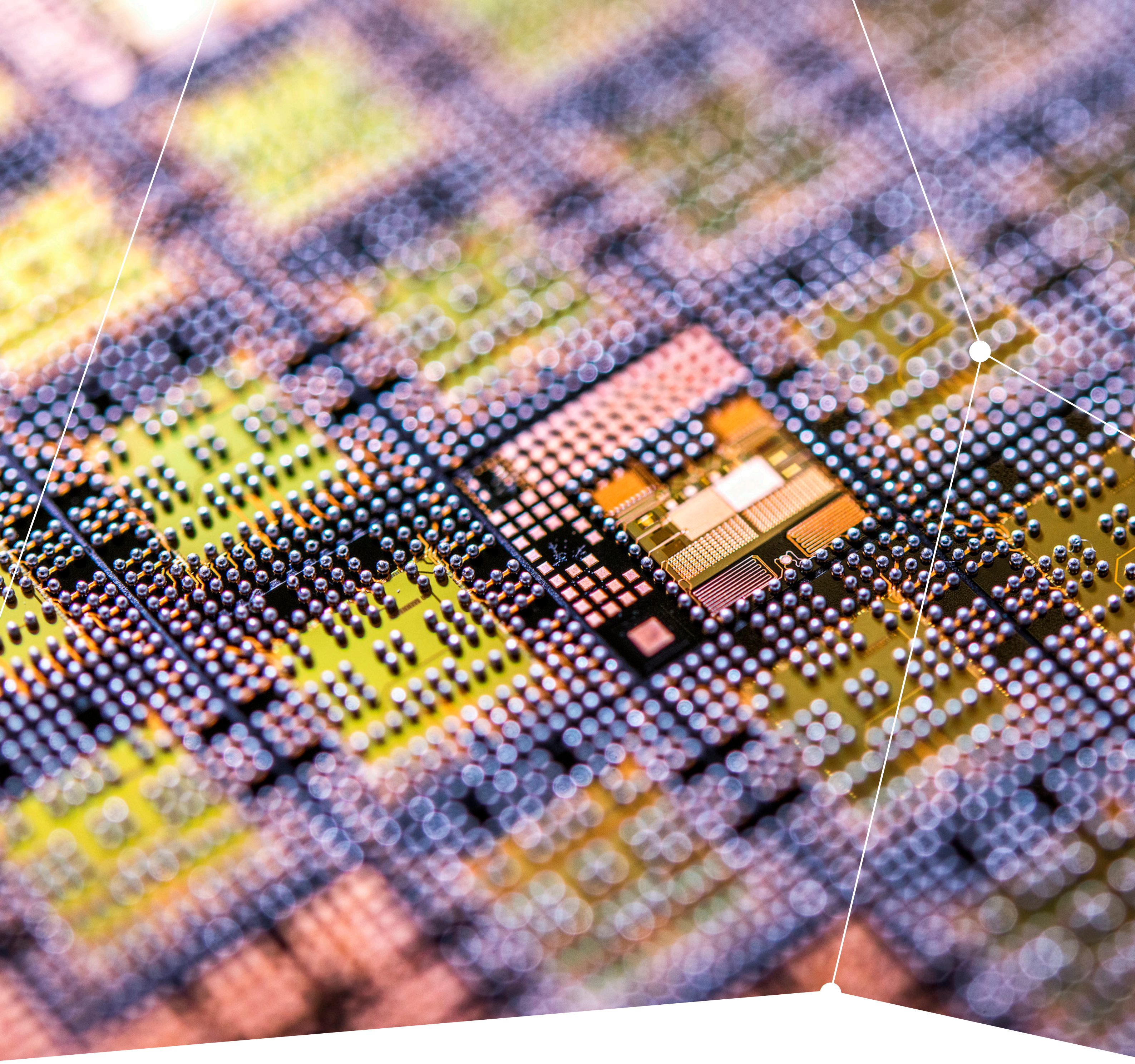

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Half-Year Financial Report 31 March 2020

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		Six months ended 31 March	
	2020	2019	**2020**	2019
Selected Results of Operations Data				
Revenue	1,986	1,983	3,903	3,953
Gross margin	34.5%	37.8%	35.8%	38.7%
Segment Result	274	332	571	691
Segment Result Margin	13.8%	16.7%	14.6%	17.5%
Research and development expenses	241	236	485	472
Capital expenditure[1]	247	349	502	757
Depreciation and amortization	249	233	499	463
Income from continuing operations	178	249	388	503
Income from discontinued operations, net of income taxes	-	(18)	(1)	(18)
Net income	178	231	387	485
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.13	0.20	0.30	0.43
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.13	0.20	0.30	0.43
Adjusted earnings per share (in euro) - diluted	0.13	0.24	0.31	0.48
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	354	215	537	524
Net cash provided by (used in) investing activities from continuing operations	(191)	65	(1,229)	(130)
Therein: Purchases (-)/proceeds from sales (+) of financial investments, net	55	417	(714)	752
Net cash provided by (used in) financing activities from continuing operations	(358)	(305)	810	(323)
Free Cash Flow from continuing operations[2]	108	(137)	22	(358)

€ in millions, except number of employees	**31 March 2020**	30 September 2019
Selected Financial Condition Data		
Total assets	14,598	13,412
Total equity	9,950	8,633
Equity ratio	68.2%	64.4%
Gross cash position[3]	4,588	3,779
Total debt	1,537	1,556
Net cash position[3]	3,051	2,223
Market capitalization[4]	16,729	20,552
Employees	40,813	41,418

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

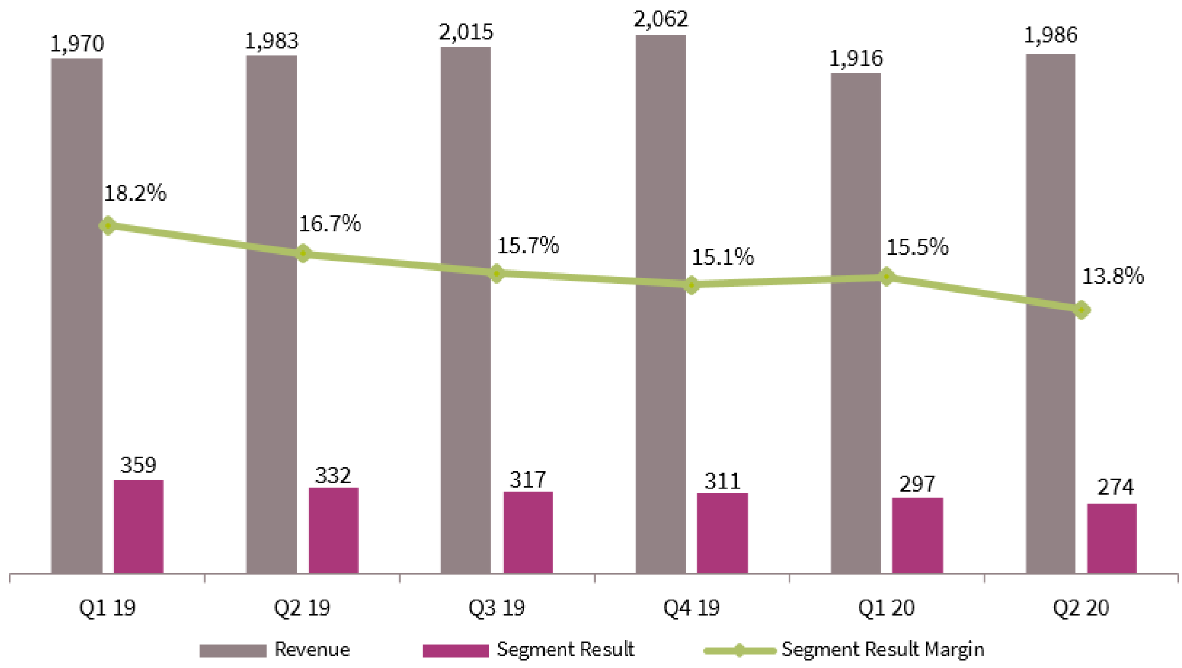
- Revenue and Segment Result for six-month period in line with expectations, despite coronavirus pandemic. Second-quarter revenue development at lower end of forecast range
- Free cash flow amounts to €22 million compared to negative €358 million in the same period of the previous fiscal year
- Successful acquisition of Cypress Semiconductor Corporation ("Cypress") in April 2020 reinforces the business model of Infineon in medium and long term. Infineon is evolving into a leading provider of systems solutions for the automotive sector, industry and IoT and has now advanced to become one of the world's top 10 semiconductor manufacturers
- Outlook for 2020 fiscal year scaled back due to forecasting uncertainties in light of coronavirus pandemic
- Including Cypress, revenue expected to be around €8.4 billion, plus or minus 5 percent. Segment Result Margin of around 12 percent expected at mid-point of revenue guidance, depending on development of coronavirus pandemic

"The world is in the midst of a crisis of hitherto unseen proportions. The effects of the coronavirus pandemic are unprecedented, and the semiconductor industry is significantly feeling the impact. Also Infineon is not immune to such a massive slump in the global economy," said Dr. Reinhard Ploss, CEO of Infineon. "But our company is accustomed to coping with crisis situations. Despite all the difficulties, whether supply chain-related or in manufacturing, we have largely been able to maintain our operations in recent weeks. We also put cost-containment measures in place at an early stage. Nevertheless, the outlook for the second half of the fiscal year has significantly deteriorated. We expect a sharp drop in revenue in the Automotive segment. We are monitoring the situation in our target markets very closely and are prepared to respond swiftly to a variety of possible scenarios," Ploss continued. "Even in difficult times, Infineon continues to evolve. With the successful acquisition of Cypress, we are taking a major step forward in implementing our strategy of linking the real with the digital world."

Operating performance of the segments in the first half of 2020 fiscal year

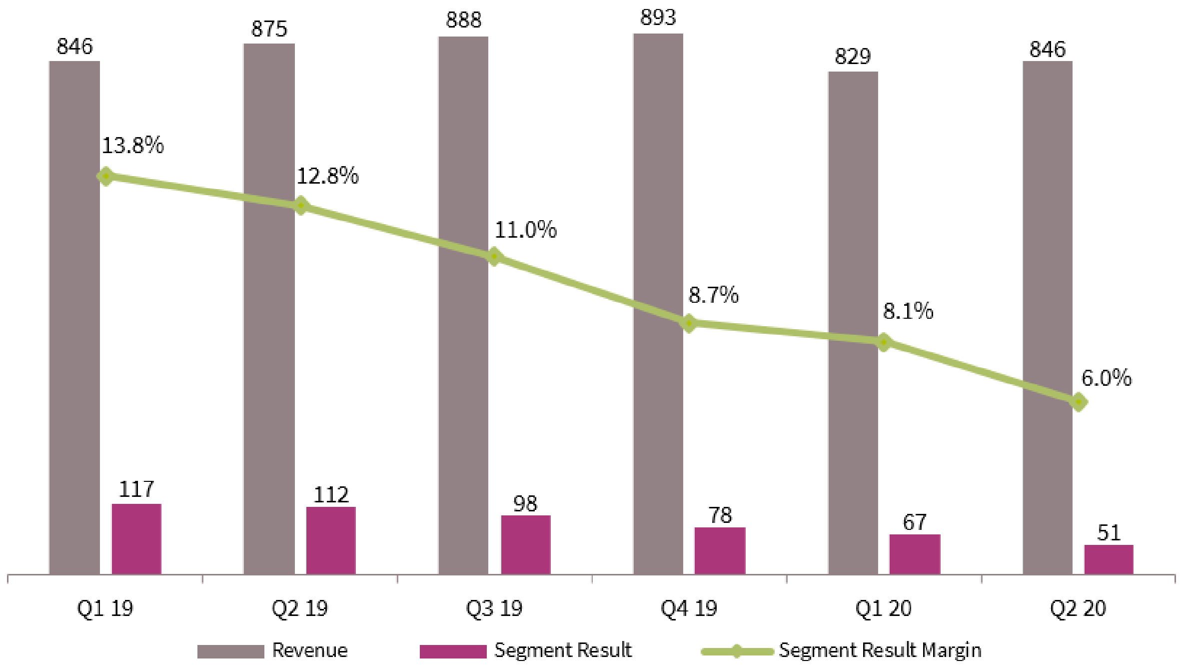
Group revenue grew from €1,916 million to €1,986 million quarter-on-quarter, with all four segments – Automotive, Industrial Power Control, Power & Sensor Systems and Digital Security Solutions – contributing to the 4 percent increase.

Compared to the first half of the previous fiscal year, revenue decreased slightly by €50 million to €3,903 million (October 2018 – March 2019: €3,953 million). The 1 percent decline was mainly attributable to lower revenue in the Automotive segment, which fell by €46 million to €1,675 million. Six-month revenue generated by the Industrial Power Control, Power & Sensor Systems and Digital Security Solutions segments was roughly the same as one year earlier.



Automotive

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2020**	2019	**2020**	2019
Revenue	846	875	1,675	1,721
Share of Total Revenue	43%	44%	43%	43%
Segment Result	51	112	118	228
Share of Segment Result of Infineon	19%	34%	21%	33%
Segment Result Margin	6.0%	12.8%	7.0%	13.2%

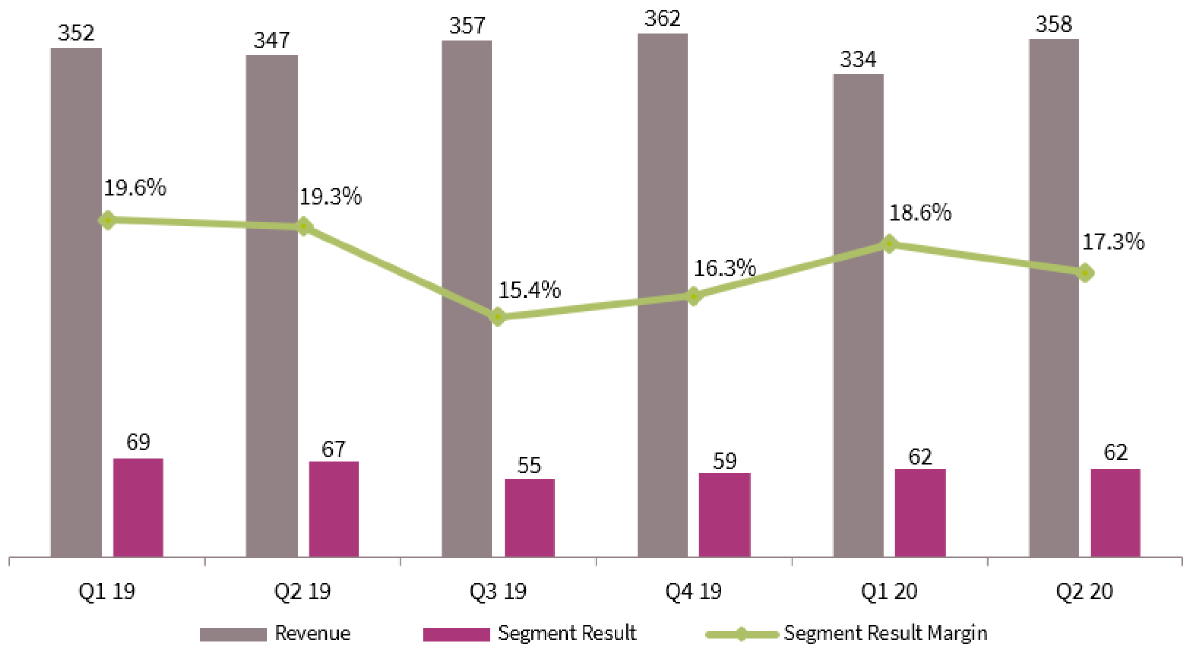


Automotive segment revenue increased by 2 percent from €829 million to €846 million quarter-on-quarter, mainly on the back of stronger demand for comfort electronics and microcontrollers. The Segment Result for the second quarter amounted to €51 million, after the previous quarter's €67 million, while the Segment Result Margin came in at 6.0 percent after 8.1 percent for the first quarter.

Automotive segment revenue totaled €1,675 million in the first half of the 2020 fiscal year, compared to €1,721 million in the same period one year earlier. The 3 percent decrease reflected weaker demand of automotive customers in Mainland China in February 2020 and throughout the world in March 2020 due to the coronavirus pandemic. The Segment Result for the six-month period fell by 48 percent to €118 million, causing the Segment Result Margin to drop from 13.2 percent to 7.0 percent.

Industrial Power Control

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2020	2019	**2020**	2019
Revenue	358	347	691	699
Share of Total Revenue	18%	18%	18%	18%
Segment Result	62	67	124	137
Share of Segment Result of Infineon	23%	20%	22%	20%
Segment Result Margin	17.3%	19.3%	17.9%	19.6%



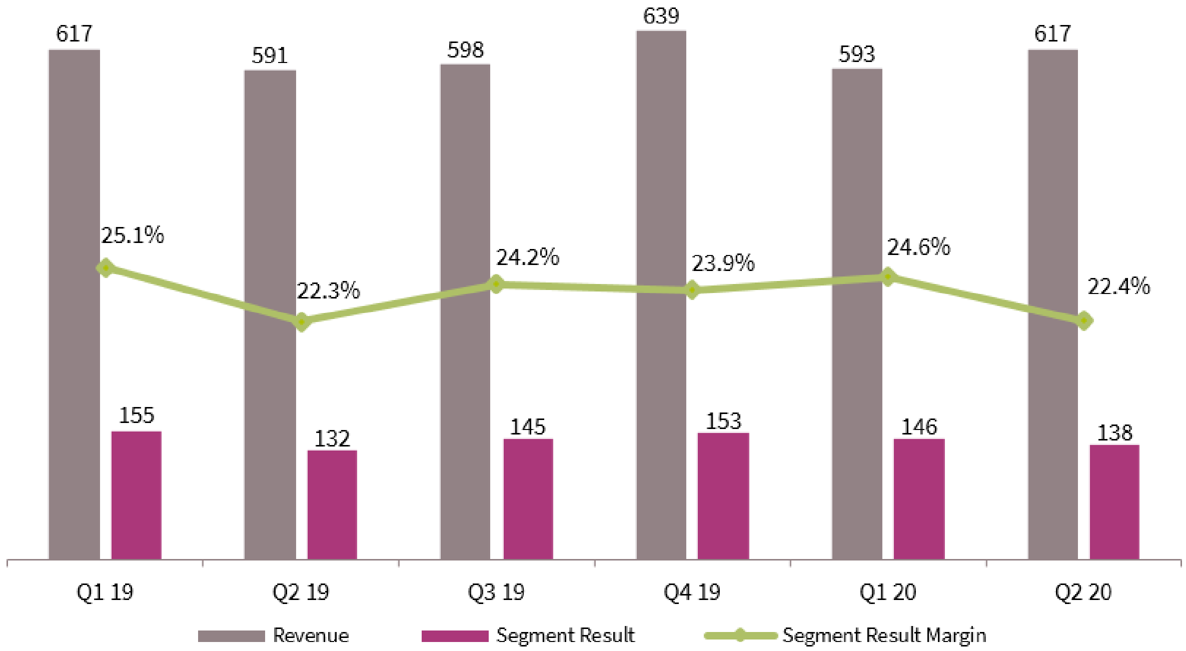
Industrial Power Control segment revenue increased by 7 percent from €334 million to €358 million quarter-on-quarter, primarily driven by growing demand for wind turbines, home appliances and industrial drives. In the fields of photovoltaics and traction, revenue was roughly in line with the previous quarter, with the Segment Result remaining unchanged at €62 million quarter-on-quarter. The Segment Result Margin came in at 17.3 percent, compared to 18.6 percent in the first quarter.

Industrial Power Control segment revenue totaled €691 million in the six-month period under report, 1 percent down on the corresponding figure of €699 million reported for the first half of the previous fiscal year. Whereas revenue in the areas of wind power turbines and particularly photovoltaics developed very well, business with products for household appliances and industrial drives declined sharply. The Segment Result for the six-month period amounted to €124 million, compared to €137 million in the first half of the previous fiscal year, while the Segment Result Margin came in at 17.9 percent after 19.6 percent in the previous fiscal year.

Power & Sensor Systems

(previously Power Management & Multimarket)

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2020**	2019	**2020**	2019
Revenue	617	591	1,210	1,208
Share of Total Revenue	31%	30%	31%	31%
Segment Result	138	132	284	287
Share of Segment Result of Infineon	50%	40%	50%	42%
Segment Result Margin	22.4%	22.3%	23.5%	23.8%



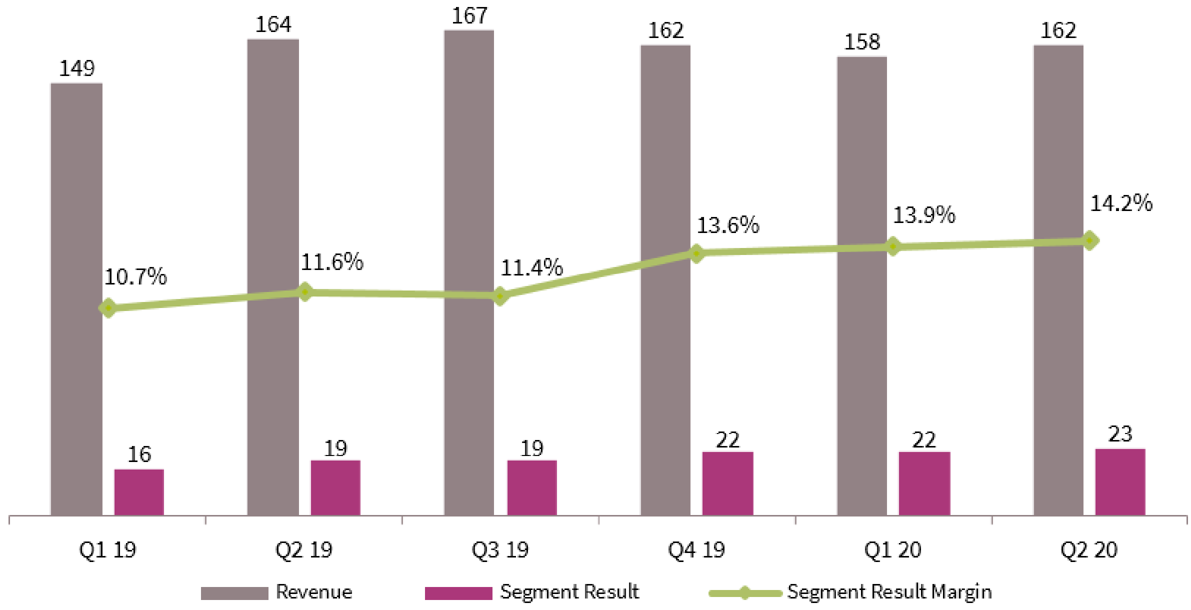
Effective 1 April 2020, the “Power Management & Multimarket” segment was renamed “Power & Sensor Systems”. Megatrends such as digitalization, “smart everything” and the Internet of Things drive demand for sensors. In recent years, Infineon has been evolving from a leading provider of components to a leading provider of system solutions, a trend reflected in the new segment name. However, the renaming has no impact on the segment's organizational structure, strategy or scope of business.

Power & Sensor Systems segment revenue grew by 4 percent to €617 million in the second quarter of the 2020 fiscal year, after €593 million in the previous three-month period. Revenue generated with DC-DC power supply products increased significantly. Revenue was up slightly for mobile device components, but somewhat down for AC-DC power supply products. The Segment Result for the second quarter amounted to €138 million, compared to €146 million in the previous quarter, with the Segment Result Margin amounting 22.4 percent after 24.6 percent in the first quarter.

Power & Sensor Systems segment revenue totaled €1,210 million in the first half of the current fiscal year, practically identical to the previous fiscal year's level of €1,208 million. The six-month period saw a sharp year-on-year rise in revenue in the area of silicon microphones. The positive development contrasted with a slight decrease in DC-DC power supply business and a somewhat more pronounced drop in AC-DC power supply business. The Segment Result for the first half of the current fiscal year was €284 million, on the level of the previous year's figure. The Segment Result Margin for the six-month period amounted 23.5 percent after 23.8 percent for the previous fiscal year.

Digital Security Solutions

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2020	2019	**2020**	2019
Revenue	162	164	320	313
Share of Total Revenue	8%	8%	8%	8%
Segment Result	23	19	46	35
Share of Segment Result of Infineon	8%	6%	8%	5%
Segment Result Margin	14.2%	11.6%	14.4%	11.2%



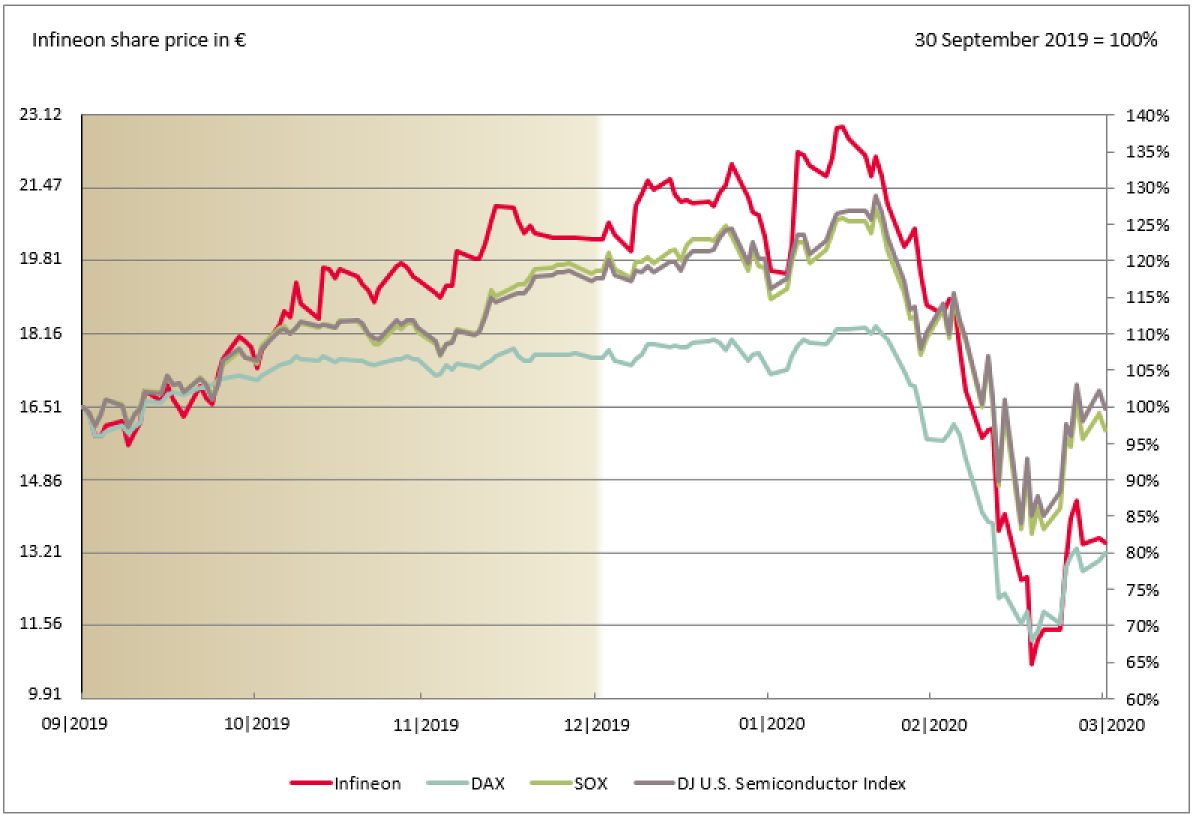
Digital Security Solutions segment revenue increased to €162 million during the second quarter of the current fiscal year, up 3 percent compared to the previous quarter's €158 million, with revenue growth achieved in the areas of authentication as well as payment and ticketing. The Segment Result increased from €22 million to €23 million quarter-on-quarter, as a result of which the Segment Result Margin improved slightly from 13.9 percent in the first quarter to 14.2 percent in the second quarter.

Digital Security Solutions segment revenue rose to €320 million in the first half of the 2020 fiscal year, compared to €313 million one year earlier, whereby the 2 percent increase mainly reflected growing demand for government ID and embedded SIM applications. The Segment Result increased significantly by 31 percent from €35 million in the first half of the 2019 fiscal year to €46 million in the first six months of the current fiscal year, while the Segment Result Margin improved from 11.2 percent to 14.4 percent.

The Infineon Share

The Infineon share finished the first half of the 2020 fiscal year at €13.43 and therefore 19 percent below the Xetra closing price of €16.51 recorded on 30 September 2019.

Development of the Infineon Technologies AG share compared to Germany`s DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index during the first six months of the 2020 fiscal year (daily closing prices)



At the Annual General Meeting held on 20 February 2020, the Management Board and the Supervisory Board jointly proposed that Infineon pay an unchanged dividend of €0.27 per share for the 2019 fiscal year. The shareholders approved the proposal and an amount of €336 million was accordingly disbursed to shareholders during the first half of the 2020 fiscal year.

On the final day of business of the first half-year, a total of 1,250,921,137 Infineon shares were in issue. The figure includes 5,250,074 own shares that do not qualify for the payment of a dividend.

Review of Business Environment

The global spread of coronavirus and the accompanying restrictions are having a considerably negative impact on the world economy. In order to contain the global pandemic, many countries have adopted wide-ranging public healthcare measures. The restrictions imposed on public life are set to remain in place, despite some initial moves to ease them, and continue to take their toll on the economy. For the time being, it is extremely difficult to predict how long the contact-reducing measures will be required. Forecasts published by individual organizations and institutes regarding future economic developments vary accordingly. There is a general consensus, however, that the global economy will slide into a severe recession and that the scale is likely to be significantly more pronounced than, for example, during the financial crisis of 2008/2009. After an increase of 2.4 percent in the 2019 calendar year, the International Monetary Fund (IMF) currently predicts that the global economy will shrink by 4.2 percent in the 2020 calendar year (IMF, 14 April 2020). IHS Markit currently forecasts a slump of 3.0 percent (IHS Markit, 15 April 2020). All growth figures are based on market sizes measured in US dollars by using market exchange rates.

The extent to which the coronavirus pandemic and the resulting slump in global economic growth will impact the semiconductor industry cannot yet be fully predicted. Moreover, some sectors – such as the automotive industry – are more severely affected than others. On the other side products for data centers, data storage facilities, communications infrastructure and medical technology, for example, are currently in greater demand due to the crisis. Developments will also depend on how and when government economic stimulus packages around the world take effect and which sectors receive particular support. However, the current situation not only entails risks, but also presents opportunities for the semiconductor industry. Based on the latest forecasts for global economic growth, we currently expect the semiconductor market to shrink by 5 to 10 percent in the 2020 calendar year compared to one year earlier.

Review of Results of Operations in the first half of the 2020 fiscal year

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except earnings per share	**2020**	2019	**2020**	2019
Revenue	1,986	1,983	3,903	3,953
Gross profit	**686**	**749**	**1,396**	**1,528**
Research and development expenses	(241)	(236)	(485)	(472)
Selling, general and administrative expenses	(214)	(212)	(418)	(430)
Other operating income and expenses, net	(5)	4	(1)	6
Operating income	**226**	**305**	**492**	**632**
Net financial result (financial income and expenses, net)	(27)	(9)	(40)	(22)
Gain (loss) from investments accounted for using the equity method	-	(1)	-	(5)
Income tax	(21)	(46)	(64)	(102)
Income from continuing operations	**178**	**249**	**388**	**503**
Income (loss) from discontinued operations, net of income taxes	-	(18)	(1)	(18)
Net income	**178**	**231**	**387**	**485**
Basic earnings per share (in euro)	0.13	0.20	0.30	0.43
Diluted earnings per share (in euro)	0.13	0.20	0.30	0.43
Adjusted diluted earnings per share (in euro)	0.13	0.24	0.31	0.48

Revenue stable in first half of year

At €3,903 million, revenue for the six-month period remained relatively stable year-on-year (October 2018 – March 2019: €3,953 million). The slight decrease of €50 million or 1 percent was mainly attributable to lower revenue in the Automotive segment, particularly in the final two months of the reporting period, due to the impact of the coronavirus pandemic. The economic consequences of the pandemic were not yet felt as severely in the remaining segments and/or were cushioned by positive demand effects in specific areas. Despite these developments, the Automotive segment – at 43 percent or €1,675 million – continued to account for the largest share of Group revenue, followed by Power & Sensor Systems at 31 percent (€1,210 million) and Industrial Power Control at 18 percent (€691 million). The Digital Security Solutions segment contributed 8 percent or €320 million to Group revenue.

The development of the US dollar exchange rate had a positive impact on revenue during the first half of the 2020 fiscal year. The average euro/US dollar exchange rate was 1.11 compared to 1.14 in the same period one year earlier.

More than one third of revenue generated in Greater China

At €1,357 million or 35 percent, more than one third of revenue in the six-month period under report was generated in Greater China, followed by Europe, the Middle East and Africa with €1,193 million or 31 percent.

The Japan region accounted with €40 million or 80 percent for the greatest part of revenue decrease in the six-month period, followed by the Americas region with a further €24 million decrease in revenue. The Greater China region recorded the highest level of revenue increase, with revenue up by €27 million year-on-year.

Mainland China accounted for €1,058 million or 27 percent of Infineon's worldwide revenue in the first half of the 2020 fiscal year and therefore commands the largest share at individual country level, followed by Germany at €548 million or 14 percent. Revenue generated in Germany decreased by 4 percent year-on-year.

	Three months to 31 March				Six months to 31 March			
€ in millions, except percentages	**2020**		2019		**2020**		2019	
Europe, Middle East, Africa	640	32%	631	32%	1,193	31%	1,191	30%
therein: Germany	300	15%	302	15%	548	14%	570	14%
Asia-Pacific (excluding Japan, Greater China)	316	16%	295	15%	589	15%	604	15%
Greater China[1]	642	32%	640	32%	1,357	35%	1,330	34%
therein: Mainland China	496	25%	494	25%	1,058	27%	1,023	26%
Japan	119	6%	143	7%	253	6%	293	7%
Americas	269	14%	274	14%	511	13%	535	14%
therein: USA	221	11%	227	11%	421	11%	442	11%
Total	**1,986**	**100%**	**1,983**	**100%**	**3,903**	**100%**	**3,953**	**100%**

1 Greater China comprises Mainland China, Hong Kong and Taiwan.

Reduction in gross margin

Cost of goods sold during the six-month period increased by €82 million or 3 percent from €2,425 million in the previous fiscal year to €2,507 million in the current fiscal year. In addition to the impact of significantly higher idle costs, additional costs in connection with capacity restrictions in production due to the coronavirus pandemic increased cost of goods sold. A one-time gain arising in connection with a more differentiated allocation of centralized, production-related overheads across the added value process had an offsetting effect of approximately €36 million.

Gross profit (revenue less cost of goods sold) for the first half of the fiscal year amounted to €1,396 million and was thus 9 percent down on the €1,528 million recorded one year earlier.

The gross margin fell accordingly from 38.7 percent to 35.8 percent year-on-year.

	Three months ended 31 March		Six months ended 31 March	
€ in millions, except percentages	**2020**	2019	**2020**	2019
Cost of goods sold	1,300	1,234	2,507	2,425
Change year-on-year	5%		3%	
Percentage of revenue	65.5%	62.2%	64.2%	61.3%
Gross profit	686	749	1,396	1,528
Percentage of revenue (gross margin)	34.5%	37.8%	35.8%	38.7%

Operating expenses stable in first half of year

Operating expenses (research and development expenses, selling expenses as well as general and administrative expenses) totaled €903 million in the first half of the 2020 fiscal year and were therefore at the same level as one year earlier (October 2018 – March 2019: €902 million). Due to the lower revenue figure, the ratio of operating expenses to revenue increased from 22.8 percent to 23.1 percent.

Research and development expenses increased by €13 million or 3 percent from €472 million in the previous fiscal year to €485 million in the first half of the 2020 fiscal year. The ratio of research and development expenses to revenue increased from 11.9 percent to 12.4 percent year-on-year. A total of 7,754 employees worked in research and development functions at the end of the reporting period, up 2 percent on the previous year (31 March 2019: 7,590 employees).

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2020	2019	**2020**	2019
Research and development expenses	241	236	485	472
Change year-on-year	2%		3%	
Percentage of revenue	12.1%	11.9%	12.4%	11.9%

Selling, general administrative expenses fell by €12 million or 3 percent and totaled €418 million (October 2018 – March 2019: €430 million). At 10.7 percent, the ratio of selling, general and administrative expenses to revenue was therefore marginally lower than one year earlier (October 2018 – March 2019: 10.9 percent).

€ in millions, except percentages	Three months ended 31 March		Six months ended 31 March	
	2020	2019	**2020**	2019
Selling, general and administrative expenses	214	212	418	430
Change year-on-year	1%		(3%)	
Percentage of revenue	10.8%	10.7%	10.7%	10.9%

Net amount of other operating income and expenses slightly down

The net negative amount of €1 million (October 2018 – March 2019: €6 million) from other operating income and expenses includes a one-time gain of €20 million arising on the sale of non-current assets. Other operating expenses also included expenses relating to the Cypress acquisition totaling €13 million.

Net financial result

The change in the net negative financial result from €22 million to €40 million was attributable mainly to the fair value measurement of transaction-dependent interest rate hedges (deal contingent forward starting interest rate swaps) entered into by Infineon in connection with planned future refinancing measures relating to the Cypress acquisition. Further information is provided in note 12 to the consolidated financial statements.

Effective tax rate down to 14.2 percent

Income tax expense for the six-month period fell to €64 million (October 2018 – March 2019: €102 million). The decrease in income tax expense was primarily attributable to the lower amount of income before taxes. In relation to income before taxes amounting to €452 million (October 2018 – March 2019: €605 million), the effective tax rate for the period under report was 14.2 percent (October 2018 – March 2019: 16.9 percent).

Net income and earnings per share lower

After deducting income tax as well as the €1 million loss from discontinued operations (October 2018 – March 2019: loss of €18 million), Infineon reports net income of €387 million for the first half of the 2020 fiscal year (October 2018 – March 2019: €485 million).

The lower net income resulted in a corresponding decrease in earnings per share.

Basic and diluted earnings per share for the first half of the 2020 fiscal year amounted to €0.30 (October 2018 – March 2019: €0.43).

Adjusted earnings per share for first half of 2020 fiscal year down

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular International Rectifier), by one-time expenses recorded within the financial result in conjunction with the acquisition of Cypress and 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	
	2020	2019	**2020**	2019
Income from continuing operations – diluted	**178**	**249**	**388**	**503**
Dividends on hybrid bond[1]	(10)	-	(18)	-
Income from continuing operations, attributable to shareholders of Infineon Technologies AG – diluted	**168**	**249**	**370**	**503**
Plus/minus:				
Share-based compensation expense	3	3	6	5
Acquisition-related depreciation/amortization and other expenses	26	24	59	53
Gains on sales of businesses, or interests in subsidiaries, net	-	-	(1)	-
Other income and expense, net	19	-	15	1
Acquisition-related expenses within financial result	10	-	10	-
Tax effects on adjustments	(12)	(6)	(16)	(13)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(47)	(2)	(61)	(7)
Income from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**167**	**268**	**382**	**542**
Weighted-average number of shares outstanding (in million) – diluted	1,247	1,132	1,246	1,132
Adjusted earnings per share (in euro) – diluted[2]	0.13	0.24	0.31	0.48

1 Including the cumulative tax effects.

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 2020**	30 September 2019	Change
Current assets	8,223	7,324	12%
Non-current assets	6,375	6,088	5%
Total assets	**14,598**	**13,412**	**9%**
Current liabilities	2,058	2,044	1%
Non-current liabilities	2,590	2,735	(5%)
Total liabilities	**4,648**	**4,779**	**(3%)**
Total equity	**9,950**	**8,633**	**15%**

Sharp rise in current assets mainly reflects improved gross cash position

Current assets went up by €899 million to stand at €8,223 million as of 31 March 2020, compared to €7,324 million as of 30 September 2019, mainly due to the €809 million increase in the gross cash position (see “Gross cash position and net cash position both significantly higher” in the “Review of liquidity” chapter).

Increase in non-current assets due to first-time recognition of right-of-use assets

Non-current assets increased by €287 million from €6,088 million at the end of the previous fiscal year to €6,375 million as of 31 March 2020. The increase was primarily due to the recognition of right-of-use assets in connection with the adoption of IFRS 16 effective 1 October 2019 (see note 1 to the consolidated financial statements). As of 31 March 2020, the carrying amount of right-of-use assets recognized in the statement of financial position amounted to €232 million. At €3,523 million, property, plant, and equipment were practically unchanged compared to 30 September 2019 (€3,510 million). Investments in property, plant and equipment during the six-month reporting period totaling €423 million exceeded the depreciation expense of €405 million. Investments related primarily to the manufacturing sites in Villach (Austria) and Kulim (Malaysia) as well as Dresden and Regensburg (both Germany). Investments in intangible assets (€79 million) were slightly higher than the amortization expense (€69 million).

Liabilities slightly lower

Liabilities stood at €4,648 million as of 31 March 2020, €131 million lower than as of 30 September 2019 (€4,779 million). Trade payables went down by €206 million due to the lower level of investments. Pensions and similar commitments decreased by €131 million, mainly due to an actuarial gain of €135 million before tax and €122 million after tax arising in connection with the measurement of net pension obligations. Other personnel-related provisions and liabilities were €94 million lower, mainly reflecting the fact that payments for prior-year performance-related bonuses exceeded the amount allocated to the provision for the six-month period under report. The recognition of current and non-current lease liabilities in conjunction with the implementation of IFRS 16 (see note 1 to the consolidated financial statements) totaling €240 million as of 31 March 2020 – corresponding to the amounts recognized for right-of-use assets as explained above – had an offsetting effect.

Significantly increase in equity due to hybrid bond

Equity increased by €1,317 million (15 percent) to stand at €9,950 million at the end of the reporting period (30 September 2019: €8,633 million). The rise was primarily attributable to the perpetual hybrid bond issued on 1 October 2019 to refinance the acquisition of Cypress (see note 2 to the consolidated financial statements), which generated net proceeds of €1,184 million. The investors of the hybrid bond have no cancellation rights and cannot trigger a premature repayment liability for Infineon. The bond can only be cancelled by Infineon, subject to certain conditions, and distributions are at Infineon's sole discretion, therefore the hybrid bond is an equity instrument under IAS 32 (see note 9 to the consolidated financial statements). Other items increasing equity were post-tax actuarial gains amounting to €122 million recognized through other comprehensive income arising on the measurement of pensions and similar commitments (see note 8 to the consolidated financial statements) and net income for the six-month period amounting to €387 million. The dividend payment for the 2019 fiscal year totaling €336 million was the main item to reduce equity.

As a result, the equity ratio improved to 68.2 percent at the end of the reporting period (30 September 2019: 64.4percent).

Review of Liquidity

Cash Flow

€ in millions	Six months ended 31 March 2020	2019
Net cash provided by operating activities from continuing operations	537	524
Net cash used in investing activities from continuing operations	(1,229)	(130)
Net cash provided by (used in) financing activities from continuing operations	810	(323)
Net change in cash and cash equivalents from discontinued operations	(4)	(2)
Net change in cash and cash equivalents	**114**	**69**
Effect of foreign exchange rate changes on cash and cash equivalents	(6)	8
Change in cash and cash equivalents	**108**	**77**

Slight increase in net cash provided by operating activities from continuing operations

Net cash provided by operating activities from continuing operations in the first half of the 2020 fiscal year totaled €537 million, an increase of €13 million compared to one year earlier. Taking income from continuing operations before depreciation and amortization, interest, taxes, impairments and other non-cash result amounting to €981 million as the starting point, cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities totaling €336 million reduced cash and cash equivalents. In addition, net payments for income taxes and interest totaled €108 million.

Net cash provided by operating activities from continuing operations in the first six months of the previous fiscal year amounted to €524 million. Taking income from continuing operations before depreciation and amortization, interest, taxes, impairments and other non-cash result amounting to €1,084 million as the starting point, cash-relevant changes in trade receivables, trade payables, inventories, provisions, other assets and other liabilities totaling €463 million reduced cash and cash equivalents. In addition, net payments for income taxes and interest totaled €97 million.

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

Net cash used in investing activities from continuing operations in the first half of the 2020 fiscal year amounted to €1,229 million. The figure includes a net amount of €714 million used to purchase financial investments deemed to be part of the gross cash position and which are therefore not included in free cash flow (see the section “Free cash flow” below). Investments in property, plant and equipment as well as in intangible and other assets amounted to €423 million and €79 million respectively.

Net cash used in investing activities from continuing operations in the first half of the 2019 fiscal year amounted to €130 million, including investments in property, plant and equipment (€683 million) and intangible and other assets (€74 million). In addition, an amount of €123 million was used to acquire a 100 percent stake in Siltectra GmbH. Proceeds from the sale of financial investments amounting to €752 million had an offsetting effect.

Issue of hybrid bond gives rise to net cash provided by financing activities from continuing operations

Net cash provided by financing activities from continuing operations amounted to €810 million (October 2018 – March 2019: net cash used in €323 million) and was mainly influenced by net proceeds of €1,184 million arising on the perpetual hybrid bond issued to refinance the acquisition of Cypress (see note 9 to the consolidated financial statements). A total amount of €336 million used in the first half of the 2020 fiscal year to pay the dividend for the 2019 fiscal year had an offsetting effect.

Free cash flow

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

	Six months ended 31 March	
€ in millions	**2020**	2019
Net cash provided by operating activities from continuing operations	537	524
Net cash used in investing activities from continuing operations	(1,229)	(130)
Purchases of (proceeds from sales of) financial investments, net	714	(752)
Free cash flow	**22**	**(358)**

Net cash provided by operating activities exceeds investments

Free cash flow from continuing operations in the first half of the 2020 fiscal year amounted to €22 million, mainly reflecting the fact that net cash provided by operating activities from continuing operations amounting to €537 million exceeded cash outflows of €502 million used for investments in property, plant and equipment, intangible and other assets.

Gross cash position and net cash position both significantly higher

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 situation. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	**31 March 2020**	30 September 2019
Cash and cash equivalents	1,129	1,021
Financial investments	3,459	2,758
Gross cash position	**4,588**	**3,779**
Less:		
Short-term debt and current maturities of long-term debt	185	22
Long-term debt	1,352	1,534
Total debt	**1,537**	**1,556**
Net cash position	**3,051**	**2,223**

The gross cash position, comprising cash and cash equivalents and financial investments, amounted to €4,588 million as of 31 March 2020 and was thus €809 million higher than the €3,779 million reported as of 30 September 2019. The improvement was mainly attributable to the net proceeds of €1,184 million arising on the perpetual hybrid bond issued to refinance the acquisition of Cypress and which qualifies as equity in accordance with IFRS (see note 9 to the consolidated financial statements) as well as to the free cash flow of €22 million generated in the first half of the 2020 fiscal year. Cash funds were reduced by the payment of the dividend for the 2019 fiscal year (€336 million). The net cash position, which is defined as the gross cash position less short-term and long-term debt, increased accordingly by €828 million to €3,051 million at the end of the reporting period (30 September 2019: €2,223 million).

In April 2020, to complete the acquisition of Cypress, the purchase price for the Cypress shares was paid, part of the existing debt redeemed, and the remainder of the existing debt of Cypress assumed, utilizing available liquid funds and existing acquisition financing facilities.

Employees

The size of the Infineon workforce decreased slightly to 40,813 employees during the first half of the 2020 fiscal year. The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

	31 March 2020	30 September 2019	Change
Region:			
Europe	18,727	18,622	1%
therein: Germany	12,150	12,087	1%
Asia-Pacific (excluding Japan, Greater China)	16,335	16,674	(2%)
Greater China[1]	1,983	2,051	(3%)
therein: Mainland China	1,831	1,892	(3%)
Japan	208	208	0%
Americas	3,560	3,863	(8%)
therein: USA	1,984	2,039	(3%)
Total	**40,813**	**41,418**	**(1%)**

1 Greater China comprises Mainland China, Hong Kong and Taiwan.

Outlook

Acquisition of Cypress successfully concluded

Infineon received all the regulatory approvals required for the acquisition of Cypress in early April and successfully completed the transaction on 16 April 2020 (see note 2). The following outlook for the 2020 fiscal year therefore relates exclusively to the Group as a whole, including Cypress.

Outlook for the third quarter of the 2020 fiscal year

Based on an assumed exchange rate of US$1.10 to the euro in the third quarter of the 2020 fiscal year, Infineon expects combined Group revenue (i.e. including Cypress) of between €1.9 billion and €2.3 billion. At the mid-point of the forecast revenue range, the Segment Result Margin is predicted to come in as a positive middle single-digit percentage.

Updated outlook for the 2020 fiscal year

Based on an assumed exchange rate of US$1.10 to the euro, Infineon expects the combined Group to generate revenue of around €8.4 billion, plus or minus 5 percent in the 2020 fiscal year. The economic upheavals caused by the coronavirus pandemic make it extremely difficult to provide a reliable forecast. The outlook is therefore subject to a high degree of uncertainty. Significant factors influencing the above-mentioned revenue figures are the temporal progression of global infection rates and the ramping up of economic activities, particularly in the automotive industry. The level and effectiveness of government support programs will also play a key role.

Based on the forecast level of revenue of €8.4 billion for the 2020 fiscal year, Infineon expects a Segment Result Margin of around 12 percent.

For the combined company, investments in property, plant and equipment and intangible assets including capitalized development costs in the 2020 fiscal year are forecast at around €1.2 billion to €1.3 billion. Hence the investment level will be taken down slightly, despite the integration of Cypress, as Infineon is reducing its expenditures for its former business. Depreciation and amortization are likely to be in the region of €1 billion. However, this figure does not yet include the effects of the purchase price allocation for Cypress, as this information is not yet available.

Free cash flow for the combined Group will be negatively impacted by the acquisition of Cypress on the one hand and by the consequences of the coronavirus pandemic on the other. Excluding cash out in connection with the acquisition of Cypress, a positive amount between €100 million and €300 million is expected.

The Return on Capital Employed (RoCE) is expected to decrease sharply in the 2020 fiscal year. In particular, the purchase price allocation and the related depreciation and amortization will lead to a reduction in operating income from continuing operations after tax and an increase in capital employed.

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 best advantage. Risk management at Infineon is integrated 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 2019 fiscal year (pages 83 to 94).

In addition to the items described in that report, the coronavirus pandemic has been identified as a new risk in the first half of the 2020 fiscal year. It is causing massive distortions in global supply chains, end markets and economic growth in general. The risk also affects Infineon and is currently classified as high. The economic consequences of the spread of coronavirus, to the extent known and quantifiable, have been taken into account in the forecast for the 2020 fiscal year as a whole. However, in view of the high degree of uncertainty regarding the spread of the virus and the ensuing economic consequences, the exact extent of the drop in revenue and earnings cannot be reliably estimated. The Management Board is closely monitoring and evaluating the current situation and has initiated appropriate measures.

Following the successful completion of the Cypress acquisition in April 2020, the risk of non-compliance with the closing conditions, as reported in the 2019 Annual Report, is no longer applicable.

During the first six months of the 2020 fiscal year, Infineon did not identify any other material changes to the risks and opportunities described in the 2019 Annual Report.

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

Consolidated Statement of Operations

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2020	2019	**2020**	2019
Revenue	13	1,986	1,983	3,903	3,953
Cost of goods sold		(1,300)	(1,234)	(2,507)	(2,425)
Gross profit		**686**	**749**	**1,396**	**1,528**
Research and development expenses		(241)	(236)	(485)	(472)
Selling, general and administrative expenses		(214)	(212)	(418)	(430)
Other operating income		11	12	43	23
Other operating expenses		(16)	(8)	(44)	(17)
Operating income		**226**	**305**	**492**	**632**
Financial income		5	6	9	11
Financial expenses		(32)	(15)	(49)	(33)
Gain from investments accounted for using the equity method		-	(1)	-	(5)
Income from continuing operations before income taxes		**199**	**295**	**452**	**605**
Income tax	3	(21)	(46)	(64)	(102)
Income from continuing operations		**178**	**249**	**388**	**503**
Loss from discontinued operations, net of income taxes	4	-	(18)	(1)	(18)
Net income		**178**	**231**	**387**	**485**
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Basic earnings per share (in euro) from continuing operations		0.13	0.22	0.30	0.45
Basic earnings per share (in euro) from discontinued operations		-	(0.02)	-	(0.02)
Basic earnings per share (in euro)		**0.13**	**0.20**	**0.30**	**0.43**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Diluted earnings per share (in euro) from continuing operations		0.13	0.22	0.30	0.45
Diluted earnings per share (in euro) from discontinued operations		-	(0.02)	-	(0.02)
Diluted earnings per share (in euro)		**0.13**	**0.20**	**0.30**	**0.43**

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

Consolidated Statement of Comprehensive Income

		Three months ended 31 March		Six months ended 31 March	
€ in millions	Note	**2020**	2019	**2020**	2019
Net income		**178**	**231**	**387**	**485**
Actuarial gains (losses) on pension plans and similar commitments	8	71	(66)	122	(66)
Total items not expected to be reclassified to profit or loss in the future		**71**	**(66)**	**122**	**(66)**
Currency translation effects		10	43	(14)	57
Net change in fair value of hedging instruments		95	1	(7)	3
Cost of hedging		(22)	-	(33)	-
Total items expected to be reclassified to profit or loss in the future		**83**	**44**	**(54)**	**60**
Other comprehensive income (loss), net of tax		**154**	**(22)**	**68**	**(6)**
Total comprehensive income, net of tax		**332**	**209**	**455**	**479**
Attributable to:					
Shareholders and hybrid capital investors of Infineon Technologies AG		332	209	455	479

Consolidated Statement of Financial Position

€ in millions	Note:	31 March 2020	31 March 2019	30 September 2019[1]
ASSETS:				
Cash and cash equivalents		1,129	809	1,021
Financial investments		3,459	1,073	2,758
Trade receivables		879	891	888
Inventories		1,736	1,706	1,701
Income tax receivable		93	63	83
Contract assets		102	106	91
Other current assets		825	533	770
Assets classified as held for sale		-	12	12
Total current assets		**8,223**	**5,193**	**7,324**
Property, plant and equipment		3,523	3,304	3,510
Goodwill and other intangible assets	5	1,804	1,758	1,805
Right-of-use assets		232	-	-
Investments accounted for using the equity method		73	37	29
Deferred tax assets		608	639	599
Other non-current assets		135	162	145
Total non-current assets		**6,375**	**5,900**	**6,088**
Total assets		**14,598**	**11,093**	**13,412**
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	6	185	28	22
Trade payables		883	1,128	1,089
Short-term provisions	7	293	311	383
Income tax payable		129	140	144
Current leasing liabilities		48	-	-
Other current liabilities		520	268	406
Total current liabilities		**2,058**	**1,875**	**2,044**
Long-term debt	6	1,352	1,521	1,534
Pension plans and similar commitments	8	602	632	733
Deferred tax liabilities		14	12	20
Long-term provisions	7	284	243	283
Non-current leasing liabilities		192	-	-
Other non-current liabilities		146	146	165
Total non-current liabilities		**2,590**	**2,554**	**2,735**
Total liabilities		**4,648**	**4,429**	**4,779**
Equity:	9			
Ordinary share capital		2,502	2,275	2,501
Additional paid-in capital		5,503	4,187	5,494
Hybrid capital		1,203	-	-
Retained earnings		575	123	421
Other reserves		200	116	254
Own shares		(33)	(37)	(37)
Total equity		**9,950**	**6,664**	**8,633**
Total liabilities and equity		**14,598**	**11,093**	**13,412**

1 No prior period adjustments are required as a result of the new valuation and accounting method arising from our chosen transition approach in accordance with IFRS 16.

Consolidated Statement of Cash Flows

€ in millions	Note	Three months ended 31 March 2020	Three months ended 31 March 2019	Six months ended 31 March 2020	Six months ended 31 March 2019
Net income		**178**	**231**	**387**	**485**
Plus: income from discontinued operations, net of income taxes	4	-	18	1	18
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		249	233	499	463
Income tax	3	21	46	64	102
Net interest result		10	10	20	20
Losses (gains) on disposals of property, plant and equipment		(1)	(1)	(21)	(1)
Impairment charges		5	-	4	-
Other non-cash result		18	(6)	27	(3)
Change in trade receivables		(77)	(36)	16	74
Change in inventories		35	(107)	(38)	(250)
Change in trade payables		(41)	(65)	(205)	(69)
Change in provisions		68	56	(81)	(106)
Change in other assets and liabilities		(65)	(117)	(28)	(112)
Interest received		5	4	12	10
Interest paid		(10)	(8)	(31)	(28)
Income tax paid		(41)	(43)	(89)	(79)
Net cash provided by operating activities from continuing operations		**354**	**215**	**537**	**524**
Net cash provided by (used in) operating activities from discontinued operations		**(2)**	**(2)**	**(4)**	**(2)**
Net cash provided by operating activities		**352**	**213**	**533**	**522**

€ in millions	Note	Three months ended 31 March		Six months ended 31 March	
		2020	2019	**2020**	2019
Purchases of financial investments		(1,585)	(285)	(4,231)	(752)
Proceeds from sales of financial investments		1,640	702	3,517	1,504
Investments in related companies	2	-	(5)	(44)	(5)
Acquisitions of businesses, net of cash acquired		-	-	-	(123)
Purchases of intangible assets and other assets		(39)	(35)	(79)	(74)
Purchases of property, plant and equipment		(208)	(314)	(423)	(683)
Proceeds from sales of property, plant and equipment and other assets		1	2	31	3
Net cash provided by (used in) investing activities from continuing operations		**(191)**	**65**	**(1,229)**	**(130)**
Net cash used in investing activities from discontinued operations		**-**	**-**	**-**	**-**
Net cash provided by (used in) investing activities		**(191)**	**65**	**(1,229)**	**(130)**
Net change in related party financial receivables and payables		-	(1)	1	(13)
Proceeds from the issuance of long-term debt		-	-	-	1
Repayments of long-term debt		(6)	-	(13)	(8)
Payments for leasing liabilities		(13)	-	(25)	-
Proceeds from hybrid capital	9	(1)	-	1,184	-
Proceeds from the issuance of ordinary shares		-	1	1	2
Cash outflows due to changes of non-controlling interests		(2)	-	(2)	-
Dividend payments		(336)	(305)	(336)	(305)
Net cash provided by (used in) financing activities from continuing operations		**(358)**	**(305)**	**810**	**(323)**
Net cash used in financing activities from discontinued operations		**-**	**-**	**-**	**-**
Net cash provided by (used in) financing activities		**(358)**	**(305)**	**810**	**(323)**
Net change in cash and cash equivalents		(197)	(27)	114	69
Effect of foreign exchange rate changes on cash and cash equivalents		(17)	9	(6)	8
Cash and cash equivalents at beginning of period		1,343	827	1,021	732
Cash and cash equivalents at end of period		**1,129**	**809**	**1,129**	**809**

Consolidated Statement of Changes in Equity

€ in millions; except for number of shares	Note	Ordinary shares issued				
		Shares	Amount	Additional paid-in capital	Hybrid capital	Retained earnings (accumulated deficit)
Balance as of 30 September 2018		**1,136,995,834**	**2,274**	**4,486**	**-**	**(333)**
Effects from the first time application to IFRS 9 and IFRS 15		-	-	-	-	37
Balance as of 1 October 2018	9	**1,136,995,834**	**2,274**	**4,486**	**-**	**(296)**
Net income		-	-	-	-	485
Other comprehensive income (loss), net of tax		-	-	-	-	(66)
Total comprehensive income (loss), net of tax		-	-	-	-	419
Dividends		-	-	(305)	-	-
Issuance of ordinary shares:						
Exercise of stock options		348,760	1	2	-	-
Share based compensation		-	-	4	-	-
Balance as of 31 March 2019		**1,137,344,594**	**2,275**	**4,187**	**-**	**123**
Balance as of 1 October 2019		**1,250,684,071**	**2,501**	**5,494**	**-**	**421**
Net income		-	-	-	20	368
Other comprehensive income (loss), net of tax		-	-	-	-	122
Total comprehensive income (loss), net of tax		-	-	-	20	490
Dividends		-	-	-	-	(336)
Issuance of ordinary shares:						
Exercise of stock options		237,066	1	1	-	-
Emission hybrid capital		-	-	2	1,184	-
Share based compensation		-	-	2	-	-
Purchase of own shares		-	-	-	-	-
Other changes in equity		-	-	4	-	-
Balance as of 31 March 2020		**1,250,921,137**	**2,502**	**5,503**	**1,203**	**575**

As rounded figures are used, it is possible that the totals do not correspond to the sum of the individual amounts.

Other reserves				
Foreign currency translation adjustment	Hedges	Cost of hedging	Own shares	Total equity
59	**(3)**	**-**	**(37)**	**6,446**
-	-	-	-	37
59	**(3)**	**-**	**(37)**	**6,483**
-	-	-	-	485
57	3	-	-	(6)
57	3	-	-	479
-	-	-	-	(305)
-	-	-	-	3
-	-	-	-	4
116	**-**	**-**	**(37)**	**6,664**
144	**152**	**(42)**	**(37)**	**8,633**
-	-	-	-	387
(14)	(7)	(33)	-	68
(14)	(7)	(33)	-	455
-	-	-	-	(336)
-	-	-	-	2
-	-	-	-	1,186
-	-	-	-	2
-	-	-	4	4
-	-	-	-	4
130	**145**	**(75)**	**(33)**	**9,950**

Notes to the condensed Consolidated Interim Financial Statements

1 Basis of Presentation

The condensed Consolidated Interim Financial Statements of the Infineon Group ("Infineon") comprising Infineon Technologies AG (hereafter also "the Company") and its subsidiaries for the three and six months ended 31 March 2020 and 2019, 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 2019 presented herein was derived from the 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 for the 2019 fiscal year. They have been prepared in accordance with IFRS, as adopted by the EU. In interim periods, tax expense is calculated based on the current estimated effective tax rate for the full year.

The accounting policies applied in preparing the accompanying condensed Consolidated Interim Financial Statements are consistent with those used for the 2019 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 2019. The impacts of the first time application of IFRS 16 are described in detail in the section "Financial reporting rules applied for the first time". The application of all other new or revised standards does not have any material impact on Infineon's financial position, results of operations and cash flows.

In the opinion of the 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.

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

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

The Company's Management Board presented the Consolidated Interim Financial Statements on 4 May 2020.

Estimates and assumptions

The preparation of the condensed Consolidated Interim Financial Statements requires management to make estimates and assumptions that have an impact on the presented amounts and the associated disclosures.

Estimates and assumptions undergo regular review and must be adjusted where appropriate.

Although these estimates and assumptions are applied by management to the best of its knowledge based on current events and circumstances, actual events may result in deviations from these estimates. This applies in particular to the background of the coronavirus pandemic, which is causing distortions in global supply chains, markets and general economic trends. Developments in the wake of the pandemic are dynamic, so it cannot be ruled out that the actual results deviate significantly from the estimates and assumptions made in the preparation of these condensed Consolidated Interim Financial Statements, or that the estimates and assumptions made will have to be adjusted in future periods and this will have a significant impact on Infineon's financial position, results of operations and cash flows.

Areas that contain estimates and assumptions and are therefore most likely to be affected if the actual results deviate from the estimates and assumptions, or if the estimates and assumptions made need to be adjusted in future periods, are explained in more detail in note 2 to the Consolidated Financial Statements 2019, and mainly relate to the following items in the Consolidated Interim Financial Statements as of 31 March 2020: revenue recognition, recognition and and recoverability of deferred tax assets, valuation of inventories, financial instruments, recoverability of non-financial assets (especially goodwill), recognition and valuation of provisions, as well as the valuation of defined benefit pension plans. If there have been significant changes to the estimates and assumptions or the underlying parameters in the interim reporting period, this are dealt with separately as part of these Consolidated Interim Financial Statements.

All assumptions and estimates are based on the circumstances and assessments as of the balance sheet date, and taking into account knowledge gained up to the approval by the Management Board of the condensed Consolidated Interim Financial Statements on 4 May 2020.

Financial reporting rules applied for the first time

The following new IASB standard has been applied for the first time in the condensed Consolidated Interim Financial Statements.

IFRS 16 “Leases”

IFRS 16 introduces a standardized accounting model by which lease contracts are to be recorded in the balance sheet of the lessee and replaces all previous standards and lease accounting interpretations including IAS 17, IFRIC 4, and SIC 15 and SIC 27. This means that in the future all assets and liabilities arising from a lease agreement must be recognized by the lessee, unless it is a short term lease arrangement (lease term of twelve months or less) or a lease arrangement for low-value assets (each may be elected by the lessee). The distinction between finance and operating leases is still required in the accounts of the lessor and therefore does not differ significantly from IAS 17 “Leases”. Infineon applied the new standard since 1 October 2019 using the modified retrospective approach.

Lease contracts previously classified as operating leases are primarily affected by the first- time application. Short-term lease agreements with a term of not more than twelve months (provided they do not contain a purchase option), as well as lease agreements in which the value of the underlying asset in the lease contract is small, are not accounted for under IFRS 16 in accordance with the option afforded. Contractual arrangements, which, in accordance with IAS 17 “Leases” in connection with IFRIC 4 “Determining whether an arrangement contains a lease” are not classified as lease arrangements, were not reviewed in accordance with the definition of a lease arrangement in IFRS 16.

At Infineon the following categories of leases have been identified which, due to the conversion to IFRS 16 as of 1 October 2019, will be accounted for as leases within the meaning of IFRS 16 instead of operating leases, as was previously the case: real estate, technical equipment, vehicles, and other leased assets. For the first-time application of IFRS 16, the amount of the discounted lease payments was used for the measurement of the right-of-use of leased assets covered by operating leases. For this purpose, the weighted average incremental borrowing rate at the time of the first-time application of IFRS 16 (1.7 percent) was used. In the case of accrued lease liabilities, the capitalized right-of-use asset was adjusted with the value of lease payments made in advance or lease liabilities accrued. Initial direct costs were not taken into account in the measurement of the right-of-use asset at the point of first-time application.

As a result of the first-time application, right-of-use assets of €255 million, and lease liabilities of €262 million were recognized in the Consolidated Statement of Financial Position as of 1 October 2019. The difference between the two items of €7 million relates to lease payments made in advance as well as accrued lease liabilities.

The following table shows the reconciliation of lease liabilities as of 1 October 2019:

€ in millions	
Non-discounted minimum lease payments from operating leases as of 30 September 2019	250
Short-term leases with a term of 12 months or less (short-term leases)	(4)
Leases of low-value assets (low-value leases)	(1)
Leases that were concluded but not started as of 1 October 2019	(22)
Variable lease payments	(1)
Sufficiently secure extension and termination options	62
Gross lease liabilities as of 1 October 2019	**284**
Discounting	(22)
Present value of lease liabilities due to first time application of IFRS 16 as of 1 October 2019	**262**

2 ACQUISITIONS

Acquisition of 100 percent of the shares in Cypress Semiconductor Corporation

On 16 April 2020 Infineon acquired 100 percent of the shares of Cypress Semiconductor Corporation (Cypress) based in San José, California (USA).

With the acquisition of Cypress, Infineon is strengthening its focus on structural growth drivers and serving an even broader range of applications. Cypress has a differentiated portfolio of microcontrollers, high-performance memories as well as software and connectivity components that are complementary to Infineon's leading power semiconductors, sensors, and security solutions. The combination enables even more comprehensive advanced solutions for high-growth applications such as electric drives, battery-powered devices, and power supplies. In automotive semiconductors, the expanded portfolio of microcontrollers and NOR flash memory offers great potential, especially in view of their growing importance for driver assistance systems and new electronic architectures in vehicles. The combination of Infineon's security expertise and Cypress' connectivity know-how will accelerate entry into new IoT applications in the industrial and consumer segments.

Due to the complexity of the acquisition, combined with the proximity of the closing date of the transaction to the date of this report, the results of the currently ongoing purchase-price-determination and -allocation in accordance with IFRS 3 are not yet available. For the purchase price allocation, which is for the most part based on the fair values of the assets acquired and liabilities assumed, in addition to the recognition of inventories and property, plant and equipment, the recognition of intangible assets such as technologies, customer relationships and brands as well as goodwill can be expected.

Acquisition of 15 percent of the shares in pmdtechnologies ag

On 12 November 2019, Infineon acquired 15 percent of the shares in pmdtechnologies ag ("pmd"), which is based in Siegen (Germany). The shares are accounted for using the equity method in the consolidated financial statements. The purchase price was €44 million.

pmd is a leader in the development of CMOS-based 3D time-of-flight (ToF) image sensor technologies, the development of associated algorithms and software, as well as the calibration of the individual components of a ToF camera system. Infineon and pmd have already been cooperating for several years in the field of ToF for automotive and smartphone applications. With the acquisition, Infineon strengthens its long-term cooperation with pmd.

3 Income Tax

In the three and six months to 31 March 2020, the effective tax rate was influenced by foreign tax rates, non-deductible expenses, tax-free income, tax credits, and changes to the valuation allowance for deferred tax assets.

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2020**	2019	**2020**	2019
Income from continuing operations before income taxes	199	295	452	605
Income tax	(21)	(46)	(64)	(102)
Effective tax rate	11%	16%	14%	17%

4 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 formally 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 current risks and provisions relating to Qimonda’s insolvency are described in detail in note 23 to the Consolidated Financial Statements 2019 (“Legal risks – Proceedings in relation to Qimonda”).

In the three and six months to 31 March 2020 adjustments to individual provisions arose as a result of recent developments in connection with the insolvency of Qimonda.

Income/loss from discontinued operations, net of income taxes

	Three months ended 31 March		Six months ended 31 March	
€ in millions	**2020**	2019	**2020**	2019
Qimonda's share of discontinued operations, net of income taxes	-	(21)	(1)	(21)
Others business' share of discontinued operations, net of income taxes	-	3	-	3
Income (loss) from discontinued operations, net of income taxes	**-**	**(18)**	**(1)**	**(18)**

5 The recoverability of non-financial assets, especially goodwill

The five-year business plan approved by the Management Board in the previous fiscal year was updated at the end of the reporting period. The update was to reflect the economic risks arising from the coronavirus pandemic, in particular the possible effects on the automotive industry, as well as world economic growth. The effects of the coronavirus pandemic on overall economic growth and on the sales and procurement markets relevant to Infineon, and the significant decline in Infineon's market capitalization, were indicators of a possible impairment requirement, and necessitated event-driven impairment tests in accordance with IAS 36 for non-financial assets, especially goodwill, as of 31 March 2020.

Values in use calculated for the purpose of the impairment tests for goodwill were calculated by segment. Values in use for the purpose of impairment tests for intangible assets and property plant and equipment were calculated per cash-generating unit. The calculation was made by taking the previous non-event-driven impairment test as of 30 June 2019, and adjusting the discount rates and cash flows from continuing use of the units to be tested. The rates relevant for the discounting of future cash flows lay between 8.4 percent and 9.2 percent.

The event-driven impairment tests of goodwill and other non-financial assets did not indicate the need to recognize any impairment.

6 Debt

Debt consisted of the following:

€ in millions	**31 March 2020**	30 September 2019
Current maturities of long-term debt, weighted average interest rate 1.99% (30 September 2019: 1.60%)	185	22
Short-term debt and current maturities of long-term debt	**185**	**22**
Loans payable to banks:		
Unsecured loans, weighted average interest rate 1.13% (30 September 2019: 1.15%), due 2020–2023	8	11
Secured term loans (30. September 2019: weighted average interest rate 2.03%, due 2020)	-	172
Bond €500 million, coupon 1.50%, due 2022	498	498
USPP notes US$935 million, weighted average interest rate 4.09%, due 2024–2028	846	853
Long-term debt	**1,352**	**1,534**
Total	**1,537**	**1,556**

The total lines of credit as of 31 March 2020 and 30 September 2019 are summarized in the following table:

€ in millions	31 March 2020			30 September 2019		
Term	Aggregate facility	Drawn	Available	Aggregate facility	Drawn	Available
Short-term	258	185	73	102	22	80
Long-term	6,918	8	6,910	8,303	182	8,121
Total	**7,176**	**193**	**6,983**	**8,405**	**204**	**8,201**

This included as of 31 March 2020 credit lines agreed on 3 June 2020 with various national and international banks to finance the acquisition of Cypress (see note 2). The unsecured and non-subordinated financing comprised four tranches as of 31 March 2020:

- a bridge facility of €3.9 billion with maturity of up to two years and nine months from the date of the loan commitment, and
- three tranches, each amounting to US$1.1 billion, with maturities of three, four and five years from or three month after the date of the loan commitments.

After the acquisition was completed on 16 April 2020 (see note 2) the credit lines have been drawn.

Infineon agreed further independent short- and long-term financing arrangements to finance its operating activities. As of 31 March 2020, these credit lines amounted to €266 Million.

7 Provisions

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

€ in millions	31 March 2020	30 September 2019
Obligations to employees	293	374
Warranties	26	26
Provisions related to Qimonda (see note 10)	202	205
Other	56	61
Total provisions	**577**	**666**
Thereof short-term	293	383
Thereof long-term	284	283

8 Pension plans

Financial market interest rate and credit spread developments in the six months to 31 March 2020 have resulted in a significant increase in the discount rates used in the valuation of defined benefit plans. This has resulted in a material effect on the defined benefit obligation of such plans. The discount rate for domestic and Austrian defined benefit plans increased to 1.5 percent as of 31 March 2020 (30 September 2019: 0.6 percent). The fair value of the domestic plan assets has declined. As a result pension plan commitments as of 31 March 2020 were adjusted by net €135 million before tax and €122 million after tax, which was recorded as an actuarial gain on pension plans and similar commitments in Other Comprehensive Income.

9 Equity

The ordinary share capital of Infineon Technologies AG stood at €2,501,842,274 as of 31 March 2020 divided into 1,250,921,137 no par value registered shares, each representing €2 of the Company’s ordinary share capital. As of 31 March 2020, of the above-mentioned total number of issued shares, the Company held 5,250,074 own shares. In connection with the Performance Share Plan and Restricted Stock Unit Plan (see note 21 to the 2019 Consolidated Financial Statements) Infineon transferred a total of 749.926 own shares to employees and members of the Management Board in the first half of the 2020 fiscal year. In addition, in the six months to 31 March 2020, 237.066 new shares were issued (none were issued in the three months to 31 March 2020). These represented the last options to be exercised by employees in connection with the Stock Option Plan 2010 (see note 21 to the 2019 Consolidated Financial Statements). As of 30 September 2019 the ordinary share capital stood at €2,501,368,142 divided into 1,250,684,071 no par value registered shares (thereof 6 million own shares.

At the Annual General Meeting on 20 February 2020, it was resolved that a dividend of €0.27 be paid for each eligible share out of the distributable profit of Infineon Technologies AG for the 2019 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, this resulted in a distribution of €336 million. The distribution for the 2019 fiscal year was paid out of retained earnings for the first time.

Infineon Technologies AG issued a perpetual hybrid bond on 1 October 2019 to refinance the acquisition of Cypress (see note 2). The hybrid was issued as a dual-tranche bond with a principal amount of €600 million per tranche. Tranche 1 has a non-call period from issuance of 5.5 years and a fixed coupon of 2.875 percent until the first reset date. Tranche 2 has a non-call period from issuance of 8.5 years and a fixed coupon of 3.625 percent until the first reset date. The issue price for tranche 1 was 99.385 percent of the principal amount, the issue price for tranche 2 was 99.121 percent of the principal amount, each with the deduction of a discount.

The hybrid bond is an equity instrument under IAS 32. It has a perpetual maturity and is a non-call bond. The bond can only be cancelled by Infineon, subject to certain conditions. The investors have no cancellation rights and cannot trigger a premature repayment liability for Infineon. Distributions are at Infineon’s sole discretion.

The proceeds of €1.184 million were received by Infineon on 1 October 2019. The discounts and transaction costs of €16 million as well as deferred taxes of €2 million were recognized directly in equity. The compensation for hybrid capital investors amounted to €20 million as of 31 March 2020 and was paid on 1 April 2020. For the purpose of calculating earnings per share, the diluted net income from continuing operations attributable to Infineon Technologies AG shareholders of €388 million was reduced by the compensation for hybrid capital investors after taking into account the cumulative tax effect of €18 million to €370 million.

10 Legal risks

Litigation and government inquiries

Please refer to note 23 to the Consolidated Financial Statements 2019 for a description of litigation and government inquiries (in particular with respect to “Smart card chips antitrust litigation” and “Proceedings in relation to Qimonda”), as well as other litigation and proceedings, and the associated risks.

11 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 2020 and 30 September 2019 consist of the following:

	31 March 2020		30 September 2019	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Trade and other receivables	4	-	5	-
Financial receivables	33	1	32	1
Trade and other payables	6	2	10	1
Financial payables	-	1	-	-

Sales and service charges to and products and services received from related companies for the three and six months ended 31 March 2020 and 2019 consist of the following:

	Three months ended 31 March			
	2020		2019	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	6	1	10	4
Products and services received	17	4	20	3

	Six months ended 31 March			
	2020		2019	
€ in millions	Joint ventures	Other related companies	Joint ventures	Other related companies
Sales and service charges	13	2	18	9
Products and services received	36	8	40	6

Related persons

70,850 (virtual) performance shares each with a fair value of €12.50 were allocated to the Management Board on 1 March 2020. In connection with the Performance Share Plan (see note 21 to the 2019 Consolidated Financial Statements), Infineon transferred a total of 28,882 own shares to members of the Management Board for the first time in the first half of the 2020 fiscal year.

Apart from the above, there were no further transactions between Infineon and related persons which fall outside of the scope of the existing service or appointment terms in the three and six months to 31 March 2020.

With effect from the end of the Annual General Meeting on 20 February 2020, the shareholder representatives Mr. Peter Bauer, Dr. Herbert Diess, Prof. Dr. Renate Köcher and Dr. Eckart Sünner resigned from the company's Supervisory Board. Ms. Xiaoqun Clever, Dr. Friedrich Eichiner, Dr. Ulrich Spiesshofer and Ms. Margret Suckale were elected as new members of the Supervisory Board by the Annual General Meeting. Dr. Manfred Puffer and Mr. Hans-Ulrich Holdenried's appointments were extended.

The employee representatives were already elected in December 2019. With effect from the end of the Annual General Meeting on 20 February 2020, Mr. Gerhard Hobbach resigned as employee representative on the Supervisory Board and Ms. Melanie Riedl was newly elected as employee representative on the Supervisory Board. All other employee representatives were re-elected.

12 Additional disclosures on financial instruments

The classification of financial instruments in categories according to IFRS 9, the valuation methods and significant assumptions, are largely unchanged since 30 September 2019 and are described in detail in note 2 to the 2019 Consolidated Financial Statements. A detailed overview of Infineon's financial instruments, financial risk factors and the management of financial risks is contained in notes 26 and 27 to the 2019 Consolidated Financial Statements.

The coronavirus pandemic and the related measures to contain the virus, could have a direct and indirect effect on Infineon's financial risks such as foreign exchange risk, interest rate risk, credit risk as well as liquidity risk and other risks. The course of the spread of the coronavirus and the impact on Infineon's risk position is continually monitored and is taken into account in the methods, models and processes used to control financial risks.

In relation to the credit risks associated with financial assets measured at amortized cost, such as bank deposits and trade receivables as well as contract assets, comprehensive credit checks on business partners, the setting of credit limits and monitoring processes reflects the current situation. When determining the expected credit losses to be recognized, Infineon takes into account all relevant information that is on the one hand currently available without undue cost or time and, on the other hand, appropriate and robust. These include ratings, credit default swap premiums, analysis of balance sheet ratios and customers' payment behavior, as well as country-specific risks. Individual allowances are recorded where required based on case-by-case facts or other risk indicators. Developments in the wake of the coronavirus pandemic are very dynamic, so it cannot be ruled out that the actual expected credit losses deviate significantly from the expected credit losses recognized based on current estimates and assumptions, or that the affected estimates and assumptions will have to be adjusted in future periods and this could have a significant impact on Infineon's expected credit losses. Further possible longer-term effects on Infineon as a consequence of the spread of the coronavirus and the associated volatility in the financial markets are currently not assessable.

With respect to financial instruments measured at fair value through profit and loss, depending on the further development of the coronavirus pandemic, larger fluctuations in fair values could arise, which could result in a corresponding volatility within the Consolidated Statement of Operations or the Consolidated Statement of Financial Position. Financial instruments measured at fair value are allocated to the following fair value 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 division into levels as of 31 March 2020 and 30 September 30 2019 was as follows:

€ in millions	Fair value	Fair value by category		
31 March 2020		Level 1	Level 2	Level 3
Current assets:				
Cash and cash equivalents	**796**	796	-	-
Financial investments	**3,329**	3,329	-	-
Other current assets	**271**	-	4	267
Non-current assets:				
Other non-current assets	**52**	35	-	17
Total	**4,448**	**4,160**	**4**	**284**
Current liabilities:				
Other current liabilities	**118**	-	5	113
Total	**118**	**-**	**5**	**113**
30 September 2019				
Current assets:				
Cash and cash equivalents	**73**	73	-	-
Financial investments	**2,187**	2,187	-	-
Other current assets	**215**	-	5	210
Non-current assets:				
Other non-current assets	**55**	38	-	17
Total	**2,530**	**2,298**	**5**	**227**
Current liabilities:				
Other current liabilities	**3**	-	3	**-**
Total	**3**	**-**	**3**	**-**

Cash equivalents partly include investments in money market funds.

Other current assets or other current liabilities contained derivative financial instruments (including the cash flow hedges to hedge planned raw material purchases). Their fair value was determined by discounting future cash flows according to the discounted cash flow method. Where possible, valuation parameters observed on the reporting date in the relevant markets (such as currency rates or commodity prices) drawn from reliable external sources were used (level 2).

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

Where fair values were estimated on the basis of non-observable input factors, they were assigned to level 3 of the fair value measurement level. The following table shows the reconciliation of financial instruments classified as level 3 (before tax):

€ in millions	**30 September 2019**	Acquisitions (including additions)	Sales (including disposals)	Profit (loss) recognized in the consolidated statement of operations[2]	Profit (loss) recognized in equity	**31 March 2020**
Equity investments	17	-	-	-	-	**17**
Deal Contingent Forward	91	-	-	-	-	**91**
Deal Contingent Option[1]	119	20	-	-	37	**176**
Deal Contingent Forward Starting Interest Rate Swaps	-	(11)	5	(10)	(97)	**(113)**
Total	**227**	**9**	**5**	**(10)**	**(60)**	**171**

1 The additions to the deal contingent option are due to the subsequent valuation of the option premium to be paid upon completion of the Cypress acquisition and the associated exercise of the option.

2 These are unrealized losses within financial expenses.

In order to hedge the majority of the foreign currency risks arising from the purchase price obligation of the acquisition of Cypress (see note 2), a transaction-dependent euro/US dollar foreign currency forward (deal contingent forward) and a transaction-dependent euro/US dollar foreign currency option (deal contingent option) were concluded (full details in notes 26 to the 2019 Consolidated Financial Statements), and were accounted for as cash flow hedges. The determination of the fair values of the deal contingent forward and deal contingent option designated as cash flow hedges was carried out on the basis of observable factors in the market such as forward rates, interest curves and volatilities. In addition, the probability of occurrence of the planned acquisition was taken into account as a non-observable factor. With the completion of the acquisition of Cypress on 16 April 2020, the deal contingent forward and deal contingent option became due. For these hedges, a total amount of €138 million was recognized in full in the reserves for hedging transactions and the costs of hedging, relating to the measurement of the purchase price in euros.

In view of planned future refinancing measures, in December 2019 Infineon partially hedged against the risk of rising interest rates with transaction-dependent interest rate hedges (deal contingent forward starting interest rate swaps) with a total nominal volume of €2,025 million and US$750 million, which were accounted for as cash flow hedges. In determining the fair value of the deal contingent forward starting interest rate swaps, observable factors in the market such as interest curves and volatilities, as well as the probability of occurrence of the acquisition as a non-observable factor, were taken into account. The deal contingent forward starting interest rate swaps were, upon initial recognition, each recorded at market price, calculated using the valuation model on the transaction date. The transaction price of the deal contingent forward starting interest rate swaps deviated from the market price, since they were concluded with a premium to market price due to their dependence on the completion of the acquisition of Cypress. The deviation of the market price from the transaction price was capitalized as a so-called “day one loss” and will be recognized in the profit or loss over the term of the hedges until the date of the planned refinancing measures.

The development of the day one loss was as follows:

€ in millions	**2020**	2019
Balance as of 30 September	-	-
Addition from new transactions	11	-
Reversal through profit or loss in the period	(5)	-
Balance as of 31 March	**6**	**-**

A hypothetical change in the material non-observable valuation parameters at the balance sheet date of ± 10 percent had resulted in a theoretical reduction in fair values of €17 million or an increase of €2 million.

As in the previous year, no re-qualification took place within the levels during the reporting period. With the completion of the acquisition of Cypress on 16 April 2020 and the lapse of the commencement conditions, the deal contingent forward starting interest rate swaps were continued as forward starting interest rate swaps (Level 2).

13 Segment reporting

Identification of the segments

With effect from 1 April 2020, the name of the segment “Power Management & Multimarket” changed to “Power & Sensor Systems”. The name change has no impact on the structure of the organization, the strategy, or the scope of business.

Infineon’s business is structured into the four operating segments Automotive, Industrial Power Control, Power & Sensor Systems and Digital Security Solutions.

Other Operating Segments comprise the remaining activities of businesses that have been disposed of, and other business activities. In particular, since the sale of the major part of Infineon’s Radio Frequency Power Components business supplies of LDMOS wafers and related components, as well as packaging and test services for Cree Inc. are included.

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

Segment information

The following both tables provide the revenue of the segments by produkt category:

			Product categories					
€ in millions	Total		Power semiconductors		Embedded control		RF & sensors	
	Six months to 31 March		Six months to 31 March		Six months to 31 March		Six months to 31 March	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue from contracts with customers								
Automotive	1,675	1,721	997	1,110	370	319	308	292
Industrial Power Control	691	699	691	699	-	-	-	-
Power & Sensor Systems	1,210	1,208	888	943	-	-	322	265
Digital Security Solutions	320	313	-	-	320	313	-	-
Subtotal	**3,896**	**3,941**	**2,576**	**2,752**	**690**	**632**	**630**	**557**
Other Operating Segments	7	12						
Corporate and Eliminations	-	-						
Total	**3,903**	**3,953**						

€ in millions	Total		Product categories: Power semiconductors		Embedded control		RF & sensors	
	Three months to 31 March		Three months to 31 March		Three months to 31 March		Three months to 31 March	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue from contracts with customers								
Automotive	846	875	502	561	191	165	153	149
Industrial Power Control	358	347	358	347	-	-	-	-
Power & Sensor Systems	617	591	455	465	-	-	162	126
Digital Security Solutions	162	164	-	-	162	164	-	-
Subtotal	**1,983**	**1,977**	**1,315**	**1,373**	**353**	**329**	**315**	**275**
Other Operating Segments	3	6						
Corporate and Eliminations	-	-						
Total	**1,986**	**1,983**						

€ in millions	Three months to 31 March		Six months to 31 March	
	2020	2019	**2020**	2019
Segment result:				
Automotive	51	112	118	228
Industrial Power Control	62	67	124	137
Power & Sensor Systems	138	132	284	287
Digital Security Solutions	23	19	46	35
Other Operating Segments	-	2	-	5
Corporate and Eliminations	-	-	(1)	(1)
Total	**274**	**332**	**571**	**691**

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

+	Three months to 31 March		Six months to 31 March	
	2020	2019	**2020**	2019
Segment result	274	332	571	691
Plus/minus:				
Share-based compensation expense	(3)	(3)	(6)	(5)
Acquisition-related depreciation/amortization and other expenses	(26)	(24)	(59)	(53)
Gains on sales of businesses, or interests in subsidiaries, net	-	-	1	-
Other income and expense, net	(19)	-	(15)	(1)
Operating income	**226**	**305**	**492**	**632**
Financial income	5	6	9	11
Financial expenses	(32)	(15)	(49)	(33)
Gain from investments accounted for using the equity method	-	(1)	-	(5)
Income from continuing operations before income taxes	**199**	**295**	**452**	**605**

Of the €26 million “acquisition-related depreciation/amortization and other expenses” incurred in the three months ended 31 March 2020, €8 million were attributable to cost of goods sold, €11 million to selling, general and administrative expenses and €7 million to other operating income / expenses.

Of the €59 million “acquisition-related depreciation/amortization and other expenses” incurred in the six months ended 31 March 2020, €21 million were attributable to cost of goods sold, €22 million to selling, general and administrative expenses and €16 million to other operating income / expenses.

€ in millions	31 March 2020	30 September 2019
Inventories:		
Automotive	794	551
Industrial Power Control	234	201
Power & Sensor Systems	407	338
Digital Security Solutions	91	26
Other Operating Segments	3	2
Corporate and Eliminations	207	583
Total	**1,736**	**1,701**

Entity-wide disclosures

The following is a summary of revenue in the three and six months to 31 March 2020 and 2019 respectively, by geographic areas:

	Three months to 31 March				Six months to 31 March			
€ in millions, except percentages	**2020**		2019		**2020**		2019	
Europe, Middle East, Africa	640	32%	631	32%	1,193	31%	1,191	30%
therein: Germany	300	15%	302	15%	548	14%	570	14%
Asia-Pacific (excluding Japan, Greater China)	316	16%	295	15%	589	15%	604	15%
Greater China[1]	642	32%	640	32%	1,357	35%	1,330	34%
therein: Mainland China	496	25%	494	25%	1,058	27%	1,023	26%
Japan	119	6%	143	7%	253	6%	293	7%
Americas	269	14%	274	14%	511	13%	535	14%
therein: USA	221	11%	227	11%	421	11%	442	11%
Total	**1,986**	**100%**	**1,983**	**100%**	**3,903**	**100%**	**3,953**	**100%**

1 Greater China comprises Mainland China, Hong Kong and Taiwan.

Neubiberg, 4 May 2020

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, 8 May 2020

Dr. Reinhard Ploss Dr. Sven Schneider 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 October 1, 2019 to March 31, 2020 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, 8 May 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Andrejewski	Pritzer
Wirtschaftsprüfer	Wirtschaftsprüfer

Supplementary Information

Forward-looking Statements

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

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

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

Financial Calendar

Fiscal Period	Period end date	Results press release (preliminary)
Third Quarter Fiscal Year 2020	30 June 2020	4 August 2020
Fourth Quarter and Fiscal Year 2020	30 September 2020	9 November 2020

Publication date of half-year financial report as of 31 March 2020: 11 May 2020

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PUBLISHED BY INFINEON TECHNOLOGIES AG
Am Campeon 1–15, 85579 Neubiberg near Munich (Germany)