



## News Release / Presseinformation

### 2Q 2011 results: Growth and margins above original expectations with sales of Euro 994 million and Total Segment Result margin of 20.3 percent

- Sales up 8 percent sequentially with strength in all divisions
- Strong profitability with Total Segment Result<sup>1</sup> of Euro 202 million
- 3Q 2011 outlook: Sales and Total Segment Result expected to be broadly flat
- FY 2011 outlook raised: 20 percent sales growth; Total Segment Result margin to be broadly in line with the 19.8 percent recorded for the first half of the fiscal year

Neubiberg, Germany – May 3, 2011 – Infineon Technologies AG (FSE: IFX / OTCQX: IFNNY) today reported results for the second quarter of the 2011 fiscal year, ended March 31, 2011.

in Euro million	3 months ended	sequential	3 months ended	year-on-year	3 months ended
	Mar 31, 11	+/- in %	Dec 31, 10	+/- in %	Mar 31, 10
Revenue	994	8	922	27	781
Total Segment Result	202	14	177	+++	96
Total Segment Result Margin [in %]	20.3%		19.2%		12.3%
Income from continuing operations	173	16	149	+++	75
Income from discontinued operations, net of income taxes	399	+++	83	+++	4
<b>Net income</b>	<b>572</b>	<b>+++</b>	<b>232</b>	<b>+++</b>	<b>79</b>
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):					
Basic earnings per share from continuing operations	0.16	14	0.14	+++	0.07
Basic earnings per share from discontinued operations	0.37	+++	0.07	-	-
<b>Basic earnings per share</b>	<b>0.53</b>	<b>+++</b>	<b>0.21</b>	<b>+++</b>	<b>0.07</b>
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):					
Diluted earnings per share from continuing operations	0.15	15	0.13	+++	0.07
Diluted earnings per share from discontinued operations	0.35	+++	0.07	-	-
<b>Diluted earnings per share</b>	<b>0.50</b>	<b>+++</b>	<b>0.20</b>	<b>+++</b>	<b>0.07</b>

“In the first half of this fiscal year, we have outgrown our addressed market and our competition, earned record margins and returned Euro 216 million in cash to the capital market. This quarter proved once again that focusing on energy efficiency, mobility and security is the right strategy. With our system expertise and highly innovative products we will further enlarge our footprint in these fast growing markets”, says Peter Bauer, CEO of Infineon Technologies AG.

<sup>1</sup> For a definition of Segment Result and a reconciliation to operating income (loss), please see page 8.

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**Fiscal second quarter 2011 review: strong sequential sales growth drives record Total Segment Result margin of 20.3 percent**

Infineon booked fiscal second quarter sales of Euro 994 million in the 2011 fiscal year, an increase of 8 percent from the previous quarter. Relative to the original guidance calling for only a slight increase in revenues, upside was driven by all operating segments.

Second quarter Total Segment Result was Euro 202 million, up 14 percent from the preceding quarter. Total Segment Result margin again set an all-time-high at 20.3 percent in the fiscal second quarter, up from 19.2 percent in the first quarter.

Infineon reported net income from continuing operations of Euro 173 million, up from Euro 149 million in the first quarter. Higher operating income and improved net financial expenses more than offset adverse effects from higher tax expenses. Basic earnings per share from continuing operations were Euro 0.16, up from Euro 0.14 in the previous quarter. Diluted earnings per share from continuing operations were Euro 0.15 versus Euro 0.13 in the preceding quarter.

Income from discontinued operations, net of income taxes, was Euro 399 million for the second quarter, up significantly from Euro 83 million in the first quarter of the fiscal year. After the closing of the sale of the Wireless mobile phone business to Intel on January 31, 2011, net income from discontinued operations in the second quarter of the 2011 fiscal year contained an after tax gain of Euro 378 million relating to this transaction. The pre-tax gain amounted to Euro 535 million.

Net income for the group was Euro 572 million in the second quarter, up from Euro 232 million in the previous quarter. Second quarter basic earnings per share were Euro 0.53 and diluted earnings per share were Euro 0.50, up from Euro 0.21 and Euro 0.20, respectively, for basic and diluted EPS in the first quarter of the 2011 fiscal year.

Operating cash flow from continuing operations amounted to Euro 177 million for the second quarter of the 2011 fiscal year, up from Euro 134 million in the prior quarter. Investments from continuing operations, which the company defines as the sum of purchases of property, plant and equipment, purchases of intangible assets and capitalized research & development (R&D) assets, were Euro 164 million in the second quarter of the 2011 fiscal year, compared to Euro 131 million in the prior quarter. Depreciation and amortization was Euro 89 million, up slightly from Euro 83 million in the

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preceding quarter. Free cash flow<sup>2</sup> from continuing operations for the second quarter was Euro 13 million versus Euro 4 million in the first quarter of the 2011 fiscal year.

**Cash inflow from sale of Wireless mobile phone business to Intel drives net cash position of Euro 2,335 million; further repurchases of the 2014 convertible bond and dividend payment**

As of March 31, 2011, the company's gross cash position<sup>2</sup> stood at Euro 2,691 million with a net cash position<sup>2</sup> of Euro 2,335 million. Both positions increased significantly quarter over quarter versus values of Euro 1,669 million and Euro 1,293 million for gross and net cash, respectively, at the end of the fiscal first quarter 2011. The increase was due primarily to the receipt of the proceeds from the sale of the Wireless mobile phone business to Intel effective with the closing of the transaction on January 31, 2011. In addition, after repurchases of Euro 80 million of its 2014 convertible bond in the first quarter of the 2011 fiscal year, Infineon spent another Euro 27 million on repurchases of that bond during the second quarter of the 2011 fiscal year. The aggregate amount spent on bond repurchases during the first half of the 2011 fiscal year therefore comes to Euro 107 million. The company repurchased bonds with a nominal value of Euro 8 million during the quarter, effectively reducing the amount of shares underlying the convertible bond by more than three million shares. This amount of shares equates to a reduction in the number of fully diluted shares outstanding of approximately another 0.3 percent relative to the fully diluted share count as of December 31, 2010. Finally, the company effected the payment of an annual dividend of 10 cents per share during the second quarter of the fiscal year for an aggregate amount of Euro 109 million. Total cash returns to the capital market through bond repurchases and dividend payments therefore sum-up to Euro 216 million during the first half of the fiscal year.

**Outlook for the third quarter of the 2011 fiscal year: sales and Total Segment Result margin expected to remain about flat**

Infineon is monitoring closely the effects of the aftermath of the March 2011 earthquake in Japan on its supply chain as well as on its customers' supply chains. Operational risks remain on the supply side for example with raw materials or front end and back end services and on the demand side in terms of the ability of Infineon's customers to procure all components required in their products. Nonetheless, efforts are under way on all levels of the supply chain to prevent any disruptions. To date, Infineon has not experienced any shortage of materials nor has it experienced any change in order or delivery acceptance patterns on the part of customers.

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<sup>2</sup> For definitions and the calculation of free cash flow and of gross and net cash position, please see pages 11 and 12.

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Taking into account the above as well as current backlogs and scheduled delivery dates, Infineon expects revenues and Total Segment Result margin for the third quarter of the 2011 fiscal year to be about flat relative to the levels of the fiscal second quarter 2011.

Within this outlook, Automotive (ATV) revenues are expected to decline slightly, whereas turnover in Chip Card & Security (CCS) and Industrial & Multimarket (IMM) should exhibit some growth.

### **Outlook for the fiscal year 2011: raising anticipated growth and margin again**

At an assumed Euro/U.S. Dollar exchange rate of 1.40, Infineon expects full-year revenue growth of 20 percent, compared to a mid-teens percentage guided for so far. Within this outlook, the company expects above group average growth for IMM, growth about in-line with the group average for ATV, and growth below group average for CCS revenues.

Total Segment Result margin for the 2011 fiscal year is expected to be broadly in line with the 19.8 percent recorded for the first half of the 2011 fiscal year. This represents an increase from the earlier guidance calling for a high teens percentage of sales.

In light of sustained high levels of order intake and order backlog Infineon is currently considering a further increase to the current budget of Euro 700 million for investments in the 2011 fiscal year. Investments in the 2010 fiscal year amounted to Euro 325 million.

Depreciation and Amortization is now expected to come in at about Euro 375 million for the 2011 fiscal year, compared to Euro 336 million in the 2010 fiscal year and compared to the previous guidance of just over Euro 400 million. The reduction is due mainly to revised assumptions regarding investment in and amortization of intangible assets.

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**Detailed review of segment performance in the fiscal second quarter 2011:  
strong revenue growth with another all-time-high in Total Segment Result margin**

in Euro million	in % of total revenue	3 months ended Mar 31, 11	sequential +/- in %	3 months ended Dec 31, 10	year-on-year +/- in %	3 months ended Mar 31, 10
<b>Infineon</b>						
Revenue	100	994	8	922	27	781
Total Segment Result		202	14	177	+++	96
Total Segment Result Margin [in %]		20.3%		19.2%		12.3%
<b>Automotive (ATV)</b>						
Segment Revenues	39	392	11	354	24	316
Segment Result		74	25	59	45	51
Segment Result Margin [in %]		18.9%		16.7%		16.1%
<b>Industrial &amp; Multimarket (IMM)</b>						
Segment Revenues	44	433	2	423	34	324
Segment Result		108	1	107	83	59
Segment Result Margin [in %]		24.9%		25.3%		18.2%
<b>Chip Card &amp; Security (CCS)</b>						
Segment Revenues	11	107	9	98	8	99
Segment Result		14	40	10	+++	3
Segment Result Margin [in %]		13.1%		10.2%		3.0%
<b>Other Operating Segments (OOS)</b>						
Segment Revenues	6	61	49	41	39	44
Segment Result		7	+++	2	+++	-8
<b>Corporate and Eliminations (C&amp;E)</b>						
Segment Revenues	0	1	(83)	6	+++	-2
Segment Result		-1	-	-1	(89)	-9

Segment revenue in ATV increased to Euro 392 million, up 11 percent from the previous quarter and ahead of original expectation. Demand remained strong across the entire product range. ATV Segment Result was Euro 74 million at 18.9 percent Segment Result margin. The increase in Segment Result and margin was attributable primarily to the higher sales level.

Sales of the IMM segment rose two percent from fiscal first quarter levels to Euro 433 million, driven primarily by increases in sales of Radio Frequency and renewable energy products. IMM Segment Result was Euro 108 million versus Euro 107 million in the previous quarter.

Driven by sales of payment and government ID products, CCS revenues were Euro 107 million, up from Euro 98 million in the prior quarter. CCS Segment Result rose to Euro 14 million at 13.1 percent Segment Result margin, up from Euro 10 million and 10.2 percent margin in the first quarter. The improvement in Segment Result and margin was driven by the revenue increase and favourable product mix.

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### **Analyst and press telephone conferences**

Infineon Technologies AG will conduct a telephone conference (in English only) with analysts and investors on May 3, 2011, at 10:00 a.m. Central European Summer Time (CEST), 4:00 a.m. Eastern Daylight Time (U.S. EDT), to discuss operating performance during the second quarter of the 2011 fiscal year. In addition, the Infineon Management Board will host a telephone conference with the media at 11:30 a.m. (CEST), 5:30 a.m. (U.S. EDT). It can be followed in German and English over the Internet. Both conferences will be available live and for download on the Infineon web site at <http://corporate.infineon.com>.

### **IFX financial calendar** (\*preliminary date)

- Jun 7, 2011 IFX Day, Capital Markets Day at headquarters in Neubiberg, Germany
- Jul 28, 2011\* Earnings Release for the Third Quarter of the 2011 Fiscal Year
- Nov 16, 2011\* Earnings Release for the Fourth Quarter and Full 2011 Fiscal Year

### **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 2010 fiscal year (ending September 30), the company reported sales of Euro 3,295 million with approximately 26,650<sup>3</sup> employees worldwide. With a global presence, Infineon operates through its subsidiaries in the U.S. from Milpitas, CA, in the Asia-Pacific region from Singapore, and in Japan from Tokyo. 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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<sup>3</sup> Mentioned number of employees contains about 3,500 employees of the Wireless mobile phone business (Wireless Solutions), which was sold to Intel Corporation.

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## FINANCIAL INFORMATION

### According to IFRS – Preliminary and Unaudited

Due to the divestiture of the Wireless mobile phone business to Intel Corporation announced on August 30, 2010, Infineon reports the results of the Wireless mobile phone business as discontinued operations in the consolidated statements of operations. Likewise, the consolidated statement of cash flows shows the cash inflows and outflows of the Wireless mobile phone business as discontinued operations. The prior period amounts of the consolidated statement of operations and the consolidated statement of cash flows have been adjusted accordingly. The business remaining with Infineon with radio frequency power transistors for amplifiers in cellular base stations was dedicated to the segment Industrial & Multimarket, the business remaining with the analog and digital TV tuner and satellite radio receiver was dedicated to other operating segments. The prior periods' amounts have been adjusted accordingly.

### Consolidated Statements of Operations

in Euro million; except for the per share data	3 months ended			6 months ended	
	Mar 31, 11	Dec 31, 10	Mar 31, 10	Mar 31, 11	Mar 31, 10
Revenue	994	922	781	1,916	1,468
Cost of goods sold	(573)	(538)	(496)	(1,111)	(942)
<b>Gross profit</b>	<b>421</b>	<b>384</b>	<b>285</b>	<b>805</b>	<b>526</b>
Research and development expenses	(112)	(108)	(96)	(220)	(185)
Selling, general and administrative expenses	(113)	(103)	(95)	(216)	(183)
Other operating income	9	2	3	11	9
Other operating expense	(18)	(6)	4	(24)	(92)
<b>Operating income</b>	<b>187</b>	<b>169</b>	<b>101</b>	<b>356</b>	<b>75</b>
Financial income	8	6	8	14	19
Financial expense	(11)	(18)	(30)	(29)	(68)
Income from investments accounted for using the equity method	2	-	2	2	3
<b>Income from continuing operations before income taxes</b>	<b>186</b>	<b>157</b>	<b>81</b>	<b>343</b>	<b>29</b>
Income tax expense	(13)	(8)	(6)	(21)	(13)
<b>Income from continuing operations</b>	<b>173</b>	<b>149</b>	<b>75</b>	<b>322</b>	<b>16</b>
Income from discontinued operations, net of income taxes	399	83	4	482	128
<b>Net income</b>	<b>572</b>	<b>232</b>	<b>79</b>	<b>804</b>	<b>144</b>
Attributable to:					
Non-controlling interests	-	-	-	-	1
Shareholders of Infineon Technologies AG	572	232	79	804	143
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):					
Weighted average shares outstanding (in million) – basic	1,087	1,087	1,087	1,087	1,087
Basic earnings per share (in Euro) from continuing operations	0.16	0.14	0.07	0.30	0.01
Basic earnings per share (in Euro) from discontinued operations	0.37	0.07	-	0.44	0.12
<b>Basic earnings per share (in Euro)</b>	<b>0.53</b>	<b>0.21</b>	<b>0.07</b>	<b>0.74</b>	<b>0.13</b>
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):					
Weighted average shares outstanding (in million) – diluted	1,160	1,167	1,171	1,163	1,087
Diluted earnings per share (in Euro) from continuing operations	0.15	0.13	0.07	0.29	0.01
Diluted earnings per share (in Euro) from discontinued operations	0.35	0.07	-	0.41	0.12
<b>Diluted earnings per share (in Euro)</b>	<b>0.50</b>	<b>0.20</b>	<b>0.07</b>	<b>0.70</b>	<b>0.13</b>

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## Segment Revenues and Segment Result

We define Segment Result as operating income (loss) excluding asset impairments, net, restructuring charges and other related closure costs, net, share-based compensation expense, acquisition-related amortization and gains (losses), gains (losses) on disposal of assets, businesses, or interests in subsidiaries, and other income (expense), including litigation settlement costs.

### Reconciliation of Total Segment Result to Operating Income

in Euro million	3 months ended			6 months ended	
	Mar 31, 11	Dec 31, 10	Mar 31, 10	Mar 31, 11	Mar 31, 10
Total Segment Result	202	177	96	379	166
Adjusted:					
Asset impairments, net	3	2	-	5	(4)
Restructuring charges, and other related closure cost, net	-	-	-	-	-
Share-based compensation expense	(1)	-	-	(1)	-
Acquisition-related amortization and losses	(1)	(1)	(1)	(2)	(2)
Losses in connection with the deconsolidation of ALTIS	-	-	8	-	(73)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries	-	-	(1)	-	2
Other expense, net	(16)	(9)	(1)	(25)	(14)
<b>Operating income</b>	<b>187</b>	<b>169</b>	<b>101</b>	<b>356</b>	<b>75</b>

### Revenues and Segment Result for the three and six months ended March 31, 2011 and 2010

Revenue in Euro million	3 months ended			6 months ended		
	Mar 31, 11	Mar 31, 10	+/- in %	Mar 31, 11	Mar 31, 10	+/- in %
Automotive	392	316	24	746	595	25
Industrial & Multimarket	433	324	34	856	604	42
Chip Card & Security	107	99	8	205	182	13
Other Operating Segments	61	44	39	102	86	19
Corporate and Eliminations	1	(2)	+++	7	1	+++
<b>Total</b>	<b>994</b>	<b>781</b>	<b>27</b>	<b>1,916</b>	<b>1,468</b>	<b>31</b>

Segment Result in Euro million	3 months ended			6 months ended		
	Mar 31, 11	Mar 31, 10	+/- in %	Mar 31, 11	Mar 31, 10	+/- in %
Automotive	74	51	45	133	88	51
Industrial & Multimarket	108	59	83	215	103	+++
Chip Card & Security	14	3	+++	24	4	+++
Other Operating Segments	7	(8)	+++	9	(9)	+++
Corporate and Eliminations	(1)	(9)	(89)	(2)	(20)	(90)
<b>Total</b>	<b>202</b>	<b>96</b>	<b>+++</b>	<b>379</b>	<b>166</b>	<b>+++</b>

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## Revenues and Segment Result for the three months ended March 31, 2011 and December 31, 2010

Revenue in Euro million	3 months ended		
	Mar 31, 11	Dec 31, 10	+/- in %
Automotive	392	354	11
Industrial & Multimarket	433	423	2
Chip Card & Security	107	98	9
Other Operating Segments	61	41	49
Corporate and Eliminations	1	6	(83)
<b>Total</b>	<b>994</b>	<b>922</b>	<b>8</b>

Segment Result in Euro million	3 months ended		
	Mar 31, 11	Dec 31, 10	+/- in %
Automotive	74	59	25
Industrial & Multimarket	108	107	1
Chip Card & Security	14	10	40
Other Operating Segments	7	2	+++
Corporate and Eliminations	(1)	(1)	-
<b>Total</b>	<b>202</b>	<b>177</b>	<b>14</b>

## Employees

	Mar 31, 11	Dec 31, 10	Mar 31, 10
Infineon <sup>(1)</sup>	25,119	27,315	25,216

<sup>(1)</sup> As of March 31, 2011, December 31, 2010, and March 31, 2010, 4,045, 6,015 and 5,510 Infineon employees, respectively, were engaged in research and development.

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## Consolidated Statement of Financial Position

The Statement of Financial Position as of December 31, 2010 and September 30, 2010, presents the assets and liabilities to be transferred in connection with the divestiture of the Wireless mobile phone business as assets and liabilities "classified as held for sale".

in Euro million	Mar 31, 11	Dec 31, 10	Sep 30, 10
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	1,162	1,610	1,667
Financial investments	1,529	59	60
Trade and other receivables	829	685	687
therein: Trade accounts receivables	593	630	622
Inventories	615	573	514
Income tax receivable	13	12	7
Other current financial assets	9	22	72
Other current assets	97	109	88
Assets classified as held for sale	-	567	495
<b>Total current assets</b>	<b>4,254</b>	<b>3,637</b>	<b>3,590</b>
Property, plant and equipment	962	890	838
Goodwill and other intangible assets	97	91	87
Investments accounted for using the equity method	37	35	35
Deferred tax assets	223	308	308
Other financial assets	126	120	119
Other assets	25	23	16
<b>Total assets</b>	<b>5,724</b>	<b>5,104</b>	<b>4,993</b>
<b>Liabilities and equity:</b>			
Current liabilities:			
Short-term debt and current maturities of long-term debt	130	129	133
Trade and other payables	779	716	665
therein: Trade accounts payables	685	706	659
Current provisions	582	489	553
Income tax payable	142	101	111
Other current financial liabilities	11	12	16
Other current liabilities	323	154	153
Liabilities classified as held for sale	-	152	177
<b>Total current liabilities</b>	<b>1,967</b>	<b>1,753</b>	<b>1,808</b>
Long-term debt	226	247	263
Pension plans and similar commitments	147	154	146
Deferred tax liabilities	11	10	11
Long-term provisions	42	54	55
Other financial liabilities	5	5	6
Other liabilities	77	73	79
<b>Total liabilities</b>	<b>2,475</b>	<b>2,296</b>	<b>2,368</b>
Shareholders' equity:			
Ordinary share capital	2,173	2,173	2,173
Additional paid-in capital	5,880	6,004	6,048
Accumulated deficit	(4,809)	(5,381)	(5,613)
Other reserves	5	12	17
<b>Total equity</b>	<b>3,249</b>	<b>2,808</b>	<b>2,625</b>
<b>Total liabilities and equity</b>	<b>5,724</b>	<b>5,104</b>	<b>4,993</b>

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## Infineon Regional Sales Development

in %	3 months ended			6 months ended	
	Mar 31, 11	Dec 31, 10	Mar 31, 10	Mar 31, 11	Mar 31, 10
<b>Revenue:</b>					
Europe, Middle East, Africa	49%	46%	48%	48%	47%
therein: Germany	27%	26%	27%	27%	27%
Asia-Pacific (w/o Japan)	35%	38%	35%	36%	35%
therein: China	17%	19%	17%	18%	17%
Japan	5%	5%	6%	5%	6%
Americas	11%	11%	11%	11%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Consolidated Statements of Cash Flows

### Gross and Net Cash Position\*

Infineon defines gross cash position as cash and cash equivalents and financial investments, and net cash position as gross cash position less short-term debt and current maturities of long-term debt, and long-term debt. Since Infineon holds a portion of its available monetary resources in the form of readily financial investments, which for IFRS purposes are not considered to be "cash", it reports its gross and net cash positions to provide investors with an understanding of the Company's overall liquidity. The gross and net cash position is determined as follows from the condensed consolidated balance sheets, without adjustment to the IFRS amounts presented:

\* Includes only amounts from continuing operations.

in Euro million	Mar 31, 11	Dec 31, 10	Mar 31, 10
Cash and cash equivalents	1,162	1,610	1,228
Financial investments	1,529	59	439
<b>Gross Cash Position</b>	<b>2,691</b>	<b>1,669</b>	<b>1,667</b>
Less:			
Short-term debt and current maturities of long-term debt	130	129	378
Long-term debt	226	247	294
<b>Net Cash Position</b>	<b>2,335</b>	<b>1,293</b>	<b>995</b>

### Free Cash Flow

Infineon defines free cash flow as cash flow from operating and investing activities from continuing operations excluding purchases or sales of financial investments. The presentation of free cash flow provides useful information to investors because this measure gives an indication of the cash-generating ability of Infineon. Free cash flow is an additional measure, since Infineon holds a portion of its liquid resources in form of financial investments and it eliminates changes of financial investments from the cash generated from Infineon's business. Free cash flow is not intended to represent the residual cash flow available for discretionary expenditures, since dividends, debt service requirements or other non-discretionary expenditures are not deducted. Free cash flow includes only amounts from continuing operations, and is determined as follows from the consolidated statement of cash flows:

in Euro million	3 months ended			6 months ended	
	Mar 31, 11	Dec 31, 10	Mar 31, 10	Mar 31, 11	Mar 31, 10
Net cash provided by operating activities from continuing operations	177	134	207	311	308
Net cash used in investing activities from continuing operations	(1,632)	(130)	(372)	(1,762)	(492)
Adjusted for: Net purchases (net proceeds from sales) of financial investments	1,468	-	350	1,468	348
<b>Free Cash Flow from continuing operations</b>	<b>13</b>	<b>4</b>	<b>185</b>	<b>17</b>	<b>164</b>

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## Consolidated Statements of Cash Flows

in Euro million	3 months ended		
	Mar 31, 11	Dec 31, 10	Mar 31, 10
<b>Net income</b>	<b>572</b>	<b>232</b>	<b>79</b>
Less: net income from discontinued operations, net of income taxes			
Adjustments to reconcile net income to net cash provided by operating activities:	(399)	(83)	(4)
Depreciation and amortization	89	83	81
Provision for (recovery of) doubtful accounts	3	-	1
Losses in connection with the deconsolidation of ALTIS	-	-	(8)
Losses (gains) on disposals of property, plant and equipment	-	-	(2)
Income from investments accounted for using the equity method	(2)	-	(2)
Impairment charges	(3)	(2)	1
Share-based compensation	1	-	-
Deferred income taxes	(1)	1	(5)
Changes in operating assets and liabilities:			
Trade and other receivables	(72)	(9)	(60)
Inventories	13	(50)	(14)
Other current assets	10	(20)	(15)
Trade and other payables	13	44	80
Provisions	20	(52)	32
Other current liabilities	(31)	33	49
Other assets and liabilities	(20)	(9)	11
Interest received	6	4	4
Interest paid	-	(10)	(8)
Income tax paid	(22)	(28)	(13)
<b>Net cash provided by operating activities from continuing operations</b>	<b>177</b>	<b>134</b>	<b>207</b>
<b>Net cash provided by (used in) operating activities from discontinued operations</b>	<b>84</b>	<b>76</b>	<b>(34)</b>
<b>Net cash provided by operating activities</b>	<b>261</b>	<b>210</b>	<b>173</b>
Cash flows from investing activities:			
Purchases of financial investments	(1,468)	-	(375)
Proceeds from sales of financial investments	-	-	25
Purchases of intangible assets and other assets	(9)	(9)	(10)
Purchases of property, plant and equipment	(155)	(122)	(36)
Proceeds from sales of property, plant and equipment and other assets	-	1	24
<b>Net cash used in investing activities from continuing operations</b>	<b>(1,632)</b>	<b>(130)</b>	<b>(372)</b>
<b>Net cash provided by (used in) investing activities from discontinued operations</b>	<b>1,077</b>	<b>(55)</b>	<b>(17)</b>
<b>Net cash used in investing activities</b>	<b>(555)</b>	<b>(185)</b>	<b>(389)</b>
Cash flows from financing activities:			
Net change in short-term debt	-	-	8
Net change in related party financial receivables and payables	-	-	1
Proceeds from issuance of long-term debt	-	27	-
Repayments of long-term debt	(16)	(27)	(13)
Repurchase of convertible subordinated notes	(27)	(80)	(142)
Change in restricted cash	-	-	1
Dividend payments	(109)	-	-
<b>Net cash used in financing activities from continuing operations</b>	<b>(152)</b>	<b>(80)</b>	<b>(145)</b>
<b>Net cash provided by (used in) financing activities from discontinued operations</b>	<b>1</b>	<b>(4)</b>	<b>-</b>
<b>Net cash used in financing activities</b>	<b>(151)</b>	<b>(84)</b>	<b>(145)</b>
Net increase (decrease) in cash and cash equivalents	(445)	(59)	(361)
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	2	-
Cash and cash equivalents at beginning of period	1,610	1,667	1,589
<b>Cash and cash equivalents at end of period</b>	<b>1,162</b>	<b>1,610</b>	<b>1,228</b>

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## DISCLAIMER

This press release includes forward-looking statements and assumptions about the future of Infineon's business and the industry in which we operate as well as our expected future results. These include statements and assumptions relating to general economic conditions, future developments in the world semiconductor market, our ability to manage our costs and to achieve our savings and growth targets, the resolution of Qimonda's insolvency proceedings and the liabilities we may face as a result of Qimonda's insolvency, the benefits of research and development alliances and activities, our planned levels of future investment, the introduction of new technology at our facilities, our ability to continue to offer commercially viable products.

These forward-looking statements are subject to a number of uncertainties, including broader economic developments, trends in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products that incorporate our products, the success of our development efforts, both alone and with partners; the success of our efforts to introduce new production processes at our facilities, the actions of competitors; the continued availability of adequate funds, the outcome of antitrust investigations and litigation matters, and the outcome of Qimonda's insolvency proceedings, as well as the other factors mentioned in this press release and our quarterly and annual reports.

As a result, Infineon's actual results could differ materially from those contained in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements. Infineon does not undertake any obligation to publicly update or revise any forward-looking statements in light of developments which differ from those anticipated.

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