Press Release

Q3 FY14: Infineon continues on its growth track

- **Q3 FY 2014: Revenue €1,110 million; Segment Result €170 million; Segment Result Margin 15.3 percent**
- **Outlook Q4 FY 2014: Revenue growth between 3 and 7 percent versus the previous quarter with a Segment Result Margin between 15 and 17 percent**

Neubiberg, Germany – July 30, 2014. Infineon Technologies AG today reports its results for the third quarter of the 2014 fiscal year, ended June 30, 2014.

€ in million	3 months ended Jun 30, 14	sequential +/- in %	3 months ended Mar 31, 14	year-on-year +/- in %	3 months ended Jun 30, 13
Revenue	1,110	6	1,051	9	1,022
Segment Result	170	16	146	45	117
Segment Result Margin [in %]	15.3%		13.9%		11.4%
Income from continuing operations	143	25	114	74	82
Income from discontinued operations, net of income taxes	-	---	10	+++	(5)
Net income	**143**	**15**	**124**	**86**	**77**
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG[1]:					
Basic earnings per share (in euro) from continuing operations	0.13	30	0.10	63	0.08
Basic earnings per share (in euro) from discontinued operations	–	---	0.01	+++	(0.01)
Basic earnings per share (in euro)	**0.13**	**18**	**0.11**	**86**	**0.07**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG[1]:					
Diluted earnings per share (in euro) from continuing operations	0.13	30	0.10	63	0.08
Diluted earnings per share (in euro) from discontinued operations	–	---	0.01	+++	(0.01)
Diluted earnings per share (in euro)	**0.13**	**18**	**0.11**	**86**	**0.07**

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

"Our forecast has proved to be correct: revenue, earnings and margin all improved again in the third quarter, with all four segments making a positive contribution", stated Dr. Reinhard Ploss, CEO of Infineon Technologies AG. "This is now our fifth consecutive quarter of year-on-year growth. Our strategy is proving successful and our investments are paying off."

For the Finance and Business Press: INFXX201407-054e

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Review of Group financials for the third quarter of the 2014 fiscal year

Revenue for the Infineon Group grew by 6 percent from €1,051 million in the second quarter to €1,110 million in the third quarter of the 2014 fiscal year. Sales increased in all four operating segments.

Due to revenue growth, Segment Result improved by 16 percent from €146 million in the preceding quarter to €170 million in the third quarter of the current fiscal year. The Segment Result Margin in the third quarter reached 15.3 percent, up from the 13.9 percent recorded in the second quarter.

Income from continuing operations increased to €143 million in the third quarter, compared with €114 million in the previous three-month period. Income from discontinued operations was €0 million in the third quarter, compared with €10 million reported for the second quarter of the 2014 fiscal year.

Third-quarter net income increased to €143 million, following the €124 million recorded in the previous quarter. Earnings per share (basic and diluted) increased from €0.11 in the second quarter to €0.13 in the third quarter.

Investments – which Infineon defines as the sum of purchases of property, plant and equipment, purchases of intangible assets, and capitalized development costs – amounted to €144 million in the third quarter and were thus slightly lower compared with the preceding quarter's figure of €154 million. Depreciation and amortization increased from €126 million in the second quarter to €131 million in the third quarter.

Free cash flow[1] from continuing operations continued to improve quarter-on-quarter, reaching €78 million in the third quarter. The equivalent figure for the second quarter of the 2014 fiscal year was €51 million, with the improvement resulting from a higher level of cash provided by operating activities, in combination with a slight reduction in the amount of investments.

The gross cash position increased to €2,263 million at the end of the third quarter of the 2014 fiscal year, compared with €2,198 million three months earlier. The net cash position also improved from €2,010 million on March 31, 2014 to €2,073 million on June 30, 2014.

Outlook for the fourth quarter and the 2014 fiscal year

Infineon expects further growth in the fourth quarter of the 2014 fiscal year with an increase in revenue between 3 and 7 percent compared to the previous quarter. The Segment Result Margin is expected to be between 15 and 17 percent.

[1] For definitions and the calculation of free cash flow and the gross and net cash position, please see page 10.

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Given the results for the first nine months and the outlook for the fourth quarter, the increase in revenue and the Segment Result Margin for the 2014 fiscal year are expected to be slightly above the previously indicated ranges (year-on-year increase in revenue of between 7 and 11 percent, Segment Result Margin of between 11 and 14 percent). The assumed exchange rate of the US dollar against the euro remains unchanged at 1.35.

The expected increase in revenue for the Industrial Power Control (IPC) segment should be well above the average for the Group. The Automotive (ATV) segment is expected to grow slightly above the Group average. The growth rates forecast for the Power Management & Multimarket (PMM) and Chip Card & Security (CCS) segments are slightly lower than the Group average.

Planned investments for the 2014 fiscal year are in the region of €650 million, with depreciation and amortization expected at €500 million or slightly higher.

Segment earnings in the third quarter of the 2014 fiscal year

€ in millions	in % of total revenue	3 months ended Jun 30, 14	sequential +/- in %	3 months ended Mar 31, 14	year-on-year +/- in %	3 months ended Jun 30, 13
Infineon						
Revenue	100	1,110	6	1,051	9	1,022
Segment Result		170	16	146	45	117
Segment Result Margin [in %]		15.3%		13.9%		11.4%
Automotive (ATV)						
Segment Revenues	46	510	5	484	11	459
Segment Result		70	6	66	35	52
Segment Result Margin [in %]		13.7%		13.6%		11.3%
Industrial Power Control (IPC)						
Segment Revenues	18	200	8	185	16	173
Segment Result		40	21	33	+++	13
Segment Result Margin [in %]		20.0%		17.8%		7.5%
Power Management & Multimarket (PMM)						
Segment Revenues	24	271	8	252	2	266
Segment Result		46	24	37	-	46
Segment Result Margin [in %]		17.0%		14.7%		17.3%
Chip Card & Security (CCS)						
Segment Revenues	11	123	2	121	3	119
Segment Result		10	25	8	-	10
Segment Result Margin [in %]		8.1%		6.6%		8.4%
Other Operating Segments (OOS)						
Segment Revenues	1	5	(17)	6	(17)	6
Segment Result		4	+++	2	+++	(2)
Corporate and Eliminations (C&E)						
Segment Revenues	0	1	(67)	3	+++	(1)
Segment Result		-	-	-	+++	(2)

ATV segment revenue increased from €484 million in the previous three-months period to €510 million in the third quarter of the 2014 fiscal year. Good sales achieved by German premium manufacturers, in combination with high demand for medium-sized

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vehicles with a high proportion of optional equipment, were largely responsible for the 5 percent increase. At regional level, demand for vehicles was particularly strong in the North American and Chinese markets. Segment Result increased from €66 million in the second quarter to €70 million in the third quarter of the current fiscal year, with the Segment Result Margin improving slightly from 13.6 percent to 13.7 percent quarter-on-quarter.

IPC segment revenue increased by 8 percent from €185 million in the second quarter to €200 million in the third quarter, mainly due to increased demand in renewable energy. Revenue generated by products for home appliances increased, those for industrial drives grew only slightly. Business in traction remained at a high level similar to the previous quarter. Segment Result improved from €33 million in the previous quarter to €40 million in the quarter under report, reflecting the increase in revenue. The Segment Result Margin increased quarter-on-quarter from 17.8 percent to 20.0 percent.

Revenue for the PMM Segment went up from €252 million in the previous quarter to €271 million in the third quarter of the 2014 fiscal year. This 8 percent increase resulted from rising demand for power supply and cellular network infrastructure products, coupled with buoyant seasonal demand at mobile devices. Segment Result increased quarter-on-quarter from €37 million to €46 million. The Segment Result Margin improved to 17.0 percent, compared to 14.7 percent in the second quarter.

Revenue for the CCS segment in the third quarter of the 2014 fiscal year totaled €123 million, compared with €121 million in the second quarter. Higher demand for SIM cards and authentication products was responsible for this modest 2 percent increase. Revenue in Payment remained at a high level similar to the previous quarter. Third-quarter business in Government ID was slightly lower, due to project-related factors. Segment Result amounted to €10 million, compared to €8 million in the second quarter. The Segment Result Margin improved from 6.6 percent to 8.1 percent.

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Analyst and press telephone conference

Infineon will host a telephone conference call for analysts and investors (in English only) on July 30, 2014 at 10:00 am (CET), 4:00 am (EST). During the call, the Infineon Management Board will present the Company's results from the third quarter of the 2014 fiscal year. In addition, the Management Board will host a live telephone conference with the media at 11:30 am (CET), 5:30 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 **Q3 Investor Presentation** is available (in English only) at:
http://www.infineon.com/cms/en/corporate/investor/reporting/index.html

Infineon Financial Calendar (*preliminary)

- Sep 17, 2014* Conference Call by Jochen Hanebeck, Division President Automotive
- Sep 23, 2014 Baader Investment Conference, Munich
- Sep 24, 2014 Berenberg Bank and Goldman Sachs German Corporate Conference, Munich
- Nov 19-20, 2014 Morgan Stanley TMT Conference, Barcelona
- Nov 27, 2014* Earnings Release for the Fourth Quarter and Full 2014 Fiscal Year
- Dec 2-3, 2014 Credit Suisse TMT Conference, Scottsdale/Arizona
- Jan 29, 2015* Earnings Release for the First Quarter of the 2015 Fiscal Year
- Feb 12, 2015 Annual General Meeting 2015, Munich

About Infineon

Infineon Technologies AG, Neubiberg, Germany, offers semiconductor and system solutions addressing three central challenges to modern society: energy efficiency, mobility, and security. In the 2013 fiscal year (ending September 30), the Company reported sales of €3.84 billion with around 26,700 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).

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FINANCIAL INFORMATION

According to IFRS – Preliminary and Unaudited

Consolidated Statement of Operations

	3 months ended			9 months ended	
€ in millions; except for the per share data	Jun 30, 14	Mar 31, 14	Jun 30, 13	Jun 30, 14	Jun 30, 13
Revenue	1,110	1,051	1,022	3,145	2,790
Cost of goods sold	(680)	(653)	(656)	(1,956)	(1,864)
Gross profit	**430**	**398**	**366**	**1,189**	**926**
Research and development expenses	(141)	(136)	(139)	(410)	(385)
Selling, general and administrative expenses	(122)	(121)	(115)	(358)	(325)
Other operating income	6	6	4	18	12
Other operating expense	(8)	(12)	(22)	(31)	(50)
Operating income	**165**	**135**	**94**	**408**	**178**
Financial income	3	2	6	7	23
Financial expense	(2)	(4)	(13)	(15)	(38)
Gain from investments accounted for using the equity method	-	-	-	1	-
Income from continuing operations before income taxes	**166**	**133**	**87**	**401**	**163**
Income tax	(23)	(19)	(5)	(60)	(18)
Income from continuing operations	**143**	**114**	**82**	**341**	**145**
Income (loss) from discontinued operations, net of income taxes	-	10	(5)	13	(15)
Net income	**143**	**124**	**77**	**354**	**130**
Attributable to:					
Non-controlling interests	-	-	-	-	-
Shareholders of Infineon Technologies AG	143	124	77	354	130
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG[1]:					
Weighted average shares outstanding (in million) – basic	1,122	1,117	1,075	1,107	1,075
Basic earnings per share (in euro) from continuing operations	0.13	0.10	0.08	0.31	0.13
Basic earnings (loss) per share (in euro) from discontinued operations	-	0.01	(0.01)	0.01	(0.01)
Basic earnings per share (in euro)	**0.13**	**0.11**	**0.07**	**0.32**	**0.12**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG[1]:					
Weighted average shares outstanding (in million) – diluted	1,122	1,123	1,126	1,123	1,076
Diluted earnings per share (in euro) from continuing operations	0.13	0.10	0.08	0.31	0.13
Diluted earnings (loss) per share (in euro) from discontinued operations	-	0.01	(0.01)	0.01	(0.01)
Diluted earnings per share (in euro)	**0.13**	**0.11**	**0.07**	**0.32**	**0.12**

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

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Segment Revenues and Segment Result

Infineon defines Segment Result as operating income (loss) excluding asset impairments (net of reversals); impact on earnings of restructuring measures and closures (net); share-based compensation expense; acquisition-related depreciation/amortization and gains (losses); gains (losses) on sales of assets, businesses, or interests in subsidiaries, and other income (expense), including litigation settlement costs.

Reconciliation of Segment Result to Operating Income

	3 months ended			9 months ended	
€ in millions	Jun 30, 14	Mar 31, 14	Jun 30, 13	Jun 30, 14	Jun 30, 13
Segment Result	170	146	117	431	229
Plus / Minus:					
Impairment on assets including assets classified as held for sale, net of reversals	(1)	-	(10)	(1)	(18)
Impact on earnings of restructuring measures and closures, net	(1)	(3)	(4)	(7)	(6)
Share-based compensation expense	(2)	(1)	(1)	(4)	(3)
Acquisition-related depreciation / amortization and losses	-	-	-	-	(2)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	-	2	-	2	-
Other expenses	(1)	(9)	(8)	(13)	(22)
Operating income	**165**	**135**	**94**	**408**	**178**

Revenues and Segment Result
for the three and nine months ended June 30, 2014 and 2013

	3 months ended			9 months ended		
Revenue € in millions	Jun 30, 14	Jun 30, 13	+/- in %	Jun 30, 14	Jun 30, 13	+/- in %
Automotive	510	459	11	1,446	1,260	15
Industrial Power Control	200	173	16	565	454	24
Power Management & Multimarket	271	266	2	761	716	6
Chip Card & Security	123	119	3	352	335	5
Other Operating Segments	5	6	(17)	17	20	(15)
Corporate and Eliminations	1	(1)	+++	4	5	(20)
Total	**1,110**	**1,022**	**9**	**3,145**	**2,790**	**13**

	3 months ended			9 months ended		
Segment Result € in millions	Jun 30, 14	Jun 30, 13	+/- in %	Jun 30, 14	Jun 30, 13	+/- in %
Automotive	70	52	35	191	110	74
Industrial Power Control	40	13	+++	100	5	+++
Power Management & Multimarket	46	46	-	112	95	18
Chip Card & Security	10	10	-	24	27	(11)
Other Operating Segments	4	(2)	+++	6	(8)	+++
Corporate and Eliminations	-	(2)	+++	(2)	-	---
Total	**170**	**117**	**45**	**431**	**229**	**88**

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Revenues and Segment Result
for the three months ended June 30, 2014 and March 31, 2014

	3 months ended		
Revenue € in millions	Jun 30, 14	Mar 31, 14	+/- in %
Automotive	510	484	5
Industrial Power Control	200	185	8
Power Management & Multimarket	271	252	8
Chip Card & Security	123	121	2
Other Operating Segments	5	6	(17)
Corporate and Eliminations	1	3	(67)
Total	**1,110**	**1,051**	**6**

	3 months ended		
Segment Result € in millions	Jun 30, 14	Mar 31, 14	+/- in %
Automotive	70	66	6
Industrial Power Control	40	33	21
Power Management & Multimarket	46	37	24
Chip Card & Security	10	8	25
Other Operating Segments	4	2	+++
Corporate and Eliminations	-	-	-
Total	**170**	**146**	**16**

Employees

	Jun 30, 14	Mar 31, 14	Jun 30, 13
Infineon [1]	28,954	28,096	26,210

[1] As of June 30, 2014, March 31, 2014 and June 30, 2013, 4,747, 4,653 and 4,418 Infineon employees, respectively, were engaged in research and development.

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Consolidated Statement of Financial Position

€ in millions	Jun 30, 14	Mar 31, 14	Sep 30, 13
Assets:			
Cash and cash equivalents	291	327	527
Financial investments	1,972	1,871	1,759
Trade receivables	553	529	518
Inventories	680	674	609
Income tax receivable	5	7	12
Other current assets	213	184	198
Total current assets	**3,714**	**3,592**	**3,623**
Property, plant and equipment	1,615	1,605	1,600
Goodwill and other intangible assets	228	198	170
Investments accounted for using the equity method	34	34	34
Deferred tax assets	322	322	325
Other non-current assets	144	148	153
Total non-current assets	**2,343**	**2,307**	**2,282**
Total assets	**6,057**	**5,899**	**5,905**
Liabilities and equity:			
Short-term debt and current maturities of long-term debt	25	21	134
Trade payables	531	560	569
Current provisions	652	644	675
Income tax payable	64	55	62
Other current liabilities	220	210	154
Total current liabilities	**1,492**	**1,490**	**1,594**
Long-term debt	165	167	169
Pension plans and similar commitments	247	244	246
Deferred tax liabilities	2	3	4
Long-term provisions	56	51	46
Other non-current liabilities	69	67	70
Total non-current liabilities	**539**	**532**	**535**
Total liabilities	**2,031**	**2,022**	**2,129**
Shareholders' equity:			
Ordinary share capital	2,255	2,255	2,162
Additional paid-in capital	5,413	5,411	5,549
Accumulated deficit	(3,553)	(3,696)	(3,907)
Other reserves	10	6	9
Own shares	(37)	(37)	(37)
Put options on own shares	(66)	(62)	-
Equity attributable to shareholders of Infineon Technologies AG	**4,022**	**3,877**	**3,776**
Non-controlling interests	4	-	-
Total equity	**4,026**	**3,877**	**3,776**
Total liabilities and equity	**6,057**	**5,899**	**5,905**

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Regional Sales Development

in %	3 months ended			9 months ended	
	Jun 30, 14	Mar 31, 14	Jun 30, 13	Jun 30, 14	Jun 30, 13
Revenue:					
Europe, Middle East, Africa	39%	42%	40%	40%	41%
Therein: Germany	20%	21%	20%	20%	20%
Asia-Pacific (w/o Japan)	43%	40%	40%	42%	40%
Therein: China	19%	19%	18%	20%	18%
Japan	7%	7%	6%	7%	6%
Americas	11%	11%	14%	11%	13%
Total	**100%**	**100%**	**100%**	**100%**	**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 position in order to provide investors with a better understanding of its overall liquidity. The gross and net cash position is determined as follows from the Consolidated Statement of Financial Position:

€ in millions	Jun 30, 14	Mar 31, 14	Jun 30, 13
Cash and cash equivalents	291	327	437
Financial investments	1,972	1,871	1,700
Gross cash position	**2,263**	**2,198**	**2,137**
Less:			
Short-term debt and current maturities of long-term debt	25	21	139
Long-term debt	165	167	166
Net cash position	**2,073**	**2,010**	**1,832**

Free Cash Flow

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

€ in millions	3 months ended			9 months ended	
	Jun 30, 14	Mar 31, 14	Jun 30, 13	Jun 30, 14	Jun 30, 13
Net cash provided by operating activities from continuing operations	228	203	205	589	301
Net cash used in investing activities from continuing operations	(250)	(216)	(165)	(642)	(115)
Purchases (proceeds from sales) of financial investments, net	100	64	95	212	(107)
Free Cash Flow from continuing operations	**78**	**51**	**135**	**159**	**79**

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Consolidated Statement of Cash Flows

€ in millions	3 months ended Jun 30, 14	Mar 31, 14	Jun 30, 13
Net income	**143**	**124**	**77**
Plus/Minus: loss (income) from discontinued operations, net of income taxes	-	(10)	5
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	131	126	115
Income tax benefit (expense)	23	19	5
Net interest result	(1)	2	7
Gains on disposals of property, plant and equipment	-	(2)	-
Dividends received from associated companies	1	-	-
Impairment charges	1	-	10
Other non-cash result	(3)	2	4
Change in trade receivables	(20)	(78)	(37)
Change in inventories	(2)	(21)	(16)
Change in trade payables	(33)	46	6
Change in provisions	18	43	32
Change in other assets and liabilities	(17)	(39)	7
Interest received	2	2	2
Interest paid	(1)	(1)	(5)
Income tax paid	(14)	(10)	(7)
Net cash provided by operating activities from continuing operations	**228**	**203**	**205**
Net cash used in in operating activities from discontinued operations	**(1)**	**(6)**	**(6)**
Net cash provided by operating activities	**227**	**197**	**199**
Purchases of financial investments	(340)	(535)	(285)
Proceeds from sales of financial investments	240	471	190
Acquisition of business, net of cash acquired	(7)	-	-
Purchases of intangible assets and other assets	(27)	(24)	(18)
Purchases of property, plant and equipment	(117)	(130)	(53)
Proceeds from sales of property, plant and equipment and other assets	1	2	1
Net cash used in investing activities from continuing operations	**(250)**	**(216)**	**(165)**
Net cash used in investing activities from discontinued operations	**-**	**-**	**-**
Net cash used in investing activities	**(250)**	**(216)**	**(165)**
Net change in related party financial receivables and payables	-	(1)	-
Proceeds from issuance of long-term debt	-	1	2
Repayments of long-term debt	(13)	(6)	(9)
Change in cash deposited as collateral	-	7	-
Proceeds from issuance of ordinary shares	-	1	1
Proceeds from the issuance of put options on own shares	-	1	-
Dividend payments	-	(129)	-
Net cash used in financing activities from continuing operations	**(13)**	**(126)**	**(6)**
Net cash used in financing activities from discontinued operations	**-**	**-**	**-**
Net cash used in financing activities	**(13)**	**(126)**	**(6)**
Net decrease in cash and cash equivalents	(36)	(145)	28
Effect of foreign exchange rate changes on cash and cash equivalents	-	-	(1)
Cash and cash equivalents at beginning of period	327	472	410
Cash and cash equivalents at end of period	**291**	**327**	**437**

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D I S C L A I M E R

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.

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