Press Release

Infineon defies weaker US$ with strong momentum: fiscal first quarter profitability better than expected

- **Q1 FY 2018: Revenue of €1,775 million; Segment Result €283 million; Segment Result Margin 15.9 percent; earnings per share €0.18 (basic and diluted); adjusted earnings per share €0.20 (diluted); gross margin 36.4 percent, adjusted gross margin 37.4 percent**
- **Outlook for FY 2018: Only due to the weaker US$ based on an assumed exchange rate of US$ 1.25 to the euro for the remainder of the fiscal year, year-on-year revenue growth of about 5 percent (plus or minus 2 percentage points) and Segment Result Margin of 16,5 percent at mid-point of revenue guidance**
- **Outlook for Q2 FY 2018: quarter-on-quarter revenue growth of 4 percent (plus or minus 2 percentage points) and Segment Result Margin of 16 percent at mid-point of revenue guidance**

Neubiberg, Germany, 31 January 2018 – Infineon Technologies AG today reported its results for the first quarter of the 2018 fiscal year (period ended 31 December 2017).

“Infineon has made a strong start to the new fiscal year,” stated Dr. Reinhard Ploss, CEO of Infineon. “Earnings and margin were better than forecast – despite the expected slight seasonal dip in revenues. The market for electro-mobility continues to drive growth. Infineon offers solutions for the entire range of drivetrain systems from hybrid to pure electric vehicles. Moreover, we continue to benefit from excellent market conditions, which are driving high demand for power components used in applications across the board, such as solar power plants, especially in China, and also for data centers. Operationally we are fully on track. We could still defy the headwind from the weaker US$ in the fiscal first quarter. Adjusted for the depreciation of the US$ from 1.15 to 1.25, our revenue momentum is unchanged, in terms of the Segment Result Margin even slightly better. However, we are unable to compensate a further depreciation of the US$ by another 8 percentage points, which negatively affects more than half of our revenues. As such, we currency-adjusted our outlook accordingly."

For the Business and Trade Press: INFXX201801-025e

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€in millions	3 months ended 31 Dec 17	sequential +/- in %	3 months ended 30 Sep 17	year-on-year +/- in %	3 months ended 31 Dec 16
Revenue	1,775	(2)	1,820	8	1,645
Segment Result	283	(14)	328	15	246
Segment Result Margin [in %]	15.9%		18.0%		15.0%
Income from continuing operations	206	16	177	25	165
Loss from discontinued operations, net of income taxes	(1)	–	(1)	75	(4)
Net income	**205**	**16**	**176**	**27**	**161**
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Basic earnings per share (in euro) from continuing operations	0.18	13	0.16	20	0.15
Basic loss per share (in euro) from discontinued operations	-	+++	-	+++	(0.01)
Basic earnings per share (in euro)	**0.18**	**13**	**0.16**	**29**	**0.14**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Diluted earnings per share (in euro) from continuing operations	0.18	13	0.16	20	0.15
Diluted loss per share (in euro) from discontinued operations	-	+++	-	+++	(0.01)
Diluted earnings per share (in euro)	**0.18**	**13**	**0.16**	**29**	**0.14**
Adjusted earnings per share (in euro) – diluted [2]	**0.20**	**(9)**	**0.22**	**18**	**0.17**
Gross margin [in %]	**36.4%**		**37.5%**		**36.0%**
Adjusted gross margin [3] [in %]	**37.4%**		**38.6%**		**37.6%**

[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 9.
[3] The reconciliation of cost of goods sold to adjusted cost of goods sold and adjusted gross margin is presented on page 10.

Review of Group financials for the first quarter of the 2018 fiscal year

Compared to the preceding quarter, revenue declined by 2 percent to €1,775 million in the first quarter of the 2018 fiscal year. Revenue in the previous quarter had amounted to €1,820 million. Compared to the first quarter of the 2017 fiscal year, revenues increased by 8 percent. The Industrial Power Control (IPC), Power Management & Multimarket (PMM) and Chip Card & Security (CCS) segments all reported seasonal decreases, whereas the Automotive segment (ATV) recorded seasonally atypical revenue growth in line with expectations.

The gross margin in the first quarter came in at 36.4 percent, compared to 37.5 percent in the previous quarter. These figures include acquisition-related depreciation and amortization as well as other expenses attributable to the International Rectifier acquisition totaling €17 million. The adjusted gross margin came in at 37.4 percent, compared with 38.6 percent in the preceding quarter.

The first-quarter Segment Result amounted to €283 million, compared to €328 million in the fourth quarter of the previous fiscal year, with the Segment Result Margin declining from 18.0 percent to 15.9 percent.

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The first-quarter non-segment result improved to a net loss of €35 million, compared to the net loss of €56 million reported for the preceding quarter. Of the first-quarter figure, €18 million related to the cost of goods sold, €16 million to selling, general and administrative expenses and €1 million to research and development expenses. The non-segment result for the first quarter includes €30 million of depreciation and amortization arising in conjunction with the purchase price allocation and other expenses for post-merger integration measures relating to International Rectifier.

Operating income for the first quarter totaled €248 million, compared to €272 million in the preceding quarter. Income from continuing operations for the three-month period improved to €206 million. The corresponding figure for the previous quarter had been €177 million. Income from discontinued operations remained stable at a negative amount of €1 million. Net income increased from €176 million to €205 million quarter-on-quarter. The first-quarter income tax expense amounted to €28 million, significantly lower than the tax expense of €84 million reported for the fourth quarter.

Earnings per share improved quarter-on-quarter from €0.16 to €0.18 (basic and diluted in each case). Adjusted earnings per share[1] (diluted) amounted to €0.20, compared to €0.22 in the fourth quarter. For the purpose of calculating adjusted earnings per share (diluted), a number of items are eliminated, most notably acquisition-related depreciation/amortization and other expenses (net of tax) as well as valuation allowances on deferred tax assets.

Investments – which Infineon defines as the sum of purchases of property, plant and equipment, purchases of intangible assets and capitalized development costs – amounted to €293 million in the first quarter of the 2018 fiscal year, compared to €370 million in the preceding three-month period. Depreciation and amortization remained almost unchanged at €204 million, compared to the previous quarter's €205 million.

First-quarter free cash flow[2] from continuing operations was a negative amount of €135 million, compared to a positive amount of €249 million one quarter earlier. Net cash provided by operating activities from continuing operations amounted to €158 million, compared to the previous quarter's €616 million.

[1] 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 9.

[2] For definitions and the calculation of free cash flow and of the gross and net cash position, please see page 12.

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The gross cash position at the end of the first quarter of the 2018 fiscal year amounted to €2,312 million, compared to €2,452 million at 30 September 2017. The net cash position amounted to €503 million, compared to €618 million three months earlier.

Provisions relating to Qimonda decreased from €33 million at 30 September 2017 to €32 million at 31 December 2017. These provisions are recognized for legal costs in conjunction with the defense against claims made by the Qimonda insolvency administrator and for residual liabilities related to Qimonda Dresden GmbH & Co. OHG.

Outlook for the second quarter of the 2018 fiscal year

In the second quarter of the 2018 fiscal year, Infineon expects a quarter-on-quarter revenue increase of 4 percent (plus or minus 2 percentage points). The forecast is based on an assumed exchange rate of US$1.25 to the euro for the remainder of the quarter. At the mid-point of revenue guidance, the Segment Result Margin is expected to come in at 16 percent.

Outlook for 2018 fiscal year

Based on an assumed exchange rate of US$1.25 to the euro for the remaining fiscal year (previously assumed: US$1.15), Infineon forecasts year-on-year revenue growth of about 5 percent (plus or minus 2 percentage points) for the remainder of the 2018 fiscal year. Previously, an increase of about 9 percent (plus or minus 2 percentage points) had been expected. The average EUR/US$ exchange rate during the 2017 fiscal year was 1.11 and thus more favorable for Infineon's revenue and earnings performance than the exchange rate of 1.25 assumed from now on. At an unchanged exchange rate of 1.11, expected year-on-year growth would be significantly higher and within the double-digit percentage range. At the mid-point of revenue guidance – even based on the newly assumed EUR/US$ exchange rate of 1.25 from now on compared to the previous 1.15 – the Segment Result Margin is predicted to come in at 16.5 percent. The ATV segment is expected to grow at a significantly faster pace than the Group average. The IPC segment is expected to grow roughly in line with Group average. The PMM segment is forecast to report a growth rate below the Group average. Given the difficult market situation and the strong depreciation of the US$, a decline in revenue is predicted for the CCS segment.

Investments in property, plant and equipment, intangible assets and capitalized development costs totaling between €1.1 and €1.2 billion are planned for the 2018 fiscal year. The ratio of investments to revenue at the mid-point of revenue guidance for the

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2018 fiscal year should therefore be about 15 percent and hence above the target level of 13 percent of revenue. This development reflects high investments in additional manufacturing capacities, especially for electro-mobility products, which, along with other lines of business, are expected to see growing demand. Depreciation and amortization is expected to be in the region of €880 million.

Segment earnings in the first quarter of the 2018 fiscal year

€in millions	in % of total revenue	3 months ended 31 Dec 17	sequential +/- in %	3 months ended 30 Sep 17	year-on-year +/- in %	3 months ended 31 Dec 16
Infineon						
Revenue	100	1,775	(2)	1,820	8	1,645
Segment Result		283	(14)	328	15	246
Segment Result Margin [in %]		15.9%		18.0%		15.0%
Automotive (ATV)						
Segment Revenues	43	770	5	736	9	705
Segment Result		103	(6)	109	(10)	114
Segment Result Margin [in %]		13.4%		14.8%		16.2%
Industrial Power Control (IPC)						
Segment Revenues	17	296	(10)	328	12	264
Segment Result		48	(20)	60	+++	24
Segment Result Margin [in %]		16.2%		18.3%		9.1%
Power Management & Multimarket (PMM)						
Segment Revenues	31	545	(5)	573	10	497
Segment Result		107	(15)	126	32	81
Segment Result Margin [in %]		19.6%		22.0%		16.3%
Chip Card & Security (CCS)						
Segment Revenues	9	162	(10)	181	(7)	174
Segment Result		25	(24)	33	(14)	29
Segment Result Margin [in %]		15.4%		18.2%		16.7%
Other Operating Segments (OOS)						
Segment Revenues	0	2	-	2	-	2
Segment Result		1	-	1	+++	-
Corporate and Eliminations (C&E)						
Segment Revenues	0	-	-	-	---	3
Segment Result		(1)	-	(1)	50	(2)

ATV segment revenue rose to €770 million in the first quarter of the 2018 fiscal year, up by 5 percent on the previous quarter’s figure of €736 million. Compared to the first quarter of the 2017 fiscal year, revenues increased by 9 percent year-over-year. Demand for products for electric drivetrains contributed significantly to the seasonally atypical revenue growth that had been predicted. The Segment Result amounted to €103 million compared to 109 million in the preceding quarter. The Segment Result Margin came in at 13.4 percent, compared with 14.8 percent in the final quarter of the previous fiscal year.

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Due to seasonality, IPC segment revenue was 10 percent down in the preceding three-month period deceasing from €328 million to €296 million quarter-on-quarter. Compared to the first quarter of the 2017 fiscal year, revenues increased by 12 percent year-over-year. Looking at renewable energy, revenue from wind power products was held down by seasonal factors. However, revenue from products sold for photovoltaic applications remained more or less unchanged, in this case atypical for the time of the year. Demand for home appliances and electric drives was weaker for seasonal reasons. The Segment Result declined from €60 million in the fourth quarter of the 2017 fiscal year to €48 million in the first quarter of the current fiscal year. The Segment Result Margin came in at 16.2 percent, compared to 18.3 percent in the preceding quarter.

PMM segment revenue totaled €545 million, the 5 percent decrease being attributable to seasonal factors. The corresponding figure for the preceding quarter was €573 million. Compared to the first quarter of the 2017 fiscal year, revenues increased by 10 percent year-over-year. The decline was mainly due to seasonal weaker demand in mobile devices. Revenue from the sale of products for AC-DC and DC-DC power supply decreased only minimally in both cases. The first-quarter Segment Result amounted to €107 million, compared to the previous quarter's €126 million. The Segment Result Margin amounted to 19.6 percent compared with 22.0 percent in the preceding quarter.

CCS segment revenue decreased by 10 percent from €181 million to €162 million quarter-on-quarter. Compared to the first quarter of the 2017 fiscal year, revenues decreased by 7 percent year-over-year. The decline in revenue was primarily due to the depreciation of the US$, the volatility in demand related to projects and seasonally weaker demand in the areas of government ID, authentication and embedded SIM cards. By contrast, revenue from business with payment cards grew. The first-quarter Segment Result amounted to €25 million, compared to €33 million in the fourth quarter. The Segment Result Margin came in at 15.4 percent, compared to the previous quarter's 18.2 percent.

Analyst and press telephone conference

Infineon will host a telephone conference call for analysts and investors (in English only) on 31 January 2018 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 of the 2018 fiscal year. In addition, the Management Board will host a telephone conference

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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.

The **Q1 Investor Presentation** is available (in English only) at:
http://www.infineon.com/cms/en/corporate/investor/reporting/

Infineon Financial Calendar (* preliminary)

➢ 22 Feb 2018	Annual General Meeting 2018, Munich
➢ 26 – 28 Feb 2018	Mobile World Congress, Barcelona
➢ 3 May 2018*	Earnings Release for the Second Quarter of the 2018 Fiscal Year
➢ 12 June 2018	Capital Markets Day “IFX Day 2018”, London
➢ 1 Aug 2018*	Earnings Release for the Third Quarter of the 2018 Fiscal Year
➢ 30 Aug 2018	Commerzbank Sector Conference, Frankfurt
➢ 24 Sept 2018	Berenberg and Goldman Sachs 7th German Corporate Conference, Unterschleißheim nearby Munich
➢ 25 Sept 2018	Baader Investment Conference, Munich
➢ 12 Nov 2018*	Earnings Release for the Fourth Quarter and the 2018 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 2017 fiscal year (ending 30 September), the Company reported sales of around €7.1 billion with about 37,500 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
This press release is available online at www.infineon.com/press

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FINANCIAL INFORMATION

According to IFRS – Unaudited

Consolidated Statement of Operations

€in millions; except for the per share data	3 months ended		
	31 Dec 17	30 Sep 17	31 Dec 16
Revenue	1,775	1,820	1,645
Cost of goods sold	(1,129)	(1,137)	(1,053)
Gross profit	**646**	**683**	**592**
Research and development expenses	(195)	(189)	(200)
Selling, general and administrative expenses	(205)	(206)	(196)
Other operating income	6	5	3
Other operating expenses	(4)	(21)	(15)
Operating income	**248**	**272**	**184**
Financial income	3	3	2
Financial expenses	(17)	(15)	(19)
Gain from investments accounted for using the equity method	-	1	-
Income from continuing operations before income taxes	**234**	**261**	**167**
Income tax	(28)	(84)	(2)
Income from continuing operations	**206**	**177**	**165**
Loss from discontinued operations, net of income taxes	(1)	(1)	(4)
Net income	**205**	**176**	**161**
Attributable to:			
Shareholders of Infineon Technologies AG	205	176	161
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]			
Weighted average shares outstanding (in million) – basic	1,130	1,130	1,127
Basic earnings per share (in euro) from continuing operations	0.18	0.16	0.15
Basic loss per share (in euro) from discontinued operations	-	-	(0.01)
Basic earnings per share (in euro)	**0.18**	**0.16**	**0.14**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]			
Weighted average shares outstanding (in million) – diluted	1,134	1,134	1,133
Diluted earnings per share (in euro) from continuing operations	0.18	0.16	0.15
Diluted loss per share (in euro) from discontinued operations	-	-	(0.01)
Diluted earnings per share (in euro)	**0.18**	**0.16**	**0.14**

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

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Segment Revenues and Segment Results

Segment Result is defined as operating income (loss) excluding the following: the net amount of asset impairments and reversals thereof (excluding capitalized development costs); the impact on earnings of restructuring and closures; share-based compensation expense; acquisition-related depreciation/amortization and other expenses; gains (losses) on sales of assets, businesses, or interests in subsidiaries as well as other income (expense), including litigation costs.

Reconciliation of Segment Result to Operating Income

€in millions	3 months ended		
	31 Dec 17	30 Sep 17	31 Dec 16
Segment Result	283	328	246
Plus/minus:			
Impairment on assets including asstes classified as held for sale (excluding capitalized development costs), net of reversals	-	(2)	(1)
Impact on earnings of restructuring and closures, net	-	-	(1)
Share-based compensation expense	(5)	(5)	(3)
Acquisition-related depreciation/amortization and other expenses	(30)	(33)	(44)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	-	(14)	(1)
Other income and expense, net	-	(2)	(12)
Operating income	**248**	**272**	**184**

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) 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 17	30 Sep 17	31 Dec 16
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	206	177	165
Plus/minus:			
Impairments on assets including assets classified as held for sale (excluding capitalized development costs), net of reversals	-	2	1
Impact on earnings of restructuring and closures, net	-	-	1
Share-based compensation expense	5	5	3
Acquisition-related depreciation/amortization and other expenses	30	33	44
Losses (gains) on sales of assets, businesses, or interests in subsidiaries, net	-	14	1
Other income and expense, net	-	2	12
Tax effects on adjustments	(8)	(10)	(14)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	(7)	32	(17)
Adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**226**	**255**	**196**
Weighted-average number of shares outstanding (in million) – diluted	1,134	1,134	1,133
Adjusted earnings per share (in euro) – diluted[1]	0.20	0.22	0.17

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

Adjusted net income and adjusted earnings per share (diluted) should not be seen as a replacement or superior performance indicator, but rather as additional information to the net income and earnings per share (diluted) determined in accordance with IFRS.

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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	3 months ended		
	31 Dec 17	30 Sep 17	31 Dec 16
Cost of goods sold	1,129	1,137	1,053
Plus/minus:			
Share-based compensation expense	(1)	(1)	(1)
Acquisition-related depreciation/amortization and other expenses	(17)	(19)	(25)
Adjusted cost of goods sold	1,111	1,117	1,027
Adjusted gross margin	37.4%	38.6%	37.6%

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.

Revenues and Segment Result
for the three months ended 31 December 2017 and 2016 and 30 September 2017

Revenue € in millions	3 months ended			3 months ended		
	31 Dec 17	31 Dec 16	+/- in %	31 Dec 17	30 Sep 17	+/- in %
Automotive	770	705	9	770	736	5
Industrial Power Control	296	264	12	296	328	(10)
Power Management & Multimarket	545	497	10	545	573	(5)
Chip Card & Security	162	174	(7)	162	181	(10)
Other Operating Segments	2	2	-	2	2	-
Corporate and Eliminations	-	3	---	-	-	-
Total	**1,775**	**1,645**	**8**	**1,775**	**1,820**	**(2)**

Segment Result € in millions	3 months ended			3 months ended		
	31 Dec 17	31 Dec 16	+/- in %	31 Dec 17	30 Sep 17	+/- in %
Automotive	103	114	(10)	103	109	(6)
Industrial Power Control	48	24	+++	48	60	(20)
Power Management & Multimarket	107	81	32	107	126	(15)
Chip Card & Security	25	29	(14)	25	33	(24)
Other Operating Segments	1	-	+++	1	1	-
Corporate and Eliminations	(1)	(2)	50	(1)	(1)	-
Total	**283**	**246**	**15**	**283**	**328**	**(14)**
Segment Result Margin (in%)	**15.9%**	**15.0%**		**15.9%**	**18.0%**	

Employees

	31 Dec 17	30 Sep 17	31 Dec 16
Infineon	38,229	37,479	36,447
Thereof: Research and development	6,547	6,362	6,104

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Consolidated Statement of Financial Position

€in millions	31 Dec 17	30 Sep 17
ASSETS:		
Cash and cash equivalents	745	860
Financial investments	1,567	1,592
Trade receivables	798	851
Inventories	1,282	1,240
Income tax receivable	6	5
Other current assets	342	300
Assets classified as held for sale	24	23
Total current assets	**4,764**	**4,871**
Property, plant and equipment	2,750	2,659
Goodwill and other intangible assets	1,565	1,586
Investments accounted for using the equity method	28	28
Deferred tax assets	632	612
Other non-current assets	194	189
Total non-current assets	**5,169**	**5,074**
Total assets	**9,933**	**9,945**
LIABILITIES AND EQUITY:		
Short-term debt and current maturities of long-term debt	316	323
Trade payables	953	1,020
Short-term provisions	260	422
Income tax payable	89	103
Other current liabilities	285	230
Total current liabilities	**1,903**	**2,098**
Long-term debt	1,493	1,511
Pension plans and similar commitments	507	503
Deferred tax liabilities	16	18
Long-term provisions	66	67
Other non-current liabilities	114	112
Total non-current liabilities	**2,196**	**2,211**
Total liabilities	**4,099**	**4,309**
Shareholders' equity:		
Ordinary share capital	2,273	2,272
Additional paid-in capital	4,779	4,774
Accumulated deficit	(1,198)	(1,404)
Other reserves	17	31
Own shares	(37)	(37)
Equity attributable to shareholders of Infineon Technologies AG	**5,834**	**5,636**
Total liabilities and equity	**9,933**	**9,945**

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Regional Revenue Development

€in millions	3 months ended					
	31 Dec 17		30 Sep 17		31 Dec 16	
Revenue:						
Europe, Middle East, Africa	576	33%	579	32%	506	31%
Therein: Germany	277	16%	280	15%	232	14%
Asia-Pacific (w/o Japan)	878	49%	906	50%	815	50%
Therein: China	462	26%	478	26%	408	25%
Japan	117	7%	121	6%	106	6%
Americas	204	11%	214	12%	218	13%
Therein: USA	163	9%	173	10%	175	11%
Total	**1,775**	**100%**	**1,820**	**100%**	**1,645**	**100%**

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 17	30 Sep 17	31 Dec 16
Cash and cash equivalents	745	860	634
Financial investments	1,567	1,592	1,575
Gross cash position	**2,312**	**2,452**	**2,209**
Less:			
Short-term debt and current maturities of long-term debt	316	323	29
Long-term debt	1,493	1,511	2,014
Total debt	**1,809**	**1,834**	**2,043**
Net cash position	**503**	**618**	**166**

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 17	30 Sep 17	31 Dec 16
Net cash provided by operating activities from continuing operations	158	616	282
Net cash used in investing activities from continuing operations	(267)	(479)	(268)
Purchases of (proceeds from sales of) financial investments, net	(26)	112	(53)
Free Cash Flow	**(135)**	**249**	**(39)**

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Consolidated Statement of Cash Flows

€in millions

	3 months ended		
	31 Dec 17	30 Sep 17	31 Dec 16
Net income	**205**	**176**	**161**
Plus: income from discontinued operations, net of income taxes	1	1	4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	204	205	200
Income tax	28	84	2
Net interest result	13	12	15
Losses on disposals of property, plant and equipment	-	1	1
Dividends received from joint ventures	6	-	-
Impairment charges	-	2	1
Other non-cash result	3	15	3
Change in trade receivables	53	(11)	40
Change in inventories	(45)	(12)	(45)
Change in trade payables	(72)	152	(48)
Change in provisions	(158)	51	(94)
Change in other assets and liabilities	(9)	4	85
Interest received	4	3	2
Interest paid	(19)	(12)	(18)
Income tax paid	(56)	(55)	(27)
Net cash provided by operating activities from continuing operations	**158**	**616**	**282**
Net cash provided by (used in) operating activities from discontinued operations	**6**	**(2)**	**-**
Net cash provided by operating activities	**164**	**614**	**282**
Purchases of financial investments	(497)	(896)	(905)
Proceeds from sales of financial investments	523	784	958
Purchases of other equity investments	-	(9)	-
Acquisitions of businesses, net of cash acquired	-	-	(5)
Acquisition of shares in MoTo[1], net of cash acquired	-	-	(112)
Proceeds from sales of businesses and interests in subsidiaries, net of cash disbursed	-	10	-
Purchases of intangible assets and other assets	(37)	(46)	(23)
Purchases of property, plant and equipment	(256)	(324)	(181)
Proceeds from sales of property, plant and equipment and other assets	-	2	-
Net cash used in investing activities from continuing operations	**(267)**	**(479)**	**(268)**
Net cash used in investing activities from discontinued operations	**-**	**-**	**-**
Net cash used in investing activities	**(267)**	**(479)**	**(268)**
Net change in short-term debt	-	-	(1)
Proceeds from issuance of long-term debt	-	-	1
Repayments of long-term debt	(13)	-	-
Change in cash deposited as collateral	(1)	-	-
Proceeds from issuance of ordinary shares	1	5	9
Net cash provided by (used in) financing activities from continuing operations	**(13)**	**5**	**9**
Net cash used in financing activities from discontinued operations	**-**	**-**	**-**
Net cash provided by (used in) financing activities	**(13)**	**5**	**9**
Net change in cash and cash equivalents	(116)	140	23
Effect of foreign exchange rate changes on cash and cash equivalents	1	(6)	(14)
Cash and cash equivalents at beginning of period	860	726	625
Cash and cash equivalents at end of period	**745**	**860**	**634**

[1] As of December 30, 2016 Infineon acquired 93 percent of the shares in MoTo Objekt Campeon GmbH & Co. KG (MoTo).

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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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