

Press Release

Infineon's third-quarter figures include Cypress for first time; robust profitability, full-year outlook confirmed

- **Q3 FY 2020: Revenue of €2,174 million; Segment Result €220 million; Segment Result Margin 10.1 percent**
- **Cypress consolidated since closing of acquisition on 16 April 2020. Preliminary purchase price allocation gives rise to goodwill of about €5.5 billion**
- **Outlook for Q4 FY 2020: Based on an assumed exchange rate of US\$ 1.15 to the euro, revenue of between €2.3 billion and €2.6 billion is expected. At the midpoint of the guided revenue range, a Segment Result Margin of about 14 percent is predicted.**
- **Outlook for FY 2020: Assuming revenue in Q4 finishes at the midpoint of the guided range, revenue for the full fiscal year 2020 will be around €8.5 billion. At this level, the Segment Result Margin is expected to come in at about 13 percent.**

Neubiberg, Germany, 4 August 2020 – Infineon Technologies AG is today reporting results for the third quarter of the 2020 fiscal year (period ended 30 June 2020).

"Infineon has so far coped well with the challenging situation caused by the coronavirus pandemic. As a company, we reacted quickly to the new situation and established a framework that has enabled us to stabilize our business. Our diversified business model – which is further strengthened with the integration of Cypress – has proven to be robust, especially in terms of profitability," said Dr. Reinhard Ploss, CEO of Infineon. "The pandemic continues to have a significant impact on our target markets, resulting in weaker demand in many product areas. Thankfully, we are seeing concrete signs of recovery within the automotive sector, which has been particularly hard hit. Infineon is also benefitting from increased digitization through the growing volume of data traffic, the Internet of Things and mobile communication. Our outlook for the final quarter of the fiscal year is cautiously optimistic. That said, our business performance is highly dependent on

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how the coronavirus pandemic continues to unfold worldwide, on the impact of the economic stimulus packages that have been implemented, and on a variety of geopolitical factors."

€ in millions (unless otherwise stated)	3 months ended 30 Jun 20	sequential +/- in %	3 months ended 31 Mar 20	year-on-year +/- in %	3 months ended 30 Jun 19
Revenue	2,174	9	1,986	8	2,015
Segment Result	220	(20)	274	(31)	317
Segment Result Margin (in %)	10.1%		13.8%		15.7%
Income (loss) from continuing operations	(128)	---	178	---	224
Income from discontinued operations, net of income taxes	-	-	-	-	-
Net income (loss)	(128)	---	178	---	224
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: ¹					
Basic earnings (loss) per share (in euro) from continuing operations	(0.11)	---	0.13	---	0.20
Basic earnings per share (in euro) from discontinued operations	-	-	-	-	-
Basic earnings (loss) per share (in euro)	(0.11)	---	0.13	---	0.20
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: ¹					
Diluted earnings (loss) per share (in euro) from continuing operations	(0.11)	---	0.13	---	0.20
Diluted earnings per share (in euro) from discontinued operations	-	-	-	-	-
Diluted earnings (loss) per share (in euro)	(0.11)	---	0.13	---	0.20
Adjusted earnings per share (in euro) – diluted^{1,2}	0.13	-	0.13	(43)	0.23
Gross margin (in %)	27.0%		34.5%		36.5%
Adjusted gross margin³ (in %)	35.9%		35.6%		37.2%

¹ The calculation for earnings per share and adjusted earnings per share is based on unrounded figures.

² The reconciliation of net income to adjusted net income and adjusted earnings per share is presented on page 14.

³ The reconciliation of cost of goods sold to adjusted cost of goods sold and adjusted gross margin is presented on page 15.

With effect from the beginning of the 2020 fiscal year, Infineon began applying IFRS 16 (Leases) using the modified retrospective approach. In addition, Cypress Semiconductor Corporation has been fully consolidated since 16 April 2020. For these reasons, comparability with prior-year periods is restricted. Please see the section "Basis of Presentation".

Group performance in third quarter of 2020 fiscal year

Revenue for the three-month period increased from €1,986 million to €2,174 million quarter-on-quarter. The acquisition of Cypress Semiconductor Corporation was successfully completed on 16 April 2020. Cypress has therefore been fully consolidated with effect from that date. Cypress' various lines of business have been allocated to the Automotive (ATV), Power & Sensor Systems (PSS) and Connected Secure Systems (CSS)¹ segments. The ATV and CSS segments have been allocated the largest share of revenue, while a smaller share

¹ With effect from 1 August 2020, the "Digital Security Solutions" segment changed its name to "Connected Secure Systems". The name change reflects the integration of Cypress' "IoT, Compute & Wireless" line of business and the related expansion of the segment's product portfolio and scope of business.

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was allocated to the PSS segment. The 9 percent growth in Group revenue was mainly attributable to the CSS and PSS segments. While IPC segment revenue remained stable, ATV segment revenue decreased, despite the first-time consolidation of Cypress.

The gross margin for the third quarter came in at 27.0 percent, compared to 34.5 percent in the previous quarter, whereas the adjusted gross margin improved from 35.6 percent to 35.9 percent. The Segment Result declined to €220 million, compared to €274 million for the preceding three-month period. The Segment Result Margin fell from 13.8 percent to 10.1 percent.

The non-segment result for the three-month period was a net loss of €313 million, compared to a net loss of €48 million in the previous quarter. The significant increase was attributable to amounts recorded in conjunction with the acquisition and first-time consolidation of Cypress mainly related to the purchase price allocation. The non-segment result for the third quarter included €193 million of cost of goods sold, €79 million of selling, general and administrative expenses and €8 million of research and development expenses. In addition, net operating expenses amounting to €33 million were recorded.

In the third quarter, Infineon recorded an operating loss of €93 million, compared to an operating income of €226 million in the preceding quarter.

The financial result for the three-month period deteriorated from negative €27 million to negative €79 million quarter-on-quarter. The noticeable change was attributable partly to expenses connected with the financing of the Cypress acquisition and partly with the first-time consolidation of financial debt previously existing at Cypress. In addition the financial result includes an expense of €15 million arising on interest rate hedges entered into in conjunction with the refinancing of the Cypress acquisition.

The purchase price allocation undertaken in connection with the first-time consolidation of Cypress and the related release of deferred tax liabilities, gave rise to tax income of €44 million in the third quarter of the current fiscal year. In the second quarter the tax expense amounted to €21 million.

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Income/loss from continuing operations deteriorated from an income of €178 million in the second quarter to a loss of €128 million in the third quarter. As in the preceding three-month period, income from discontinued operations was zero. The third quarter of the current fiscal year therefore finished with a net loss of €128 million, compared to net income of €178 million one quarter earlier.

For the third quarter of the current fiscal year, Infineon reports negative earnings per share from continuing operations of €0.11 (basic and diluted), compared to positive earnings per share of €0.13 in the previous quarter. Third-quarter adjusted earnings per share² (diluted) amounted to positive €0.13, unchanged from the previous quarter.

Investments – which Infineon defines as the sum of purchases of property, plant and equipment, purchases of intangible assets and capitalized development costs – totaled €266 million in the third quarter of the current fiscal year, compared with €247 million in the preceding three-month period. Depreciation and amortization went up from €249 million to €381 million quarter-on-quarter. The increase was mainly attributable to the first-time inclusion of depreciation and amortization relating to Cypress, comprising €52 million on newly recognized assets measured at their fair value or on assets remeasured at their fair value in conjunction with the purchase price allocation and €78 million of ongoing depreciation and amortization.

Free cash flow³ from continuing operations decreased to a negative amount of €7,137 million related to the purchase price payment for Cypress. Excluding cash outflows arising in connection with the Cypress acquisition and adjusted for cash acquired from Cypress, organic free cash flow would have been a positive amount of €439 million. In the preceding quarter, positive free cash flow amounted to €108 million, or €116 million excluding cash outflows arising in connection with the Cypress acquisition. Net cash provided by operating activities from continuing operations in the third quarter totaled €533 million, up from €354 million in the second quarter.

² 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 14.

³ For definitions and the calculation of free cash flow and of the gross and net cash position, please see page 17.

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The gross cash position at the end of the third quarter of the 2020 fiscal year amounted to €3,450 million, compared to €4,588 million at 31 March 2020. The net cash position decreased from a positive amount of €3,051 million at the end of the previous quarter to a negative amount of €4,296 million at 30 June 2020, reflecting the impact of the Cypress acquisition and the related increase in gross debt to an amount of €7,746 million from €1,537 million in the previous quarter.

Cypress acquisition – refinancing

The acquisition of Cypress was completed on 16 April 2020. Based on a purchase price of about €8.3 billion determined in accordance with IFRS (net of cash acquired), the preliminary purchase price allocation results in goodwill of €5.5 billion.

For refinancing the purchase price, the Company's share capital was increased by 55 million shares on 26 May 2020, thereby generating net proceeds of about €1.0 billion, which were used to repay part of the acquisition financing raised from banks for the takeover of Cypress. The share placement completed the equity portion of the refinancing of the Cypress acquisition.

Likewise for the purpose of refinancing the purchase price, fixed-interest notes totaling €2.9 billion were placed on 17 June 2020. The issuance comprises four tranches with various maturities and interest rates:

- €750 million with a term of 3 years and an annual coupon of 0.75 percent
- €750 million with a term of 6 years and an annual coupon of 1.125 percent
- €750 million with a term of 9 years and an annual coupon of 1.625 percent
- €650 million with a term of 12 years and an annual coupon of 2.00 percent

The proceeds from the share capital increase and from the issuance of notes were utilized to already fully repay the original bridge financing taken out to pay the purchase price for Cypress. Of the initial acquisition financing, three term loans remain in place totaling USD 3.3 billion.

Outlook for fourth quarter of 2020 fiscal year

Based on an assumed exchange rate of US\$ 1.15 to the euro, Infineon expects to generate revenues of between €2.3 billion and €2.6 billion in the fourth quarter of the 2020 fiscal year, whereby the first-time consolidation of Cypress for a full

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quarter will contribute to the predicted quarter-on-quarter growth. In addition, revenue is expected to see a pronounced increase for the ATV segment and rise slightly for the PSS and CSS segments, while remaining flat for the IPC segment. The economic upheaval caused by geopolitical factors and the coronavirus pandemic makes reliable predictions more difficult. Key factors of the pandemic that will influence revenue performance are the progression of global infection rates over time and potential restrictions on economic activity as well as the level and effectiveness of government support programs.

At the midpoint of the guided revenue range, the Segment Result Margin is forecast to come in at about 14 percent.

Outlook for the 2020 fiscal year

Assuming that revenue for the fourth quarter corresponds to the midpoint of the guided range, full-year revenue for the fiscal year 2020 will amount to around €8.5 billion. At this level, the Segment Result Margin is expected to come in at about 13 percent.

Investments in property, plant and equipment, intangible assets and capitalized development costs in the region of €1.2 billion are planned for the 2020 fiscal year. Depreciation and amortization will amount to approximately €1.3 billion, including the effects of the preliminary purchase price allocation for Cypress.

In the current fiscal year to date, free cash flow has already been significantly impacted by the acquisition of Cypress as well as the economic consequences of the coronavirus pandemic and is expected to be significantly negative for the fiscal year as a whole. However, excluding cash used in connection with the acquisition of Cypress, organic free cash flow is expected to reach a positive value of more than €600 million.

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Segment earnings in the third quarter of the 2020 fiscal year

€ in millions (unless otherwise stated)	in % of total revenue	3 months ended 30 Jun 20	sequential +/- in %	3 months ended 31 Mar 20	year-on-year +/- in %	3 months ended 30 Jun 19
Infineon						
Revenue	100	2,174	9	1,986	8	2,015
Segment Result		220	(20)	274	(31)	317
Segment Result Margin (in %)		10.1%		13.8%		15.7%
Automotive (ATV)						
Segment Revenues	38	815	(4)	846	(8)	888
Segment Result		(24)	---	51	---	98
Segment Result Margin (in %)		(2.9%)		6.0%		11.0%
Industrial Power Control (IPC)						
Segment Revenues	17	366	2	358	3	357
Segment Result		63	2	62	15	55
Segment Result Margin (in %)		17.2%		17.3%		15.4%
Power & Sensor Systems (PSS)¹						
Segment Revenues	31	681	10	617	14	598
Segment Result		143	4	138	(1)	145
Segment Result Margin (in %)		21.0%		22.4%		24.2%
Connected Secure Systems (CSS)²						
Segment Revenues	14	307	90	162	84	167
Segment Result		37	61	23	95	19
Segment Result Margin (in %)		12.1%		14.2%		11.4%
Other Operating Segments (OOS)						
Segment Revenues	0	5	67	3	-	5
Segment Result		1	+++	-	+++	-
Corporate and Eliminations (C&E)						
Segment Revenues	0	-	-	-	-	-
Segment Result		-	-	-	-	-

1 Effective 1 April 2020, the "Power Management & Multimarkt" segment changed its name to "Power & Sensor Systems". The change in name has no impact on Infineon's organizational structure, strategy or scope of business.

2 The "Digital Security Solutions" segment changed its name to "Connected Secure Systems" with effect from 1 August 2020. The name change reflects the integration of Cypress' "IoT, Compute & Wireless" line of business and the related expansion of the segment's product portfolio and scope of business.

ATV segment revenue decreased from €846 million to €815 million quarter-on-quarter, despite the first-time consolidation of Cypress. The former Cypress lines of business (mainly microcontrollers and specialty memories) accounted for almost one quarter of the segment's revenue in the third quarter. The revenue drop compared to one quarter earlier was attributable to weaker demand across all fields of application caused by the coronavirus pandemic. Components for electric vehicles was the only area to record slight revenue growth quarter-on-quarter. The significantly lower level of revenue generated from operations caused the **Segment Result** to deteriorate to a third-quarter loss of €24 million. The equivalent figure for the previous three-month period was a profit of €51 million. The **Segment Result Margin** decreased from positive 6.0 percent in the second quarter to negative 2.9 percent in the third quarter.

IPC segment revenue edged up from €358 million to €366 million quarter-on-quarter, a 2 percent increase that mainly reflects higher demand for industrial drives and wind power turbines. Slight increases were also recorded for

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photovoltaic solutions and home appliances, whereas revenue for traction-related products decreased, due to some projects shifted to the future. The third-quarter Segment Result amounted to €63 million, compared to the previous quarter's €62 million. The Segment Result Margin slipped from 17.3 percent to 17.2 percent quarter-on-quarter.

In the third quarter of the fiscal year 2020, PSS segment revenue grew by 10 percent to €681 million. The figure now includes the Cypress USB controller business, accounting for under 10 percent of quarterly segment revenue. In the previous three-month period, the segment generated revenue of €617 million. The AC-DC and the DC-DC power supply business areas recorded significant revenue growth on the back of continued brisk demand for products for servers and 5G cellular infrastructure. Business with products for mobile devices suffered as a result of the coronavirus pandemic, primarily due to weaker demand for smartphones. The Segment Result improved from €138 million to €143 million quarter-on-quarter. The Segment Result Margin came in at 21.0 percent, down from 22.4 percent in the preceding quarter.

Due to the first-time consolidation of Cypress' industrial microcontroller and connectivity business, CSS segment revenue almost doubled in the third quarter of the current fiscal year to €307 million, compared to the previous quarter's figure of €162 million. Against the backdrop of the coronavirus pandemic, demand was slightly weaker for numerous fields of application. By contrast, demand for contactless payment solutions increased. The Segment Result rose from €23 million to €37 million quarter-on-quarter. The Segment Result Margin for the third quarter came in at 12.1 percent, down from 14.2 percent in the previous three-month period.

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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 4 August 2020 at 9:30 am (CEST), 3:30 am (EDT). During the call, the Infineon Management Board will present the Company's results for the third quarter and the outlook for the fourth quarter and the 2020 fiscal year. In addition, the Management Board will host a telephone press conference with the media at 11:00 am (CEST), 5:00 am (EDT). 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.

The **Q3 Investor Presentation** is available (in English only) at:

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

Infineon Financial Calendar (* preliminary)

➤ 19 Aug 2020	Lampe Bank German Conference, Baden-Baden (virtual)
➤ 1 – 2 Sep 2020	Jefferies Annual Semiconductor, IT Hardware & Communications Infrastructure Summit, Chicago (virtual)
➤ 2 Sep 2020	UBS Japan in Focus Conference, Japan (virtual)
➤ 3 Sep 2020	dbAccess European TMT Conference, London (virtual)
➤ 8 – 9 Sep 2020	Citi 2020 Global Technology Virtual Conference, New York (virtual)
➤ 14 Sep 2020	DB Global Technology Conference, San Francisco (virtual)
➤ 21 Sep 2020	Berenberg Goldman Sachs German Corporate Conference, Unterschleißheim (nearby Munich, virtual)
➤ 22 Sep 2020	Baader Investment Conference, Munich
➤ 5 – 6 Oct 2020	ATV Roadshow and Call, London (virtual)
➤ 9 Nov 2020*	Earnings Release for the Fourth Quarter and the 2020 Fiscal Year
➤ 18 Nov 2020	Morgan Stanley TMT Conference, Barcelona (virtual)
➤ 23 Nov 2020	DZ Bank 11 th Equity Conference, Frankfurt

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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. With the acquisition of US-based Cypress Semiconductor Corporation in April 2020, Infineon has become a global top 10 semiconductor company.

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
This press release is available online at www.infineon.com/press

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FINANCIAL INFORMATION

According to IFRS –unaudited

With effect from the beginning of the 2020 fiscal year, Infineon is applying IFRS 16 (Leases) using the modified retrospective approach. In addition, Cypress Semiconductor Corporation has been fully consolidated since 16 April 2020. For these reasons, comparability with prior-year periods is restricted. Please see the section "Basis of Presentation".

Consolidated Statement of Operations

€ in millions (unless otherwise stated)	3 months ended			9 months ended	
	30 Jun 20	31 Mar 20	30 Jun 19	30 Jun 20	30 Jun 19
Revenue	2,174	1,986	2,015	6,077	5,967
Cost of goods sold	(1,587)	(1,300)	(1,280)	(4,094)	(3,704)
Gross profit	587	686	735	1,983	2,263
Research and development expenses	(321)	(241)	(243)	(806)	(715)
Selling, general and administrative expenses	(316)	(214)	(214)	(734)	(643)
Other operating income	9	11	20	52	42
Other operating expenses	(52)	(16)	(15)	(96)	(32)
Operating income (loss)	(93)	226	283	399	915
Financial income	3	5	6	12	17
Financial expenses	(82)	(32)	(37)	(132)	(70)
Gain (loss) from investments accounted for using the equity method	-	-	-	-	(5)
Income (loss) from continuing operations before income taxes	(172)	199	252	279	857
Income tax	44	(21)	(28)	(19)	(131)
Income (loss) from continuing operations	(128)	178	224	260	726
Income from discontinued operations, net of income taxes	-	-	-	(1)	(17)
Net income (loss)	(128)	178	224	259	709
Earnings per share (in euro) attributable to shareholders of Infineon Technologies AG: ¹					
Weighted average shares outstanding (in million) – basic	1,266	1,246	1,146	1,252	1,136
Basic earnings (loss) per share (in euro) from continuing operations	(0.11)	0.13	0.20	0.19	0.64
Basic earnings (loss) per share (in euro) from discontinued operations	-	-	-	-	(0.02)
Basic earnings (loss) per share (in euro)	(0.11)	0.13	0.20	0.19	0.62
Weighted average shares outstanding (in million) – diluted	1,266	1,247	1,148	1,254	1,138
Diluted earnings (loss) per share (in euro) from continuing operations	(0.11)	0.13	0.20	0.19	0.64
Diluted earnings (loss) per share (in euro) from discontinued operations	-	-	-	-	(0.02)
Diluted earnings (loss) per share (in euro)	(0.11)	0.13	0.20	0.19	0.62

1 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 14.

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Consolidated Statement of Comprehensive Income

€ in millions	Three months ended 30 June		Nine months ended 30 June	
	2020	2019	2020	2019
Net income (loss)	(128)	224	259	709
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Actuarial gains (losses) on pension plans and similar commitments	(48)	(36)	74	(102)
Total items that will not be reclassified to profit or loss	(48)	(36)	74	(102)
Items that may be reclassified subsequently to profit or loss:				
Currency translation effects	(201)	(28)	(215)	29
Net change in fair value of hedging instruments	(218)	(71)	(225)	(68)
Cost of hedging	75	(22)	42	(22)
Total items that may be reclassified subsequently to profit or loss	(344)	(121)	(398)	(61)
Other comprehensive income (loss), net of tax	(392)	(157)	(324)	(163)
Total comprehensive income (loss), net of tax	(520)	67	(65)	546
Attributable to:				
Shareholders and hybrid capital investors of Infineon Technologies AG	(520)	67	(65)	546

Regional Revenue Development

€ in millions, except percentages	3 months ended						9 months ended			
	30 Jun 20		31 Mar 20		30 Jun 19		30 Jun 20		30 Jun 19	
Revenue:										
Europe, Middle East, Africa	488	22%	640	32%	628	31%	1,681	28%	1,819	31%
therein: Germany	225	10%	300	15%	302	15%	772	13%	873	15%
Asia-Pacific (excluding Japan, Greater China)	318	15%	316	16%	294	15%	907	15%	898	15%
Greater China ¹	882	41%	642	32%	692	34%	2,239	37%	2,021	34%
therein: Mainland China	689	32%	496	25%	551	27%	1,746	29%	1,574	26%
Japan	269	12%	119	6%	153	8%	522	8%	446	7%
Americas	217	10%	269	14%	248	12%	728	12%	783	13%
therein: USA	187	9%	221	11%	203	10%	608	10%	645	11%
Total	2,174	100%	1,986	100%	2,015	100%	6,077	100%	5,967	100%

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

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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 and nine months ended 30 June 2020 and 2019

Effective 1 April 2020, the "Power Management & Multimarket" segment changed its name to "Power & Sensor Systems". The change in name has no impact on Infineon's organizational structure, strategy or scope of business.

The "Digital Security Solutions" segment changed its name to "Connected Secure Systems" with effect from 1 August 2020. The name change reflects the integration of Cypress' "IoT, Compute & Wireless" line of business and the related expansion of the segment's product portfolio and scope of business.

Revenue, € in millions (unless otherwise stated)	3 months ended			9 months ended		
	30 Jun 20	30 Jun 19	+/- in %	30 Jun 20	30 Jun 19	+/- in %
Automotive	815	888	(8)	2,490	2,609	(5)
Industrial Power Control	366	357	3	1,057	1,056	0
Power & Sensor Systems	681	598	14	1,891	1,806	5
Connected Secure Systems	307	167	84	627	480	31
Other Operating Segments	5	5	-	12	16	(25)
Corporate and Eliminations	-	-	-	-	-	-
Total	2,174	2,015	8	6,077	5,967	2

Segment Result, € in millions (unless otherwise stated)	3 months ended			9 months ended		
	30 Jun 20	30 Jun 19	+/- in %	30 Jun 20	30 Jun 19	+/- in %
Automotive	(24)	98	---	94	327	(71)
Industrial Power Control	63	55	15	188	192	(2)
Power & Sensor Systems	143	145	(1)	427	432	(1)
Connected Secure Systems	37	19	95	83	55	51
Other Operating Segments	1	-	+++	1	3	(67)
Corporate and Eliminations	-	-	-	(2)	(1)	---
Total	220	317	(31)	791	1,008	(22)
Segment Result Margin (in %)	10.1%	15.7%		13.0%	16.9%	

Reconciliation of Segment Result to Operating Income

€ in millions	3 months ended			9 months ended	
	30 Jun 20	31 Mar 20	30 Jun 19	30 Jun 20	30 Jun 19
Segment Result	220	274	317	791	1,008
Plus/minus:					
Share-based compensation expense	(4)	(3)	(3)	(10)	(8)
Acquisition-related depreciation/amortization and other expenses	(299)	(26)	(30)	(357)	(83)
Gains (losses) on sales of businesses, or interests in subsidiaries, net	-	-	(1)	1	(1)
Other income and expense, net	(10)	(19)	-	(26)	(1)
Operating income (loss)	(93)	226	283	399	915

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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 Cypress and International Rectifier), one - time effects in the financial result in connection with the 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			9 months ended	
	30 Jun 20	31 Mar 20	30 Jun 19	30 Jun 20	30 Jun 19
Income (loss) from continuing operations – diluted	(128)	178	224	260	726
Compensation claims of hybrid capital investors (after taxes) ¹	(10)	(10)	-	(28)	-
Income (loss) from continuing operations, attributable to shareholders of Infineon Technologies AG – diluted	(138)	168	224	232	726
Plus/minus:					
Share-based compensation expense	4	3	3	10	8
Acquisition-related depreciation/amortization and other expenses	299	26	30	357	83
Losses (gains) on sales of businesses, or interests in subsidiaries, net	-	-	1	(1)	1
Other income and expense, net	10	19	-	26	1
Acquisition-related expenses within financial result	17	10	25	27	25
Tax effects on adjustments	(62)	(12)	(12)	(78)	(24)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	39	(47)	(4)	(22)	(11)
Adjusted net income from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	169	167	267	551	809
Weighted-average number of shares outstanding (in million) – diluted	1,266	1,247	1,148	1,254	1,138
Adjusted earnings per share (in euro) – diluted ²	0.13	0.13	0.23	0.44	0.71

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.

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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 Cypress and 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			9 months ended	
	30 Jun 20	31 Mar 20	30 Jun 19	30 Jun 20	30 Jun 19
Cost of goods sold	1,587	1,300	1,280	4,094	3,704
Plus/minus:					
Share-based compensation expense	(1)	-	-	(2)	(1)
Acquisition-related depreciation/ amortization and other expenses	(183)	(8)	(13)	(204)	(43)
Other income and expense, net	(9)	(13)	(1)	(26)	(2)
Adjusted cost of goods sold	1,394	1,279	1,266	3,862	3,658
Adjusted gross margin	35.9%	35.6%	37.2%	36.4%	38.7%

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

	30 Jun 20	31 Mar 20	30 Jun 19
Infineon	46,730	40,813	41,808
thereof: Research and development	9,494	7,754	7,676

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Consolidated Statement of Financial Position

€ in millions	30 Jun 20	31 Mar 20	30 Sep 19
ASSETS			
Cash and cash equivalents	2,449	1,129	1,021
Financial investments	1,001	3,459	2,758
Trade receivables	1,114	1,047	1,057
Inventories	2,215	1,736	1,701
Income tax receivable	64	93	83
Contract assets	100	102	91
Other current assets	635	825	770
Assets classified as held for sale	-	-	12
Total current assets	7,578	8,391	7,493
Property, plant and equipment	4,083	3,523	3,510
Goodwill	6,195	901	909
Other intangible assets	3,802	903	896
Right-of-use assets	263	232	-
Investments accounted for using the equity method	97	73	29
Non-current income tax receivable	12	-	-
Deferred tax assets	638	608	599
Other non-current assets	206	135	145
Total non-current assets	15,296	6,375	6,088
Total assets	22,874	14,766	13,581
LIABILITIES AND EQUITY:			
Short-term debt and current maturities of long-term debt	586	185	22
Trade payables	1,091	883	1,089
Short-term provisions	395	293	383
Income tax payable	170	129	144
Current leasing liabilities	61	48	-
Other current liabilities	906	688	575
Total current liabilities	3,209	2,226	2,213
Long-term debt	7,160	1,352	1,534
Pension plans and similar commitments	682	602	733
Long-term income tax payable	203	-	-
Deferred tax liabilities	325	14	20
Long-term provisions	292	284	283
Non-current leasing liabilities	222	192	-
Other non-current liabilities	322	146	165
Total non-current liabilities	9,206	2,590	2,735
Total liabilities	12,415	4,816	4,948
Equity:			
Ordinary share capital	2,612	2,502	2,501
Additional paid-in capital	6,442	5,503	5,494
Hybrid capital	1,193	1,203	-
Retained earnings	389	575	421
Other reserves	(144)	200	254
Own shares	(33)	(33)	(37)
Equity attributable to shareholders and hybrid capital investors of Infineon Technologies AG	10,459	9,950	8,633
Total liabilities and equity	22,874	14,766	13,581

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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	30 Jun 20	31 Mar 20	30 Jun 19
Cash and cash equivalents	2,449	1,129	722
Financial investments	1,001	3,459	2,713
Gross cash position	3,450	4,588	3,435
Less:			
Short-term debt and current maturities of long-term debt	586	185	28
Long-term debt	7,160	1,352	1,507
Total debt	7,746	1,537	1,535
Net cash position	(4,296)	3,051	1,900

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 millions	3 months ended			9 months ended	
	30 Jun 20	31 Mar 20	30 Jun 19	30 Jun 20	30 Jun 19
Net cash provided by operating activities from continuing operations	533	354	396	1,070	920
Net cash used in investing activities from continuing operations	(5,208)	(191)	(1,980)	(6,437)	(2,110)
Purchases of (proceeds from sales of) financial investments, net	(2,462)	(55)	1,647	(1,748)	895
Free Cash Flow	(7,137)	108	63	(7,115)	(295)

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Consolidated Statement of Cash Flows

for the three months ended 30 June 2020 and 2019 and 31 March 2020

€ in millions	3 months ended		
	30 Jun 20	31 Mar 20	30 Jun 19
Net income (loss)	(128)	178	224
Plus/minus: income from discontinued operations, net of income taxes	-	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	381	249	238
Income tax	(44)	21	28
Net interest result	54	10	6
Gains on disposals of property, plant and equipment	-	(1)	(9)
Loss (gain) from sale of RF Power Business	-	-	1
Dividends received from joint ventures	1	-	-
Impairment charges	19	5	-
Other non-cash result	12	18	27
Change in trade receivables	(27)	(77)	43
Change in inventories	29	35	(58)
Change in trade payables	63	(41)	(47)
Change in provisions	82	68	41
Change in other assets and liabilities	101	(65)	(31)
Interest received	4	5	8
Interest paid	(75)	(10)	(30)
Income tax received (paid)	61	(41)	(45)
Net cash provided by operating activities from continuing operations	533	354	396
Net cash used in operating activities from discontinued operations	(1)	(2)	-
Net cash provided by operating activities	532	352	396
Purchases of financial investments	(963)	(1,585)	(2,283)
Proceeds from sales of financial investments	3,425	1,640	636
Acquisitions of businesses, net of cash acquired	(7,404)	-	-
Purchases of intangible assets and other assets	(49)	(39)	(38)
Purchases of property, plant and equipment	(217)	(208)	(306)
Proceeds from sales of property, plant and equipment and other assets	-	1	11
Net cash provided by (used in) investing activities	(5,208)	(191)	(1,980)
Proceeds from issuance of long-term debt	9,819	-	-
Repayments of long-term debt	(4,823)	(6)	(4)
Payments for leasing liabilities	(13)	(13)	-
Payments for financing-related derivatives	-	-	(41)
Deposits from financing-related derivatives	25	-	19
Proceeds from hybrid capital	-	(1)	-
Cash outflow to hybrid capital investors	(20)	-	-
Proceeds from issuance of ordinary shares	1,042	-	1,525
Cash outflows due to changes of non-controlling interests	-	(2)	-
Dividend payments	-	(336)	-
Net cash provided by (used in) financing activities	6,030	(358)	1,499
Net change in cash and cash equivalents	1,354	(197)	(85)
Effect of foreign exchange rate changes on cash and cash equivalents	(34)	(17)	(2)
Cash and cash equivalents at beginning of period	1,129	1,343	809
Cash and cash equivalents at end of period	2,449	1,129	722

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Consolidated Statement of Cash Flows

for the nine months ended 30 June 2020 and 2019

€ in millions	9 months ended	
	30 June 20	30 June 19
Net income	259	709
Plus/minus: income from discontinued operations, net of income taxes	1	17
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	881	701
Income tax	19	131
Net interest result	74	27
Gains on disposals of property, plant and equipment	(21)	(10)
Loss (gain) from sale of RF Power Business	-	1
Dividends received from joint ventures	1	-
Impairment charges	22	-
Other non-cash result	38	24
Change in trade receivables	(11)	118
Change in inventories	(9)	(308)
Change in trade payables	(142)	(116)
Change in provisions	1	(65)
Change in other assets and liabilities	75	(144)
Interest received	16	18
Interest paid	(105)	(58)
Income tax paid	(29)	(125)
Net cash provided by operating activities from continuing operations	1,070	920
Net cash used in operating activities from discontinued operations	(5)	(3)
Net cash provided by operating activities	1,065	917
Purchases of financial investments	(5,194)	(3,035)
Proceeds from sales of financial investments	6,942	2,140
Acquisitions of businesses, net of cash acquired	(7,404)	(123)
Investments in related companies	(44)	(5)
Purchases of intangible assets and other assets	(127)	(112)
Purchases of property, plant and equipment	(640)	(989)
Proceeds from sales of property, plant and equipment and other assets	30	14
Net cash provided by (used in) investing activities	(6,437)	(2,110)
Net change in related party financial receivables and payables	-	(14)
Proceeds from issuance of long-term debt	9,819	1
Repayments of long-term debt	(4,836)	(12)
Repurchase of convertible subordinated bonds	(37)	-
Payments for financing-related derivatives	-	(41)
Deposits from finance-related derivatives	25	19
Proceeds from hybrid capital	1,184	-
Cash outflow to hybrid capital investors	(20)	-
Proceeds from issuance of ordinary shares	1,043	1,528
Cash outflows due to changes of non-controlling interests	(2)	-
Dividend payments	(336)	(305)
Net cash provided by (used in) financing activities	6,840	1,176
Net change in cash and cash equivalents	1,468	(17)
Effect of foreign exchange rate changes on cash and cash equivalents	(40)	7
Cash and cash equivalents at beginning of period	1,021	732
Cash and cash equivalents at end of period	2,449	722

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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	
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	1,136,995,834	2,274	4,486	-	(296)
Net income	-	-	-	-	709
Other comprehensive income (loss), net of tax	-	-	-	-	(102)
Total comprehensive income (loss), net of tax	-	-	-	-	607
Dividends	-	-	(305)	-	-
Issuance of ordinary shares:					
Exercise of stock options	447,400	-	2	-	-
Capital increase	112,773,923	226	1,302	-	-
Share based compensation	-	-	4	-	-
Balance as of 30 June 2019	1,250,217,157	2,500	5,489	-	311
Balance as of 1 October 2019	1,250,684,071	2,501	5,494	-	421
Net income	-	-	-	29	230
Other comprehensive income (loss), net of tax	-	-	-	-	74
Total comprehensive income (loss) net of tax	-	-	-	29	304
Dividends	-	-	-	-	(336)
Issuance of ordinary shares:					
Exercise of stock options	237,066	1	1	-	-
Capital increase	55,000,000	110	935	-	-
Emission hybrid capital	-	-	2	1,184	-
Compensation hybrid capital	-	-	-	(20)	-
Share based compensation	-	-	6	-	-
Purchase of own shares	-	-	-	-	-
Other changes in equity	-	-	4	-	-
Balance as of 30 June 2020	1,305,921,137	2,612	6,442	1,193	389

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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
Balance as of 30 September 2018	59	(3)	-	(37)	6,446
Effects from the first time application to IFRS 9 and IFRS 15	-	-	-	-	37
Balance as of 1 October 2018	59	(3)	-	(37)	6,483
Net income	-	-	-	-	709
Other comprehensive income (loss), net of tax	29	(68)	(22)	-	(163)
Total comprehensive income (loss), net of tax	29	(68)	(22)	-	546
Dividends	-	-	-	-	(305)
Issuance of ordinary shares:					
Exercise of stock options	-	-	-	-	2
Capital increase	-	-	-	-	1,528
Share based compensation	-	-	-	-	4
Balance as of 30 June 2019	88	(71)	(22)	(37)	8,258
Balance as of 1 October 2019	144	152	(42)	(37)	8,633
Net income	-	-	-	-	259
Other comprehensive income (loss), net of tax	(215)	(225)	42	-	(324)
Total comprehensive income (loss) net of tax	(215)	(225)	42	-	(65)
Dividends	-	-	-	-	(336)
Issuance of ordinary shares:					
Exercise of stock options	-	-	-	-	2
Capital increase	-	-	-	-	1,045
Emission hybrid capital	-	-	-	-	1,186
Compensation hybrid capital	-	-	-	-	(20)
Share based compensation	-	-	-	-	6
Purchase of own shares	-	-	-	4	4
Other changes in equity	-	-	-	-	4
Balance as of 30 June 2020	(71)	(73)	-	(33)	10,459

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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 with the exceptions described below.

IFRS 16 “Leases”

IFRS 16 introduces a standardized accounting model by which leases are to be recorded in the balance sheet of the lessee. IFRS16 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. Accordingly, the previous periods were not adjusted.

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 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
Gross lease payments 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

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Defined benefit pension plans

The methodology for calculating the discount factor to measure the present value of net pension obligations as at the end of reporting periods has been revised with the first-time use of Willis Towers Watson's "RATE:Link method" as at 30 June 2020. The RATE:Link method continues to be based on high-grade fixed interest corporate bonds, issued by borrowers with very high credit ratings that have the same maturity and are denominated in the same currency as the pension obligations being measured.

The revision of the estimation method as at 30 June 2020 gave rise to an actuarial gain of €42 million, which has been recognized through the Consolidated Statement of Comprehensive Income.

Acquisition of Cypress Semiconductor Corporation ("Cypress")

On 16 April 2020 Infineon completed the acquisition of Cypress Semiconductor Corporation ("Cypress"), based in San José, California, USA. Cypress has been fully consolidated since that date. For this reason, the figures as at 30 June 2020 and for the reporting periods ending on 30 June 2020 are only comparable to a limited extent with the figures reported for comparative periods.

In conjunction with the integration of Cypress, the presentation of reimbursement obligations to customers has been brought into line with the approach previously used by Cypress. Rather than netting reimbursement obligations against trade receivables, they are now reported within other current liabilities. In order to improve comparability, the comparative figures as at 30 September 2019 and 31 March 2020 have been adjusted.

D I S C L A I M E R

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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