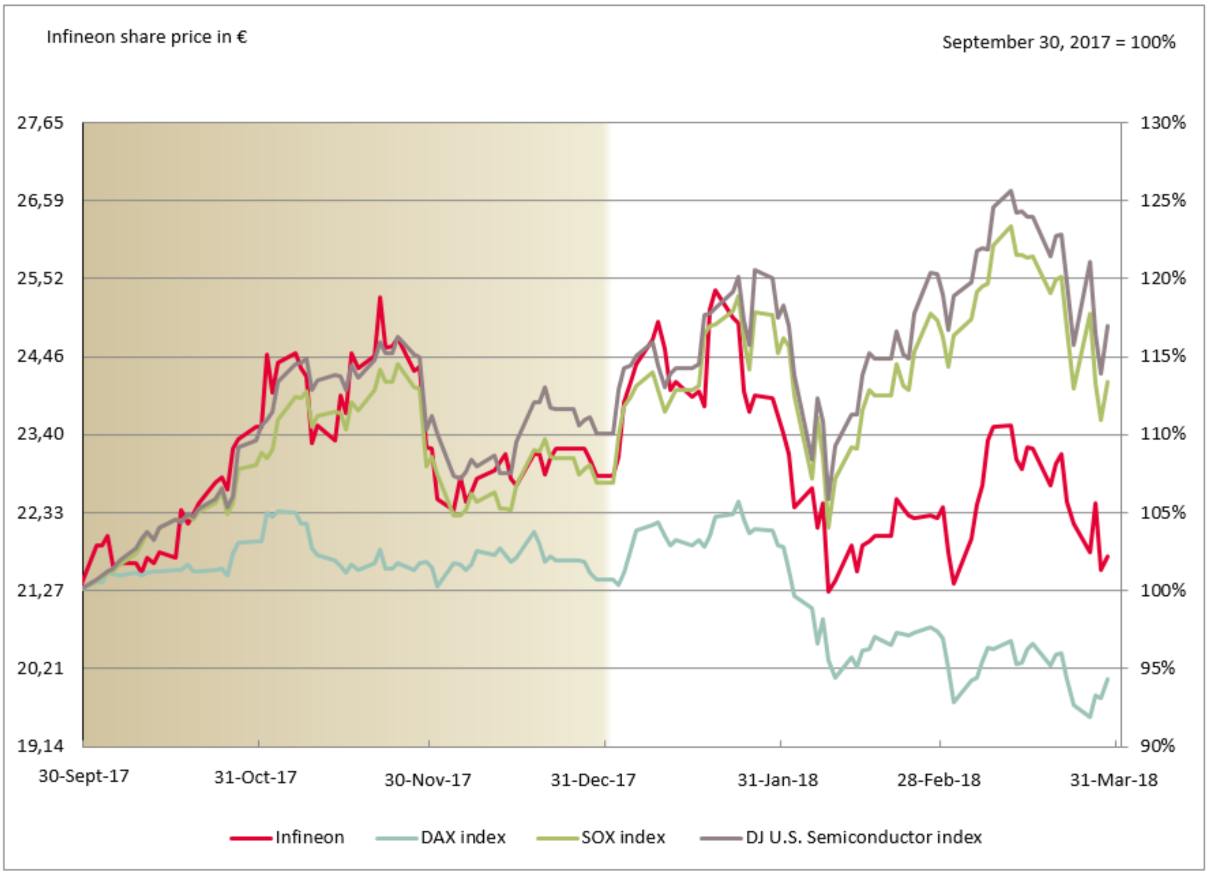
Chip Card & Security segment revenue amounted to €164 million for the three-month period, up by 1 percent compared to the previous quarter's €162 million. Revenue growth was recorded in the areas of government ID, embedded SIM, and authentication, whereas revenue with payment cards and SIM cards decreased. Segment Result improved from €25 million in the first quarter to €27 million in the second quarter of the current fiscal year. The Segment Result Margin came in at 16.5 percent, compared to 15.4 percent in the preceding quarter.

Second-quarter revenue for the Chip Card & Security segment was 3 percent lower in the current fiscal year than one year earlier, dropping from €169 million to €164 million. The Segment Result went down from €29 million to €27 million and the Segment Result Margin finished at 16.5 percent, compared with 17.2 percent one year earlier.

The Infineon Share

The Infineon share finished the first half of the 2018 fiscal year at €21.74 and therefore 2 percent up on the Xetra closing price of €21.27 recorded on 30 September 2017.

Performance of the Infineon share, the DAX, SOX and Dow Jones U.S. Semiconductor Index during the first six months of the 2018 fiscal year (daily closing prices)



At the Annual General Meeting held on 22 February 2018, the Management Board and the Supervisory Board proposed that the dividend for the 2017 fiscal year be raised by 14 percent from €0.22 to €0.25 per share. The shareholders approved the proposal. Accordingly, on 27 February 2018, on the third business day after the Annual General Meeting, pursuant to the regulations contained in the German Stock Corporation Act (AktG), an amount of €283 million was disbursed to shareholders.

At 31 March 2018, a total of 1,136,448,259 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

Since mid-2016 the global economy has seen a cyclical upswing and also the forecast for the 2018 calendar year has improved further. In its spring outlook for the 2018 calendar year, the International Monetary Fund (IMF) predicted growth of 3.4 percent. In fall 2017, an increase of 3.1 percent was being forecast for the 2018 calendar year. Alongside expectations of growth, however, risks have also increased, including, in particular, the still unresolved conflict in Syria, the potential escalation of trade conflicts and the gradual tightening of expansionary monetary policy in the USA (IMF, April 2018).

Infineon's markets are also benefiting from strong global economic growth. Market research company IHS Markit predicts further US dollar-denominated growth of 5.4 percent for the global semiconductor market (excluding memory chips and microprocessors) in the 2018 calendar year (IHS Markit, March 2018).

The semiconductor markets relevant for Infineon also continue to be among the main factors driving market growth as a whole. According to IHS Markit, the automotive semiconductor market is set to grow by 8.0 percent (measured in US dollars) in the 2018 calendar year compared with the previous 12-month period and at a compound annual growth rate of 7.7 percent up to 2022. The industrial semiconductor market is forecast to expand by 9.3 percent in the 2018 calendar year and at compound annual growth rate of 7.1 percent up to 2022 (IHS Markit, Technology Group, March 2018). The market for smart card microcontrollers is set to grow by 1.0 percent in the 2018 calendar year and at an average rate of 2.5 percent per annum up to 2022 (market research company ABI Research, February 2018).

By contrast, the loss in value of the US dollar against the euro from 1.07 in the previous 12-month period to 1.20 in the first half of the 2018 fiscal year (US dollar depreciated by 11 percent) had a negative impact on revenue.

Review of Results of Operations in the first half of the 2018 fiscal year

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except earnings per share	**2018**	2017	**2018**	2017
Revenue	1,836	1,767	3,611	3,413
Gross profit	**682**	**645**	**1,328**	**1,237**
Research and development expenses	(200)	(192)	(395)	(392)
Selling, general and administrative expenses	(209)	(208)	(414)	(404)
Other operating income and expenses, net	259	(16)	260	(28)
Operating income	**532**	**229**	**779**	**413**
Net financial result (financial income and expenses, net)	(13)	(12)	(26)	(29)
Income from investments accounted for using the equity method	-	1	-	1
Income tax	(62)	(20)	(90)	(21)
Income from continuing operations	**457**	**198**	**663**	**364**
Income from discontinued operations, net of income taxes	-	1	(1)	(3)
Net income	**457**	**199**	**662**	**361**
Basic earnings per share (in euro)	0.40	0.18	0.59	0.32
Diluted earnings per share (in euro)	0.40	0.18	0.58	0.32
Adjusted diluted earnings per share (in euro)	0.26	0.21	0.46	0.38

Net income improved

Net income for the six-month period under report went up by €301 million or 83 percent to €662 million year-on-year. Infineon continues to benefit from positive business developments. The sale of the major part of the Radio Frequency Power Components business to Cree, Inc. gave rise to a pre-tax gain of €268 million (see note 3 to the Condensed Interim Consolidated Financial Statements for more detailed information). Operating income jumped by 89 percent or €366 million to €779 million. A €69 million increase in income tax expense for the six-month period worked in the opposite direction (see note 2 to the Condensed Interim Consolidated Financial Statements). The amounts reported include depreciation, amortization and other expenses relating to the acquisition of International Rectifier (particularly the earnings impact arising from the purchase price allocation) totaling €58 million (October 2016 – March 2017: €84 million).

Positive business development enables revenue to grow despite weak US dollar

Revenue for the six-month period grew by €198 million to €3,611 million (October 2016 – March 2017: €3,413 million). Despite the unfavorable change in the value of the US dollar (euro/US dollar exchange rate of 1.20 compared to 1.07 in the same period of the previous year), the Automotive, Industrial Power Control and Power Management & Multimarket operating segments all reported revenue growth for the six-month period compared to one year earlier on the back of a strong operating performance. Only the Chip Card & Security segment recorded slightly lower revenue.

Strong revenue growth in Europe, Middle East and Africa
China remains most important sales market ahead of Germany

With an increase of €115 million, more than one half (58 percent) of revenue growth related to the Europe, Middle East and Africa region, followed by the Asia-Pacific region (excluding Japan), which recorded an €82 million increase in revenue (41 percent of total revenue growth), and the Japan region, where revenue rose by €22 million (11 percent of total revenue growth). Revenue generated in the Americas region fell currency-related by €21 million.

The Asia-Pacific region (excluding Japan) continues to be the largest in revenue terms, accounting for 48 percent or €1,741 million of total revenue, ahead of Europe, Middle East and Africa with 34 percent or €1,212 million.

China accounted for €899 million or 25 percent of Infineon's revenue worldwide in the first half of the 2018 fiscal year and therefore commands the largest share at individual country level, followed by Germany at €583 million or 16 percent.

	Three months ended 31 March				Six months ended 31 March			
€ in millions, except percentages	**2018**		2017		**2018**		2017	
Europe, Middle East, Africa	636	35%	591	33%	1,212	34%	1,097	32%
Therein: Germany	306	17%	291	16%	583	16%	523	15%
Asia-Pacific (w/o Japan)	864	47%	843	48%	1,741	48%	1,659	49%
Therein: China	437	24%	404	23%	899	25%	812	24%
Japan	126	7%	115	7%	243	7%	221	6%
Americas	210	11%	218	12%	415	11%	436	13%
Therein: USA	167	9%	177	10%	331	9%	352	10%
Total	**1,836**	**100%**	**1,767**	**100%**	**3,611**	**100%**	**3,413**	**100%**

Increase in gross margin

Gross profit (revenue less cost of goods sold) for the six-month period under report amounted to €1,328 million and was thus 7 percent up on the €1,237 million recorded one year earlier. The percentage increase in gross profit was therefore slightly higher than the 6 percent growth rate posted for revenue.

The gross margin improved accordingly from 36.2 percent to 36.8 percent for the comparable six-month periods. The year-on-year increase was mainly attributable to the higher revenue generated by the Power Management & Multimarket and Industrial Power Control segments. Furthermore 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 €32 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	**2018**	2017	**2018**	2017
Cost of goods sold	1,154	1,122	2,283	2,176
Change year-on-year	3%		5%	
Percentage of revenue	62.9%	63.5%	63.2%	63.8%
Gross profit	682	645	1,328	1,237
Percentage of revenue (gross margin)	37.1%	36.5%	36.8%	36.2%

Operating expenses as percentage of revenue continue to fall

Operating expenses (research and development expenses and selling, general and administrative expenses) increased by €13 million or 2 percent to €809 million in the first half of the 2018 fiscal year (October 2016 – March 2017: €796 million). In percentage terms, operating expenses fell to 22.4 percent of six-month revenue, compared with 23.3 percent one year earlier.

Research and development expenses increased by €3 million from €392 million to €395 million for the six-month periods ended 31 March 2017 and 2018 respectively. Expressed as a percentage of revenue, research and development expenses fell from 11.5 percent to 10.9 percent year-on-year.

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2018**	2017	**2018**	2017
Research and development expenses	200	192	395	392
Change year-on-year	4%		1%	
Percentage of revenue	10.9%	10.9%	10.9%	11.5%

Selling, general and administrative expenses corresponded to 11.5 percent of revenue in the first six months of the 2018 fiscal year (October 2016 – March 2017: 11.8 percent).

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2018**	2017	**2018**	2017
Selling, general and administrative expenses	209	208	414	404
Change year-on-year	0%		2%	
Percentage of revenue	11.4%	11.8%	11.5%	11.8%

Sharp rise in other operating income due to gain on disposal

The net amount from other operating income and expenses improved year-on-year from negative €28 million to positive €260 million. The significantly higher figure for the current year is mainly attributable to the pre-tax gain of €268 million arising on the sale of the major part of Infineon's Radio Frequency Power Components business to Cree, Inc. (see note 3 to the Condensed Interim Consolidated Financial Statements for more detailed information).

Earnings per share improved

The improvement in net income resulted in a corresponding increase in earnings per share. Compared with earnings per share of €0.32 (basic and diluted) for the first six months of the 2017 fiscal year, the corresponding figures for the current year to date amounted to €0.59 and €0.58 respectively.

Adjusted earnings per share increased

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	
	2018	2017	**2018**	2017
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	457	198	663	364
Plus/minus:				
Impairments on assets (excluding capitalized development costs) including assets classified as held for sale, net of reversals[1]	11	3	11	4
Impact on earnings of restructuring and closures, net	-	1	-	2
Share-based compensation expense	2	3	7	5
Acquisition-related depreciation/amortization and other expenses	29	41	58	85
(Gains)/losses on sales of assets, businesses, or interests in subsidiaries, net	(268)	1	(267)	1
Other income and expense, net	8	18	9	32
Tax effects on adjustments	61	(15)	53	(30)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(3)	(11)	(11)	(28)
Adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**297**	**239**	**523**	**435**
Weighted-average number of shares outstanding (in million) – diluted	1,134	1,134	1,134	1,132
Adjusted earnings per share (in euro) – diluted[2]	0.26	0.21	0.46	0.38

[1] Without impairments/reversals of impairments on capitalized development costs since 1 October 2017, but impairments in connection with the sale of the largest part of the Radio Frequency Power Compinents business to Cree, Inc. are included here. Previous periods figures were not adjusted.

[2] 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 2018	30 September 2017	Change
Current assets	4,973	4,871	2%
Non-current assets	5,098	5,074	0%
Total assets	**10,071**	**9,945**	**1%**
Current liabilities	1,897	2,098	(10%)
Non-current liabilities	2,195	2,211	(1%)
Total liabilities	**4,092**	**4,309**	**(5%)**
Total equity	**5,979**	**5,636**	**6%**

Current assets up slightly due to increase in inventories

Current assets increased by €102 million to stand at €4,973 million as of 31 March 2018, compared to €4,871 million as of 30 September 2017, mainly due to the €65 million increase in inventories.

Non-current assets virtually unchanged

Non-current assets increased over the six-month period by €24 million from €5,074 million to €5,098 million. Investments in property, plant and equipment in the first half of the 2018 fiscal year totaling €479 million exceeded the depreciation expense of €336 million. Investments related primarily to the production sites in Dresden and Regensburg (both Germany), Kulim and Melaka (both Malaysia) and Villach (Austria). Investments in intangible assets (€77 million) were lower than the amortization expense (€80 million). The sale of the major part of Infineon's Radio Frequency Power Components business to Cree, Inc. resulted in a €30 million decrease in goodwill and other intangible assets. These increases in non-current assets were offset by a €75 million decrease in cash deposited as collateral from the release of the rental deposit for Campeon (Neubiberg), Infineon's headquarters.

Liabilities down – mainly due to decrease in provisions and liabilities to employees

Total liabilities stood at €4,092 million as of 31 March 2018 and were therefore €217 million or 5 percent lower than at 30 September 2017 (€4,309 million). This development was primarily due to a €142 million reduction in provisions and liabilities to employees, 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. Trade payables decreased by €63 million. Debt decreased by €45 million, mainly due to currency effects.

Increase in equity

Equity increased by €343 million (6 percent) to stand at €5,979 million at the end of the reporting period (30 September 2017: €5,636 million), mainly due to the net income generated in the first half of the 2018 fiscal year amounting to €662 million. Items reducing equity included in particular the payment of the dividend for the 2017 fiscal year amounting to €283 million.

As a result, the equity ratio improved to 59.4 percent at the end of the reporting period (30 September 2017: 56.7 percent).

Review of Liquidity

Cash Flow

€ in millions	Six months ended 31 March	
	2018	2017
Net cash provided by operating activities from continuing operations	468	581
Net cash used in investing activities from continuing operations	(394)	(243)
Net cash used in financing activities from continuing operations	(222)	(241)
Net change in cash and cash equivalents from discontinued operations	3	(2)
Net change in cash and cash equivalents	**(145)**	**95**
Effect of foreign exchange rate changes on cash and cash equivalents	11	1
Change in cash and cash equivalents	**(134)**	**96**

Net cash provided by operating activities from continuing operations down

Net cash provided by operating activities from continuing operations in the first half of the 2018 fiscal year totaled €468 million (October 2016 – March 2017: €581 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 Radio Frequency Power Components business amounting to €926 million as the starting point, cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities totaling €366 million reduced cash and cash equivalents. This includes €22 million received in connection with the sale of the major part of the Radio Frequency Power Components business to Cree, Inc., which is recognized as deferred income (see note 3 to the Condensed Interim Consolidated Financial Statements). In addition, payments for income taxes and interest totaled €124 million.

Net cash used in investing activities from continuing operations influenced by investments in property, plant and equipment and sale of Radio Frequency Power Components business

Net cash used in investing activities from continuing operations in the first half of the 2018 fiscal year amounted to €394 million (October 2016 – March 2017: €243 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 Radio Frequency Power Components business to Cree, Inc. (see note 3 to the Condensed Interim Consolidated Financial Statements) 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 2017 fiscal year amounting to €283 million. Overall, the net cash outflow for financing activities totaled €222 million (October 2016 – March 2017: €241 million). The amount reported was reduced by the inflow recorded following the release of €75 million from cash deposited as collateral.

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	**2018**	2017
Net cash provided by operating activities from continuing operations	468	581
Net cash used in investing activities from continuing operations	(394)	(243)
Purchases of (proceeds from sales of) financial investments, net	125	(295)
Free cash flow	**199**	**43**

Net cash provided by operating activities and proceeds from sale of Radio Frequency Power Components business exceed investments

Free cash flow from continuing operations in the first half of the 2018 fiscal year totaled €199 million. The figure includes net cash provided by operating activities, the effects on cash resulting from the sale of the major part of the Radio Frequency Power Components business, the acquisition of the Danish company Merus Audio and the foundation of the SIAPM joint venture (SAIC Infineon Automotive Power Modules (Shanghai) Co. Ltd.), together with the Chinese automobile manufacturer SAIC Motor Co., Ltd. as well as high investments in property, plants and equipment and in intangible assets and other assets.

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 2018**	30 September 2017
Cash and cash equivalents	726	860
Financial investments	1,712	1,592
Gross cash position	**2,438**	**2,452**
Less:		
Short-term debt and current maturities of long-term debt	320	323
Long-term debt	1,469	1,511
Total debt	**1,789**	**1,834**
Net cash position	**649**	**618**

The gross cash position, comprising cash and cash equivalents and financial investments, amounted to €2,438 million at 31 March 2018 and was thus €14 million lower than the €2,452 million reported at 30 September 2017. Free cash flow of €199 million in the first half of the 2018 fiscal year and the release of €75 million of cash deposited as collateral more or less offset the dividend payment for the 2017 fiscal year amounting to €283 million.

The net cash position, which is defined as the gross cash position less short-term and long-term debt, increased by €31 million to €649 million at the end of the reporting period (30 September 2017: €618 million). The main reason for this development was the currency-related decrease in financial liabilities.

Employees

The size of the Infineon workforce increased during the first half of the 2018 fiscal year. The following table shows the composition of the Infineon workforce by region on a headcount basis at the relevant reporting dates:

	As of		
	31 March 2018	30 September 2017	Change
Region:			
Europe	16,572	15,644	6%
Therein: Germany	10,873	10,324	5%
Asia-Pacific (w/o Japan)	18,054	17,810	1%
Therein: China	1,899	1,961	(3%)
Japan	188	186	1%
Americas	4,014	3,839	5%
Therein: USA	2,112	2,081	1%
Total	**38,828**	**37,479**	**4%**

Outlook

Outlook for the third quarter of the 2018 fiscal year

Based on an assumed exchange rate of US$1.25 to the euro, Infineon forecasts third-quarter revenue growth of 3 percent, plus or minus 2 percentage points. At the mid-point of revenue guidance, the Segment Result Margin is expected to come in at 17 percent.

Updated outlook for the 2018 fiscal year

Based on results for the first half of the 2018 fiscal year, changed expectations for the EUR/USD exchange rate and completion of the sale of the major part of the Radio Frequency Power Components business to Cree, Inc., Infineon has updated its outlook for the 2018 fiscal year:

Based on an assumed exchange rate of US$1.25 to the euro, Infineon now expects year-on-year revenue growth of between 4 and 7 percent for the 2018 fiscal year. The Segment Result Margin is predicted to be in the region of 17 percent at the mid-point of revenue guidance. Due to the forecast for the Segment Result and the gain arising on the sale of the major part of the Radio Frequency Power Components business, net income for the year is expected to be well above €1 billion.

The Automotive segment is expected to grow at a substantially faster rate than the Group average. Revenue of the Industrial Power Control segment is likely to grow at a similar rate to Group revenue as a whole. Revenue growth in the Power Management & Multimarket segment is expected to be below the Group average, but still sufficient to fully offset the decrease in revenue caused by the sale of the major part of the Radio Frequency Power Components business. Given the difficult market situation and the sharp loss in value of the US dollar, Chip Card & Security segment revenue is expected to decline.

Due to the accelerated expansion of production capacities, the previous forecast for investments of between €1.1 billion and €1.2 billion has been raised. Investments in property, plant and equipment, intangible assets and capitalized development costs for the 2018 fiscal year are now expected to be in the region of €1.2 billion. The ratio of investments to revenue at the mid-point of revenue guidance for the 2018 fiscal year is likely to be about 16. The development reflects sizeable investments in additional manufacturing capacities, especially for electro-mobility products. Depreciation and amortization is expected to be in the region of €850 million. Free cash flow from continuing operations is expected to reach an amount of between €600 million and €700 million. The return on capital employed (RoCE) is expected to increase significantly in the 2018 fiscal year.

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 2017 fiscal year (pages 81 to 91).

During the first six months of the 2018 fiscal year, Infineon did not identify any material changes to the risks and opportunities described in the 2017 Annual Report and in note 8 to the Condensed Consolidated Interim Financial Statements for the six-month period to 31 March 2018.

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 2018 and 2017

€ in millions	Note	Three months ended 31 March 2018	Three months ended 31 March 2017	Six months ended 31 March 2018	Six months ended 31 March 2017
Revenue		1,836	1,767	3,611	3,413
Cost of goods sold		(1,154)	(1,122)	(2,283)	(2,176)
Gross profit		**682**	**645**	**1,328**	**1,237**
Research and development expenses		(200)	(192)	(395)	(392)
Selling, general and administrative expenses		(209)	(208)	(414)	(404)
Other operating income	3	280	3	285	6
Other operating expenses		(21)	(19)	(25)	(34)
Operating income		**532**	**229**	**779**	**413**
Financial income		3	2	6	4
Financial expenses		(16)	(14)	(32)	(33)
Gain from investments accounted for using the equity method		-	1	-	1
Income from continuing operations before income taxes		**519**	**218**	**753**	**385**
Income tax	2	(62)	(20)	(90)	(21)
Income from continuing operations		**457**	**198**	**663**	**364**
Income (loss) from discontinued operations, net of income taxes	3	-	1	(1)	(3)
Net income		**457**	**199**	**662**	**361**
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Basic earnings per share (in euro) from continuing operations		0.40	0.18	0.59	0.32
Basic earnings per share (in euro) from discontinued operations		-	-	-	-
Basic earnings per share (in euro)		**0.40**	**0.18**	**0.59**	**0.32**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Diluted earnings per share (in euro) from continuing operations		0.40	0.18	0.58	0.32
Diluted earnings per share (in euro) from discontinued operations		-	-	-	-
Diluted earnings per share (in euro)		**0.40**	**0.18**	**0.58**	**0.32**

[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 2018 and 2017

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2018	2017	**2018**	2017
Net income	**457**	**199**	**662**	**361**
Actuarial gains (losses) on pension plans and similar commitments	(2)	112	(2)	112
Total items not expected to be reclassified to profit or loss in the future	**(2)**	**112**	**(2)**	**112**
Currency translation effects	(27)	(20)	(40)	61
Net change in fair value of hedging instruments	-	(17)	-	4
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	**(27)**	**(36)**	**(40)**	**67**
Other comprehensive income (loss) for the period, net of tax	**(29)**	**76**	**(42)**	**179**
Total comprehensive income for the period, net of tax	**428**	**275**	**620**	**540**
Attributable to:				
Shareholders of Infineon Technologies AG	428	275	620	540

Consolidated Statement of Financial Position

as of 31 March 2018 and 2017 (unaudited) and 30 September 2017

€ in millions	Note:	31 March 2018	31 March 2017	30 September 2017
ASSETS:				
Cash and cash equivalents		726	721	860
Financial investments		1,712	1,328	1,592
Trade receivables		859	820	851
Inventories		1,305	1,228	1,240
Income tax receivable		6	7	5
Other current assets		336	287	300
Assets classified as held for sale		29	-	23
Total current assets		**4,973**	**4,391**	**4,871**
Property, plant and equipment		2,788	2,534	2,659
Goodwill and other intangible assets		1,520	1,695	1,586
Investments accounted for using the equity method		38	33	28
Non-current income tax receivable		-	3	-
Deferred tax assets		636	655	612
Other non-current assets		116	164	189
Total non-current assets		**5,098**	**5,084**	**5,074**
Total assets		**10,071**	**9,475**	**9,945**
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	4	320	121	323
Trade payables		957	828	1,020
Short-term provisions		314	292	422
Income tax payable		125	125	103
Other current liabilities		181	175	230
Total current liabilities		**1,897**	**1,541**	**2,098**
Long-term debt	4	1,469	1,896	1,511
Pension plans and similar commitments		509	499	503
Deferred tax liabilities		16	9	18
Long-term provisions		67	68	67
Other non-current liabilities		134	123	112
Total non-current liabilities		**2,195**	**2,595**	**2,211**
Total liabilities		**4,092**	**4,136**	**4,309**
Shareholders' equity:	5			
Ordinary share capital		2,273	2,270	2,272
Additional paid-in capital		4,496	4,787	4,774
Accumulated deficit		(744)	(1,839)	(1,404)
Other reserves		(9)	158	31
Own shares		(37)	(37)	(37)
Equity attributable to shareholders of Infineon Technologies AG		**5,979**	**5,339**	**5,636**
Total liabilities and equity		**10,071**	**9,475**	**9,945**

Consolidated Statement of Cash Flows

(unaudited) for the three and six months ended 31 March 2018 and 2017

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2018	2017	**2018**	2017
Net income		**457**	**199**	**662**	**361**
Minus: income from discontinued operations, net of income taxes	3	-	(1)	1	3
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization		211	205	416	405
Income tax	2	62	20	90	21
Net interest result		13	17	25	32
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	3	11	4
Other non-cash result		5	(6)	8	(3)
Change in trade receivables		(63)	(86)	(11)	(46)
Change in inventories		(46)	17	(91)	(28)
Change in trade payables		11	14	(61)	(33)
Change in provisions		61	56	(97)	(38)
Change in other assets and liabilities		(97)	(104)	(106)	(22)
Interest received		2	2	6	4
Interest paid		(8)	(9)	(26)	(26)
Income tax paid		(42)	(28)	(98)	(54)
Net cash provided by operating activities from continuing operations		**310**	**300**	**468**	**581**
Net cash provided by (used in) operating activities from discontinued operations		**(2)**	**(3)**	**3**	**(2)**
Net cash provided by operating activities		**308**	**297**	**471**	**579**

€ in millions	Three months ended 31 March 2018	Three months ended 31 March 2017	Six months ended 31 March 2018	Six months ended 31 March 2017
Purchases of financial investments	(881)	(563)	(1,378)	(1,469)
Proceeds from sales of financial investments	730	806	1,253	1,764
Proceeds from sales of businesses and interests in subsidiaries, net of cash disbursed	321	-	321	-
Investments in related companies	(10)	-	(10)	-
Acquisitions of businesses, net of cash acquired	(24)	-	(24)	(5)
Acquisition of shares in MoTo, net of cash acquired	-	-	-	(112)
Purchases of intangible assets and other assets	(40)	(36)	(77)	(58)
Purchases of property, plant and equipment	(223)	(183)	(479)	(364)
Proceeds from sales of property, plant and equipment and other assets	-	1	-	1
Net cash provided by (used in) investing activities from continuing operations	**(127)**	**25**	**(394)**	**(243)**
Net cash used in investing activities from discontinued operations	**-**	**-**	**-**	**-**
Net cash provided by (used in) investing activities	**(127)**	**25**	**(394)**	**(243)**
Net change in short-term debt	-	-	-	(1)
Proceeds from the issuance of long-term debt	-	-	-	2
Repayments of long-term debt	(2)	(11)	(15)	(12)
Change in cash deposited as collateral	75	-	74	-
Proceeds from the issuance of ordinary shares	1	10	2	18
Dividend payments	(283)	(248)	(283)	(248)
Net cash used in financing activities from continuing operations	**(209)**	**(249)**	**(222)**	**(241)**
Net cash used in financing activities from discontinued operations	**-**	**-**	**-**	**-**
Net cash used in financing activities	**(209)**	**(249)**	**(222)**	**(241)**
Net change in cash and cash equivalents	(28)	73	(145)	95
Effect of foreign exchange rate changes on cash and cash equivalents	9	14	11	1
Cash and cash equivalents at beginning of period	745	634	860	625
Cash and cash equivalents at end of period	**726**	**721**	**726**	**721**

Consolidated Statement of Changes in Equity

(unaudited) for the six months ended 31 March 2018 and 2017

€ 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 2016	5	**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	-	-
Other changes in equity		-	-	-	-	-
Balance as of 31 March 2017		**1,135,201,707**	**2,270**	**4,787**	**(1,839)**	**159**
Balance as of 1 October 2017		**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)**

reserves			
Securities	Hedges	Own shares	Total equity attributable to shareholders of Infineon Technologies AG
(2)	**(5)**	**(37)**	**5,023**
-	-	-	361
2	4	-	179
2	4	-	540
-	-	-	(248)
-	-	-	19
-	-	-	5
-	-	-	-
-	**(1)**	**(37)**	**5,339**
-	**(1)**	**(37)**	**5,636**
-	-	-	662
-	-	-	(42)
-	-	-	620
-	-	-	(283)
-	-	-	2
-	-	-	4
-	**(1)**	**(37)**	**5,979**

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 2018 and 2017, 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 2017 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 2017 fiscal year.

The accounting policies applied preparing the accompanying condensed Consolidated Interim Financial Statements are consistent with those used for the 2017 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 2017. 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.

Financial reporting rules issued but not yet applied

Infineon is in the process of implementing IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

With regard to IFRS 9, Infineon has identified the need for IT and process changes including the creation of new accounts, for example to record different levels of impairments. According to present information, Infineon does not anticipate any material effects on the Consolidated Financial Statements due to the transition to IFRS 9. Further effects on the financial statements of the fiscal year beginning 1 October 2017 (date of initial application) due to the application of IFRS 9 will largely depend on the financial instruments held by Infineon, and on the economic conditions prevailing at that time. The implementation of the required adjustments in the system and processes of the Company have started and will be completed in the fourth quarter of the 2018 fiscal year.

In a cross-functional IFRS 15 project Infineon captured and evaluated the expected effect on the Consolidated Financial Statements. In doing so the IFRS 15 project was divided into an analysis and design phase as well as an implementation phase. The analysis phase is in the meantime completed, from which no further transition effects were identified beyond those already described in the 30 September 2017 Consolidated Financial Statements. Within the framework of the design phase the necessary changes to the Group companies' systems and processes are underway in the 2018 fiscal year. These will be completed in the course of the 2018 fiscal year. A reliable estimate of the accounting impact is not possible at this stage of the project, but only after completion of the system implementation of the technical concept.

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 possible effects on the first-time adoption of IFRS 16, reliable quantitative results are not available at this time.

2 Income Tax

As in the three and six months to 31 March 2017, but to a lesser extent, in the three and six months to 31 March 2018 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	**2018**	2017	**2018**	2017
Income from continuing operations before income taxes	519	218	753	385
Income tax	(62)	(20)	(90)	(21)
Effective tax rate	12%	9%	12%	5%

3 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 6 "Legal risks – Proceedings in relation to Qimonda".

Income/loss from discontinued operations, net of income taxes

€ in millions	Three months ended 31 March		Six months ended 31 March	
	2018	2017	**2018**	2017
Qimonda's share of discontinued operations, net of income taxes	-	1	-	(3)
Others business' share of discontinued operations, net of income taxes	-	-	(1)	-
Income (loss) from discontinued operations, net of income taxes	**-**	**1**	**(1)**	**(3)**

Radio Frequency Power Components business

On 6 March 2018 the largest part of the Radio Frequency Power Components business was sold to Cree, Inc. for €345 million. The assets and selected liabilities were transferred separately. Overall, net assets with a carrying amount of €25 million were transferred. In addition, goodwill of €28 million was disposed of. €22 million of the purchase price was recognized as deferred income in connection with the long-term supply agreement for LDMOS wafers and related components from Infineon to Cree, Inc. €2 million of the purchase price is attributable to assets still to be transferred. For the three and six months ended 31 March 2018 the pre-tax gain arising from the sale amounted to €268 million and was recognized in other operating income.

Assets classified as held for sale

On 31 March 2018, land and buildings as well as technical equipment and machinery with a carrying amount of €29 million (30 September 2017: €23 million) were disclosed as assets classified as held for sale.

4 Debt

Debt consists of the following:

€ in millions	**31 March 2018**	30 September 2017
Current maturities of long-term debt, weighted average interest rate 1.89% (30 September 2017: 1.65%)	20	24
Bond €300 million, coupon 1.00%, due 2018	300	299
Short-term debt and current maturities of long-term debt	**320**	**323**
Loans payable to banks:		
Unsecured loans, weighted average interest rate 0.93% (30 September 2017: 0.73%), due 2019–2024	25	27
Secured term loans, weighted average interest rate 2.03%, due 2019–2020	191	198
Bond €500 million, coupon 1.50%, due 2022	496	496
USPP notes US$935 million, weighted average interest rate 4.09%, due 2024–2028	757	790
Long-term debt	**1,469**	**1,511**
Total	**1,789**	**1,834**

Gross debt decreased to €1,789 million in the first half of the 2018 fiscal year, from €1,834 million as of 30 September 2017. This decrease is primarily related to the valuation of the USPP notes of US$935 million at a more favorable foreign exchange rate as of 31 March 2018 than as of 30 September 2017.

The bond of €300 million is due for repayment in September 2018.

5 Equity

The ordinary share capital of Infineon Technologies AG stood at €2,272,896,518 as of 31 March 2018 divided into 1,136,448,259 no par value registered shares (thereof 6 million own shares), each representing €2 of the Company's ordinary share capital. As of 30 September 2017 the ordinary share capital stood at €2,272,401,858 divided into 1,136,200,929 no par value registered shares (thereof 6 million own shares). 247,330 new shares were issued in the first half of the 2018 fiscal year (thereof 115,360 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 22 February 2018, it was resolved that a dividend of €0.25 be paid for each eligible share out of the unappropriated profit of Infineon Technologies AG for the 2017 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 €283 million.

6 Legal risks

Litigation and government inquiries

Smartcard antitrust litigation

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

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

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

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

Proceedings in relation to Qimonda

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

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

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

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

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

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

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

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

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

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

Liabilities, provisions and contingent liabilities relating to Qimonda

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

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions in connection with some of the abovementioned matters totaling €30 million and €33 million as of 31 March 2018 and 30 September 2017, respectively. Of the provisions recorded as of 31 March 2018, €6 million has been provided in connection with the residual liability as former shareholder of Qimonda Dresden. For the defense of the proceedings still pending for the alleged activation of a shell company and liability for impairment of capital, the Company has recorded a provision of €22 million as of 31 March 2018. Remaining provisions in connection with the Qimonda insolvency total €2 million as of 31 March 2018.

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.

7 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 2018 and 30 September 2017 consist of the following:

	31 March 2018		30 September 2017	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Trade and other receivables	2	-	-	-
Financial receivables	-	1	-	1
Trade and other payables	8	1	10	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 2018 and 2017 consist of the following:

	Three months ended 31 March			
	2018		2017	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	4	-	6	1
Products and services received	18	5	19	4

	Six months ended 31 March			
	2018		2017	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	8	1	9	1
Products and services received	36	9	37	8

Related persons

54,464 (virtual) performance shares each with a fair value of €15.25 were allocated to the Management Board on 1 March 2018.

In the three and six months ended 31 March 2018 and 2017 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.

At the end of the Annual General Meeting on 22 February 2018, Mr. Wolfgang Mayrhuber resigned as member and Chairman of the Supervisory Board of the Company. Dr. Wolfgang Eder was elected as a new member of the Supervisory Board by the Annual General Meeting. In its subsequent meeting, the Supervisory Board has appointed Dr. Eckart Sünner Chairman of the Supervisory Board.

8 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 2018 and 30 September 2017 is as follows:

€ in millions	Fair value	Fair value by category		
31 March 2018		Level 1	Level 2	Level 3
Current assets:				
Financial investments	633	579	54	-
Other current assets	3	-	3	-
Non-current assets:				
Other non-current assets	38	18	-	20
Total	**674**	**597**	**57**	**20**
Current liabilities:				
Other current liabilities	1	-	1	-
Total	**1**	**-**	**1**	**-**
30 September 2017				
Current assets:				
Financial investments	522	466	56	-
Other current assets	4	-	4	-
Non-current assets:				
Other non-current assets	40	19	-	21
Total	**566**	**485**	**60**	**21**
Current liabilities:				
Other current liabilities	2	-	2	-
Total	**2**	**-**	**2**	**-**

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 previous fiscal 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 2017 and are described in detail in the notes to the 2017 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 2017 consolidated financial statements in notes 22 and 23.

9 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

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2018**	2017	**2018**	2017
Revenue:				
Automotive	811	783	1,582	1,488
Industrial Power Control	317	293	614	557
Power Management & Multimarket	543	520	1,088	1,018
Chip Card & Security	164	169	326	343
Other Operating Segments	1	2	1	4
Corporate and Eliminations	-	-	-	3
Total	**1,836**	**1,767**	**3,611**	**3,413**

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2018**	2017	**2018**	2017
Segment Result:				
Automotive	116	131	219	245
Industrial Power Control	62	44	111	68
Power Management & Multimarket	108	91	214	172
Chip Card & Security	27	29	52	57
Other Operating Segments	1	-	1	-
Corporate and Eliminations	-	1	-	-
Total	**314**	**296**	**597**	**542**

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

€ in millions	Three months ended 31 March 2018	Three months ended 31 March 2017	Six months ended 31 March 2018	Six months ended 31 March 2017
Segment Result	314	296	597	542
Plus/minus:				
Impairments on assets (excluding capitalized development costs) including assets classified as held for sale, net of reversals[1]	(11)	(3)	(11)	(4)
Impact on earnings of restructuring and closures, net	-	(1)	-	(2)
Share-based compensation expense	(2)	(3)	(7)	(5)
Acquisition-related depreciation/amortization and other expenses	(29)	(41)	(58)	(85)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	268	(1)	267	(1)
Other income and expense, net	(8)	(18)	(9)	(32)
Operating income	**532**	**229**	**779**	**413**
Financial income	3	2	6	4
Financial expenses	(16)	(14)	(32)	(33)
Gain from investments accounted for using the equity method, net	-	1	-	1
Income from continuing operations before income taxes	**519**	**218**	**753**	**385**

[1] Excluding impairments/reversals of impairments on capitalized development costs since 1 October 2017, however impairments in connection with the sale of the largest part of the Radio Frequency Power Components business to Cree, Inc. are included. Previous periods' figures were not adjusted.

Of the €29 million "acquisition-related depreciation/amortization and other expenses" incurred in the three months ended 31 March 2018, €16 million are attributable to cost of goods sold, €1 million to research and development expenses and €12 million to selling, general and administrative expenses.

Of the €58 million "acquisition-related depreciation/amortization and other expenses" incurred in the six months ended 31 March 2018, €32 million are attributable to cost of goods sold, €1 million to research and development expenses and €25 million to selling, general and administrative expenses.

Neubiberg, 9 May 2018

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 2018

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

Review Report

To the 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 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 2017 to 31 March 2018 that are part of the semi annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated 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 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 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 interim consolidated 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 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun

Wirtschaftsprüfer

Pritzer

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 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 2018	30 June 2018	1 August 2018
Fourth Quarter and Fiscal Year 2018	30 September 2018	12 November 2018
First Quarter Fiscal Year 2019	31 December 2018	5 February 2019
Second Quarter Fiscal Year 2019	31 March 2019	7 May 2019

Publication date of half-year financial report 31 March 2018: 9 May 2018

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