Half-Year Financial Report 31 March 2023

Infineon Technologies AG

Content

Selected consolidated key data

First half of fiscal year[1]	2023 € in million	2023 in % of revenue	2022 € in million	2022 in % of revenue	Change in %
Revenue by segment	**8,071**		**6,457**		25%
Automotive	3,951	49%	2,881	45%	37%
Green Industrial Power	1,058	13%	812	13%	30%
Power & Sensor Systems	1,969	25%	1,880	29%	5%
Connected Secure Systems	1,081	13%	875	13%	24%
Other Operating Segments	12	0%	9	0%	33%
Corporate and Eliminations	-	-	-	-	–
Selected results of operations key data					
Gross profit/Gross margin	3,786	46.9%	2,728	42.2%	39%
Research and development expenses	(971)	12.0%	(847)	13.1%	15%
Selling, general and administrative expenses	(804)	10.0%	(699)	10.8%	15%
Operating profit	2,039		1,235		65%
Profit (loss) for the period	1,553		927		68%
Segment Result/ Segment Result Margin	2,287	28.3%	1,478	22.9%	55%
Basic earnings per share in €	1.18		0.70		69%
Diluted earnings per share in €	1.18		0.70		69%
Adjusted earnings per share (in euro) - diluted[2]	1.33		0.85		56%

First half of fiscal year[1] (€ in millions)	2023	2022	Change in %
Selcted liquidity key data			
Cash flows from operating activities from continuing operations	1,277	1,411	(9%)
Cash flows from investing activities	(788)	(659)	(20%)
Cash flows from financing activities	(491)	(1,223)	60%
Free Cash Flow[3]	218	499	(56%)
Depreciation and amortization	863	798	8%
Investments[4]	1,171	902	30%

€ in millions, except equity ratio and number of employees[1]	As of 31 March 2023	As of 30 September 2022	Change in %
Gross cash position[3]	3,446	3,717	(7%)
Net cash position[3]	(1,982)	(1,945)	(2%)
Selected financial condition key data			
Total balance sheet	26,435	26,912	(2%)
Total equity	15,190	14,944	2%
Equity ratio[5]	57.5%	55.5%	200 bp
Market capitalization[6]	**49,087**	**29,574**	**66%**
Infineon employees	**57,217**	**56,194**	**2%**

1 Totals may differ due to rounding.

2 See the chapter "Review of results of operations" for definition.

3 See the chapter "Review of results of liquidity" for definition.

4 Capital expenditure: the total amount invested in property, plant and equipment and other intangible assets, including capitalized development expenses.

5 Equity ratio = Total equity/Total balance sheet.

6 The calculation is based on unrounded figures. Own shares were not taken into consideration for calculation of market capitalization.

Interim Group Management Report

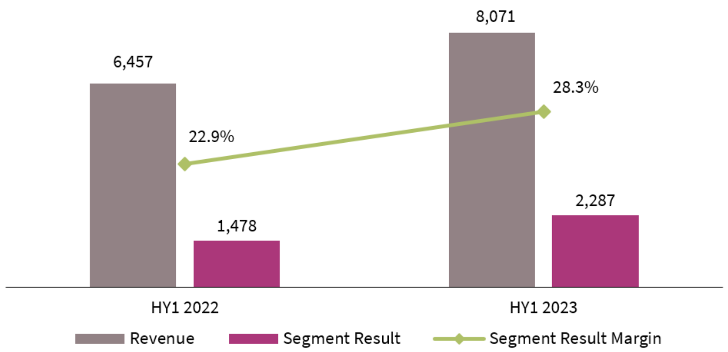
- Very good business performance leads to further increases in revenue and earnings
- Segment Result Margin rises to 28.3 percent in the first half of the 2023 fiscal year
- Outlook for the 2023 fiscal year revised up:
  - Revenue of €16.2 billion plus or minus €300 million expected
  - At the mid-point of the guided revenue range, the Segment Result Margin should be around 27 percent
  - Free Cash Flow expected to be around €1.1 billion
  - Forecast for return on capital employed (RoCE) rises to around 15 percent

"Infineon is performing very well. We are seeing strong growth in our businesses relating to electromobility, renewable energy generation and energy infrastructure. These are precisely the key applications we are serving related to the decarbonization," says Jochen Hanebeck, CEO of Infineon. "Although an improvement in consumer goods markets such as smartphones, PCs and home appliances is not yet visible, we are nevertheless very confident overall about Infineon's future business performance. We are therefore revising our expectations for revenue and profitability in the current fiscal year upwards, as already announced at the end of March."

Operating Group performance in the first half of the 2023 fiscal year

C1 Revenue and Segment Result

€ in millions



In the first half of the 2023 fiscal year, **revenue** increased by €1,614 million to €8,071 million, up from €6,457 million in the prior-year period. The 25 percent growth in revenue resulted mainly from higher volumes, due to a high level of demand for semiconductors and the expansion in available manufacturing capacity. Other factors that had a positive impact on revenue were price increases, improvements in product mix and exchange rate effects, mainly as a result of the strong US dollar.

As a result the **Segment Result** has now been increased by 55 percent, from €1,478 million in the first half of the 2022 fiscal year to €2,287 million in the first half of the 2023 fiscal year.

The **Segment Result Margin** in the reporting period was 28.3 percent, compared with 22.9 percent in the first half of 2022 fiscal year.

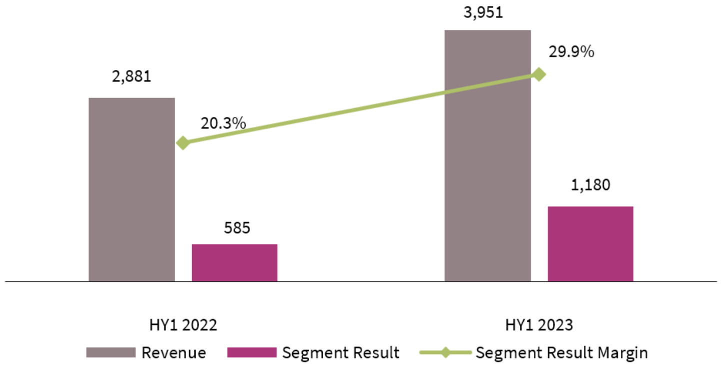
Operating segment performance in the first half of the 2023 fiscal year

Automotive

€ in millions, except percentages	First half 2023	First half 2022	Change absolute	Change in %
Revenue	3,951	2,881	1,070	37%
Share of Group Revenue	49%	45%		
Segment Result	1,180	585	595	102%
Share of Group Segment Result	52%	40%		
Segment Result Margin	29.9%	20.3%	960 bp	

C2 Revenue and Segment Result of the Automotive segment

€ in millions



Revenue in the Automotive segment increased in the first half of the 2023 fiscal year by 37 percent to €3,951 million, from €2,881 million in the first half of the 2022 fiscal year. The main reason for the growth in revenue was a high level of demand for components for electric vehicles and ADAS. Rising prices for semiconductors and the strength of the US dollar compared with the prior-year period also had a positive impact on revenue. The **Segment Result** increased in the first half of the 2023 fiscal year to €1,180 million. This was an increase compared with the prior-year period of €585 million or 102 percent.

The **Segment Result Margin** improved from 20.3 percent in the first half of the 2022 fiscal year to 29.9 percent in the reporting period.

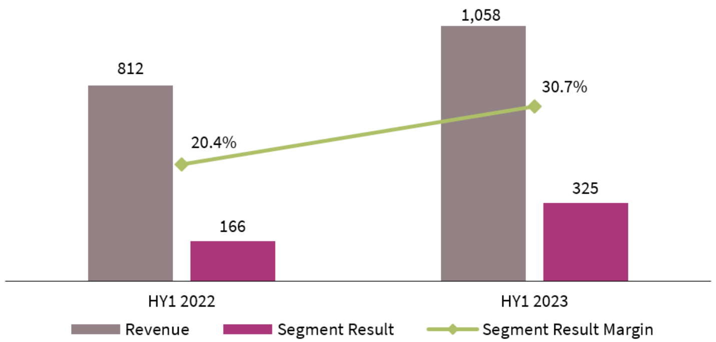
Green Industrial Power

(previously Industrial Power Control)

€ in millions, except percentages	First half 2023	First half 2022	Change absolute	Change in %
Revenue	1,058	812	246	30%
Share of Group Revenue	13%	13%		
Segment Result	325	166	159	96%
Share of Group Segment Result	14%	11%		
Segment Result Margin	30.7%	20.4%	1,030 bp	

C3 Revenue and Segment Result of the Green Industrial Power segment

€ in millions



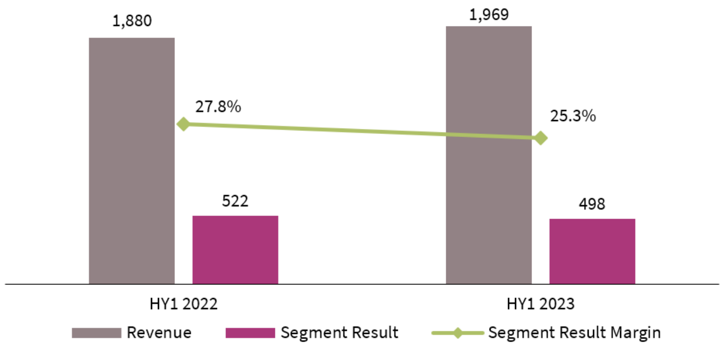
With effect from 1 April 2023, the "Industrial Power Control" segment was renamed "Green Industrial Power". Decarbonization, electrification and energy efficiency are important drivers of the business in this segment. This focus and the significant contribution made by this segment to CO_2 reduction are now also reflected in the new name. The change of name has no impact on the organizational structure, strategy or scope of the business.

In the Green Industrial Power segment, **revenue** rose by 30 percent, from €812 million in the first half of the 2022 fiscal year to €1,058 million in the first half of the current fiscal year. The revenue growth was the result of increased demand, higher prices and the positive impact of the US dollar exchange rate. The rise in demand was seen in particular in automation and industrial drives, renewable energy, energy infrastructure and transportation. The **Segment Result** for the first half of the current fiscal year improved by 96 percent to €325 million, from €166 million in the corresponding prior-year period. The **Segment Result Margin** increased to 30.7 percent from 20.4 percent in the first half of the 2022 fiscal year.

Power & Sensor Systems

€ in millions, except percentages	First half		Change	
	2023	2022	absolute	in %
Revenue	1,969	1,880	89	5%
Share of Group Revenue	25%	29%		
Segment Result	498	522	(24)	(5%)
Share of Group Segment Result	22%	35%		
Segment Result Margin	25.3%	27.8%	(250 bp)	

C4 Revenue and Segment Result of the Power & Sensor Systems segment
€ in millions

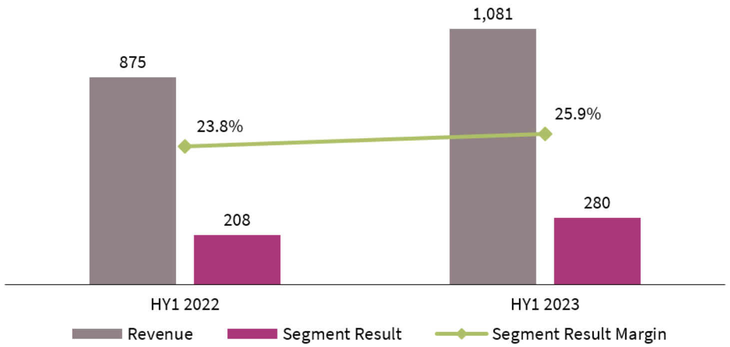


In the first half of the 2023 fiscal year, **revenue** in the Power & Sensor Systems segment rose by 5 percent to €1,969 million. In the same period in the prior fiscal year, revenue was €1,880 million. The increase in revenue was the result of the stronger US dollar and higher prices. A countervailing effect came from weakening demand, particularly in the second quarter of the current fiscal year. The **Segment Result** in the first half of the current fiscal year was €498 million. This was a 5 percent decrease compared with the Segment Result of €522 million in the first half of the 2022 fiscal year. The **Segment Result Margin** was 25.3 percent, compared with 27.8 percent in the prior-year period.

Connected Secure Systems

€ in millions, except percentages	First half		Change	
	2023	2022	absolute	in %
Revenue	1,081	875	206	24%
Share of Group Revenue	13%	13%		
Segment Result	280	208	72	35%
Share of Group Segment Result	12%	14%		
Segment Result Margin	25.9%	23.8%	210 bp	

C5 Revenue and Segment Result of the Connected Secure Systems segment
€ in millions

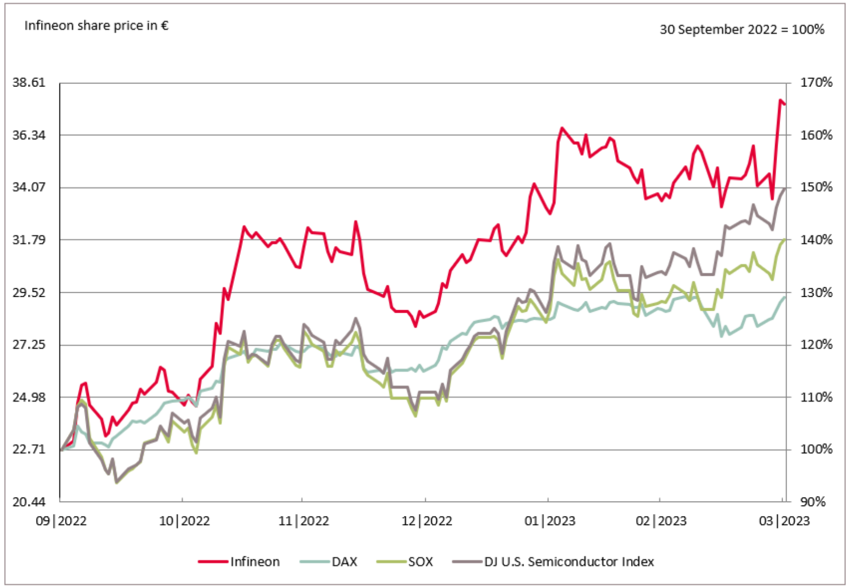


Revenue in the Connected Secure Systems segment improved in the first half of the 2023 fiscal year to €1,081 million, from €875 million in the first half of the prior fiscal year. Factors contributing to the 24 percent increase in revenue included not only a good level of demand (especially in the areas of payment cards, government identification documents, embedded SIMs, connectivity and microcontrollers), but also higher prices and the stronger US dollar. The **Segment Result** for the first half of the 2023 fiscal year improved by 35 percent to €280 million. Revenue in the same period in the prior fiscal year was €208 million. The **Segment Result Margin** rose from 23.8 percent in the first half of the 2022 fiscal year to 25.9 percent in the first half of the current fiscal year.

The Infineon share

The Infineon share price at the end of the first half of the 2023 fiscal year was €37.68, which was 66 percent higher than the Xetra closing price on 30 September 2022 of €22.71.

Performance of the Infineon share compared with the DAX, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index in the first half of the 2023 fiscal year (daily closing prices)



At the Annual General Meeting held on 16 February 2023, the Management Board and the Supervisory Board proposed the payment of a dividend of €0.32 per share for the 2022 fiscal year. The shareholders approved the proposal and an amount of €417 million was duly disbursed to them during the first half of the 2023 fiscal year.

On the final business day of the first half of the current fiscal year, the total number of Infineon shares issued was 1,305,921,137. The figure includes 3,199,077 own shares, which are not entitled to dividend.

Review of business environment

The global economy continued to recover during the 2022 calendar year, with robust growth of 3.0 percent compared with 2021 (International Monetary Fund, World Economic Outlook, April 2023). International Monetary Fund economists forecast a growth rate of 2.4 percent for the 2023 calendar year. This has been revised up 0.3 percentage points from the fall 2022 forecast. Although this would avoid a global recession, the risks remain high. Even though inflation falls, major interest rate cuts are not expected in the foreseeable future. The economic outlook is also being adversely impacted by various geopolitical upheavals. According to the latest forecast from the International Monetary Fund, the global economy is expected to grow by 2.4 percent in the 2024 calendar year, which would mean only relatively modest growth in the calendar years 2023 and 2024. The growth figures are based on market parameters measured in terms of US dollars using market exchange rates.

Demand for semiconductors also rose in the 2022 calendar year. However, we can talk of a market divided in two. Whereas the market for memory chips has shrunk considerably, the semiconductor market in other areas has expanded significantly. According to World Semiconductor Trade Statistics (WSTS), Infineon's reference market (i.e. the semiconductor market excluding DRAM and NAND flash memory chips and microprocessors) grew by 14 percent in US dollar terms in the 2022 calendar year (WSTS, 4th Quarter 2022 Forecast Update, March 2023). For the 2023 calendar year, WSTS is forecasting stagnation in Infineon's reference market compared with the prior year. In view of the macroeconomic and geopolitical uncertainties, growth forecasts for Infineon's reference market are currently spread either side of the zero mark. Omdia and TechInsights are forecasting growth of 1 percent for the 2023 calendar year (based on information from Omdia, AMFT Shipment – World & Regions – 1Q23 Update, April 2023; TechInsights, Semiconductor Forecast, March 2023), whereas Gartner is forecasting a decline in growth of 3 percent (Gartner, Semiconductor Forecast Database, Worldwide, 1Q23 Update, March 2023). The growth forecasts for the 2024 calendar year for Infineon's reference market are currently between 4 percent (WSTS) and 8 percent (Gartner).

Review of results of operations

€ in millions, except earnings per share	First half		Change	
	2023	2022	absolute	in %
Revenue	8,071	6,457	1,614	25%
Cost of goods sold	(4,285)	(3,729)	(556)	15%
Gross profit	**3,786**	**2,728**	**1,058**	**39%**
Research and development expenses	(971)	(847)	(124)	15%
Selling, general and administrative expenses	(804)	(699)	(105)	15%
Other operating income and expenses, net	28	53	(25)	(47%)
Operating profit	**2,039**	**1,235**	**804**	**65%**
Financial result (financial income and expenses, net)	(41)	(88)	47	53%
Share of profit (loss) of associates and joint ventures accounted for using the equity method	11	20	(9)	(45%)
Income taxes	(454)	(237)	(217)	92%
Profit (loss) from continuing operations	**1,555**	**930**	**625**	**67%**
Profit (loss) from discontinued operations, net of income taxes	(2)	(3)	1	33%
Profit (loss) for the period	**1,553**	**927**	**626**	**68%**
Basic earnings per share (in euro)	1.18	0.70	0.48	69%
Diluted earnings per share (in euro)	1.18	0.70	0.48	69%
Adjusted diluted earnings per share (in euro)	1.33	0.85	0.48	56%

Continued high demand, higher prices and improvements in product mix have resulted in revenue growth

Infineon's **revenue** in the first half of the 2023 fiscal year rose by €1,614 million or 25 percent to €8,071 million, from €6,457 million in the first half of the prior fiscal year. The increase in revenue was mainly the result of higher volumes, due to a high level of demand for semiconductors and the expansion of available manufacturing capacity. Other factors that had a positive impact on revenue were price increases, improvements in product mix and exchange rate effects, especially on account of the strong US dollar. The average euro/US dollar exchange rate was 1.05 compared with 1.13 in the corresponding period of the prior fiscal year.

All operating segments reported revenue growth compared with the prior-year period (see "Operating segment performance in the first half of the 2023 fiscal year"). In particular, revenue from power semiconductors and embedded control & connectivity products was significantly higher (see note 11 to the Consolidated Financial Statements).

Regional distribution of revenue

At €2,600 million or 32 percent (October 2021 – March 2022: 37 percent), the Greater China region accounted for around one third of revenue in the first half of the 2023 fiscal year, followed by the Europe, Middle East and Africa region with €2,092 million or 26 percent (October 2021 – March 2022: 24 percent). The Asia-Pacific region accounted for €1,302 million or 16 percent (October 2021 – March 2022: 17 percent) and the Americas region €1,195 million or 15 percent (October 2021 – March 2022: 12 percent).

For further information on revenue by region, see also note 11 to the Consolidated Financial Statements.

Disproportionately low increase in cost of goods sold leads to an improvement in gross margin

At €4,285 million, **cost of goods sold** in the first half of the 2023 fiscal year was €556 million or 15 percent higher than the figure of €3,729 million in the first half of the 2022 fiscal year. The increase in cost of goods sold was thus less than the increase in revenue. This was due mainly to higher sales prices and product mix effects.

Cost of goods sold includes amortization of other intangible assets and depreciation of property, plant and equipment based on purchase price allocations measured at fair value as well as other acquisition-related expenses totaling €144 million (October 2021 – March 2022: €145 million).

Gross profit (revenue less cost of goods sold) for the first half of the 2023 fiscal year was €3,786 million, 39 percent up on the figure for the prior-year period of €2,728 million.

The **gross margin** improved accordingly, from 42.2 percent in the first half of the 2022 fiscal year to 46.9 percent in the reporting period.

	First half		Change	
€ in millions, except percentages	2023	2022	absolute	in %
Cost of goods sold	4,285	3,729	556	15%
Percentage of revenue	53.1%	57.8%	(470 bp)	
Gross profit	3,786	2,728	1,058	39%
Percentage of revenue (gross margin)	46.9%	42.2%	470 bp	

Operating costs down as a percentage of revenue

Operating costs (research and development expenses, selling expenses as well as general and administrative expenses) totaled €1,775 million in the first half of the 2023 fiscal year, an increase of €229 million compared to the figure for the prior-year period of €1,546 million. The ratio of operating costs to revenue was therefore 22.0 percent (October 2021 – March 2022: 23.9 percent).

Research and development expenses rose by €124 million or 15 percent, from €847 million in the first half of the 2022 fiscal year to €971 million in the first half of the 2023 fiscal year, mainly reflecting the increased size of the workforce in this area. A total of 12,430 employees were working in various research and development functions at 31 March 2023 (31 March 2022: 11,028). The ratio of research and development expenses to revenue fell from 13.1 percent in the first half of the 2022 fiscal year to 12.0 percent in the reporting period.

	First half		Change	
€ in millions, except percentages	2023	2022	absolute	in %
Research and development expenses	971	847	124	15%
Percentage of revenue	12.0%	13.1%	(110 bp)	

Selling, general and administrative expenses increased by €105 million or 15 percent to €804 million (October 2021 – March 2022: €699 million). The ratio of selling, general and administrative expenses to revenue for the first half of the 2023 fiscal year was 10.0 percent, below the figure for the first half of the 2022 fiscal year of 10.8 percent. The earnings impact of purchase price allocations and acquisition-related expenses included in this remained virtually the same at €88 million (October 2021 – March 2022: €85 million).

	First half		Change	
€ in millions, except percentages	2023	2022	absolute	in %
Selling, general and administrative expenses	804	699	105	15%
Percentage of revenue	10.0%	10.8%	(80 bp)	

Net amount of other operating income and expenses

The **net amount of other operating income and expenses** in the first half of the 2023 fiscal year was €28 million (October 2021 – March 2022: €53 million). This includes income from the sale of the HiRel DC-DC converter business to Micross Components, Inc. (“Micross”). The figure for the prior-year period was positively impacted by insurance reimbursements and the release of a provision.

Financial result

The change in the **financial result**, from a net loss of €88 million in the first half of the 2022 fiscal year to a net loss of €41 million in the reporting period, was mainly due to an increase in interest income as a result of higher interest rates. Interest expenses from financing arrangements, on the other hand, are subject to virtually no fluctuations due to the contractually fixed interest rates.

Effective tax rate up to 22.6 percent

The **income tax expense** in the first half of the 2023 fiscal year was €454 million (October 2021 – March 2022: €237 million). The increase in the income tax expense was attributable to the higher level of profit before income taxes. In relation to profit before income taxes of €2,009 million (October 2021 – March 2022: €1,167 million), the effective tax rate for the reporting period was 22.6 percent (October 2021 – March 2022: 20.3 percent). See note 3 to the Consolidated Financial Statements.

Increase of profit for the period and thus of earnings per share

After deducting income tax expenses and the loss from discontinued operations of €2 million (October 2021 – March 2022: loss of €3 million), Infineon reports a profit for the first half of the 2023 fiscal year of €1,553 million (October 2021 – March 2022: €927 million).

The higher **profit for the period** resulted in a corresponding increase in **earnings per share**.

Basic and diluted earnings per share for the first half of 2023 stood at €1.18 (October 2021 – March 2022: €0.70).

Adjusted earnings per share increased

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular Cypress), and by other exceptional items. To enable better comparability of operating performance over time, Infineon computes **adjusted earnings per share (diluted)** as follows:

	First half		Change	
€ in millions (unless otherwise stated)	2023	2022	absolute	in %
Profit (loss) from continuing operations – diluted	**1,555**	**930**	625	67%
Compensation of hybrid capital investors[1]	(15)	(15)	-	0%
Profit (loss) from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**1,540**	**915**	**625**	**68%**
Plus/minus:				
Share-based payment	34	20	14	70%
Acquisition-related depreciation/amortization and other expenses	244	244	-	0%
Losses (gains) on sales of businesses, or interests in subsidiaries, net	(30)	-	(30)	–
Other income and expenses, net	-	(21)	21	100%
Acquisition-related expenses within financial result	1	4	(3)	(75%)
Tax effect on adjustments	(57)	(53)	(4)	(8%)
Revaluation of deferred tax assets resulting from the annually updated earnings forecast	-	(2)	2	100%
Adjusted profit (loss) for the period from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	**1,732**	**1,107**	**625**	**56%**
Weighted-average number of shares outstanding (in millions) – diluted	1,305	1,303	2	0%
Adjusted earnings per share (in euro) – diluted[2]	1.33	0.85	0.48	56%

1 Including the cumulative tax effect.

2 The calculation of the adjusted earnings per share is based on unrounded figures.

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

Review of financial condition

€ in millions	31 March 2023	30 September 2022	Change absolute	Change in %
ASSETS				
Cash and cash equivalents and financial investments	3,446	3,717	(271)	(7%)
Trade receivables	1,960	1,887	73	4%
Inventories	3,499	3,081	418	14%
Property, plant and equipment	5,946	5,545	401	7%
Goodwill	6,356	7,083	(727)	(10%)
Other intangible assets	3,053	3,483	(430)	(12%)
Remaining current and non-current assets	2,175	2,116	59	3%
Total assets	**26,435**	**26,912**	**(477)**	**(2%)**
LIABILITIES AND EQUITY				
Trade payables	2,078	2,260	(182)	(8%)
Other current liabilities	1,261	1,161	100	9%
Financial debt	5,428	5,662	(234)	(4%)
Provisions	896	1,272	(376)	(30%)
Remaining current and non-current liabilities	1,582	1,613	(31)	(2%)
Equity	15,190	14,944	246	2%
Total liabilities and equity	**26,435**	**26,912**	**(477)**	**(2%)**

Currency-related decrease in goodwill and other intangible assets

Goodwill decreased by €727 million to €6,356 million as of 31 March 2023. The reduction in the figure for goodwill was almost entirely the result of exchange rate effects, due in particular from the weaker US dollar compared with 30 September 2022. **Other intangible assets** also fell mainly as a result of amortization and exchange rate effects, by €430 million to €3,053 million.

Increase in inventories due to a higher volume of business

Inventories, and in particular work in progress, increased by €418 million to €3,499 million as of 31 March 2023 (30 September 2022: €3,081 million). This was due primarily to an increase in the volume of business.

Increase in property, plant and equipment as a result of investments

Property, plant and equipment increased by €401 million to €5,946 million as of 31 March 2023. Additions of €1,058 million significantly exceeded depreciation of €556 million. More information about investments in the first half of the 2023 fiscal year can be found in the chapter “Review of liquidity”.

Decrease in provisions mainly as a result of payment of variable remuneration

Provisions fell by €376 million. Payments made for the prior year relating to performance-based employee remuneration exceeded the corresponding additions to provisions for the reporting period.

Currency-related decrease in financial debt

Financial debt decreased by €234 million, almost entirely as a result of exchange rate effects from the weaker US dollar compared with 30 September 2022 (see note 5 of the Consolidated Financial Statements for more detail).

Equity up primarily due to profit for the period

Equity increased by €246 million to €15,190 million as of 31 March 2023, primarily due to the profit for the period of €1,553 million, but offset by currency effects of €928 million recognized in other comprehensive income, mainly attributable to the weaker US dollar against the euro. Another item reducing equity was the payment of the dividend for the 2022 fiscal year of €417 million.

Overall, the equity ratio improved to 57.5 percent as of 31 March 2023 (30 September 2022: 55.5 percent).

Review of liquidity

Cash Flow

€ in millions	First half 2023	First half 2022	Change absolute	Change in %
Cash flows from operating activities from continuing operations	1,277	1,411	(134)	(9%)
Cash flows from investing activities	(788)	(659)	(129)	(20%)
Cash flows from financing activities	(491)	(1,223)	732	60%
Net change in cash and cash equivalents from discontinued operations	(1)	(2)	1	50%
Net change in cash and cash equivalents	**(3)**	**(473)**	**470**	**99%**
Exchange rate effects on cash and cash equivalents	(12)	8	**(20)**	**(250%)**
Change in cash and cash equivalents	**(15)**	**(465)**	**450**	**97%**

The decrease in **cash flows from operating activities from continuing operations** of €134 million to €1,277 million was primarily the result of the change in working capital. There was a negative effect here mainly due to the decrease in trade payables in the reporting period, whereas the increase in trade accounts payable in the prior-year period had a positive effect on working capital. The stronger year-on-year increase in inventories and, to a lesser extent, in trade receivables also had a negative impact on working capital. These effects were offset by the significant improvement in the profit from continuing operations of €625 million.

Cash outflows from investing activities increased by €129 million to €788 million compared with the prior-year period. This was mainly the result of an increase of €249 million of investments in property, plant and equipment. Investments in the first half of 2023 focused on the expansion of frontend manufacturing in Kulim (Malaysia), Villach (Austria) and Dresden (Germany). This was offset by the cash inflow of €92 million from the sale of the HiRel DC-DC converter business to Micross.

Cash outflows from financing activities decreased by €732 million compared with the prior-year period. A €832 million decrease in net repayments of financial debt was partly offset by a €66 million increase in dividend payments.

Further information on the financial debt can be found in note 5 to the Consolidated Financial Statements.

Free cash flow

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

€ in millions	First half 2023	First half 2022	Change absolute	Change in %
Cash flow from operating activities[1]	1,277	1,411	(134)	(9%)
Cash flow from investing activities[1]	(788)	(659)	(129)	(20%)
Purchases of (proceeds from sales of) financial investments, net	(271)	(253)	(18)	(7%)
Free Cash Flow	**218**	**499**	**(281)**	**(56%)**

1 From continuing operations.

Gross cash position and net cash position

The following table reconciles the gross cash position and the net cash position. Since some liquid funds are held in the form of financial investments, which, for IFRS purposes, are not considered to be cash and cash equivalents, Infineon reports on its gross and net cash positions in order to provide investors with a better understanding of its overall liquidity situation. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	31 March 2023	30 September 2022	Change absolute	Change in %
Cash and cash equivalents	1,423	1,438	(15)	(1%)
Financial investments	2,023	2,279	(256)	(11%)
Gross cash position	**3,446**	**3,717**	**(271)**	**(7%)**
Minus:				
Short-term financial debt and current portion of long-term financial debt	752	752	-	0%
Long-term financial debt	4,676	4,910	(234)	(5%)
Gross financial debt	**5,428**	**5,662**	**(234)**	**(4%)**
Net cash position	**(1,982)**	**(1,945)**	**(37)**	**(2%)**

Investment grade rating raised by S&P Global Ratings

In February 2023, S&P Global Ratings raised Infineon's investment grade rating from "BBB" with stable outlook to **"BBB" with positive outlook**.

Employees

The size of the Infineon workforce increased to 57,217 as of 31 March 2023. In the Americas region, the number of employees decreased by 375, mainly due to the closure of the Temecula (California, USA) production site and the sale of the HiRel DC-DC converter business to Micross.

The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

	31 March 2023	30 September 2022	Change absolute	Change in %
Europe	23,371	22,586	785	3%
therein: Germany	14,564	14,099	465	3%
Asia-Pacific (excluding Japan, Greater China)	24,968	24,450	518	2%
Greater China[1]	3,010	2,919	91	3%
therein: Mainland China, Hong Kong	2,603	2,516	87	3%
Japan	665	661	4	1%
Americas	5,203	5,578	(375)	(7%)
therein: USA	3,665	4,055	(390)	(10%)
Total	**57,217**	**56,194**	**1,023**	**2%**

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

Outlook

The outlook for the 2023 fiscal year is presented without taking into account the planned acquisition of GaN Systems Inc., in particular, not taking into account the purchase price payment, as the transaction is still subject to customary closing conditions, including regulatory approvals (see note 2 to the Consolidated Financial Statements).

Updated outlook for the 2023 fiscal year

Due to the very good business development in the reporting period, especially in the core automotive and industrial segments, Infineon has raised its outlook for the 2023 fiscal year compared to the information provided in the Group's interim statement for the first quarter of the current fiscal year.

Notwithstanding the less favorable exchange rate now assumed of US$1.10 to the euro (previously US$1.05[1]), the revenue forecast for the 2023 fiscal year has been revised up from €15.5 billion (plus or minus €500 million) to €16.2 billion (plus or minus €300 million). This is equivalent to a growth rate of 14 percent compared with the 2022 fiscal year.

Accordingly, the forecast for the revenue development of the segments has also changed. Revenue growth for both the Automotive and Green Industrial Power segments is expected to be above the average rate for the Group. In the Connected Secure Systems segment, revenue is likely to grow at around the average rate for the Group. Revenue in the Power & Sensor Systems segment is expected to be lower than in the prior year. At the mid-point of the guided revenue range, the Segment Result Margin is now expected to be around 27 percent (previously around 25[2] percent).

Investments – which Infineon defines as the sum of investments in property, plant and equipment, investments in other intangible assets and capitalized development costs – are planned at around €3.0 billion for the 2023 fiscal year. The focus here will be on the construction of the third manufacturing module on the Kulim site (Malaysia) designed to produce compound semiconductors, the planned start of construction work on the fourth manufacturing module in Dresden (Germany) designed to produce analog/mixed-signal components and power semiconductors, and the continuing expansion of frontend manufacturing capacity especially in Dresden (Germany) and Villach (Austria).

Depreciation and amortization are now anticipated to be about €1.8 billion in the 2023 fiscal year (previously about €1.9 billion), of which approximately €450 million is attributable to purchase price allocations arising mainly from the acquisition of Cypress.

Free Cash Flow is now expected to reach around €1.1 billion (previously around €0.8 billion).

Return on capital employed (RoCE) will be around 15 percent in the 2023 fiscal year (previously around 12 percent).

Risks and Opportunities

Many opportunities arise for Infineon in the course of its entrepreneurial activities, given its international positioning and broad product portfolio, but at the same time it is exposed to numerous risks. Coordinated risk management and control systems are in place to identify relevant risks and opportunities at an early stage and manage them successfully. Risk management at Infineon is integrated into the Group’s planning systems, playing a key role in all decisions and business processes. As such, it is a vital aspect of securing lasting success for the enterprise as a whole.

Specific risks that could have a materially adverse impact on Infineon’s financial condition, liquidity and results of operations, as well as specific opportunities and the concept behind Infineon’s risk management system, are described in the Group Management Report for the 2022 fiscal year (pages 64 to 75).

Infineon has not identified any material changes in the first half of the 2023 fiscal year beyond the risks and opportunities presented in the 2022 Annual Report. Only the risks relating to the coronavirus pandemic were now classified as immaterial in the first half of the 2023 fiscal year due to the general global pandemic situation. Further risks – of which Infineon is not currently aware or which are not currently considered material – could also have an adverse impact on Infineon’s business activities going forward. At the date of this report, Infineon is not aware of any risks that could jeopardize its going-concern status.

1 A euro/US dollar exchange rate of 1.00 was assumed in the outlook of the Annual Report 2022.

2 In the outlook of the Annual Report 2022, a Segment Result Margin of 24 percent was expected.

Consolidated Statement of Profit or Loss

€ in millions	Note	First half 2023	First half 2022	Change absolute	Change in %
Revenue	11	8,071	6,457	1,614	25%
Cost of goods sold		(4,285)	(3,729)	(556)	15%
Gross profit		**3,786**	**2,728**	**1,058**	**39%**
Research and development expenses		(971)	(847)	(124)	15%
Selling, general and administrative expenses		(804)	(699)	(105)	15%
Other operating income		79	76	3	4%
Other operating expenses		(51)	(23)	(28)	122%
Operating profit		**2,039**	**1,235**	**804**	**65%**
Financial income		37	3	34	1133%
Financial expenses		(78)	(91)	13	(14%)
Share of profit (loss) of associates and joint ventures accounted for using the equity method		11	20	(9)	(45%)
Profit (loss) from continuing operations before income taxes		**2,009**	**1,167**	**842**	**72%**
Income taxes	3	(454)	(237)	(217)	92%
Profit (loss) from continuing operations		**1,555**	**930**	**625**	**67%**
Profit (loss) from discontinued operations, net of income taxes	4	(2)	(3)	1	33%
Profit (loss) for the period		**1,553**	**927**	**626**	**68%**
Attributable to:					
Shareholders and hybrid capital investors of Infineon Technologies AG		1,553	927	626	68%
Basic/diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1]					
Basic/diluted earnings per share (in euro) from continuing operations		1.18	0.70	0.48	69%
Basic/diluted earnings per share (in euro) from discontinued operations		-	-	-	–
Basic/diluted earnings per share (in euro)		**1.18**	**0.70**	**0.48**	69%

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

Consolidated Statement of Comprehensive Income

€ in millions	Note	First half 2023	First half 2022	Change absolute	Change in %
Profit (loss) for the period		**1,553**	**927**	**626**	**68%**
Actuarial gains (losses) on pensions and similar commitments		1	88	(87)	(99%)
Total items that will not be reclassified subsequently to profit or loss		**1**	**88**	**(87)**	**(99%)**
Exchange rate effects		(928)	317	(1,245)	(393%)
Net change in fair value of hedging instruments		2	5	(3)	(60%)
Cost of hedging		(4)	-	(4)	–
Total items that may be reclassified subsequently to profit or loss		**(930)**	**322**	**(1,252)**	**(389%)**
Other comprehensive income (loss), net of tax		**(929)**	**410**	**(1,339)**	**(327%)**
Total comprehensive income (loss), net of tax		**624**	**1,337**	**(713)**	**(53%)**
Attributable to:					
Shareholders and hybrid capital investors of Infineon Technologies AG		624	1,337	(713)	(53%)

Consolidated Statement of Financial Position

€ in millions	Note:	31 March 2023	30 September 2022	Change absolute	Change in %
ASSETS					
Cash and cash equivalents		1,423	1,438	(15)	(1%)
Financial investments		2,023	2,279	(256)	(11%)
Trade receivables		1,960	1,887	73	4%
Inventories		3,499	3,081	418	14%
Current income tax receivables		41	58	(17)	(29%)
Contract assets		112	85	27	32%
Other current assets		757	625	132	21%
Assets classified as held for sale		15	-	15	–
Total current assets		**9,830**	**9,453**	**377**	**4%**
Property, plant and equipment		5,946	5,545	401	7%
Goodwill		6,356	7,083	(727)	(10%)
Other intangible assets		3,053	3,483	(430)	(12%)
Right-of-use assets		405	405	-	0%
Investments accounted for using the equity method		98	100	(2)	(2%)
Non-current income tax receivables		1	2	(1)	(50%)
Deferred tax assets		401	527	(126)	(24%)
Other non-current assets		345	314	31	10%
Total non-current assets		**16,605**	**17,459**	**(854)**	**(5%)**
Total assets		**26,435**	**26,912**	**(477)**	**(2%)**

€ in millions	Note:	31 March 2023	30 September 2022	Change absolute	Change in %
LIABILITIES AND EQUITY					
Short-term financial debt and current portion of long-term financial debt	5	752	752	-	0%
Trade payables		2,078	2,260	(182)	(8%)
Current provisions	6	606	983	(377)	(38%)
Current income tax payables		449	356	93	26%
Current lease liabilities		71	76	(5)	(7%)
Other current liabilities		1,261	1,161	100	9%
Total current liabilities		**5,217**	**5,588**	**(371)**	**(7%)**
Long-term financial debt	5	4,676	4,910	(234)	(5%)
Pensions and similar commitments		290	297	(7)	(2%)
Deferred tax liabilities		274	371	(97)	(26%)
Other non-current provisions	6	290	289	1	0%
Non-current lease liabilities		314	310	4	1%
Other non-current liabilities		184	203	(19)	(9%)
Total non-current liabilities		**6,028**	**6,380**	**(352)**	**(6%)**
Total liabilities		**11,245**	**11,968**	**(723)**	**(6%)**
Equity:	7				
Ordinary share capital		2,612	2,612	-	0%
Additional paid-in capital		6,615	6,579	36	1%
Retained earnings		4,623	3,506	1,117	32%
Other reserves		137	1,067	(930)	(87%)
Own shares		(20)	(23)	3	(13%)
Hybrid capital		1,223	1,203	20	2%
Total equity		**15,190**	**14,944**	**246**	**2%**
Total liabilities and equity		**26,435**	**26,912**	**(477)**	**(2%)**

Consolidated Statement of Cash Flows

€ in millions	Note	First half 2023	First half 2022	Change absolute	Change in %
Profit (loss) for the period		**1,553**	**927**	**626**	**68%**
Plus: profit (loss) from discontinued operations, net of income taxes	4	2	3	(1)	(33%)
Adjustments to reconcile profit (loss) for the period to cash flows from operating activities:					
Depreciation and amortization		863	798	65	8%
Income taxes	3	454	237	217	92%
Interest result		57	87	(30)	(34%)
Losses (gains) on disposals of property, plant and equipment		(16)	(5)	(11)	(220%)
Losses (gains) from sales of businesses, interests in subsidiaries and investments		(30)	-	(30)	–
Dividends received		7	3	4	133%
Impairments (reversals of impairments)		15	-	15	–
Share-based payment		34	20	14	70%
Other non-cash result		(16)	(20)	4	20%
Change in trade receivables		(145)	(111)	(34)	(31%)
Change in inventories		(567)	(331)	(236)	(71%)
Change in trade payables		(128)	198	(326)	(165%)
Change in provisions		(343)	(286)	(57)	(20%)
Change in other assets and other liabilities		(174)	32	(206)	(644%)
Interests received		23	2	21	1050%
Interests paid		(49)	(60)	11	18%
Income taxes paid		(263)	(83)	(180)	(217%)
Cash flows from operating activities from continuing operations		**1,277**	**1,411**	**(134)**	**(9%)**
Cash flows from operating activities from discontinued operations		**(1)**	**(2)**	**1**	**(50%)**
Cash flows from operating activities		**1,276**	**1,409**	**(133)**	**(9%)**
Purchases of financial investments		(2,624)	(3,313)	689	21%
Proceeds from sales of financial investments		2,895	3,566	(671)	(19%)
Proceeds from sales of businesses and interests in subsidiaries, net of cash disbursed		92	-	92	–
Investments in related companies		(2)	-	(2)	–
Acquisitions of businesses, net of cash acquired		-	(19)	19	100%
Purchases of other intangible assets and other assets		(119)	(99)	(20)	(20%)
Purchases of property, plant and equipment		(1,052)	(803)	(249)	(31%)
Proceeds from sales of property, plant and equipment and other assets		22	9	13	144%
Cash flows from investing activities		**(788)**	**(659)**	**(129)**	**(20%)**
Proceeds from the issuance of long-term financial debt		-	500	(500)	(100%)
Repayments of long-term financial debt		(1)	(1,333)	1,332	100%
Payments for lease liabilities		(48)	(40)	(8)	(20%)
Change in cash deposited as collateral		-	1	(1)	(100%)
Payments for other financial liabilities		(25)	-	(25)	–
Dividend payments		(417)	(351)	(66)	(19%)
Cash flows from financing activities		**(491)**	**(1,223)**	**732**	**60%**
Net change in cash and cash equivalents		(3)	(473)	470	99%
Exchange rate effects on cash and cash equivalents		(12)	8	(20)	(250%)
Cash and cash equivalents at beginning of period		1,438	1,749	(311)	(18%)
Cash and cash equivalents at end of period		**1,423**	**1,284**	**139**	**11%**

Consolidated Statement of Changes in Equity

For the first half of the 2023 fiscal year

					Other reserves						
€ in millions	Notes	Share capital	Capital reserves	Retained earnings	Exchange rate effects	Hedges	Cost of hedging	Own shares	**Equity attributable to share-holders of Infineon Techno-logies AG**	Equity attributable to hybrid capital investors	**Total equity**
Balance as of 1 October 2022	7	**2,612**	**6,579**	**3,506**	**1,060**	**7**	**-**	**(23)**	**13,741**	**1,203**	**14,944**
Total comprehensive income (loss), net of tax											
Profit (loss) for the period		-	-	1,533	-	-	-	-	**1,533**	20	**1,553**
Other comprehensive income (loss), net of tax		-	-	1	(928)	2	(4)	-	**(929)**	-	**(929)**
Total comprehensive income (loss), net of tax		**-**	**-**	**1,534**	**(928)**	**2**	**(4)**	**-**	**604**	**20**	**624**
Transactions with owners											
Contributions by and distributions to owners											
Dividends		-	-	(417)	-	-	-	-	**(417)**	-	**(417)**
Share-based payment		-	31	-	-	-	-	-	**31**	-	**31**
Disposal (purchase) of own shares		-	-	-	-	-	-	3	**3**	-	**3**
Other contributions and distributions		-	5	-	-	-	-	-	**5**	-	**5**
Total contributions by and distributions to owners		**-**	**36**	**(417)**	**-**	**-**	**-**	**3**	**(378)**	**-**	**(378)**
Total transactions with owners		**-**	**36**	**(417)**	**-**	**-**	**-**	**3**	**(378)**	**-**	**(378)**
Balance as of 31 March 2023		**2,612**	**6,615**	**4,623**	**132**	**9**	**(4)**	**(20)**	**13,967**	**1,223**	**15,190**

Consolidated Statement of Changes in Equity

For the first half of the 2022 fiscal year

					Other reserves					
€ in millions	Notes	Share capital	Capital reserves	Retained earnings	Exchange rate effects	Hedges	Own shares	**Equity attributable to share-holders of Infineon Techno-logies AG**	Equity attributable to hybrid capital investors	**Total equity**
Balance as of 1 October 2021	7	**2,612**	**6,513**	**1,407**	**(309)**	**3**	**(28)**	**10,198**	**1,203**	**11,401**
Total comprehensive income (loss), net of tax										
Profit (loss) for the period		-	-	907	-	-	-	**907**	20	**927**
Other comprehensive income (loss), net of tax		-	-	88	317	5	-	**410**	-	**410**
Total comprehensive income (loss), net of tax		**-**	**-**	**995**	**317**	**5**	**-**	**1,317**	**20**	**1,337**
Transactions with owners										
Contributions by and distributions to owners										
Dividends		-	-	(351)	-	-	-	**(351)**	-	**(351)**
Share-based payment		-	18	-	-	-	-	**18**	-	**18**
Disposal (purchase) of own shares		-	-	-	-	-	3	**3**	-	**3**
Other contributions and distributions		-	5	-	-	-	-	**5**	-	**5**
Total contributions by and distributions to owners		**-**	**23**	**(351)**	**-**	**-**	**3**	**(325)**	**-**	**(325)**
Total transactions with owners		**-**	**23**	**(351)**	**-**	**-**	**3**	**(325)**	**-**	**(325)**
Balance as of 31 March 2022		**2,612**	**6,536**	**2,051**	**8**	**8**	**(25)**	**11,190**	**1,223**	**12,413**

Notes to the condensed Consolidated Interim Financial Statements

1 Basis of Presentation

The condensed Consolidated Interim Financial Statements of the Infineon Group (“Infineon”) comprising Infineon Technologies AG (hereafter also “the Company”) and its subsidiaries for the first half of the 2023 and 2022 fiscal years, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The condensed Consolidated Interim Financial Statements have been prepared in compliance with IAS 34, “Interim Financial Reporting”. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of 30 September 2022 presented herein was derived from the audited consolidated financial statements, not all related disclosures required by IFRS for these are included. The condensed Consolidated Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the 2022 fiscal year. They have been prepared in accordance with IFRS, as adopted by the EU. In interim periods, tax expense is calculated based on the current estimated effective tax rate for the full year.

The accounting policies applied in the preparation of the accompanying condensed Consolidated Interim Financial Statements are consistent with those used for the 2022 fiscal year. An exemption to this principle is the application of new or revised standards and interpretations relevant to Infineon for the fiscal year starting on 1 October 2022. The application of these new or revised standards does not have any material impact on Infineon’s financial position, results of operations and cash flows.

These condensed Consolidated Interim Financial Statements contain all necessary adjustments and present, in the opinion of the management, a true and fair view of the financial position, results of operations and cash flows. All accruals recorded are of a normal recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full fiscal year.

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

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

The Company’s Management Board prepared the condensed Consolidated Interim Financial Statements on 3 May 2023.

Estimates and assumptions

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

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

Although management makes these assumptions and estimates to the best of their knowledge based on current events and activities, actual results may differ from those estimates. This is especially true in the context of the war in Ukraine, with the associated potential risks such as the possible shortage of energy and raw materials, as well as price increases. A broadening of this conflict would further increase the risk of a global economic downturn, which, together with current inflation and interest rate developments, could lead to a significant decline in consumption. Both customs disputes and trade restrictions, for example between the US and China, can further damage global trade and thus global economic growth. Developments in the course of these risks are dynamic, so it cannot be ruled out that the actual results differ significantly from the estimates and assumptions made in the scope of these condensed Consolidated Interim Financial Statements, or that an adjustment to the estimates and assumptions made will be necessary in future periods which may have a significant impact on Infineon's net assets, financial position and results of operations.

Areas that contain estimates and assumptions are explained in more detail in note 2 to the 2022 Consolidated Financial Statements, and mainly relate to the following items in the Consolidated Interim Financial Statements as of 31 March 2023: the recognition and measurement of deferred tax assets and uncertain tax positions, the valuation of inventory, revenue recognized over time as well as such revenue where the transaction price includes a variable component, the recoverability of non-financial assets, in particular goodwill, the recognition and valuation of provisions, and the valuation of defined benefit pension plans. If there have been significant changes to the estimates and assumptions or the underlying parameters in the interim reporting period, these are dealt with separately as part of these condensed Consolidated Interim Financial Statements.

All assumptions and estimates are based on the circumstances and assessments as of the balance sheet date, and taking into account knowledge gained up to the approval by the Management Board of the condensed Consolidated Interim Financial Statements on 3 May 2023.

2 Aquisitions

Planned acquisition of GaN Systems

On 2 March 2023 Infineon and GaN Systems Inc. ("GaN Systems"), Canada, signed a definitive agreement under which GaN Systems will be acquired. GaN Systems is a global technology leader in the development of GaN-based solutions for power conversion. The acquisition strengthens Infineon's leadership in the Power Systems sector. A purchase price of US$830 million was agreed, which is subject to usual price adjustment mechanisms.

The transaction is subject to the customary closing conditions and regulatory approvals.

The planned acquisition of GaN Systems will be funded from existing liquidity.

In order to hedge the foreign currency risks arising from the purchase price obligation in connection with the acquisition of GaN Systems, a transaction-dependent euro/US dollar foreign currency forward (deal contingent forward) and a transaction-dependent euro/US dollar foreign currency option (deal contingent option), each with a nominal volume of US$415 million, were concluded (see note 10).

3 Income taxes

In the first half of the 2023 fiscal year, the effective tax rate was influenced by foreign tax rates, non-deductible expenses, tax-free income, tax credits, and changes to the valuation allowances for deferred tax assets.

	First half		Change	
€ in millions	2023	2022	absolute	in %
Profit (loss) from continuing operations before income taxes	2,009	1,167	842	72%
Income taxes	(454)	(237)	(217)	92%
Effective tax rate	22.6%	20.3%	230 bp	

4 Disposals and discontinued operations

Qimonda – discontinued operations

On 23 January 2009, Qimonda AG ("Qimonda"), a majority owned company, filed an application at the Munich Local Court to commence insolvency proceedings (see note 6 to the 2022 Consolidated Financial Statements).

The current risks and provisions relating to Qimonda's insolvency are described in detail in note 23 to the 2022 Consolidated Financial Statements.

Adjustments were made to individual provisions in connection with the insolvency of Qimonda in the first half of the 2023 fiscal year. These arose mainly as a result of unwinding the discount and resulted in expenses of €2 million, which are reported in the Consolidated Statement of Profit or Loss under Profit (loss) from discontinued operations, net of income taxes.

5 Financial debt

Financial debt consisted of the following:

€ in millions	31 March 2023	30 September 2022
Short term financial debt and current portion of long-term financial debt, average interest rate 0.83% (30 September 2022: 0.87%)	2	3
Bond €750 million, coupon 0.75%, due 2023	750	749
Short-term financial debt and current portion of long-term financial debt	**752**	**752**
Bond €500 million, coupon 0.625%, due 2025	498	497
Bond €750 million, coupon 1.125%, due 2026	746	745
Bond €750 million, coupon 1.625%, due 2029	742	742
Bond €650 million, coupon 2.00%, due 2032	639	639
USPP notes US$935 million, average interest rate 4.09%, due 2024 – 2028	859	958
USPP notes US$1,300 million, average interest rate 2.88%, due 2027 – 2033	1,192	1,329
Long-term financial debt	**4,676**	**4,910**
Total	**5,428**	**5,662**

In February 2023, S&P Global Ratings confirmed Infineon's "BBB" investment grade rating and raised the outlook from stable to positive.

The total lines of credit as of 31 March 2023 and 30 September 2022 are summarized as follows:

	31 March 2023			30 September 2022		
Term, € in millions	Aggregate facility	Drawn	Available	Aggregate facility	Drawn	Available
Short-term	75	2	73	83	3	80
Total	**75**	**2**	**73**	**83**	**3**	**80**

6 Provisions

Current and non-current provisions consisted of the following:

€ in millions	31 March 2023	30 September 2022	Change	
			absolute	in %
Obligations to employees	590	952	(362)	(38%)
Warranties	38	39	(1)	(3%)
Provisions related to Qimonda (see note 4 and note 8)	213	211	2	1%
Other	55	70	(15)	(21%)
Total provisions	**896**	**1,272**	**(376)**	**(30%)**
Thereof current	606	983	(377)	(38%)
Thereof non-current	290	289	1	0%

7 Equity

The ordinary share capital of Infineon Technologies AG amounted to €2,611,842,274 as of 31 March 2023 (30 September 2022: €2,611,842,274), divided into 1,305,921,137 no par value registered shares (30 September 2022: 1,305,921,137), each representing €2 of the Company's ordinary share capital. As of 31 March 2023, of the above-mentioned total number of issued shares, the Company held 3,199,077 own shares (30 September 2022: 3,689,901). The change in numbers of own shares is attributable to the transfer of 490,824 own shares to employees and members of the Management Board under the Performance Share Plan and the Restricted Stock Unit Plan (see note 21 to the 2022 Consolidated Financial Statements).

At the Annual General Meeting on 16 February 2023, it was resolved that a dividend of €0.32 is to be paid for each eligible share out of the distributable profit of Infineon Technologies AG for the 2022 fiscal year. Taking into account the non-entitlement to a dividend of own shares, this resulted in a distribution of €417 million.

Infineon Technologies AG issued a perpetual hybrid bond on 1 October 2019 to refinance the acquisition of Cypress, which is an equity instrument under IAS 32 (see note 19 to the 2022 Consolidated Financial Statements).

For the first half of the 2023 fiscal year, €20 million was recognized in equity as compensation to hybrid capital investors. For the purpose of calculating earnings per share, the profit (loss) for the period attributable to the shareholders of Infineon Technologies AG of €1,553 million was reduced by the compensation of hybrid capital investors of €15 million (net of tax) to €1,538 million in the first half of the 2023 fiscal year.

The compensation of the hybrid capital investors is paid annually retrospectively on 1 April of each year, subject to repayment or redemption. On 1 April 2023, €39 million was paid out.

8 Legal risks

Litigation and government inquiries

Please refer to note 23 to the 2022 Consolidated Financial Statements for a description of litigation and government inquiries (in particular with respect to “Smart card chips antitrust litigation” and “Proceedings in relation to Qimonda”), as well as other litigation and proceedings, and the associated risks. The complaint filed in London in July 2019 by a smart card chip customer was finally dismissed by the UK Supreme Court in December 2022.

9 Transactions with related companies and persons

Infineon has transactions in the normal course of business with joint ventures, associated companies and other related companies (collectively, “related companies”). Related persons are persons in key management positions, in particular Management and Supervisory Board members and their close relatives (collectively, “related persons”).

Related companies

Infineon purchases certain raw materials and services from, and sells certain products and services to related companies. These purchases from and sales to related companies are generally effected at arm’s length.

Related companies’ receivables and payables as of 31 March 2023 and 30 September 2022 consisted of the following:

	31 March 2023			30 September 2022		
€ in millions	Joint ventures	Associated companies	Other related companies	Joint ventures	Associated companies	Other related companies
Trade and other receivables	4	4	-	8	2	-
Financial receivables	33	-	-	35	-	-
Trade and other payables	10	-	2	8	-	2
Financial payables	-	-	1	-	-	1

Sales and service charges to and products and services received from related companies for the first half of the 2023 and 2022 fiscal years consist of the following:

	First half					
	2023			2022		
€ in millions	Joint ventures	Associated companies	Other related companies	Joint ventures	Associated companies	Other related companies
Sales and service charges	68	6	1	49	10	-
Products and services received	58	-	12	44	-	9

Related persons

Géraldine Picaud resigned from the Supervisory Board of the Company with effect from the close of 2 February 2023. By resolution dated 19 April 2023, the Munich Local Court (Commercial Register) appointed Ute Wolf as new member of the Supervisory Board for a limited term until the Company’s next Annual General Meeting in February 2024. The Supervisory Board also elected Ute Wolf as a further member of the Investment, Finance and Audit Committee.

Dr. Wolfgang Eder stepped down as member and Chairman of the Company’s Supervisory Board at the end of the Annual General Meeting on 16 February 2023. Dr. Herbert Diess was elected by the Annual General Meeting as new member of the Supervisory Board until the end of the Annual General Meeting in 2027. In its subsequent meeting, the Supervisory Board elected Dr. Herbert Diess as Chairman of the Supervisory Board.

In addition, Mr. Hans-Ulrich Holdenried resigned his seat with effect from the end of the Annual General Meeting on 16 February 2023. Klaus Helmrich was elected by the Annual General Meeting as new member of the Supervisory Board until the end of the Annual General Meeting in 2027.

10 Additional disclosures on financial instruments

The classification of financial instruments in categories according to IFRS 9, the valuation methods and significant assumptions, are unchanged since 30 September 2022 and are described in detail in note 2 to the 2022 Consolidated Financial Statements. A detailed overview of Infineon's financial instruments, financial risk factors and the management of financial risks is contained in notes 26 and 27 to the 2022 Consolidated Financial Statements.

Macroeconomic uncertainties and geopolitical instability could have a direct and indirect effect on financial risks such as foreign exchange risk, interest rate risk, credit risk as well as liquidity risk and other risks. The course of these events and their impact on Infineon's risk position is continually monitored and is considered in the methods, models and processes used to control financial risks.

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

With respect to financial instruments measured at fair value through profit and loss, depending on the further developments in the markets, larger fluctuations in fair values could arise, which could result in a corresponding volatility within the Consolidated Statement of Profit or Loss or the Consolidated Statement of Financial Position.

Financial instruments measured at fair value are allocated to the following fair value measurement levels in accordance with IFRS 13. The allocation to the different levels is based on the market proximity of the valuation parameters used in the determination of the fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities,
- Level 2: valuation parameters whose prices are not those considered in Level 1, but which can be observed either directly or indirectly for the assets or liabilities concerned,
- Level 3: valuation parameters for assets and liabilities, which are not based on observable market data.

The division into levels as of 31 March 2023 and 30 September 2022 was as follows:

€ in millions	Fair value	Fair value by category		
		Level 1	Level 2	Level 3
31 March 2023				
Current assets:				
Cash and cash equivalents	1,008	1,008	-	-
Financial investments	2,023	2,023	-	-
Other current assets	15	-	6	9
Non-current assets:				
Other non-current assets	108	95	-	13
Total	**3,154**	**3,126**	**6**	**22**
Current liabilities:				
Other current liabilities	15	-	4	11
Total	**15**	**-**	**4**	**11**
30 September 2022				
Current assets:				
Cash and cash equivalents	1,045	1,045	-	-
Financial investments	2,039	2,039	-	-
Other current assets	5	-	5	-
Non-current assets:				
Other non-current assets	108	94	-	14
Total	**3,197**	**3,178**	**5**	**14**
Current liabilities:				
Other current liabilities	25	-	25	-
Total	**25**	**-**	**25**	**-**

Cash equivalents and financial investments include investments in money market funds or investment funds (level 1).

Other current assets and other current liabilities contained derivative financial instruments (including cash flow hedges). Their fair value was determined by discounting future cash flows according to the discounted cash flow method. Where possible, valuation parameters observed on the reporting date in the relevant markets (such as currency rates, interest rates or commodity prices) drawn from reliable external sources were used (level 2). Where fair values were estimated on the basis of non-observable input factors, they were assigned to the fair value category level 3.

Other non-current assets included equity investments and investments in funds. Where these are traded on an active market, the fair value was based on the actual market price (level 1). In addition, other non-current assets included derivative financial instruments whose fair value was calculated using recognized financial mathematical models, with only observable input parameters included in the measurement (level 2). For equity investments where no market price from an active market is available, the fair value was determined by considering existing contractual arrangements based on externally observable dividend policy (level 3).

The following table shows the reconciliation of financial instruments classified as level 3 (before tax):

€ in millions	30 September 2022	Acquisitions (including additions)	Unrealized losses recognized in profit or loss[1]	Gains/losses recognized in equity	31 March 2023
Equity investments	14	-	(1)	-	**13**
Deal Contingent Forward	-	-	-	(11)	**(11)**
Deal Contingent Option[1]	-	13	-	(4)	**9**
Total	**14**	**13**	**(1)**	**(15)**	**11**

1 This relates to gains recognized in financial income and losses, recorded in financial expenses.

In order to hedge the foreign currency risks arising from the purchase price obligation in connection with the acquisition of GaN Systems (see note 2), a transaction-dependent euro/US dollar foreign currency forward (deal contingent forward) and a transaction-dependent euro/US dollar foreign currency option (deal contingent option), each with a nominal volume of US$415 million, were concluded and were accounted for as cash flow hedges. The determination of the fair values of the deal contingent forward and deal contingent option, designated as cash flow hedges, was carried out on the basis of factors observable in the market such as forward rates, interest curves and volatilities. In addition, the most likely date of the conclusion of the planned acquisition was considered as a non-observable factor.

A hypothetical change in the material non-observable valuation parameters at the balance sheet date of ± 10 percent or one month would have resulted in a theoretical reduction in fair values of €0 million or an increase of €1 million.

As in the first half of the previous year, no reclassification between the levels took place during the reporting period.

11 Segment reporting

Identification of the segments

With effect from 1 April 2023, the “Industrial Power Control” segment was renamed “Green Industrial Power”. Decarbonization, electrification and energy efficiency are important drivers of the business in this segment. This focus and the significant contribution made by this segment to CO_2 reduction are now also reflected in the new name. The change of name has no impact on the organizational structure, strategy or scope of the business.

Infineon’s business is structured into the four operating segments Automotive, Green Industrial Power, Power & Sensor Systems and Connected Secure Systems.

Other Operating Segments comprise the remaining activities of divested businesses and other business activities. Since the sale of the Wireless mobile phone business, services to Intel Mobile Communications and supplies to MaxLinear are included in this segment. Also included are supplies of LDMOS wafers and related components and services to Wolfspeed, Inc. (formerly Cree, Inc.), since the sale of the major part of Infineon’s Radio Frequency Power Components business.

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

Segment information

The following table shows segment revenue by product category:

			Product category							
	Total		Power semiconductors		Embedded control & Connectivity		RF & sensors		Memory ICs for specific applications	
	First half		First half		First half		First half		First half	
€ in millions	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue from contracts with customers:										
Automotive	3,951	2,881	2,000	1,463	1,239	734	362	347	350	337
Green Industrial Power	1,058	812	1,058	812	-	-	-	-	-	-
Power & Sensor Systems	1,969	1,880	1,583	1,377	169	157	217	346	-	-
Connected Secure Systems	1,081	875	-	-	1,081	875	-	-	-	-
Subtotal	**8,059**	**6,448**	**4,641**	**3,652**	**2,489**	**1,766**	**579**	**693**	**350**	**337**
Other Operating Segments	12	9								
Corporate and Eliminations	-	-								
Total	**8,071**	**6,457**								

€ in millions	31 March 2023	30 Septem-ber 2022	Change absolute	Change in %
Inventories:				
Automotive	1,593	1,337	256	19%
Green Industrial Power	342	290	52	18%
Power & Sensor Systems	799	798	1	0%
Connected Secure Systems	393	311	82	26%
Other Operating Segments	1	3	(2)	(67%)
Corporate and Eliminations	371	342	29	8%
Total	**3,499**	**3,081**	**418**	**14%**

	First half		Change	
€ in millions	2023	2022	absolute	in %
Segment result:				
Automotive	1,180	585	595	102%
Green Industrial Power	325	166	159	96%
Power & Sensor Systems	498	522	(24)	(5%)
Connected Secure Systems	280	208	72	35%
Other Operating Segments	3	2	1	50%
Corporate and Eliminations	1	(5)	6	120%
Total	**2,287**	**1,478**	**809**	**55%**

The following table shows the reconciliation of segment result to profit (loss) from continuing operations before income taxes:

	First half		Change	
€ in millions	2023	2022	absolute	in %
Segment result:	2,287	1,478	809	55%
Plus/minus:				
Share-based payment	(34)	(20)	(14)	70%
Acquisition-related depreciation/amortization and other expenses	(244)	(244)	-	0%
Gains (losses) on sales of businesses, or interests in subsidiaries, net	30	-	30	–
Other income and expenses, net	-	21	(21)	(100%)
Operating profit	**2,039**	**1,235**	**804**	**65%**
Financial income	37	3	34	1133%
Financial expenses	(78)	(91)	13	(14%)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	11	20	(9)	(45%)
Profit (loss) from continuing operations before income taxes	**2,009**	**1,167**	**842**	**72%**

Of the €244 million "acquisition-related depreciation/amortization and other expenses" incurred in the first half of the 2023 fiscal year, €144 million was attributable to cost of goods sold, €6 million to research and development expenses, €88 million to selling, general and administrative expenses and €6 million to the balance from other operating income and expense.

Entity-wide disclosures

Revenue by region for the first half of the 2023 and 2022 fiscal years was as follows:

	First half			
€ in millions, except percentages	2023		2022	
Europe, Middle East, Africa	2,092	26%	1,576	24%
therein: Germany	974	12%	747	12%
Asia-Pacific (excluding Japan, Greater China)	1,302	16%	1,072	17%
Greater China[1]	2,600	32%	2,362	37%
therein: Mainland China, Hong Kong	1,977	24%	1,829	28%
Japan	882	11%	642	10%
America	1,195	15%	805	12%
therein: USA	1,014	13%	674	10%
Total	**8,071**	**100%**	**6,457**	**100%**

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

Neubiberg, 3 May 2023

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Neubiberg, 3 May 2023

Jochen Hanebeck Dr. Sven Schneider

Constanze Hufenbecher Andreas Urschitz Dr. Rutger Wijburg

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Review Report

To Infineon Technologies AG, Neubiberg

We have reviewed the condensed interim consolidated financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and selected explanatory notes to the condensed consolidated interim financial statements – together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from 1 October 2022 to 31 March 2023 that are part of the half-year financial report according to § 115 WpHG [“Wertpapierhandelsgesetz“: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 3 May 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Huber-Straßer	Schmitt
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Supplementary Information

Forward-looking Statements

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

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

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

Financial Calendar

Thursday, 3 August 2023[1]

Publication of third quarter 2023 results

Wednesday, 15 November 2023[1]

Publication of fourth quarter and fiscal year 2023 results

1 preliminary

Publication date of half-year financial report as of 31 March 2023: 4 May 2023

Contact information

Infineon Technologies AG

Investor Relations

Am Campeon 1-15

85579 Neubiberg near Munich, Germany

Phone: +49 89 234-26655

Fax: +49 89 234-9552987

E-Mail: investor.relations@infineon.com

Visit http://www.infineon.com/investor for an electronic version of this report and other information.

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