

## Press Release

### Q1 FY 2020: revenue decline as predicted, Segment Result Margin developed positively, cost-reduction measures taking effect, outlook for 2020 fiscal year confirmed

- **Q1 FY 2020: Revenue of €1,916 million; Segment Result of €297 million; Segment Result Margin of 15.5 percent**
- **Outlook for FY 2020: Based on an assumed exchange rate of US\$ 1.13 to the euro, revenue still expected to grow at 5 percent year-on-year (plus or minus 2 percentage points), with Segment Result Margin of about 16 percent at mid-point of revenue guidance. Investments of around 1.3 billion euros planned. Free cash flow in range of €500 to €700 million anticipated**
- **Outlook for Q2 FY 2020: Based on an assumed exchange rate of US\$ 1.13 to the euro, quarter-on-quarter revenue growth of 5 percent (plus or minus 2 percentage points); Segment Result Margin of about 14 percent predicted at mid-point of revenue guidance**
- **Cypress acquisition: Transaction expected to close towards the end of the current quarter or at the beginning of the following quarter**

Neubiberg, Germany, 5 February 2020 – Infineon Technologies AG is today reporting results for the first quarter of the 2020 fiscal year (period ended 31 December 2019).

"Our well-diversified business performed robustly at the beginning of the fiscal year. Under difficult conditions, revenue fell in line with expectations. Our cost reduction measures are beginning to take effect. Those measures and several non-recurring factors caused the Segment Result to come in slightly better than expected," said Dr. Reinhard Ploss, CEO of Infineon. "Demand for the latest generation of our silicon microphones is growing dynamically. We are also seeing signs of improvement in individual areas such as the server business. Overall, however, we do not expect to see a broad based recovery of demand before the second half of the fiscal year. Our long-term growth drivers remain intact and we are making a crucial contribution to shaping the future of mobility and energy efficiency."

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€ in millions (unless otherwise stated)	3 months ended 31 Dec 19	sequential +/- in %	3 months ended 30 Sep 19	year-on-year +/- in %	3 months ended 31 Dec 18
Revenue	1,916	(7)	2,062	(3)	1,970
Segment Result	297	(5)	311	(17)	359
Segment Result Margin (in %)	15.5%		15.1%		18.2%
Income from continuing operations	210	29	163	(17)	254
Loss from discontinued operations, net of income taxes	–	+++	(2)	–	–
<b>Net income</b>	<b>210</b>	<b>30</b>	<b>161</b>	<b>(17)</b>	<b>254</b>
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: <sup>1</sup>					
Basic earnings per share (in euro) from continuing operations	0.16	23	0.13	(27)	0.22
Basic earnings per share (in euro) from discontinued operations	–	–	–	–	–
<b>Basic earnings per share (in euro)</b>	<b>0.16</b>	<b>23</b>	<b>0.13</b>	<b>(27)</b>	<b>0.22</b>
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: <sup>1</sup>					
Diluted earnings per share (in euro) from continuing operations	0.16	23	0.13	(27)	0.22
Diluted earnings per share (in euro) from discontinued operations	–	–	–	–	–
<b>Diluted earnings per share (in euro)</b>	<b>0.16</b>	<b>23</b>	<b>0.13</b>	<b>(27)</b>	<b>0.22</b>
<b>Adjusted earnings per share (in euro) – diluted<sup>1,2</sup></b>	<b>0.17</b>	<b>(11)</b>	<b>0.19</b>	<b>(29)</b>	<b>0.24</b>
<b>Gross margin (in %)</b>	<b>37.0%</b>		<b>35.5%</b>		<b>39.5%</b>
<b>Adjusted gross margin<sup>3</sup> (in %)</b>	<b>37.9%</b>		<b>36.3%</b>		<b>40.4%</b>

<sup>1</sup> The calculation for earnings per share and adjusted earnings per share is based on unrounded figures.

<sup>2</sup> The reconciliation of net income to adjusted net income and adjusted earnings per share is presented on page 12.

<sup>3</sup> The reconciliation of cost of goods sold to adjusted cost of goods sold and adjusted gross margin is presented on page 13.

With effect from the beginning of 2020 fiscal year, Infineon is applying IFRS 16 (Leases) using the modified retrospective approach. As a result, prior periods are not adjusted to the new accounting policy. Overall, the first-time application of this Standard has not had any material impact.

## Group performance in the first quarter of the 2020 fiscal year

In the first three months of the 2020 fiscal year, revenue decreased by 7 percent from €2,062 million to €1,916 million quarter-on-quarter. In the Automotive (ATV), Industrial Power Control (IPC) and Power Management & Multimarket (PMM) segments, the decline was roughly in line with Group average. Revenue recorded by the Digital Security Solutions (DSS) segment was only slightly down.

The gross margin improved quarter-on-quarter from 35.5 percent to 37.0 percent. This includes acquisition-related depreciation and amortization as well as other expenses totaling €18 million, mainly relating to the acquisition of International

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Rectifier. The adjusted gross margin improved from 36.3 percent to 37.9 percent. The first-quarter Segment Result amounted to €297 million, compared to €311 million in the final quarter of the preceding fiscal year. The Segment Result Margin increased from 15.1 percent to 15.5 percent. The improvement in gross margin and Segment Result Margin, despite lower revenue, was influenced by a positive non-recurring effect of approximately €36 million arising in connection with the refined allocation of centralized, production-related overhead costs across the various stages of the manufacturing process, thereby affecting the valuation of inventories of work in progress and finished goods. Excluding this exceptional factor, the Segment Result Margin would have been 13.6 percent.

The first-quarter non-segment result improved to a net loss of €31 million, compared to a net loss of €65 million for the previous three-month period. The first-quarter non-segment result included €18 million of cost of goods sold, €13 million of selling, general and administrative expenses and €1 million of research and development expenses. In addition, net other operating income amounting to €1 million arose in the first quarter.

Operating income increased from €246 million to €266 million quarter-on-quarter.

The financial result improved from a net expense of €18 million in the final quarter of the 2019 fiscal year to a net expense of €13 million in the first quarter of the 2020 fiscal year.

Income tax expense fell from €64 million to €43 million quarter-on-quarter.

Income from continuing operations amounted to €210 million, up from €163 million in the previous three-month period. Income from discontinued operations for the first quarter was nil, compared to a loss of €2 million reported for the final quarter of the previous fiscal year. Thus, first-quarter net income improved to €210 million, up from €161 million one quarter earlier.

Earnings per share from continuing operations for the period under report amounted to €0.16 (basic and diluted), compared to €0.13 in the previous quarter.

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First-quarter adjusted earnings per share<sup>1</sup> (diluted) amounted to €0.17, down from €0.19 quarter-on-quarter.

Investments – which Infineon defines as the sum of purchases of property, plant and equipment, purchases of intangible assets, and capitalized development costs – amounted to €255 million in the first quarter of the 2020 fiscal year, down from €350 million in the preceding three-month period. Depreciation and amortization increased slightly from €244 million to €250 million quarter-on-quarter. The figure for the first three months of the current fiscal year for the first time includes €13 million relating to the amortization of right-to-use assets following the adoption of IFRS 16, which governs the accounting treatment of leases.

First-quarter free cash flow<sup>2</sup> from continuing operations was a negative amount of €86 million, compared to a positive amount of €334 million in the previous three-month period. Net cash provided by operating activities from continuing operations amounted to €183 million, down from €682 million in the final quarter of the 2019 fiscal year, with the €499 million decrease mainly attributable to the change in working capital and the payout of variable annual remuneration components.

The gross cash position<sup>2</sup> increased from €3,779 million at 30 September 2019 to €4,859 million at the end of the first quarter of the 2020 fiscal year. The net cash position<sup>2</sup> rose from €2,223 million to €3,328 million over the same period. The increase in cash positions mainly reflected the receipt of proceeds on 1 October 2019 arising from the issue of a hybrid bond with a nominal value of €1.2 billion to refinance the planned acquisition of Cypress.

### **Outlook for the 2020 fiscal year excluding Cypress**

Based on an assumed exchange rate of US\$ 1.13 to the euro and its current scope of business, Infineon continues to expect revenue growth of 5 percent (plus or minus 2 percentage points) in the 2020 fiscal year and a Segment Result Margin of about 16 percent at the mid-point of the revenue guidance. Revenue growth in the Power Management & Multimarket segment is expected to be higher than the Group average. Automotive segment revenue growth is likely to be in line with the Group average. Growth in the Industrial Power Control segment is

<sup>1</sup> 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. The detailed calculation of adjusted earnings per share is presented on page 12.

<sup>2</sup> For definitions and the calculation of free cash flow and of the gross and net cash position, please see page 15.

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forecast to be slightly below the Group average, while Digital Security Solutions revenue is expected to remain flat or grow only slightly.

Investments in property, plant and equipment, intangible assets and capitalized development costs are planned at approximately €1.3 billion for the 2020 fiscal year. Of this amount, approximately one third relates to manufacturing buildings (including infrastructure) and office buildings. Depreciation and amortization are expected to be in the region of €1 billion, whereby approximately €60 million of that amount relates to amortization resulting from purchase price allocations, primarily for International Rectifier. Free cash flow is forecast to improve considerably year-on-year and reach an amount of between €500 million and €700 million.

This outlook is based on the assumption that the coronavirus outbreak will not have a significantly negative impact on the development of our business in the 2020 fiscal year.

### **Expected development of Infineon Group including Cypress in the 2020 fiscal year**

The outlook for Infineon including Cypress, as presented on page 82 of the Annual Report 2019, remains unchanged. The acquisition is expected to be finalized and closed towards the end of the current quarter or at the beginning of the following quarter.

### **Outlook for the second quarter of the 2020 fiscal year excluding Cypress**

Based on an assumed exchange rate of US\$ 1.13 to the euro and provided that the consequences of the coronavirus outbreak do not significantly impact the development of our business during the March quarter, Infineon expects revenue to grow by 5 percent (plus or minus 2 percentage points) in the second quarter of the 2020 fiscal year. Revenue in the Automotive and Industrial Power Control segments is expected to increase at above the Group average. Revenue growth in the Power Management & Multimarket segment is expected to be slightly lower than the Group average, while Digital Security Solutions revenue is forecast to remain more or less unchanged. At the mid-point of the revenue guidance, the Segment Result Margin is expected to come in at about 14 percent.

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## Segment earnings in first quarter of 2020 fiscal year

€ in millions (unless otherwise stated)	in % of total revenue	3 months ended 31 Dec 19	sequential +/- in %	3 months ended 30 Sep 19	year-on-year +/- in %	3 months ended 31 Dec 18
<b>Infineon</b>						
Revenue	100	1,916	(7)	2,062	(3)	1,970
Segment Result		297	(5)	311	(17)	359
Segment Result Margin (in %)		15.5%		15.1%		18.2%
<b>Automotive (ATV)</b>						
Segment Revenues	43	829	(7)	893	(2)	846
Segment Result		67	(14)	78	(43)	117
Segment Result Margin (in %)		8.1%		8.7%		13.8%
<b>Industrial Power Control (IPC)</b>						
Segment Revenues	18	334	(8)	362	(5)	352
Segment Result		62	5	59	(10)	69
Segment Result Margin (in %)		18.6%		16.3%		19.6%
<b>Power Management &amp; Multimarket (PMM)</b>						
Segment Revenues	31	593	(7)	639	(4)	617
Segment Result		146	(5)	153	(6)	155
Segment Result Margin (in %)		24.6%		23.9%		25.1%
<b>Digital Security Solutions (DSS)</b>						
Segment Revenues	8	158	(2)	162	6	149
Segment Result		22	-	22	38	16
Segment Result Margin (in %)		13.9%		13.6%		10.7%
<b>Other Operating Segments (OOS)</b>						
Segment Revenue	0	2	(67)	6	(67)	6
Segment Result		-	-	-	---	3
<b>Corporate and Eliminations (C&amp;E)</b>						
Segment Revenue	0	-	-	-	-	-
Segment Result		-	+++	-1	+++	(1)

ATV segment revenue decreased by 7 percent from €893 million to €829 million quarter-on-quarter due to lower demand across all applications. The Segment Result for the three-month period amounted to €67 million, down from €78 million in the previous quarter, with the Segment Result Margin declining from 8.7 percent to 8.1 percent.

IPC segment revenue decreased from €362 million to €334 million quarter-on-quarter. The main reason for the 8 percent decline was weaker demand for products for industrial drives, wind power and home appliances. Photovoltaic-related revenue decreased only marginally, whereas the energy transmission and traction business areas recorded revenue growth. The Segment Result increased from €59 million to €62 million quarter-on-quarter, while the Segment Result Margin improved from 16.3 percent to 18.6 percent.

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PMM segment revenue declined by 7 percent to €593 million in the first quarter of the 2020 fiscal year, compared to €639 million in the previous three-month period. The seasonal decline in demand on the one hand and inventory reductions along the supply chain on the other hand resulted in lower revenue from DC-DC and AC-DC power supply businesses. Due to growing demand for silicon microphones, the drop in revenue from products used in mobile devices was significantly lower than the usual seasonal effect. The Segment Result amounted to €146 million, compared to €153 million in the preceding quarter, while the Segment Result Margin improved from 23.9 percent to 24.6 percent.

DSS segment revenue amounted to €158 million in the first three months of the 2020 fiscal year, down 2 percent compared to the previous quarter's €162 million. While revenue from payment systems fell due to seasonal factors, it grew in the area of government ID. As in the previous quarter, the Segment Result amounted to €22 million, while the Segment Result Margin improved slightly from 13.6 percent in the fourth quarter of the previous to 13.9 percent in the first quarter of the current fiscal year.

#### **Analyst telephone conference and telephone press conference**

The Management Board of Infineon will host a telephone conference call including a webcast for analysts and investors (in English only) on 5 February 2020 at 9:30 am (CET), 3:30 am (EST). During the call, the Infineon Management Board will present the Company's results for the first quarter and the outlook for the second quarter and the 2020 fiscal year. In addition, the Management Board will host a telephone press conference with the media at 11:00 am (CET), 5:00 am (EST). It can be followed over the Internet in both English and German. Both conferences will also be available live and for download on Infineon's website at [www.infineon.com/investor](http://www.infineon.com/investor).

The **Q1 Investor Presentation** is available (in English only) at:

<https://www.infineon.com/cms/en/about-infineon/investor/reports-and-presentations/>

#### **Infineon Financial Calendar (\* preliminary)**

- 13 Feb 2020 Goldman Sachs Technology & Internet Conference, San Francisco
- 20 Feb 2020 Annual General Meeting, Munich

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- 24 – 26 Feb 2020 Investor Meetings at Mobile World Congress, Barcelona
- 10 – 11 Mar 2020 UBS Technology One-on-One Conference, London
- 12 Mar 2020 ODDO BHF 4<sup>th</sup> TMT Forum, Paris
- 18 Mar 2020 Bernstein EV Conference, London
- 24 Mar 2020 JPMorgan Global ESG Conference, Paris
- 25 Mar 2020 Société Générale European ESG/SRI Conference, Paris
- 26 Mar 2020 Lampe Bank Deutschland Konferenz, Baden-Baden
- 5 May 2020\* Earnings Release for the Second Quarter of the 2020 Fiscal Year
- 7 May 2020 Industrial Power Control Business Update at PCIM, Nuremberg
- 27 May 2020 Equita Conference 2020, Milan
- 3 – 4 Jun 2020 Deutsche Bank German, Swiss & Austrian Conference, Berlin
- 9 – 10 Jun 2020 Exane 22<sup>nd</sup> European CEO Conference, Paris
- 4 Aug 2020\* Earnings Release for the Third Quarter of the 2020 Fiscal Year
- 21 Sep 2020 Berenberg Goldman Sachs German Corporate Conference, Unterschleißheim (nearby Munich)
- 22 Sep 2020 Baader Investment Conference, Munich
- 6 Oct 2020 Automotive Call
- 9 Nov 2020\* Earnings Release for the Fourth Quarter and the 2020 Fiscal Year

## About Infineon

Infineon Technologies AG is a world leader in semiconductor solutions that make life easier, safer and greener. Microelectronics from Infineon is the key to a better future. In the 2019 fiscal year (ending 30 September), the Company reported sales of €8.0 billion with around 41.400 employees worldwide. Infineon is listed on the Frankfurt Stock Exchange (ticker symbol: IFX) and in the USA on the over-the-counter market OTCQX International Premier (ticker symbol: IFNNY).

Further information is available at [www.infineon.com](http://www.infineon.com)

This press release is available online at [www.infineon.com/press](http://www.infineon.com/press)

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## FINANCIAL INFORMATION

### According to IFRS – Unaudited

With effect from the beginning of 2020 fiscal year, Infineon is applying IFRS 16 (Leases) using the modified retrospective approach. As a result, prior periods are not adjusted to the new accounting policy. Overall, the first-time application of this Standard has not had any material impact.

### Consolidated Statement of Operations

€ in millions (unless stated otherwise)	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
Revenue	1,916	2,062	1,970
Cost of goods sold	(1,207)	(1,331)	(1,191)
<b>Gross profit</b>	<b>709</b>	<b>731</b>	<b>779</b>
Research and development expenses	(243)	(230)	(236)
Selling, general and administrative expenses	(204)	(222)	(218)
Other operating income	32	14	11
Other operating expenses	(28)	(47)	(9)
<b>Operating income</b>	<b>266</b>	<b>246</b>	<b>327</b>
Financial income	5	9	6
Financial expenses	(18)	(27)	(19)
Loss from investments accounted for using the equity method	-	(1)	(4)
<b>Income from continuing operations before income taxes</b>	<b>253</b>	<b>227</b>	<b>310</b>
Income tax	(43)	(64)	(56)
<b>Income from continuing operations</b>	<b>210</b>	<b>163</b>	<b>254</b>
Loss from discontinued operations, net of income taxes	-	(2)	-
<b>Net income</b>	<b>210</b>	<b>161</b>	<b>254</b>
Attributable to:			
Shareholders and hybrid capital investors of Infineon Technologies AG	210	161	254
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: <sup>1</sup>			
Weighted average shares outstanding (in million) – basic	1,245	1,244	1,131
Basic earnings per share (in euro) from continuing operations	0.16	0.13	0.22
Basic earnings per share (in euro) from discontinued operations	-	-	-
<b>Basic earnings per share (in euro)</b>	<b>0.16</b>	<b>0.13</b>	<b>0.22</b>
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: <sup>1</sup>			
Weighted average shares outstanding (in million) – diluted	1,246	1,246	1,133
Diluted earnings per share (in euro) from continuing operations	0.16	0.13	0.22
Diluted earning per share (in euro) from discontinued operations	-	-	-
<b>Diluted earnings per share (in euro)</b>	<b>0.16</b>	<b>0.13</b>	<b>0.22</b>

<sup>1</sup> The calculation of earnings per share is based on unrounded figures. For the consideration of the compensation entitlement of hybrid capital investors when determining earnings per share, see "Reconciliation to adjusted earnings and adjusted earnings per share" on page 12.

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## Consolidated Statement of Comprehensive Income

	Three months ended 30 June	
	2019	2018
€ in millions		
<b>Net income</b>	<b>210</b>	<b>254</b>
Actuarial gains (losses) on pension plans and similar commitments	51	1
<b>Total items that will not be reclassified to profit or loss</b>	<b>51</b>	<b>1</b>
Currency translation effects	(24)	14
Net change in fair value of hedging instruments	(102)	2
Cost of hedging	(11)	-
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(137)</b>	<b>16</b>
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>(86)</b>	<b>17</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>124</b>	<b>271</b>
Attributable to:		
Shareholders and hybrid capital investors of Infineon Technologies AG	124	271

## Regional Revenue Development

€ in millions, except percentages	3 months ended					
	31 Dec 19	30 Sep 19	31 Dec 18	31 Dec 19	30 Sep 19	31 Dec 18
<b>Revenue:</b>						
Europe, Middle East, Africa	553	29%	560	611	30%	28%
therein: Germany	248	13%	268	296	14%	14%
Asia-Pacific (excluding Japan, Greater China)	273	14%	309	289	14%	16%
Greater China	715	37%	690	748	36%	35%
therein: China	561	29%	530	585	28%	27%
Japan	134	7%	150	147	7%	8%
Americas	241	13%	261	267	13%	13%
therein: USA	200	10%	215	217	11%	11%
<b>Total</b>	<b>1,916</b>	<b>100%</b>	<b>1,970</b>	<b>2,062</b>	<b>100%</b>	<b>100%</b>

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## Segment Revenues and Segment Results

Segment Result is defined as operating income (loss) excluding certain impairments (such as goodwill impairments), impact on earnings of restructuring measures and closures, share-based compensation expense, acquisition related depreciation/amortization and other expenses, gains (losses) on sales of businesses, or interests in subsidiaries and other income (expense), including litigation costs.

### Revenues and Segment Result for the three months ended 31 December 2019 and 2018 and 30 September 2019

Revenue, € in millions (unless otherwise stated)	3 months ended			3 months ended		
	31 Dec 19	31 Dec 18	+/- in %	31 Dec 19	30 Sep 19	+/- in %
Automotive	829	846	(2)	829	893	(7)
Industrial Power Control	334	352	(5)	334	362	(8)
Power Management & Multimarket	593	617	(4)	593	639	(7)
Digital Security Solutions	158	149	6	158	162	(2)
Other Operating Segments	2	6	(67)	2	6	(67)
Corporate and Eliminations	-	-	-	-	-	-
<b>Total</b>	<b>1,916</b>	<b>1,970</b>	<b>(3)</b>	<b>1,916</b>	<b>2,062</b>	<b>(7)</b>

  

Segment Result, € in millions (unless otherwise stated)	3 months ended			3 months ended		
	31 Dec 19	31 Dec 18	+/- in %	31 Dec 19	30 Sep 19	+/- in %
Automotive	67	117	(43)	67	78	(14)
Industrial Power Control	62	69	(10)	62	59	5
Power Management & Multimarket	146	155	(6)	146	153	(5)
Digital Security Solutions	22	16	38	22	22	-
Other Operating Segments	-	3	---	-	-	-
Corporate and Eliminations	-	(1)	+++	-	(1)	+++
<b>Total</b>	<b>297</b>	<b>359</b>	<b>(17)</b>	<b>297</b>	<b>311</b>	<b>(5)</b>
Segment Result Margin (in %)	15.5%	18.2%		15.5%	15.1%	

### Reconciliation of Segment Result to Operating Income

€ in millions	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
<b>Segment Result</b>	297	311	359
Plus/minus:			
Share-based compensation expense	(3)	(3)	(2)
Acquisition-related depreciation/amortization and other expenses	(33)	(31)	(30)
Gains on sales of businesses, or interests in subsidiaries, net	1	-	-
Other income and expense, net	4	(31)	-
<b>Operating income</b>	<b>266</b>	<b>246</b>	<b>327</b>

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### Reconciliation to adjusted earnings and adjusted earnings per share – diluted

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

€ in millions (unless otherwise stated)	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
<b>Net income – diluted</b>	<b>210</b>	<b>163</b>	<b>254</b>
Compensation entitlement of hybrid capital investors <sup>1</sup>	(8)	-	-
<b>Net income attributable to shareholders of Infineon Technologies AG – diluted</b>	<b>202</b>	<b>163</b>	<b>254</b>
Plus/minus:			
Share-based compensation expense	3	3	2
Acquisition-related depreciation/amortization and other expenses	33	31	30
Gains on sales of businesses, or interests in subsidiaries, net	(1)	-	-
Other income and expense, net	(4)	31	-
Acquisition-related expenses within financial result	-	2	-
Tax effects on adjustments	(4)	(5)	(7)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(14)	7	(5)
<b>Adjusted net income from continuing operations attributable to shareholders of Infineon Technologies AG – diluted</b>	<b>215</b>	<b>232</b>	<b>274</b>
Weighted-average number of shares outstanding (in million) – diluted	1,246	1,246	1,133
Adjusted earnings per share (in euro) – diluted <sup>2</sup>	0.17	0.19	0.24

<sup>1</sup> Including the cumulative tax effects.

<sup>2</sup> 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.

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### Reconciliation to adjusted cost of goods sold and gross margin

The cost of goods sold and the gross margin in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular International Rectifier) as well as by other exceptional items. To enable better comparability of operating performance over time, Infineon computes the adjusted gross margin as follows:

€ in millions (unless otherwise stated)	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
Cost of goods sold	1,207	1,331	1,191
Plus/minus:			
Share-based compensation expense	-	(1)	-
Acquisition-related depreciation/amortization and other expenses	(13)	(13)	(16)
Other income and expense, net	(5)	(3)	-
<b>Adjusted cost of goods sold</b>	<b>1,189</b>	<b>1,314</b>	<b>1,175</b>
<b>Adjusted gross margin (in %)</b>	<b>37.9%</b>	<b>36.3%</b>	<b>40.4%</b>

Adjusted cost of goods sold and the adjusted gross margin should not be seen as a replacement or superior performance indicator, but rather as additional information to cost of goods sold and the gross margin determined in accordance with IFRS.

### Employees

	31 Dec 19	30 Sep 19	31 Dec 18
Infineon	40,992	41,418	41,020
thereof: Research and development	7,805	7,755	7,444

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## Consolidated Statement of Financial Position

€ in millions	31 Dec 19	30 Sep 19 <sup>1</sup>
<b>ASSETS</b>		
Cash and cash equivalents	1,343	1,021
Financial investments	3,516	2,758
Trade receivables	809	888
Inventories	1,767	1,701
Income tax receivable	85	83
Contract Assets	93	91
Other current assets	630	770
Assets classified as held for sale	-	12
<b>Total current assets</b>	<b>8,243</b>	<b>7,324</b>
Property, plant and equipment	3,528	3,510
Goodwill and other intangible assets	1,786	1,805
Right-of-use-assets	243	-
Investments accounted for using the equity method	73	29
Deferred tax assets	603	599
Other non-current assets	141	145
<b>Total non-current assets</b>	<b>6,374</b>	<b>6,088</b>
<b>Total assets</b>	<b>14,617</b>	<b>13,412</b>
<b>LIABILITIES AND EQUITY</b>		
Short-term debt and current maturities of long-term debt	191	22
Trade payables	923	1,089
Short-term provisions	228	383
Income tax payable	134	144
Current leasing liabilities	49	-
Other current liabilities	467	406
<b>Total current liabilities</b>	<b>1,992</b>	<b>2,044</b>
Long-term debt	1,340	1,534
Pension plans and similar commitments	682	733
Deferred tax liabilities	17	20
Long-term provisions	284	283
Non-current leasing liabilities	202	-
Other non-current liabilities	151	165
<b>Total non-current liabilities</b>	<b>2,676</b>	<b>2,735</b>
<b>Total liabilities</b>	<b>4,668</b>	<b>4,779</b>
Equity:		
Ordinary share capital	2,502	2,501
Additional paid-in capital	5,499	5,494
Hybrid capital	1,193	-
Retained earnings (accumulated deficit)	672	421
Other reserves	117	254
Own shares	(34)	(37)
<b>Total equity</b>	<b>9,949</b>	<b>8,633</b>
<b>Total liabilities and equity</b>	<b>14,617</b>	<b>13,412</b>

<sup>1</sup> 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.

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## Consolidated Statement of Cash Flows

### Gross and Net Cash Position

The following table reconciles the gross cash position and 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 Infineon's overall liquidity. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	31 Dec 19	30 Sep 19	31 Dec 18
Cash and cash equivalents	1,343	1,021	827
Financial investments	3,516	2,758	1,479
<b>Gross cash position</b>	<b>4,859</b>	<b>3,779</b>	<b>2,306</b>
Less:			
Short-term debt and current maturities of long-term debt	191	22	22
Long-term debt	1,340	1,534	1,511
<b>Total debt</b>	<b>1,531</b>	<b>1,556</b>	<b>1,533</b>
<b>Net cash position</b>	<b>3,328</b>	<b>2,223</b>	<b>773</b>

### Free Cash Flow

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

€ in million	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
Net cash provided by operating activities from continuing operations	183	682	310
Net cash used in investing activities from continuing operations	(1,038)	(377)	(195)
Purchases of (proceeds from sales of) financial investments, net	769	29	(336)
<b>Free Cash Flow</b>	<b>(86)</b>	<b>334</b>	<b>(221)</b>

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**Consolidated Statement of Cash Flows**

€ in millions

	3 months ended		
	31 Dec 19	30 Sep 19	31 Dec 18
<b>Net income</b>	<b>210</b>	<b>161</b>	<b>254</b>
Plus: income from discontinued operations, net of income taxes	-	2	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	250	244	230
Income tax	43	64	56
Net interest result	10	8	10
Gains on disposals of property, plant and equipment	(20)	-	-
Impairment charges (reversal of impairment)	(1)	6	-
Other non-cash result	8	(7)	4
Change in trade receivables	93	(47)	110
Change in inventories	(73)	69	(143)
Change in trade payables	(165)	7	(5)
Change in provisions	(149)	40	(161)
Change in other assets and liabilities	38	136	5
Interest received	8	8	6
Interest paid	(21)	(9)	(20)
Income tax paid	(48)	-	(36)
<b>Net cash provided by operating activities from continuing operations</b>	<b>183</b>	<b>682</b>	<b>310</b>
<b>Net cash provided by (used in) operating activities from discontinued operations</b>	<b>(2)</b>	<b>2</b>	<b>(1)</b>
<b>Net cash provided by operating activities</b>	<b>181</b>	<b>684</b>	<b>309</b>
Purchases of financial investments	(2,646)	(725)	(467)
Proceeds from sales of financial investments	1,877	696	803
Purchases of other equity investments	(44)	-	-
Acquisitions of businesses, net of cash acquired	-	-	(123)
Purchases of intangible assets and other assets	(40)	(44)	(39)
Purchases of property, plant and equipment	(215)	(306)	(369)
Proceeds from sales of property, plant and equipment and other assets	30	2	-
<b>Net cash used in investing activities from continuing operations</b>	<b>(1,038)</b>	<b>(377)</b>	<b>(195)</b>
<b>Net cash used in investing activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash used in investing activities</b>	<b>(1,038)</b>	<b>(377)</b>	<b>(195)</b>
Net change in related party financial receivables and payables	1	-	(13)
Proceeds from issuance of long-term debt	-	-	1
Repayments of long-term debt	(7)	(11)	(8)
Payments for leasing liabilities	(11)	-	-
Proceeds from hybrid capital	1,184	-	-
Proceeds from issuance of ordinary shares	1	2	1
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>1,168</b>	<b>(9)</b>	<b>(19)</b>
<b>Net cash used in financing activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by (used in) financing activities</b>	<b>1,168</b>	<b>(9)</b>	<b>(19)</b>
Net change in cash and cash equivalents	311	298	95
Effect of foreign exchange rate changes on cash and cash equivalents	11	1	-
Cash and cash equivalents at beginning of period	1,021	722	732
<b>Cash and cash equivalents at end of period</b>	<b>1,343</b>	<b>1,021</b>	<b>827</b>

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## Consolidated Statement of Changes in Equity

€ in millions; except for number of shares	Ordinary shares issued					Retained earnings (accumulated deficit)
	Shares	Amount	Additional paid-in capital	Hybrid capital		
<b>Balance as of 30 September 2018</b>	<b>1,136,995,834</b>	<b>2,274</b>	<b>4,486</b>	-	-	<b>(333)</b>
Effects from the first time application to IFRS 9 and IFRS 15	-	-	-	-	-	37
<b>Balance as of 1 October 2018</b>	<b>1,136,995,834</b>	<b>2,274</b>	<b>4,486</b>	-	-	<b>(296)</b>
Net income	-	-	-	-	-	254
Other comprehensive income (loss) for the period, net of tax	-	-	-	-	-	1
Total comprehensive income (loss) for the period, net of tax	-	-	-	-	-	255
Issuance of ordinary shares:						
Exercise of stock options	165,730	-	1	-	-	-
Share based compensation	-	-	2	-	-	-
<b>Balance as of 31 December 2018</b>	<b>1,137,161,564</b>	<b>2,274</b>	<b>4,489</b>	-	-	<b>(41)</b>
 <b>Balance as of 1 October 2019</b>	<b>1,250,684,071</b>	<b>2,501</b>	<b>5,494</b>	-	-	<b>421</b>
Net income	-	-	-	-	10	200
Other comprehensive income (loss) for the period, net of tax	-	-	-	-	-	51
Total comprehensive income (loss) for the period, net of tax	-	-	-	-	10	251
Issuance of ordinary shares:						
Exercise of stock options	237,066	1	1	-	-	-
Emission hybrid capital	-	-	2	1,184	-	-
Purchase of own shares	-	-	-	-	-	-
Other changes in equity	-	-	2	-	-	-
<b>Balance as of 31 December 2018</b>	<b>1,250,921,137</b>	<b>2,502</b>	<b>5,499</b>	<b>1,193</b>	<b>672</b>	

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

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€ in millions; except for number of shares	Other reserves				
	Foreign currency translation adjustment	Hedges	Cost of hedging	Own shares	Total equity
<b>Balance as of 30 September 2018</b>	<b>59</b>	<b>(3)</b>	<b>-</b>	<b>(37)</b>	<b>6,446</b>
Effects from the first time application to IFRS 9 and IFRS 15	-	-	-	-	37
<b>Balance as of 1 October 2018</b>	<b>59</b>	<b>(3)</b>	<b>-</b>	<b>(37)</b>	<b>6,483</b>
Net income	-	-	-	-	254
Other comprehensive income (loss) for the period, net of tax	14	2	-	-	17
Total comprehensive income (loss) for the period, net of tax	14	2	-	-	271
Issuance of ordinary shares:					
Exercise of stock options	-	-	-	-	1
Share based compensation	-	-	-	-	2
<b>Balance as of 31 December 2018</b>	<b>73</b>	<b>(1)</b>	<b>-</b>	<b>(37)</b>	<b>6,757</b>
<b>Balance as of 1 October 2019</b>	<b>144</b>	<b>152</b>	<b>(42)</b>	<b>(37)</b>	<b>8,633</b>
Net income	-	-	-	-	210
Other comprehensive income (loss) for the period, net of tax	(24)	(102)	(11)	-	(86)
Total comprehensive income (loss) for the period, net of tax	(24)	(102)	(11)	-	124
Issuance of ordinary shares:					
Exercise of stock options	-	-	-	-	2
Emission hybrid capital	-	-	-	-	1,186
Purchase of own shares	-	-	-	3	3
Other changes in equity	-	-	-	-	2
<b>Balance as of 31 December 2018</b>	<b>120</b>	<b>50</b>	<b>(53)</b>	<b>(34)</b>	<b>9,949</b>

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

## Basics of presentation

The (condensed) Interim Consolidated Statement of Financial Position, the (condensed) Interim Consolidated Statement of Operations, the (condensed) Interim Consolidated Statement of Comprehensive Income, the (condensed) Interim Consolidated Statement of Cash Flows and the (condensed) Interim Consolidated Statement of Changes in Equity have been prepared in accordance with the IFRS, as they apply in the EU and in accordance with IAS 34 Interim Financial Reporting. In general the same accounting policies applied as used for the Consolidated Financial Statements as of 30 September 2019. Deviating from this IFRS 16 applied with effect as of 1 October 2019 using the modified retrospective approach.

### IFRS 16 “Leases”

IFRS 16 introduces a standardized accounting model by which leases 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 future all assets and liabilities arising from a leasing agreement must be recognized by the lessee, unless it is a short-term lease (duration of twelve months or less) or a lease for a low-value asset (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 applies the new standard since 1 October 2019 using the modified retrospective approach.

Leases which were previously classified as operating leases by Infineon are mainly affected by the first-time application. Short-term lease agreements with a duration of not more than twelve months (unless they contain a purchase option) and leases in which the underlying asset is of low value are not recognized in accordance

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with the exemption allowed by IFRS 16. Contractual relationships which were not previously classified as leases under IAS 17 "Leases" in conjunction with IFRIC 4 "Determination of whether an agreement includes a lease" were not reassessed against the IFRS 16 definition of a lease.

At Infineon the following categories of leases, previously recognized as operating leases, are now recognized as leases according to the definition of the new standard following the transition to IFRS 16 as of 1 October 2019: land and buildings, technical equipment, vehicles and other leased assets. When IFRS 16 is first applied to operating leases, the value of the right-of-use asset is generally measured using the amount of the discounted lease liability. The average incremental borrowing rate of interest (1.7 percent) prevailing at the time of the first application of IFRS 16 has been used. In the case of deferred lease liabilities, the value of the right-of-use asset shall be adjusted by the amount of lease payments paid in advance or the deferred lease liability. The valuation of the right-of-use asset at the point of first-time application does not take into account the initial direct costs.

As a result of the first-time application, right-of-use assets amounting to €255 million and lease liabilities in the amount of €262 million are recognized in the Consolidated Statement of Financial Position as of 1 October 2019. The difference of €7 million between these two closing balances relates to advance lease payments as well as deferred lease liabilities.

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

€ in millions	Total
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
<b>Gross lease payments as of 1 October 2019</b>	<b>284</b>
Discounting	(22)
<b>Present value of lease liabilities due to first time application of IFRS 16 as of 1 October 2019</b>	<b>262</b>

## DISCLAIMER

This press release is a Quarterly Group Statement according the Frankfurt Stock Exchange's stock exchange regulation 53 paragraph.

This press release contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

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

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

Due to rounding, numbers presented throughout this press release and other reports may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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