Infineon Technologies AG

Q3 Quarterly Financial Report June 30, 2014

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CONTENT

SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions; except earnings per share, Segment Result Margin and Gross margin	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Selected Results of Operations Data				
Revenue	1,110	1,022	3,145	2,790
Gross margin	38.7%	35.8%	37.8%	33.2%
Segment Result	170	117	431	229
Segment Result Margin	15.3%	11.4%	13.7%	8.2%
Research and development expenses	141	139	410	385
Capital expenditure	144	71	426	224
Depreciation and amortization	131	115	377	347
Income from continuing operations	143	82	341	145
Income (loss) from discontinued operations, net of income taxes	-	(5)	13	(15)
Net income	143	77	354	130
Basic earnings per share (in euro) from continuing operations	0.13	0.08	0.31	0.13
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.13	0.07	0.32	0.12
Diluted earnings per share (in euro) from continuing operations	0.13	0.08	0.31	0.13
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.13	0.07	0.32	0.12
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	228	205	589	301
Net cash used in investing activities from continuing operations[1]	(250)	(165)	(642)	(115)
Net cash used in financing activities from continuing operations	(13)	(6)	(174)	(161)
Net changes in cash and cash equivalents from discontinued operations	(1)	(6)	(6)	(10)
Changes in cash and cash equivalents	(36)	27	(236)	12
Free Cash Flow from continuing operations[2]	78	135	159	79

€ in millions, except number of employees	As of June 30, 2014	As of September 30, 2013
Selected Financial Condition Data		
Total assets	6,057	5,905
Total equity	4,026	3,776
Gross cash position[3]	2,263	2,286
Debt (short-term and long-term)	190	303
Net cash position[3]	2,073	1,983
Employees	28,954	26,725

[1] Thereof €212 million net purchases of and €107 million net proceeds from sales of financial investments in the nine months ended June 30, 2014 and 2013, respectively (three months ended June 30, 2014 and 2013: net purchases of €100 million and €95 million, respectively).
[2] Free cash flow is defined as net cash provided by/used in operating activities from continuing operations and net cash provided by/used in investing activities from continuing operations after adjusting for cash flows related to the purchase and sale of financial investments.
[3] Gross cash position is defined as cash and cash equivalents and financial investments. Net cash position is defined as gross cash position less short-term and long-term debt.

INTERIM GROUP MANAGEMENT REPORT (UNAUDITED)

GOOD PERFORMANCE BY INFINEON OVER NINE-MONTH PERIOD:

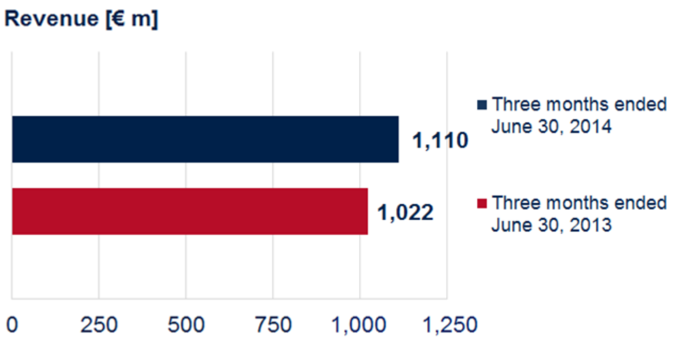
REVENUE SIGNIFICANTLY UP ON CORRESPONDING PERIOD IN PREVIOUS YEAR

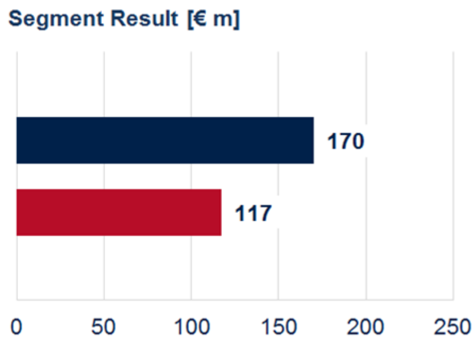
CONSIDERABLE IMPROVEMENT IN SEGMENT RESULT MARGIN AND INCOME FROM CONTINUING OPERATIONS COMPARED TO PREVIOUS YEAR

IMPLEMENTATION OF NEW CAPITAL RETURNS PROGRAM STARTED, DIVIDEND FOR 2013 FISCAL YEAR PAID

THIRD QUARTER OF 2014 FISCAL YEAR (APRIL 1, 2014 TO JUNE 30, 2014):

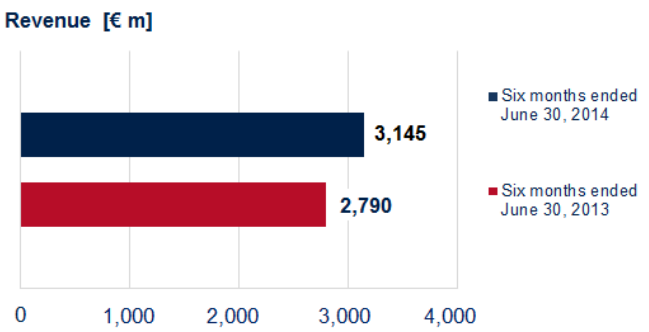
- Revenue up 9 percent to €1,110 million on same quarter last year; noticeable quarter-on-quarter rise of 6 percent
- Segment Result of €170 million achieved – an increase of €53 million or 45 percent on the same quarter last year and an improvement of 16 percent on the preceding quarter
- Segment Result Margin of 15.3 percent (third quarter last year: 11.4 percent; second quarter this year: 13.9 percent)
- Net income of €143 million, compared to €77 million year-on-year and €124 million in the preceding quarter

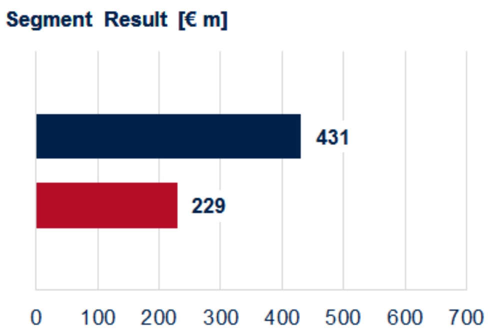




FIRST NINE MONTHS OF 2014 FISCAL YEAR (OCTOBER 1, 2013 TO JUNE 30, 2014):

- Revenue 13 percent higher at €3,145 million (October 2012 – June 2013: €2,790 million)
- Segment Result of €431 million – an increase of 88 percent on the €229 million reported for the nine-month period last year
- Segment Result Margin of 13.7 percent compared to 8.2 percent one year earlier
- Net income of €354 million, compared to €130 million in the first nine months of the previous fiscal year





- Net cash position increased by €90 million to €2,073 million at June 30, 2014 (September 30, 2013: €1,983 million); gross cash position of €2,263 million at June 30, 2014 (September 30, 2013: €2,286 million)
- Equity ratio of 66.5 percent at June 30, 2014, compared to 63.9 percent at September 30, 2013

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF THE 2014 FISCAL YEAR

Dresden plant celebrates 20th anniversary

On June 6, 1994, the cornerstone was laid for a state-of-the-art semiconductor manufacturing plant in Dresden (Germany), which has continued to set new standards over the last two decades. Exactly 20 years later that day, Infineon Dresden celebrated its 20th anniversary. When it was erected in 1994, it was Europe's most modern semiconductor manufacturing plant. In the year 2000, Infineon began constructing the world's first production center capable of manufacturing on 300-millimeter silicon wafers. Today in Dresden, Infineon is establishing the first production line worldwide capable of manufacturing power semiconductors on 300-millimeter thin wafers.

Moreover, the 200-millimeter facility, which has existed since 1994, has been continually modernized. Over the last five years, more than €300 million has been invested in the plant for capacity expansion and automation measures. Today, Infineon's 200-millimeter production facility in Dresden is one of the most highly automated of its kind in the world.

Expansion at the Villach plant

Infineon is currently in the process of expanding its plant at Villach (Austria). The main focus is on increasing expertise to meet the production needs of the future as well as on research and development (R&D). "Pilot Space Industry 4.0" heralds the implementation and testing of an innovative concept of connected and knowledge-intensive production. Furthermore, research into new types of material and technology is being conducted more intensively than ever. To achieve this expansion, Infineon is planning investments and research expenses totaling €290 million, thereby creating around 200 new jobs in the fiscal years from 2014 to 2017, primarily in the field of R&D.

eRamp

One of the most important European research projects on energy efficiency was launched at Infineon Technologies Dresden GmbH. The objective of the three-year project "eRamp" is to strengthen and broaden the role of Germany and Europe as competence hubs for the manufacturing of power electronics. 26 research partners from six countries are participating. Infineon, the world market leader in power semiconductors, is leading the €55 million project.

The partners in the eRamp project focus on the entire power electronics value creation chain, from generation and transmission all the way to the consumption of electric power. Research activities will focus on the faster introduction of new production technologies and further exploration of chip packaging technologies for power semiconductors. The objective is to gain new knowledge and thus create new products that will lead to economic and ecological progress for Europe.

The joint task of Infineon and its German project partners is to investigate and develop new methods for speeding up the start of mass production. Furthermore, Infineon, Osram and Siemens will construct and investigate testing equipment and demonstrators for the evaluation of newly developed chip embedding technologies.

Ten years as world market leader for power semiconductors; Infineon's lead over competitors increased

The market research company IHS published a study in December 2013 showing Infineon as the world's leading supplier of power semiconductors in the 2012 calendar year – a position it has now held for ten years in a row. According to the study, Infineon recorded a market share of 11.8 percent of the world's US$15.0 billion market for discrete power semiconductors and modules. Competitor Toshiba came in second with a market share of 7.0 percent, followed by Mitsubishi with 6.9 percent. Infineon thus increased its lead over its closest competitor from 3.8 to 4.8 percentage points compared to the previous year.

In the market segment for IGBT modules, with a size of US$3.0 billion, Infineon increased its market share by 1.1 percentage points to 20.3 percent and is now only 8.0 percentage points (prior calendar year: 12.8 percentage points) behind the market leader Mitsubishi with 28.3 percent.

Market share development was also favorable in the US$5.1 billion market segment for standard MOSFET power transistors. Infineon made the most ground among the five largest competitors in this market by adding 0.4 percentage points to its market share, which grew to a new high of 12.7 percent. The gap to the market leader, International Rectifier, was reduced to only 0.1 percentage points (prior calendar year: 0.5 percentage points).

Infineon again commended for sustainability

Infineon has been commended again for its commitment to sustainability. Following an analysis and evaluation by oekom research AG, one of the world's leading rating agencies in the sustainable investment sector, Infineon has been awarded “Prime Status”. The Infineon share therefore qualifies as a sustainable investment, putting Infineon amongst the world's most sustainable companies. The total volume of assets influenced by oekom's analyses stands at €520 billion.

Infineon has also been included in the Sustainability Yearbook for the fourth year in succession and thus belongs to the 15 percent of companies worldwide with the best corporate sustainability credentials. Infineon is also one of the Top Ten semiconductor companies in this respect. The Sustainability Yearbook is the most comprehensive compendium on corporate sustainability, involving the annual evaluation of more than 2,000 companies with respect to their sustainability practices. Based on the annual Corporate Sustainability Assessment (Dow Jones Sustainability Index) conducted by RobecoSAM, the Sustainability Yearbook highlights the best sustainability achievements in each relevant sector.

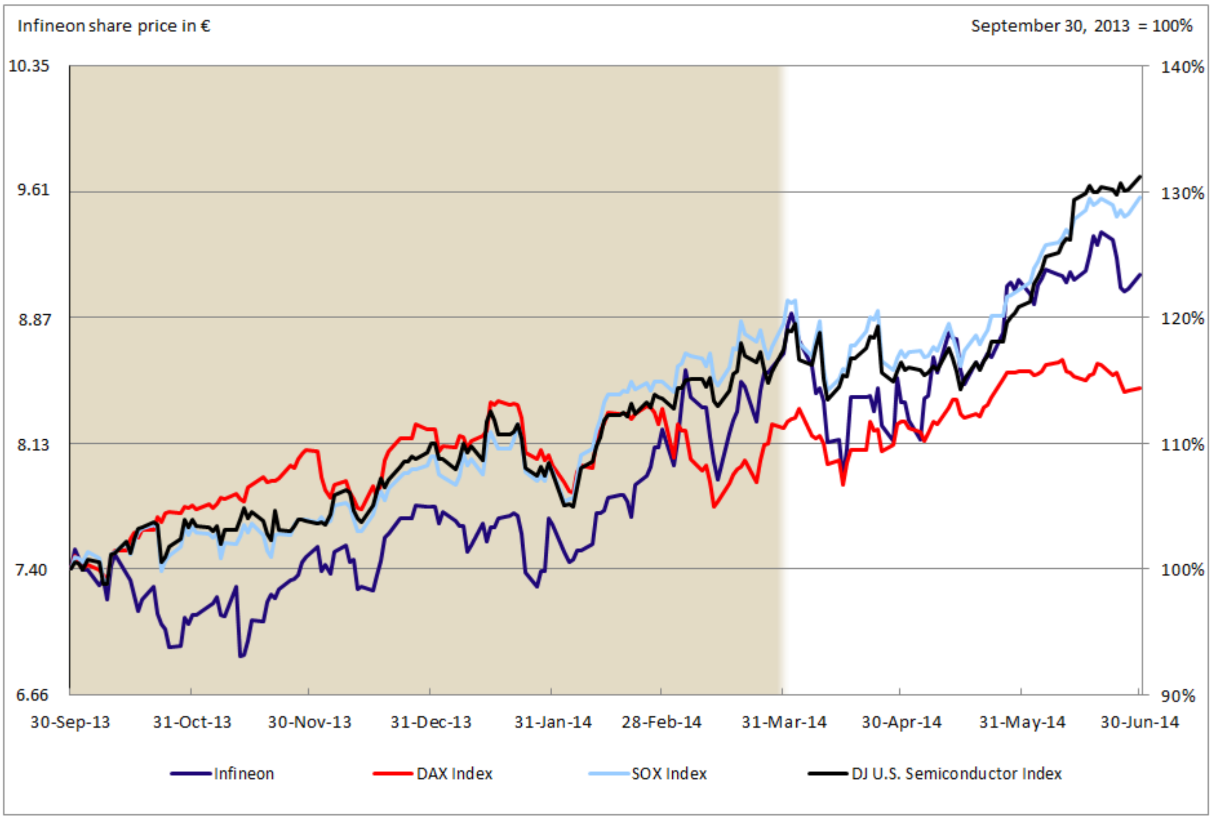
THE INFINEON SHARE

INFINEON SHARE PERFORMANCE IN THE THIRD QUARTER AND IN THE FIRST NINE MONTHS OF THE 2014 FISCAL YEAR

The Infineon share finished the third quarter of the 2014 fiscal year at €9.13. After showing an upward trend in the first half of the 2014 fiscal year, the price fell slightly in April 2014. At €7.93, the low for the three-month period was recorded in mid-April. The share price then proceeded to rise continually, reaching its peak of €9.38 for the quarter in mid-June. After some price corrections in the last few days of June, the share ended with a 5 percent gain for the third quarter as a whole, measured against the Xetra closing price of €8.66 at the end of the preceding quarter. The DAX increased by 3 percent during the same period. The two US benchmark indices, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index, gained 8 percent and 12 percent respectively.

Also during the first nine months of the 2014 fiscal year the price of the Infineon share rose. With a gain of 23 percent it significantly outperformed the DAX, which gained 14 percent during the same period. However, the Infineon share price rise did not match that of the Philadelphia Semiconductor Index (SOX), which surged upwards by 30 percent during the same period. The gain of the Dow Jones US Semiconductor Index was even more pronounced, with a rise of 31 percent compared to its level at the end of September 2013.

Performance of the Infineon share, the DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index during the first nine months of the 2014 fiscal year (daily closing prices)



	Three months ended June 30,			Nine months ended June 30,		
	2014	2013	+/- in %	**2014**	2013	+/- in %
Infineon closing prices in euro (Xetra)						
End of the previous period	8.66	6.16	41%	7.40	4.94	50%
High	9.38	6.84	37%	9.38	6.89	36%
Low	7.93	5.42	46%	6.88	4.96	39%
End of the period	9.13	6.43	42%	9.13	6.43	42%
Weighted-average number of shares traded per day	6,308,128	8,485,157	(26%)	6,937,425	7,937,128	(13%)
Infineon closing prices in US dollars (OTCQX)						
End of the previous period	11.96	7.96	50%	9.98	6.44	55%
High	12.78	9.09	41%	12.78	9.41	36%
Low	10.95	7.12	54%	9.24	6.47	43%
End of the period	12.45	8.34	49%	12.45	8.34	49%
Weighted-average number of ADSs traded per day	71,394	121,451	(41%)	79,259	86,382	(8%)
Shares issued (as of June 30)	1,127,689,897	1,080,926,634				
Therein: own shares	6,000,000	6,000,000				

DIVIDENDS AND CAPITAL RETURNS PROGRAM

At the Annual General Meeting held in Munich on February 13, 2014 the shareholders approved the dividend proposal jointly put forward by Infineon's Management Board and Supervisory Board. As a consequence, a dividend of €0.12 per share was paid out, unchanged from the previous year, resulting in a total disbursement of €129 million to shareholders. Infineon's strategy is to pursue a dividend policy that enables shareholders to participate appropriately in growing earnings or, in times of flat or declining earnings or negative free cash flow, to at least maintain the dividend at a constant level.

Implementation of the new capital returns program started / conversion of convertible bond

On November 19, 2013 the Supervisory Board authorized a new capital returns program for an amount of up to €300 million, which can be used up to September 30, 2015 to repurchase shares and/or parts of the subordinated convertible bond due 2014. In December 2013 Infineon began to repurchase parts of the convertible bond and to write put options on own shares. In total, convertible bonds with a nominal value of €11 million were repurchased for €35 million and put options on 13.5 million shares were issued (of which put options on 3 million shares have lapsed). Details of repurchases of the convertible bond and an overview of changes in the number of outstanding put options can be found on Infineon's website at “About Infineon/Investor/Capital Returns/Program 2013”.

During the first nine months of the 2014 fiscal year, the number of Infineon shares in issue increased by 46,606,863 shares from 1,081,083,034 shares to 1,127,689,897 shares, due to the exercising of share options by employees on the one hand and, to an even greater extent, due to the conversion of the remaining outstanding parts of the convertible bond due 2014.

WORLD ECONOMY AND SEMICONDUCTOR INDUSTRY

In June 2014 the World Bank revised down its forecast of the global economic growth rate for the 2014 calendar year from 3.2 percent to 2.8 percent (World Bank, June 2014). Despite this adjustment, the World Bank remains optimistic about the second half of the calendar year and the 2015 calendar year in general, forecasting an acceleration of growth, regardless of geopolitical uncertainties. The 2.8 percent growth rate predicted for the 2014 calendar year is expected to rise to 3.4 percent in the 2015 calendar year.

Demand for semiconductor products remains strong. The latest market data for the third quarter of the 2014 fiscal year indicate that semiconductor market revenues (excluding microprocessors and memory chips) will be up by approximately 4 percent quarter-on-quarter (World Semiconductor Trade Statistics “WSTS”, June 2014). WSTS predicts 8 percent growth for the 2014 calendar year, followed by 4 percent in the 2015 calendar year (WSTS, May 2014). The market research company IHS predicts growth of 5 percent in both the current and the coming calendar year (IHS, June 2014).

REVIEW OF RESULTS OF OPERATIONS

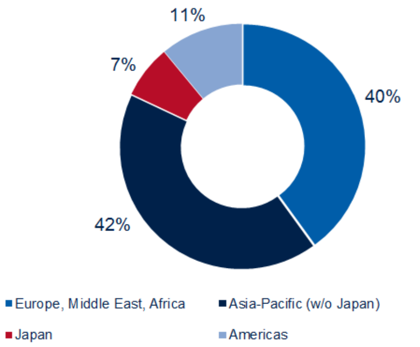
	Three months ended June 30,		Nine months ended June 30,	
€ in millions	**2014**	2013	**2014**	2013
Revenue	1,110	1,022	3,145	2,790
Gross profit	**430**	**366**	**1,189**	**926**
Research and development expenses	(141)	(139)	(410)	(385)
Selling, general and administrative expenses	(122)	(115)	(358)	(325)
Other operating income and expense, net	(2)	(18)	(13)	(38)
Operating income	**165**	**94**	**408**	**178**
Net financial result (financial income and expense, net)	1	(7)	(8)	(15)
Gain from investments accounted for using the equity method	-	-	1	-
Income tax	(23)	(5)	(60)	(18)
Income from continuing operations	**143**	**82**	**341**	**145**
Gain (loss) from discontinued operations, net of income taxes	-	(5)	13	(15)
Net income	**143**	**77**	**354**	**130**
Basic earnings per share (in euro)	0.13	0.07	0.32	0.12
Diluted earnings per share (in euro)	0.13	0.07	0.32	0.12

SUBSTANTIAL IMPROVEMENT IN NET INCOME DUE TO RISE IN REVENUE

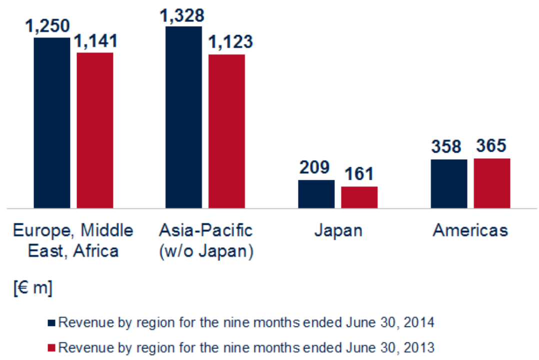
Nine-month revenue increased by 13 percent from €2,790 million in the previous fiscal year to €3,145 million this year, despite currency-related headwinds. Net income improved sharply by €224 million to €354 million, mainly reflecting the higher level of revenue in the nine-month period and the ensuing significant improvement in the utilization of manufacturing capacities as well as the realization of production efficiency improvements. Earnings per share increased accordingly.

IMPORTANCE OF ASIA-PACIFIC CONTINUES TO GROW

All regions made good contributions to the €355 million growth in revenue over the nine-month period. Over half of the improvement (€205 million) related to the Asia-Pacific region (without Japan), the importance of which continues to grow for Infineon. Revenue generated in the Asia-Pacific region (without Japan) in the first nine months of the 2014 fiscal year accounted for 42 percent, the largest share of Infineon's revenue (October 2012 – June 2013: 40 percent). Within the Asia-Pacific region (without Japan), the highest share was recorded in China, which, with 20 percent of Infineon's worldwide revenue, accounted for a similar proportion to that generated in Germany.



Revenue by region for the nine months ended June 30, 2014



	Three months ended June 30,				Nine months ended June 30,			
€ in millions, except percentages	**2014**		2013		**2014**		2013	
Europe, Middle East, Africa	439	39%	413	40%	1,250	40%	1,141	41%
Therein: Germany	217	20%	209	20%	627	20%	569	20%
Asia-Pacific (w/o Japan)	475	43%	405	40%	1,328	42%	1,123	40%
Therein: China	216	19%	182	18%	627	20%	499	18%
Japan	74	7%	63	6%	209	7%	161	6%
Americas	122	11%	141	14%	358	11%	365	13%
Total	**1,110**	**100%**	**1,022**	**100%**	**3,145**	**100%**	**2,790**	**100%**

BETTER UTILIZATION OF CAPACITIES AND EFFICIENCY IMPROVEMENTS RESULT IN DISPROPORTIONATELY HIGH IMPROVEMENT IN GROSS MARGIN

Gross profit (revenue less cost of goods sold) for the nine-month period of the 2014 fiscal year amounted to €1,189 million, a 28 percent improvement on the €926 million recorded one year earlier. Greater business volumes led to optimized capacity utilization at manufacturing facilities. The resulting reduction in idle costs and the greater production efficiency helped gross profit to improve at a faster rate than the 13 percent increase in revenue. Another contributing factor was that, with effect from the second quarter of the 2014 fiscal year, centralized production-related overheads have been allocated for inventory valuation purposes on a more differentiated basis by reference to frontend and backend added value. This change to the valuation of work in progress gave rise to a one-time positive impact of €25 million on earnings in the second quarter. A number of other factors, such as increased personnel costs (including higher variable remuneration based on an improved target achievement level) worked in the opposite direction. The gross margin for the nine-month period of the 2014 fiscal year came in at 37.8 percent, up from the 33.2 percent recorded one year earlier.

	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Cost of goods sold	680	656	1,956	1,864
Change year-on-year	4%		5%	
Percentage of revenue	61%	64%	62%	67%
Gross profit	430	366	1,189	926
Percentage of revenue (gross margin)	38.7%	35.8%	37.8%	33.2%

OPERATING EXPENSES RISE AT SLOWER RATE THAN REVENUE

Nine-month operating expenses (research and development expenses and selling, general and administrative expenses) increased by €58 million to €768 million (October 2012 – June 2013: €710 million). In percentage terms, operating expenses corresponded to 24.4 percent of nine-month revenue, compared to 25.4 percent one year earlier.

Research and development expenses amounted to €410 million and were therefore €25 million higher than the €385 million reported for the first nine months of the previous fiscal year. Additional staff were taken on at various locations – including for the new development center in Malacca (Malaysia) – with the aim of building the basis for further growth. A total of 4,747 employees worked in R&D functions at the end of the reporting period (June 30, 2013: 4,418 employees). Salary increases and higher variable remuneration based on an improved target achievement level also drove up R&D expenses.

	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Research and development expenses	141	139	410	385
Change year-on-year	1%		6%	
Percentage of revenue	12.7%	13.6%	13.0%	13.8%

Selling, general and administrative expenses corresponded to 11.4 percent of revenue in the first nine months of the 2014 fiscal year (October 2012 – June 2013: 11.6 percent) and increased in absolute terms by €33 million due to revenue-related factors and higher personnel expenses.

	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Selling, general and administrative expenses	122	115	358	325
Change year-on-year	6%		10%	
Percentage of revenue	11.0%	11.3%	11.4%	11.6%

NET FINANCIAL RESULT SLIGHTLY IMPROVED

The net financial result (financial income less financial expenses) for the nine-month period was a negative €8 million, an improvement of €7 million compared to the negative €15 million recorded one year earlier. This improvement was mainly attributable to the avoidance of interest expense following the repurchase and conversion of the convertible bond due 2014.

EFFECTIVE TAX RATE OF 15 PERCENT

As in the same period one year earlier, tax expense for the first nine months of the 2014 fiscal year was affected by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets.

Based on income from continuing operations of €401 million and tax expense of €60 million, the effective tax rate for the nine-month period ended June 30, 2014 was 15 percent. The rate in the corresponding period one year earlier was 11 percent, when a tax expense of €18 million arose on income from continuing operations of €163 million.

POSITIVE RESULT FROM DISCONTINUED OPERATIONS

The result from discontinued operations, net of income taxes for the nine-month period improved from a loss of €15 million in the previous fiscal year to a profit of €13 million in the current fiscal year. For further information, please see note 4 “Divestitures and Discontinued Operations”.

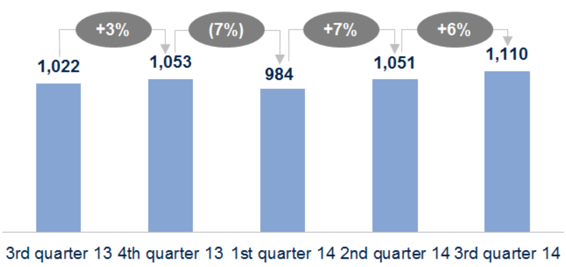
SHARP IMPROVEMENT IN EARNINGS PER SHARE

Net income for the nine-month period under report totaled €354 million, well up on the €130 million recorded in the previous year's corresponding period.

The improvement in net income resulted in a significant increase in earnings per share. Compared to earnings per share of €0.32 (basic and diluted) for the first nine months of the 2014 fiscal year, the corresponding figures for the previous fiscal year both had amounted to €0.12.

SEGMENT PERFORMANCE

Entwicklung Umsatz und SR für IFX gesamt



Comparison of the revenue of the last 5 quarters [€ m]

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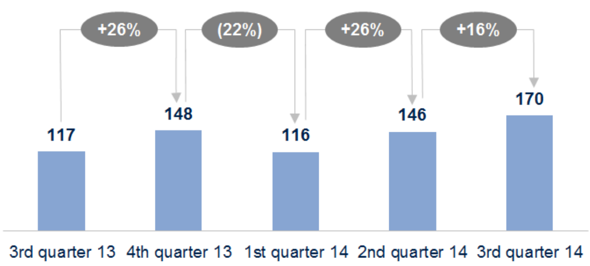


Comparison of the Segment Result of the last 5 quarters [€ m]

Segment Result Margin of 13.7 percent recorded for the first nine months of the 2014 fiscal year

All of Infineon's operating segments benefited from the positive course of business in the period under report. Some €186 million or approximately 52 percent of the total increase in Infineon revenue (€355 million) compared to the first nine months of the previous fiscal year related to the Automotive segment. Industrial Power Control, Power Management & Multimarket and Chip Card & Security also reported marked increases.

Along with higher revenues came an improvement in Segment Result, which rose steeply by €202 million to €431 million (October 2012 – June 2013: €229 million), mainly due to reduced idle costs, efficiency improvements in production and the fact that operating expenses increased at a slower rate than revenues.

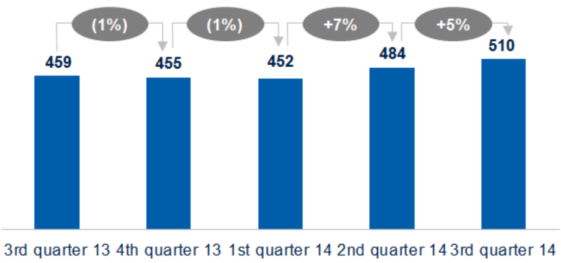
The Segment Result Margin for the nine-month period was 13.7 percent, as compared to 8.2 percent one year earlier.

AUTOMOTIVE

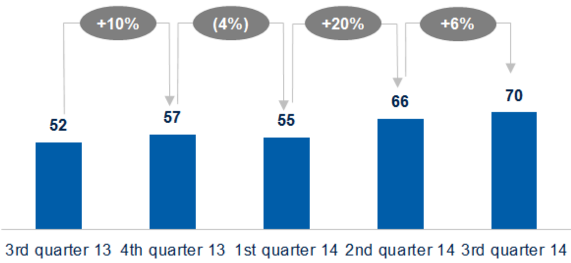
€ in millions, except percentages	Three months ended June 30, 2014	2013	Nine months ended June 30, 2014	2013
Revenue	510	459	1,446	1,260
Share of Total Revenue	46%	45%	46%	45%
Segment Result	70	52	191	110
Share of Segment Result of Infineon	41%	44%	44%	48%
Segment Result Margin	13.7%	11.3%	13.2%	8.7%

The Automotive segment recorded revenue totaling €510 million in the third quarter of the 2014 fiscal year, with €459 million in the same quarter of the previous year. The increase of €51 million was driven by strong demand for automobiles in the USA and China. Another factor working in the segment's favor was that worldwide demand for vehicles produced by German premium manufacturers remained particularly high. Automotive contributed a Segment Result of €70 million, up by €18 million on the €52 million reported for the third quarter of the 2013 fiscal year. The Segment Result Margin improved from 11.3 percent to 13.7 percent compared to the corresponding quarter in the previous year.

Revenue in the first nine months of the 2014 fiscal year totaled €1,446 million, significantly higher than the previous year's figure of €1,260 million. This performance was partly due to strong global demand for automobiles, particularly those in the premium segment, and regionally in both the USA and China. A further factor was the increased use of intelligent control systems for electrical consumers in cars, for which Infineon offers a broad range of solutions. The Segment Result for the nine-month period increased by €81 million from €110 million to €191 million, reflecting the positive revenue performance. The Segment Result Margin for the nine-month period was 13.2 percent compared to 8.7 percent in the previous fiscal year.



Comparison of the revenue of Automotive of the last 5 quarters [€ m]



Comparison of the Segment Result of Automotive of the last 5 quarters [€ m]

Major events and developments in the Automotive segment during the first nine months of the 2014 fiscal year:

- In the field of automobile sensor technology, Infineon extended its lead in safety applications by introducing to the market a new generation of linear Hall sensors as well as angle sensors with Hall elements, based on an innovative two-sensor chip technology. Numerous automotive suppliers are utilizing these products in a variety of applications, such as power windows or sunroofs, as well as electric power steering systems.
- A leading European automotive supplier selected Infineon's power semiconductor products to control brushless DC motors, which are used, for example, in fans and water pumps. The rotation speed can be controlled electronically and fine-tuned to meet changing requirements. The lower amount of power required contributes to cutting fuel consumption and thereby ultimately reduces carbon emissions.
- The outstanding technical performance data of Infineon's 77-gigahertz radar sensor receiver modules was instrumental in the decision of a leading Japanese automotive supplier to utilize RASIC family products in its new generation of radar platforms.

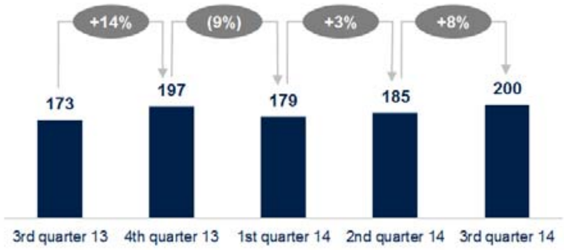
- The maximum reliability of all components is an absolutely essential criterion in safety-critical applications such as electronic stability control and power steering systems. Infineon's 32-bit multi-core AURIX™ microcontroller family was specifically developed for applications of this kind with the highest possible levels of reliability. A number of leading manufacturers of safety systems and camera-based driver assistance systems in both Europe and Asia have therefore opted for these microcontrollers.

INDUSTRIAL POWER CONTROL

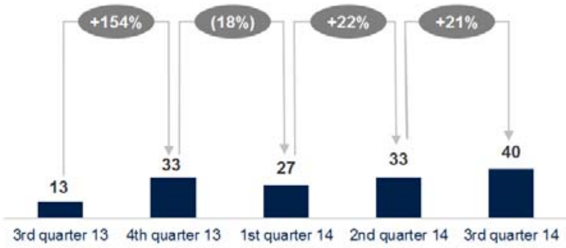
	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Revenue	200	173	565	454
Share of Total Revenue	18%	17%	18%	16%
Segment Result	40	13	100	5
Share of Segment Result of Infineon	24%	11%	23%	2%
Segment Result Margin	20.0%	7.5%	17.7%	1.1%

Revenue in the third quarter of the 2014 fiscal year totaled €200 million, up by €27 million or 16 percent on the previous year (€173 million). This growth was the result of continued high demand for industrial drives on the one hand and for products relating to the renewable energy and traction sectors on the other. Industrial Power Control generated a third-quarter Segment Result of €40 million and a Segment Result Margin of 20.0 percent, compared with €13 million and 7.5 percent respectively in the previous fiscal year. These improvements were attributable mainly to the sharp rise in revenue and the ensuing more efficient utilization of production capacities.

Industrial Power Control recorded revenue totaling €565 million for the first nine months of the 2014 fiscal year, an increase of €111 million over the same period last year (€454 million). One year ago, business was still being adversely affected by the general contraction of the market and the impact of inventory destocking by major direct customers in Europe as well as Asian distributors. In the first nine months of the current fiscal year, products related to industrial drives, traction, renewable energy and home appliances have all made good contributions to revenue growth. Higher revenues and improved production capacity utilization drove up the nine-month Segment Result to €100 million and the Segment Result Margin to 17.7 percent. One year earlier, the equivalent figures were €5 million and 1.1 percent respectively. A further contributing factor to the improvement was that R&D as well as selling, general and administrative expenses remained at similar levels to those recorded the previous year, despite the significant growth in revenue.



Comparison of the revenue of Industrial Power Control of the last 5 quarters [€ m]



Comparison of the Segment Result of Industrial Power Control of the last 5 quarters [€ m]

Major events and developments in the Industrial Power Control segment in the first nine months of the 2014 fiscal year:

- Infineon has again expanded its range of EiceDRIVER™ drivers for IGBT and CoolMOS™, favourably combining optimum product efficiency with an extremely compact design. These highly innovative control ICs were presented to a professional audience at the PCIM Europe trade fair. The new EiceDRIVER™ components facilitate the adaptation of the switching frequency to suit the requirements of the end application, even while the inverter is being installed at the customer's premises. It is not necessary to change the inverter hardware. The use of the new products optimizes the switching behavior of the IGBTs, thereby making it easier to install the inverter. This advantage considerably reduces system costs, significantly minimizes the efficiency losses of the semiconductor in the inverter and has a positive impact on the power density and size of the inverter.

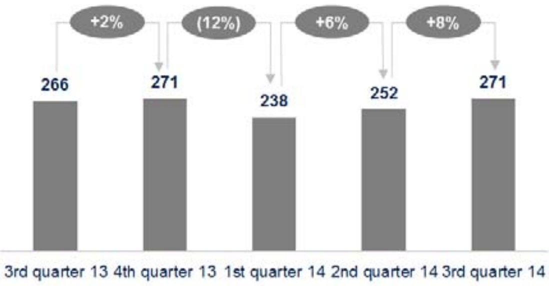
- Infineon is the first company worldwide to develop 300-millimeter manufacturing technology for power semiconductors for volume production. After commencing volume production of high-voltage MOSFET power transistors during the previous fiscal year, this year Infineon is also supplying customers with IGBTs from 300 -millimeter thin wafers. IGBTs of this type are utilized, for instance, in induction hobs.
- Demand for high-voltage IGBT modules in the field of railway transportation continued to grow throughout the first nine months of the 2014 fiscal year. China is a particularly important market for this application, with increasing investments in transport infrastructure creating the need for an ever greater number of trams and metro, intercity and high-speed trains. Major customers of Infineon, such as Siemens, are participating in this development, as are local manufacturers. Infineon supplies 6.5-kilovolt modules for high-speed trains as well as 3.3-kilovolt modules for high-speed and intercity trains to the leading train manufacturers in Europe as well as to manufacturers in Asia. Infineon has obtained its first orders for the recently introduced 4.5-kilovolt modules for locomotives and thereby further improved on its excellent position in the railway transportation sector.

POWER MANAGEMENT & MULTIMARKET

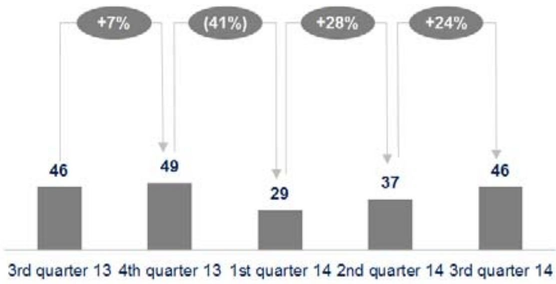
	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Revenue	271	266	761	716
Share of Total Revenue	24%	26%	24%	26%
Segment Result	46	46	112	95
Share of Segment Result of Infineon	27%	39%	26%	41%
Segment Result Margin	17.0%	17.3%	14.7%	13.3%

The Power Management & Multimarket segment recorded revenue of €271 million in the third quarter of the 2014 fiscal year, €5 million up on the same quarter last year (€266 million). The third-quarter Segment Result of €46 million was at a similar level to the previous fiscal year. This performance corresponds to a Segment Result Margin of 17.0 percent, marginally down on the previous year.

Revenue in the first nine months of the 2014 fiscal year amounted to €761 million, €45 million higher than in the corresponding period one year earlier (€716 million), with the entire product range contributing to the increase. The two main factors driving this growth were higher revenues from power semiconductors and the increased demand for radio-frequency (RF) power transistors driven by the introduction of the LTE standard in China. Segment Result for the nine-month period improved by €17 million to €112 million, compared to the previous year's figure of €95 million. The Segment Result Margin for the period was 14.7 percent, compared to 13.3 percent one year earlier. The positive impact of the revenue growth achieved in the first nine months of the 2014 fiscal year contrasted with higher operating expenses, particularly for R&D and selling activities.



Comparison of the revenue of Power Management & Multimarket of the last 5 quarters [€ m]



Comparison of the Segment Result of Power Management & Multimarket of the last 5 quarters [€ m]

Major events and developments in the Power Management & Multimarket segment in the first nine months of the 2014 fiscal year:

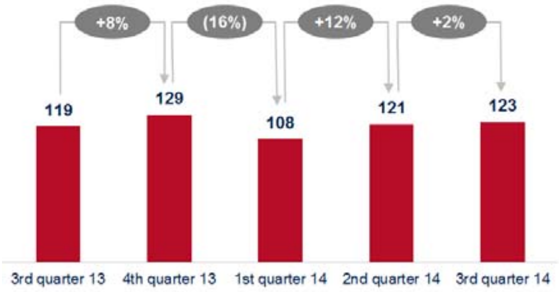
- Samsung is utilizing a total of eight RF components made by Infineon in the production of its Galaxy S5 smartphone. The low noise amplifiers (LNA) for the LTE mobile telecommunications standard and quad-band LNA banks from Infineon provide an increase in data transmission rates of up to 96 percent compared with solutions without LNAs. The GPS LNA ensures reliable navigation functionality by effectively preventing interference from other signals. Infineon`s RF switches were chosen to reliably route the RF signals to their designated paths. The Galaxy S5 is the latest model in Samsung's highly successful smartphone series. More than 11 million of these phones were sold within one month after the official release.
- Infineon achieved a further milestone in the field of system solutions. With the introduction of the DrBlade™ 2 to the market, Infineon now provides a power stage for highly efficient power supply in servers and data communications systems. This makes a complete system solution available for DC/DC conversion that combines two MOSFET power transistors and a DC/DC driver IC with integrated electricity and temperature sensors in one single compact, flat package. This enables developers of servers and data communications applications to take the requirements of high power density into account and shorten development cycles for new products.
- A significant milestone was also reached in the field of RF antenna modules. Infineon has now delivered over one billion of these components for smartphones and tablets, underpinning Infineon's position as one of the leading and most rapidly growing providers of RF antenna modules. Due to the growing number of LTE bands integrated in tablets and smartphones, the demand for RF antenna modules is expected to grow in double-digit figures over the next few years.
- Infineon broadened its portfolio with the addition of new transistors for TV power amplifiers. The new products are designed for use in UHF TV broadcast transmitters. These 50-volt LDMOS-RF power transistors provide the highest peak power output available across the entire 470 to 806 megahertz TV broadcasting band, enabling amplifier designers to use fewer transistors to achieve target output power, thus reducing costs and increasing reliability as a result of the simpler design. Lower heat loss and the extremely low thermal resistance of the package are further factors that contribute to reduced cost and even greater reliability.

CHIP CARD & SECURITY

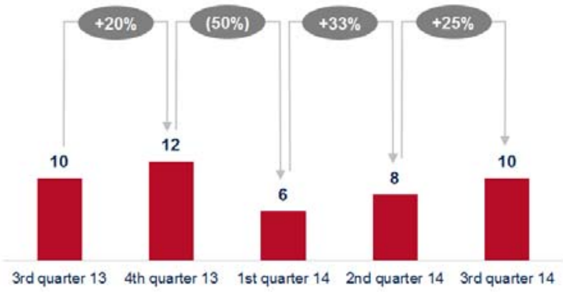
€ in millions, except percentages	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	**2014**	2013
Revenue	123	119	352	335
Share of Total Revenue	11%	12%	11%	12%
Segment Result	10	10	24	27
Share of Segment Result of Infineon	6%	9%	6%	12%
Segment Result Margin	8.1%	8.4%	6.8%	8.1%

Revenue in the third quarter of the 2014 fiscal year totaled €123 million compared to €119 million one year earlier. Revenue generated with payment cards increased sharply on the previous year, whereas business with security controllers for SIM cards was somewhat weaker. Sales of security chips for government applications were also down, due to project-related factors. The third-quarter Segment Result amounted to €10 million and was therefore unchanged from the previous year. Overall, Chip Card & Security recorded a Segment Result Margin of 8.1 percent (third quarter previous fiscal year: 8.4 percent).

Revenue in the first nine months of the 2014 fiscal year totaled €352 million, an increase of €17 million or 5 percent on the previous year (€335 million). Revenue from security chips for payment cards and authentication solutions rose sharply, while business with security controllers for government applications grew at a moderate pace. This contrasted with decreases in revenues generated with SIM cards and security chips for pay TV, the latter due to project-related factors. Segment Result for the nine-month period amounted to €24 million, down from the €27 million reported for the corresponding period one year earlier. The Segment Result Margin for the period was 6.8 percent, compared with the previous year's 8.1 percent. The positive impact of the revenue growth achieved in the first nine months of the 2014 fiscal year was partially offset by higher operating expenses, particularly for R&D and selling activities.



Comparison of the revenue of Chip Card & Security of the last 5 quarters [€ m]



Comparison of the Segment Result of Chip Card & Security of the last 5 quarters [€ m]

Major events and developments in the Chip Card & Security segment in the first nine months of the 2014 fiscal year:

- The migration of the American market from magnetic strip-based to chip-based payment cards using the EMV standard continues to gather pace. Infineon delivered the majority of these chips during the first three quarters of the 2014 fiscal year. In this field, Infineon offers a broad range of contact-based and dual interface solutions. Infineon's SOLID FLASH™ technology offers a crucial advantage, as the programming does not need to be performed during chip production, but can be done at any time later in a secure environment. This flexibility not only reduces time-to-market for customers, but also their inventory risk, i.e. the risk of stocking too many chips that cannot be reprogrammed, in a highly dynamic market environment.
- In the field of government ID applications, Infineon was awarded further important projects in both Europe and Asia. In a large-scale global interoperability test for the "Supplementary Access Control" security protocol, required by the ICAO (International Civil Aviation Organization of the United Nations) for machine-readable travel documents as new security standard, 31 electronic passports were tested. Half of these solutions were based on Infineon's security controllers. The other half were attributable to various other suppliers. This demonstrates Infineon`s strong position in the field of government ID applications.
- Unlike most of its competitors, Infineon supports numerous alternative security concepts based on NFC (Near Field Communication) technology. In Asia, Infineon was awarded orders for two NFC security concepts. Infineon offers embedded Secure Element technology in which the secure element is located on the board of the mobile phone. Various smaller smartphone makers and one major manufacturer in particular have decided for this solution. The latter also intends to equip a further model in its premium smartphone series with Infineon's embedded Secure Element. The alternative option integrates Secure Element functionality on the certified SIM card controller. This solution is widely used in SIM cards based on the LTE standard. Particularly in China, where the expansion of mobile telecommunications networks in accordance with this standard is becoming increasingly important, Infineon is represented in the SIM cards of a number of mobile operators.
- At the CARTES trade show in November 2013, Infineon was presented with the Sesames Award for creating the security chip with the industry's highest data transfer rate. The Integrity Guard security chip speeds up border checks and makes electronic ID cards secure for the future. In order to make processing at border controls as smooth as possible for both travelers and airport operators, the security chip communicates with the reader contactlessly and significantly faster than previously. Using this technology, passengers will in future be able to pass through electronic checkpoints at airports in less than one second on average.

OTHER OPERATING SEGMENTS

	Three months ended June 30,		Nine months ended June 30,	
€ in millions, except percentages	**2014**	2013	**2014**	2013
Revenue	5	6	17	20
Share of Total Revenue	0%	1%	1%	1%
Segment Result	4	(2)	6	(8)
Share of Segment Result of Infineon	2%	(2%)	1%	(3%)

Other Operating Segments mainly comprise activities that remain with Infineon after the sale or exit of a business operation. These include post-sale activities arising from the fact that the businesses sold still rely on goods sold or services rendered by Infineon, or remaining activities that cannot be allocated to another segment, which will be ultimately phased out. Product supplies to Lantiq following the sale of the Wireline Communications business fall under this category. Similarly, goods and services sold to Intel Mobile Communications (IMC) during a defined transitional period following the sale of the Wireless mobile phone business are also allocated to Other Operating Segments. The same applies to business with analog and digital TV tuners.

Third-quarter and nine-month revenue generated with IMC and Lantiq continued to decrease. A positive Segment Result was achieved in each case thanks to the lower level of idle costs across the Group (October 2012 – June 2013 and April – June 2013: negative Segment Result in each case).

CORPORATE AND ELIMINATIONS

The Segment Result from Corporate and Eliminations in the third quarter of the 2014 fiscal year was break-even, compared with an expense of €2 million one year earlier. For the first nine months of the 2014 fiscal year, the Segment Result was a negative amount of €2 million (October 2012 – June 2013: zero).

REVIEW OF FINANCIAL CONDITION

€ in millions, except percentages	As of June 30, 2014	As of September 30, 2013	Change year-on-year
Current assets	3,714	3,623	3%
Non-current assets	2,343	2,282	3%
Total assets	**6,057**	**5,905**	**3%**
Current liabilities	1,492	1,594	(6%)
Non-current liabilities	539	535	1%
Total liabilities	**2,031**	**2,129**	**(5%)**
Minority Interests	4	-	n/a
Total equity attributable to shareholders of Infineon Technologies AG	4,022	3,776	7%
Equity	**4,026**	**3,776**	**7%**

CURRENT ASSETS UP MARGINALLY

Current assets went up by 3 percent to €3,714 million as of June 30, 2014 compared to €3,623 million nine months earlier. The main reasons for the change were increases in inventories (up by €71 million) and trade receivables (up by €35 million) as well as a €23 million decrease in the gross cash position (sum total of cash and cash equivalents and financial investments) (see section "Gross cash position and net cash position" for further details).

NON-CURRENT ASSETS ALSO MARGINALLY HIGHER

Non-current assets also increased by 3 percent from €2,282 million as of September 30, 2013 to €2,343 million as of June 30, 2014. Investments in property, plant and equipment totaling €356 million were only marginally higher than the depreciation expense of €354 million. Capital expenditure related primarily to the production sites in Dresden (Germany) and Villach (Austria) as well as Malacca and Kulim (both Malaysia). Intangible assets went up by €54 million, mainly due to the fact that capitalized development costs were higher than the corresponding amortization expense.

CONVERSION AND REPURCHASE OF CONVERTIBLE BOND REDUCE LIABILITIES

Current liabilities stood at €1,492 million as of June 30, 2014. This figure is €102 million (6 percent) lower than at September 30, 2013 (€1,594 million). Short-term debt decreased by €109 million, mainly influenced by the conversion and repurchase of parts of the convertible bond due May 2014. In addition, trade payables went down by €38 million and current provisions by €23 million. The issuance of put options in conjunction with the new capital returns program resulted in the recognition of other current liabilities amounting to €66 million as of June 30, 2014.

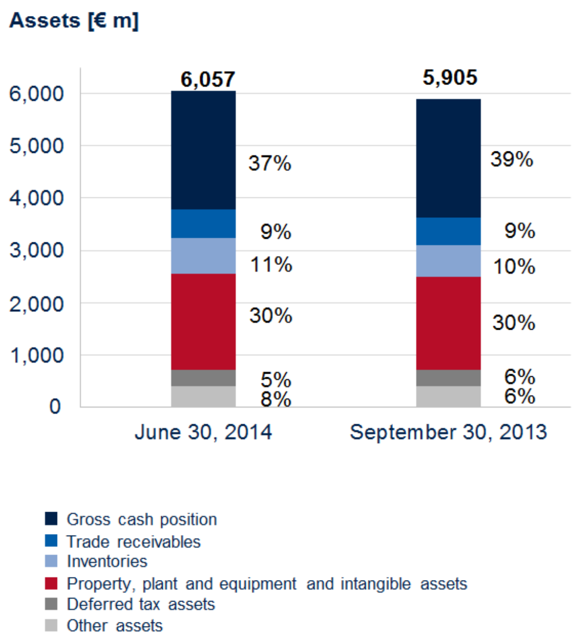
Non-current liabilities stood at €539 million as of June 30, 2014 and were therefore practically unchanged from the level reported as of September 30, 2013 (€535 million).

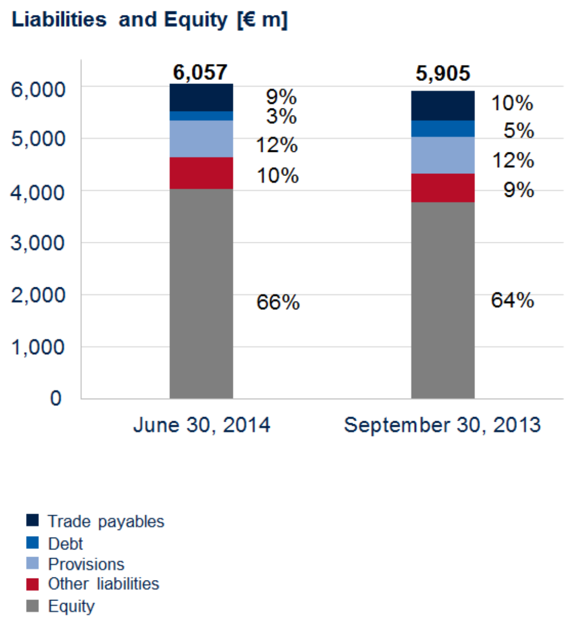
EQUITY HIGHER DUE TO NET INCOME FOR THE PERIOD

Equity increased by €250 million (7 percent) to stand at €4,026 million at the end of the reporting period (September 30, 2013: €3,776 million). The rise was partly due to the fact that net income of €354 million for the first nine months of the 2014 fiscal year exceeded the dividend of €129 million paid for the 2013 financial year.

Furthermore, the conversion of parts of the convertible bond increased equity by €99 million. The repurchase of parts of the subordinated bond reduced equity by €21 million, net of taxes, with conversion rights attached to more than 4.7 million shares acquired in conjunction with the repurchase. The issuance of put options reduced equity by €66 million.

The equity ratio improved to 66.5 percent as of the end of the reporting period (September 30, 2013: 63.9 percent).





REVIEW OF LIQUIDITY

CASH FLOW

€ in millions	Nine months ended June 30, 2014	2013
Net cash provided by operating activities from continuing operations	589	301
Net cash used in investing activities from continuing operations	(642)	(115)
Net cash used in financing activities from continuing operations	(174)	(161)
Net change in cash and cash equivalents from discontinued operations	(6)	(10)
Net change in cash and cash equivalents	**(233)**	**15**
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	(3)
Change in cash and cash equivalents	**(236)**	**12**

Net cash provided by operating activities from continuing operations significantly increased

Net cash provided by operating activities from continuing operations for the nine-month period totaled €589 million (October 2012 – June 2013: €301 million). Taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€786 million), the principal factors negatively impacting operating cash inflows during the first nine months of the 2014 fiscal year were the increase in inventories (€68 million), the decrease in trade payables (€41 million), the increase in trade receivables (€34 million) and income tax payments (€36 million).

In the same period one year earlier, taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€524 million), the principal items reducing net cash provided by operating activities from continuing operations were reductions in trade payables and provisions, the increase in trade receivables (€219 million in total) and taxes paid (€45 million), offset by changes (€49 million) in other assets and other liabilities.

Net cash used in investing activities from continuing operations driven by investments in property, plant and equipment and by purchase of financial investments

Net cash used in investing activities from continuing operations in the first nine months of the 2014 fiscal year amounted to €642 million, of which €356 million related to investments in property, plant and equipment and €212 million net to the purchase of financial investments. The purchase of financial investments related primarily to money deposits with terms of between three and six months and did not influence the gross cash position, since the latter includes financial investments as well as cash and cash equivalents. A total of €70 million was invested in intangible assets, mostly for internal development projects. €7 million (after deduction of cash acquired) was used to increase Infineon's investment in LS Power Semitech Co., Ltd. (“LSPS”), Republic of Korea, (see note 3 “Acquisitions”).

Net cash used in investing activities from continuing operations in the first nine months of the 2013 fiscal year amounted to €115 million. The sale of financial investments generated a net cash inflow of €107 million. Investments in property, plant and equipment and in intangible assets in the first nine months of the 2013 fiscal year totaled €224 million.

Dividend payment and repurchases of the convertible bond result in net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations in the first nine months of the 2014 fiscal year amounted to €174 million, of which €129 million was used to pay the dividend for the 2013 fiscal year and €35 million to repurchase parts of the convertible bond due 2014.

In the corresponding nine-month period of the previous fiscal year, net cash used in financing activities from continuing operations amounted to €161 million, which included the dividend payment of €129 million for the 2012 fiscal year and €38 million for the repurchase of 6 million own shares in conjunction with the exercise of put options. Other financial liabilities gave rise to a net inflow of €5 million in conjunction with new loans raised.

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 “more valuable” 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	Nine months ended June 30, 2014	2013
Net cash provided by operating activities from continuing operations	589	301
Net cash used in investing activities from continuing operations	(642)	(115)
Purchase of (proceeds from sales of) financial investments, net	212	(107)
Free cash flow	**159**	**79**

Net cash provided by operating activities exceeds investments

Free cash flow in the first nine months of the 2014 fiscal year amounted to €159 million. Net cash provided by operating activities exceeded additions to property, plant and equipment and intangible assets totaling €426 million.

Free cash flow in the first nine months of the previous fiscal year amounted to €79 million, reflecting the fact that disbursements for investments totaling €224 million were lower than net cash provided by operating activities from continuing operations totaling €301 million.

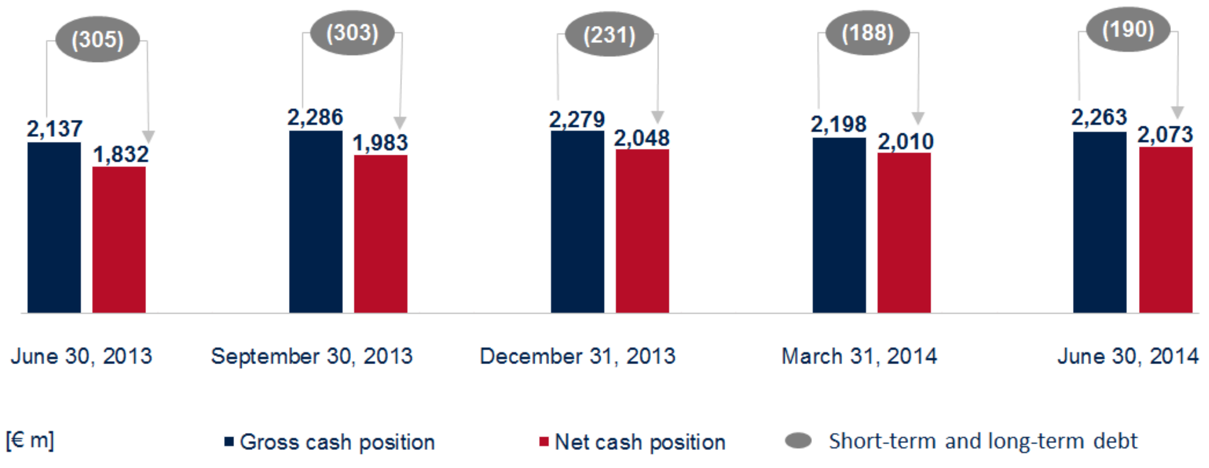
GROSS CASH POSITION AND NET CASH POSITION

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

€ in millions	**June 30, 2014**	September 30, 2013
Cash and cash equivalents	291	527
Financial investments	1,972	1,759
Gross cash position	**2,263**	**2,286**
Less:		
Short-term debt and current maturities of long-term debt	25	134
Long-term debt	165	169
Total debt	**190**	**303**
Net cash position	**2,073**	**1,983**

The gross cash position comprising cash and cash equivalents and financial investments amounted to €2,263 million as of June 30, 2014 and was thus €23 million lower than the €2,286 million reported as of September 30, 2013. The positive free cash flow generated in the period did not fully cover outflows for the dividend payment and for the repurchase of parts of the convertible bond in conjunction with the new capital returns program.

The net cash position, which is defined as the gross cash position less short-term and long-term debt, increased by €90 million to €2,073 million as of June 30, 2014 (September 30, 2013: €1,983 million), mainly due to the decreases in debt in conjunction with the conversion of parts of the convertible bond, without any corresponding cash outflows.

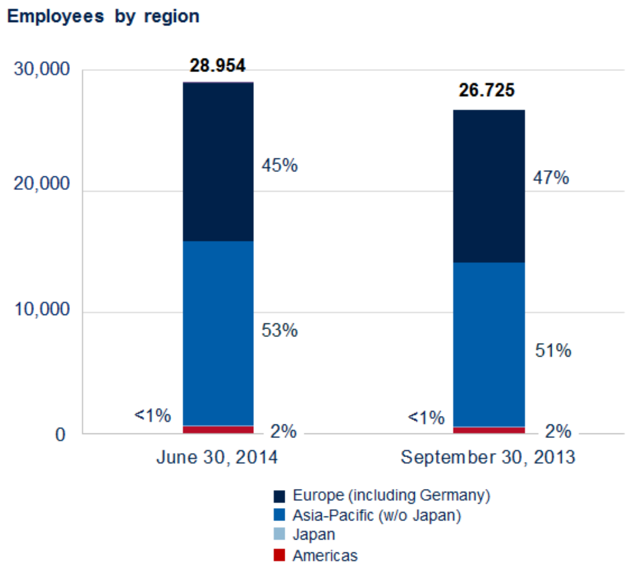


EMPLOYEES

The following table shows the composition of the workforce by region, as at the relevant reporting dates of fully consolidated companies within the Infineon Group:

	As of		
	June 30, 2014	September 30, 2013	Change
Region:			
Europe	13,065	12,587	4%
Asia-Pacific (w/o Japan)	15,208	13,517	13%
Japan	132	122	8%
Americas	549	499	10%
Total	**28,954**	**26,725**	**8%**

The total number of employees increased by 8 percent during the first nine months of the 2014 fiscal year, with most of the increase taking place in Asia-Pacific (particularly Malaysia) and in manufacturing and R&D functions. 202 employees were included following the first-time consolidation of LSPS.



EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 22, 2014 a state of play meeting took place between representatives of the European Commission ("EU Commission") and the Company, in connection with the antitrust investigation of the EU Commission into the Company and other manufacturers of chips for smartcards (see section "Antitrust Litigation" of note 21 "Commitments and Contingencies"). In the meeting both parties discussed the case controversially. The Company was requested to state its position once more in writing.

OUTLOOK

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.

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 segment should be well above the average for the Group. The Automotive segment is expected to grow slightly above the Group average. The growth rates forecast for the Power Management & Multimarket and Chip Card & Security 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.

RISKS AND OPPORTUNITIES

Infineon's international structure and the broad range of its products offer a multitude of opportunities, whilst also exposing it to numerous risks. Coordinated risk management and control systems are in place to identify material opportunities and risks at an early stage and manage them to Infineon's advantage. Risk management at Infineon is embedded in the Group's planning systems, playing an important role in all entrepreneurial decisions and business processes. As such, it is a vital aspect of securing lasting success for the business.

Specific risks which could have a material adverse effect on Infineon's financial condition, liquidity position and results of operations, specific opportunities and the concept behind Infineon's risk management system are described in the Group Management Report for the 2013 fiscal year (pages 140 to 150).

During the first nine months of the 2014 fiscal year, Infineon has not identified any material changes to the opportunities and risks described in the 2013 Annual Report and in note 21 to the Interim Consolidated Financial Statements for the nine-month period under report.

Further risks – of which Infineon is not currently aware or which are not at present considered material – could also impair business activities in the future. At the date of this report, Infineon is not aware of any substantial risks which could jeopardize its going-concern status.

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2014 AND 2013

€ in millions	Note:	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Revenue		1,110	1,022	3,145	2,790
Cost of goods sold		(680)	(656)	(1,956)	(1,864)
Gross profit		**430**	**366**	**1,189**	**926**
Research and development expenses		(141)	(139)	(410)	(385)
Selling, general and administrative expenses		(122)	(115)	(358)	(325)
Other operating income		6	4	18	12
Other operating expense		(8)	(22)	(31)	(50)
Operating income		**165**	**94**	**408**	**178**
Financial income	5	3	6	7	23
Financial expense	6	(2)	(13)	(15)	(38)
Gain from investments accounted for using the equity method		-	-	1	-
Income from continuing operations before income taxes		**166**	**87**	**401**	**163**
Income tax	7	(23)	(5)	(60)	(18)
Income from continuing operations		**143**	**82**	**341**	**145**
Gain (loss) from discontinued operations, net of income taxes		-	(5)	13	(15)
Net income		**143**	**77**	**354**	**130**
Attributable to:					
Non-controlling interests		-	-	-	-
Shareholders of Infineon Technologies AG		143	77	354	130
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:					
Basic earnings per share (in euro) from continuing operations	8	0.13	0.08	0.31	0.13
Basic earnings (loss) per share (in euro) from discontinued operations	8	-	(0.01)	0.01	(0.01)
Basic earnings per share (in euro)	8	**0.13**	**0.07**	**0.32**	**0.12**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:					
Diluted earnings per share (in euro) from continuing operations	8	0.13	0.08	0.31	0.13
Diluted earnings per share (in euro) from discontinued operations	8	-	(0.01)	0.01	(0.01)
Diluted earnings per share (in euro)	8	**0.13**	**0.07**	**0.32**	**0.12**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2014 AND 2013

€ in millions	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	**2014**	2013
Net income	**143**	**77**	**354**	**130**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effects	1	(4)	(4)	(5)
Net change in fair value of hedging instruments	3	(8)	5	(14)
Net change in fair value of available-for-sale financial assets	-	(1)	-	(1)
Total items that may be reclassified subsequently to profit or loss	4	(13)	1	(20)
Other comprehensive income (loss), net of tax	**4**	**(13)**	**1**	**(20)**
Total comprehensive income, net of tax	**147**	**64**	**355**	**110**
Attributable to:				
Non-controlling interests	-	-	-	-
Shareholders of Infineon Technologies AG	147	64	355	110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2014 AND 2013 (UNAUDITED) AND SEPTEMBER 30, 2013

€ in millions	Note:	**June 30, 2014**	June 30, 2013	September 30, 2013
ASSETS:				
Cash and cash equivalents		291	437	527
Financial investments		1,972	1,700	1,759
Trade receivables	9	553	509	518
Inventories	10	680	589	609
Income tax receivable		5	12	12
Other current assets	11	213	210	198
Assets classified as held for sale		-	1	-
Total current assets		**3,714**	**3,458**	**3,623**
Property, plant and equipment		1,615	1,574	1,600
Goodwill and other intangible assets		228	162	170
Investments accounted for using the equity method		34	32	34
Deferred tax assets		322	314	325
Other non-current assets	12	144	159	153
Total non-current assets		**2,343**	**2,241**	**2,282**
Total assets		**6,057**	**5,699**	**5,905**
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	16	25	139	134
Trade payables	13	531	455	569
Current provisions	15	652	661	675
Income tax payable		64	47	62
Other current liabilities	14	220	182	154
Total current liabilities		**1,492**	**1,484**	**1,594**
Long-term debt	16	165	166	169
Pension plans and similar commitments		247	294	246
Deferred tax liabilities		2	4	4
Long-term provisions	15	56	63	46
Other non-current liabilities		69	76	70
Total non-current liabilities		**539**	**603**	**535**
Total liabilities		**2,031**	**2,087**	**2,129**
Shareholders' equity:	17			
Ordinary share capital		2,255	2,162	2,162
Additional paid-in capital		5,413	5,548	5,549
Accumulated deficit		(3,553)	(4,069)	(3,907)
Other reserves		10	8	9
Own shares		(37)	(37)	(37)
Put options on own shares		(66)	-	-
Equity attributable to shareholders of Infineon Technologies AG		**4,022**	**3,612**	**3,776**
Non-controlling interests		4	-	-
Total equity		**4,026**	**3,612**	**3,776**
Total liabilities and equity		**6,057**	**5,699**	**5,905**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2014 AND 2013

	Three months ended June 30,		Nine months ended June 30,	
€ in millions	**2014**	2013	**2014**	2013
Net income	**143**	**77**	**354**	**130**
Plus/Minus: loss (income) from discontinued operations, net of income taxes	-	5	(13)	15
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	131	115	377	347
Income tax expense	23	5	60	18
Net interest result	(1)	7	7	14
Gains on disposals of property, plant and equipment	-	-	(2)	-
Dividends received from associated companies	1	-	1	-
Impairment charges	1	10	1	18
Other non-cash result	(3)	4	(1)	(4)
Change in trade receivables	(20)	(37)	(34)	(35)
Change in inventories	(2)	(16)	(68)	(22)
Change in trade payables	(33)	6	(41)	(157)
Change in provisions	18	32	(7)	(27)
Change in other assets and liabilities	(17)	7	(8)	49
Interest received	2	2	6	11
Interest paid	(1)	(5)	(7)	(11)
Income tax received (paid)	(14)	(7)	(36)	(45)
Net cash provided by operating activities from continuing operations	**228**	**205**	**589**	**301**
Net cash used in operating activities from discontinued operations	**(1)**	**(6)**	**(5)**	**(9)**
Net cash provided by operating activities	**227**	**199**	**584**	**292**

€ in millions	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Purchases of financial investments	(340)	(285)	(1,148)	(1,155)
Proceeds from sales of financial investments	240	190	936	1,262
Acquisitions of businesses, net of cash acquired	(7)	-	(7)	-
Purchases of intangible assets and other assets	(27)	(18)	(70)	(47)
Purchases of property, plant and equipment	(117)	(53)	(356)	(177)
Proceeds from sales of property, plant and equipment and other assets	1	1	3	2
Net cash used in investing activities from continuing operations	**(250)**	**(165)**	**(642)**	**(115)**
Net cash used in investing activities from discontinued operations	**-**	**-**	**(1)**	**(1)**
Net cash used in investing activities	**(250)**	**(165)**	**(643)**	**(116)**
Net change in related party financial receivables and payables	-	-	(1)	(1)
Proceeds from the issuance of long-term debt	-	2	3	44
Repayments of long-term debt	(13)	(9)	(23)	(39)
Repurchase of convertible subordinated bonds	-	-	(35)	-
Change in restricted cash	-	-	7	-
Proceeds from the issuance of ordinary shares	-	1	1	2
Purchase of own shares	-	-	-	(38)
Proceeds from the issuance of put options on own shares	-	-	3	-
Dividend payments	-	-	(129)	(129)
Net cash used in financing activities from continuing operations	**(13)**	**(6)**	**(174)**	**(161)**
Net cash used in financing activities from discontinued operations	**-**	**-**	**-**	**-**
Net cash used in financing activities	**(13)**	**(6)**	**(174)**	**(161)**
Net increase (decrease) in cash and cash equivalents	(36)	28	(233)	15
Effect of foreign exchange rate changes on cash and cash equivalents	-	(1)	(3)	(3)
Cash and cash equivalents at beginning of period	327	410	527	425
Cash and cash equivalents at end of period	**291**	**437**	**291**	**437**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED JUNE 30, 2014 AND 2013

€ in millions, except for number of shares	Note	Ordinary shares issued				Other
		Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
Balance as of October 1, 2012	17	**1,080,306,332**	**2,160**	**5,674**	**(4,199)**	**26**
Net income		-	-	-	130	-
Other comprehensive loss for the period, net of tax		-	-	-	-	(5)
Total comprehensive income (loss) for the period, net of tax		-	-	-	130	(5)
Dividends		-	-	(129)	-	-
Issuance of ordinary shares:						
Exercise of stock options		620,302	2	-	-	-
Share based compensation		-	-	3	-	-
Purchase of own shares		-	-	-	-	-
Put options on own shares		-	-	-	-	-
Balance as of June 30, 2013		**1,080,926,634**	**2,162**	**5,548**	**(4,069)**	**21**
Balance as of October 1, 2013		**1,081,083,034**	**2,162**	**5,549**	**(3,907)**	**14**
Net income		-	-	-	354	-
Other comprehensive income (loss) for the period, net of tax		-	-	-	-	(4)
Total comprehensive income (loss) for the period, net of tax		-	-	-	354	(4)
Dividends		-	-	(129)	-	-
Issuance of ordinary shares:						
Exercise of stock options		434,927	1	-	-	-
Exercise of conversion rights		46,171,936	92	7	-	-
Share based compensation		-	-	4	-	-
Put options on own shares		-	-	3	-	-
Other changes in equity		-	-	(21)	-	-
Balance as of June 30, 2014		**1,127,689,897**	**2,255**	**5,413**	**(3,553)**	**10**

reserves						
Unrealized gains (losses) on securities	Unrealized gains (losses) on cash flow hedges	Own shares	Put options on own shares	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
3	**(1)**	**-**	**(88)**	**3,575**	**-**	**3,575**
-	-	-	-	130	-	130
(1)	(14)	-	-	(20)	-	(20)
(1)	(14)	-	-	110	-	110
-	-	-	-	(129)	-	(129)
-	-	-	-	2	-	2
-	-	-	-	3	-	3
-	-	(37)	-	(37)	-	(37)
-	-	-	88	88	-	88
2	**(15)**	**(37)**	**-**	**3,612**	**-**	**3,612**
3	**(8)**	**(37)**	**-**	**3,776**	**-**	**3,776**
-	-	-	-	354	-	354
-	5	-	-	1	-	1
-	5	-	-	355	-	355
-	-	-	-	(129)	-	(129)
-	-	-	-	1	-	1
-	-	-	-	99	-	99
-	-	-	-	4	-	4
-	-	-	(66)	(63)	-	(63)
-	-	-	-	(21)	4	(17)
3	**(3)**	**(37)**	**(66)**	**4,022**	**4**	**4,026**

CONDENSED NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Infineon Group ("Infineon") comprising Infineon Technologies AG (hereafter also "the Company") and its subsidiaries design, develop, manufacture and market a broad range of semiconductors and system solutions. The focus of activities is on automotive electronics, industrial electronics and chip-card based security. Infineon products are also used in a wide variety of microelectronic applications, for example in computer systems, telecommunications systems and consumer goods. The product range comprises standard components, customer-specific solutions for devices and systems, specific components for digital, analog, and mixed-signal applications as well as embedded, non-volatile memories. Most of Infineon's revenue is generated by power semiconductors, the remainder by embedded control products (microcontroller designs adapted to the specific requirements of the application) and other product categories. Infineon's operations, investments and customers are located mainly in Europe, Asia and North America.

Infineon Technologies AG is a listed company under German law and is the ultimate parent company of the Infineon Group. The principal office of the Company is Am Campeon 1–12, 85579 Neubiberg (Germany). The Company is registered in the Commercial Register of the District Court of Munich under the number HRB 126492.

1 BASIS OF PRESENTATION

The condensed Interim Consolidated Financial Statements of Infineon for the three and nine months ended June 30, 2014 and 2013, 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 Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of September 30, 2013 presented herein was derived from audited financial statements, not all related disclosures required by IFRS for these are included here. The Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with IFRS, as adopted by the EU, for the 2013 fiscal year. With the exception of the changes described in note 2 due to standards adopted for the first time, the accounting policies applied preparing the accompanying Interim Consolidated Financial Statements are consistent with those used for the 2013 fiscal year.

The Interim Consolidated Financial Statements contain all necessary adjustments and, in the opinion of management, present a true and fair view of the financial position, results of operations and cash flows. All such adjustments 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.

The preparation of the Interim Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from management's estimates.

With effect from October 1, 2013 certain items in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows have been reclassified in order to improve clarity and comparability with other companies. The reclassification has also been applied to the comparative periods.

- Other Receivables and Other Payables which were previously disclosed as part of "Trade and other receivables" and "Trade and other payables" are shown as "Other current assets" and "Other current liabilities" respectively.
- Financial assets and financial liabilities previously disclosed separately are included in "Other assets" and "Other liabilities" respectively.
- In the Consolidated Statement of Cash Flows various non-cash components of consolidated net income are summarized in the new position "Non cash result". Additionally "Change in other current assets/liabilities" has been combined with "Change in other assets and liabilities".

All amounts presented in the Interim Consolidated Financial Statements are shown in euro (€) unless stated otherwise. Negative amounts are presented in parentheses.

Deviations in amounts presented may occur due to rounding.

2 ACCOUNTING POLICIES

FINANCIAL REPORTING RULES APPLIED FOR THE FIRST TIME

The following standards have been applied for the first time in the first nine months of the 2014 fiscal year:

- **"Improvements to IFRS (2011)"** (effective date January 1, 2013). The release brings together numerous smaller changes to existing standards resulting from an annual program of improvements to IFRS. The application of this change has no significant impact on the Interim Consolidated Financial Statements.
- **IFRS 13 "Fair Value Measurement"** (effective date: January 1, 2013). The standard sets out a consistent framework for measuring fair value, including a definition of the term and a description of the methods that can be used to measure it. It also expands the disclosure requirements of fair value measurement. The application of this standard has no significant impact on the Interim Consolidated Financial Statements.
- **Amendment to IAS 19 "Employee Benefits"** (effective date: January 1, 2013). The changes mainly relate to the recognition and measurement of the cost of defined benefit pension plans and termination benefits.

  Among others, the amendment affects the calculation of the expected return on plan assets and its disclosure in the Consolidated Statement of Operations, which in future must be based on the discount rate which underlies the calculation of the pension liabilities. The new net interest approach results in a net interest cost which is disclosed under financial expense in the Consolidated Statement of Operations for the period and which is derived by multiplying the net pension liability (pension liability less plan assets) by the discount rate. Also, the option to defer the recognition of actuarial gains and losses is withdrawn and it is required that actuarial gains and losses are recognized immediately in other comprehensive income.

  As a consequence of the change of definition of termination benefits, agreed supplemental contributions paid within the framework of the partial retirement program are disclosed as Other Long Term Employee Benefits from now on. As a result, supplemental payments will no longer be recognised in full immediately when the partial retirement agreement is concluded, instead they will be recognised pro-rata over the working phase where the block model is applied.

  Since Infineon had already recognized actuarial gains and losses on defined benefit pension plans immediately in other comprehensive income and had not applied permitted smoothing effects, and the required adjustments to partial retirement liabilities have only a minor effect, after analysis of the last Consolidated Financial Statements it was concluded that these changes have no significant effect on the Interim Consolidated Financial Statements. A retrospective adjustment to previous year comparatives will not be made on the grounds of immateriality.
- **Amendment to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"** (effective date: January 1, 2013). The amendment requires additional disclosures on offsetting rights. In addition to extended disclosures on offsetting activities actually carried out pursuant to IAS 32, in the future disclosure is required on existing rights to offset, regardless of whether the offsetting is actually carried out. The application of this standard has no significant impact on the Interim Consolidated Financial Statements.

3 ACQUISITIONS

On June 3, 2014 the Company completed the acquisition of a further 20 percent of the shares of LS Power Semitech Co., Ltd (LSPS), Republic of Korea, from LS Industrial Systems Co., Ltd (LSIS), Republic of Korea, in order to successfully position itself in the IGBT-based industrial power modules market. The Company now has a controlling interest in LSPS, holding 66.4 percent of the shares. The purchase price amounted to €8 million. LSPS develops, manufactures and markets compact power modules in the 600 volt class for household appliances and small industrial drives.

The assets and liabilities acquired were recorded at their fair value at the date of first consolidation. The difference between the acquisition costs (purchase price plus the fair value of the existing shareholding) and the identified fair value of the assets and liabilities, assessed according to the partial goodwill method, is recorded as goodwill.

The following table presents the effect of the transaction at the date of acquisition:

€ in millions	
Assets acquired	**11**
Goodwill	**4**
Non-controlling interests	(3)
Purchase price	**12**
Therein: fair value of the existing shareholding (46.4%)	4
Therein: paid in cash and cash equivalents	8
Acquired cash and cash equivalents	(1)
Net cash outflow for acquisitions	**7**

The book value of the existing shareholding as at the acquisition date of 46.4 percent was recorded as €0, its fair value was reassessed as being €4 million. The income from this reassessment was recorded in the Statement of Operations under Other Operating Income.

4 DIVESTITURES AND DISCONTINUED OPERATIONS

QIMONDA — DISCONTINUED OPERATIONS

On January 23, 2009, Qimonda AG ("Qimonda"), a majority owned company, filed an application at the Munich Local Court to commence insolvency proceedings. On April 1, 2009, the insolvency proceedings were opened. Insolvency proceedings were also opened for further domestic and foreign subsidiaries of Qimonda. Some of these insolvency proceedings have already been completed. In all reporting periods the impacts of these proceedings are reported as discontinued operations in the Consolidated Statement of Operations and Consolidated Statement of Cash Flows, to the extent that the underlying events occurred before the commencement of insolvency proceedings. To the extent that the events occurred after the commencement of insolvency proceedings, their results are reported as part of continuing operations.

A detailed description of the risks relating to the Qimonda insolvency is provided in note 21 ("Commitments and Contingencies – Proceedings in relation to Qimonda").

SALE OF THE WIRELESS MOBILE PHONE BUSINESS — DISCONTINUED OPERATIONS

On August 30, 2010, Infineon entered into a purchase agreement with Intel Corporation ("Intel"), pursuant to which it agreed to sell the mobile phone business of the Wireless Solutions segment ("Wireless mobile phone business") for a consideration of US$ 1.4 billion. Businesses with analog and digital TV tuners and satellite radio receivers and with radio frequency power transistors for amplifiers in cellular base stations are the only areas of the Wireless Solutions segment that remained with Infineon. The sale was completed on January 31, 2011. All assets, patents, other intellectual property and selected liabilities allocated to the Wireless mobile phone business were transferred separately. This business is being continued by the purchaser under the name "Intel Mobile Communications" ("IMC").

Subsequent income after tax totaled €3 million in the nine months ended June 30, 2014. Subsequent expenses after tax totaled €1 million in the nine month period ended June 30, 2013.

Following the sale, Infineon continues to perform activities on behalf of IMC which are reported as continuing operations, and within “Other Operating Segments” for segment reporting purposes.

SALE OF THE WIRELINE COMMUNICATIONS BUSINESS — DISCONTINUED OPERATIONS

On November 6, 2009, Infineon sold its Wireline Communications business to several affiliated companies of Golden Gate Private Equity Inc. (“Lantiq”). Subsequent income from the release of a provision related to the sale totaled €10 million in the nine month period ended June 30, 2014.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES

The results of Qimonda, Wireline Communications business, and the Wireless mobile phone business presented in the Consolidated Statement of Operations as discontinued operations, net of income taxes in the three and nine months ended June 30, 2014 and 2013, consist of the following:

	Three months ended June 30,			
€ in millions	**2014**	2013	**2014**	2013
Qimonda's share of discontinued operations, net of income taxes	-	(5)	-	(14)
Wireline Communications business' share of discontinued operations, net of income taxes	-	-	10	-
Wireless mobile phone business' share of discontinued operations, net of income taxes	-	-	3	(1)
Income (loss) from discontinued operations, net of income taxes	**-**	**(5)**	**13**	**(15)**

5 FINANCIAL INCOME

Financial income for the three months ended June 30, 2014 and 2013 relates to interest income of €3 million and €6 million, respectively, and for the nine months ended June 30, 2014 and 2013 to interest income of €7 million and €23 million, respectively.

6 FINANCIAL EXPENSE

Financial expense for the three and nine months ended June 30, 2014 and 2013 is as follows:

	Three months ended June 30,			
€ in millions	**2014**	2013	**2014**	2013
Interest expense	2	13	14	37
Other financial expense	-	-	1	1
Total	**2**	**13**	**15**	**38**

Interest expense for the nine months ended June 30, 2014 includes losses before tax of €1 million, arising from the repurchase of convertible subordinated bonds due 2014.

7 INCOME TAX

Income from continuing operations before income taxes and income tax expense for the three and nine months ended June 30, 2014 and 2013, respectively are as follows:

	Three months ended June 30,			
€ in millions	**2014**	2013	**2014**	2013
Income from continuing operations before income taxes	166	87	401	163
Income tax expense	(23)	(5)	(60)	(18)
Effective tax rate	14%	6%	15%	11%

In the three and nine months ended June 30, 2014 and 2013 Infineon's tax expense is affected by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets.

8 EARNINGS PER SHARE

Basic earnings per share ("EPS") are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the reporting period. The number of shares outstanding is increased by shares issued upon the conversion of convertible bonds or the exercise of stock options, and decreased by shares acquired through share repurchases and the exercise of put options on own shares.

Basic earnings per share are calculated as follows:

	Three months ended June 30,			
€ in millions (unless otherwise stated)	**2014**	2013	**2014**	2013
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	143	82	341	145
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	(5)	13	(15)
Earnings attributable to shareholders of Infineon Technologies AG	**143**	**77**	**354**	**130**
Weighted-average number of shares outstanding (in millions):				
- Ordinary share capital	1,127.6	1,080.8	1,113.0	1,080.6
- Adjustment for own shares	(6.0)	(6.0)	(6.0)	(5.2)
Weighted-average number of shares outstanding – basic	1,121.6	1,074.8	1,107.0	1,075.4
Basic earnings per share[1] (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.13	0.08	0.31	0.13
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	(0.01)	0.01	(0.01)
Earnings per share attributable to shareholders of Infineon Technologies AG – basic	**0.13**	**0.07**	**0.32**	**0.12**

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

The calculation of diluted EPS is based on the assumption that all potentially dilutive instruments are converted into shares – resulting in a corresponding increase in the number of shares on the one hand and a corresponding reduction in the charge on earnings for these instruments, such as interest expense, on the other. The convertible bond due 2014 is a potentially dilutive instrument which is only included in the calculation of diluted EPS if the potential conversion into shares has the effect of reducing the earnings per share from continuing operations. Stock options and outstanding put options issued on own shares are also potentially dilutive instruments if the exercise price is lower than the average share price for the period (for the stock options), or higher than the average share price for the period (for the put options on own shares).

Diluted earnings per share are calculated as follows:

€ in millions (unless otherwise stated)	Three months ended June 30, 2014	2013	2014	2013
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	143	82	341	145
Adjustment for interest expense on convertible bond	-	4	3	-
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	143	86	344	145
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	(5)	13	(15)
Earnings attributable to shareholders of Infineon Technologies AG – diluted	**143**	**81**	**357**	**130**
Weighted-average number of shares outstanding – basic (in millions):	1,121.6	1,074.8	1,107.0	1,075.4
Adjustments for:				
- Effect of potential conversion of convertible bond	-	50.9	15.5	-
- Effect of stock options	0.7	0.7	0.8	0.8
Weighted-average number of shares outstanding – diluted	1,122.3	1,126.4	1,123.3	1,076.2
Diluted earnings per share[1] (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.13	0.08	0.31	0.13
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	(0.01)	0.01	(0.01)
Earnings per share attributable to shareholders of Infineon Technologies AG – diluted	**0.13**	**0.07**	**0.32**	**0.12**

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

Included in the weighted average number of potentially dilutive instruments which did not have a dilutive impact and were not taken into account in the calculation of diluted earnings per share, were the following:

- During the nine months ended June 30, 2013 50.4 million ordinary shares issuable upon conversion of the outstanding convertible subordinated bond were not taken into account, as their impact would have been antidilutive on earnings per share. On the other hand these shares were taken into account during the three months ended June 30, 2013 as their impact on earnings per share would have been dilutive.
- For the three months ended June 30, 2014 and 2013 12.0 million and 11.7 million, respectively, and in the nine months ended June 30, 2014 and 2013 12.2 million, respectively, of the stock options issued to members of the Management Board and employees were not taken into account, since their exercise price was higher than the average share price during the relevant periods.
- In the three months ended June 30, 2014 10.4 million and in the nine months ended June 30, 2014 and 2013 7.6 million and 3.9 million, respectively, put options written on own shares were not taken into account since their exercise price was lower than the average share price during the reporting period.

9 TRADE RECEIVABLES

Trade receivables consist of the following:

€ in millions	**June 30, 2014**	September 30, 2013
Third party – trade	557	522
Related parties – trade	3	4
Trade accounts receivable, gross	**560**	**526**
Allowance for doubtful accounts	(7)	(8)
Trade accounts receivable, net	**553**	**518**

10 INVENTORIES

Inventories consist of the following:

€ in millions	**June 30, 2014**	September 30, 2013
Raw materials and supplies	85	92
Work in progress	410	350
Finished and purchased goods	185	167
Total	**680**	**609**

Inventories at June 30, 2014 and September 30, 2013 are stated net of write-downs of €80 million and €83 million, respectively.

11 OTHER CURRENT ASSETS

Other current assets consist of the following:

€ in millions	**June 30, 2014**	September 30, 2013
VAT and other receivables from tax authorities	71	66
Prepaid expenses	49	33
Grants receivables	41	39
Third party – financial and other receivables	10	13
Derivative financial instruments	2	2
Related party – financial and other receivables	2	-
Employee receivables	1	1
Restricted cash	-	7
Other	37	37
Total	**213**	**198**

As at September 30, 2013, the item "restricted cash" included €7 million for interest payments in connection with the subordinated convertible bond due 2014 which was repaid to Infineon in the second quarter of the 2014 fiscal year upon conversion of the remaining outstanding bonds (see note 16).

12 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

€ in millions	June 30, 2014	September 30, 2013
Restricted cash	75	75
Prepaid expenses	26	28
Securities	15	15
Investments in other equity investments	5	6
Grants receivables	5	5
Advance payments	1	7
Long-term receivables	4	5
Assets arising from employee benefits	1	2
Other	12	10
Total	**144**	**153**

"Restricted cash" as of June 30, 2014 and September 30, 2013 consists of a rental deposit in connection with the Campeon head office of €75 million.

13 TRADE PAYABLES

Trade payables consist of the following:

€ in millions	June 30, 2014	September 30, 2013
Third party – trade	524	557
Related parties – trade	7	12
Trade payables	**531**	**569**

14 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

€ in million	June 30, 2014	September 30, 2013
Payroll obligations to employees	68	66
Obligation to acquire own shares	66	-
VAT and other taxes payables	18	8
Advanced payments	17	24
Deferred government grants	17	19
Deferred income	17	18
Accrued interest	5	8
Derivative financial instruments with negative fair values	2	4
Related parties – other payables	1	1
Other	9	6
Total	**220**	**154**

The obligation to acquire own shares in connection with the new capital returns program (see note 17) is reported within other current liabilities. The obligation amounts to €66 million as of June 30, 2014 and corresponds to the discounted exercise value of outstanding put options on own shares at the issue date, plus interest up to the end of the reporting period.

15 PROVISIONS

Provisions consist of the following:

€ in millions	June 30, 2014	September 30, 2013
Personnel costs	203	176
Warranties	88	114
Provisions related to Qimonda	356	356
Other	61	75
Total	**708**	**721**

Provisions for personnel costs include, among others, costs of variable compensation, severance payments, service anniversary awards, other personnel costs and social security costs.

Provisions for warranties mainly represent the estimated future cost of fulfilling contractual requirements associated with products sold.

Provisions relating to Qimonda are described in detail in note 21.

Other provisions comprise provisions for penalties for default or delay on contracts, asset retirement obligations, litigations (other than provisions relating to Qimonda), onerous contracts, and miscellaneous other obligations.

The total amounts of provisions are reflected in the Consolidated Statement of Financial Position as of June 30, 2014 and September 30, 2013 respectively, as follows:

€ in millions	June 30, 2014	September 30, 2013
Current	652	675
Non-current	56	46
Total	**708**	**721**

16 DEBT

Debt consists of the following:

€ in millions	June 30, 2014	September 30, 2013
Current maturities of long-term debt	25	26
Convertible subordinated bonds, 7.5%, due 2014	-	108
Total short-term debt and current maturities of long-term debt	**25**	**134**
Loans payable to banks:		
Unsecured loans, weighted average rate 1.35% (2013: 1.38%), due 2015–2023	165	169
Total long-term debt	**165**	**169**
Total	**190**	**303**

In conjunction with the new capital returns program (see note 17), Infineon repurchased and cancelled subordinated convertible bonds due 2014 with a nominal value of €11 million during the first nine months of the 2014 fiscal year. In addition, in the first quarter of the 2014 fiscal year bond holders exercised their conversion rights and converted their holdings with a nominal value of €64 million into 28.6 million shares. Infineon announced on December 23, 2013 the early redemption of all the outstanding subordinated convertible bonds, according to §4 (4) of their terms and conditions. By the end of the conversion period on January 31, 2014 all remaining bonds with a nominal value of €39 million were converted into 17.6 million shares. The conversion price stood at €2.22 per share after adjustments in connection with anti-dilution clauses at the time of the Company's share capital increase in August 2009, as well as for the dividend payments for the fiscal years 2010 to 2012.

Loans payable to banks, including the current portion thereof, relate primarily to project financing at Infineon Technologies Austria AG.

Furthermore, Infineon has established several standalone short- and long-term credit facilities.

17 EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,255,379,794 as of June 30, 2014 divided into 1,127,689,897 no par value registered shares, of which 6 million were own shares on hand. As of September 30, 2013 the ordinary share capital stood at €2,162,166,068 divided into 1,081,083,034 no par value registered shares, each representing €2 of the Company's ordinary share capital. 46,606,863 new shares were issued in the first nine months of the 2014 fiscal year (thereof 93,640 in the third quarter) of which 434,927 (thereof 93,640 in the third quarter) resulted from the exercise of employee stock options, and 46,171,936 (thereof zero in the third quarter) from conversions of the subordinated convertible bonds due 2014 (see note 16).

At the Annual General Meeting on February 13, 2014, it was decided that a dividend of €0.12 for each share entitled to receive a dividend be paid out of the unappropriated profit reported by Infineon Technologies AG for the 2013 fiscal year. Taking into account the non-entitlement to a dividend of own shares as well as of new shares from the conversion of the subordinated convertible bonds due 2014, and of the exercise of employee stock options, this resulted in a distribution of €129 million.

The Company resolved a new capital returns program in November 2013 and intends to make available up to €300 million until September 30, 2015 for this purpose. The capital returns program makes use of the authorization given at the Annual General Meeting on February 28, 2013, according to which shares may be bought back either through the use of put options, or the direct repurchase of own shares through Xetra trading on the Frankfurt Stock Exchange. Furthermore the Company could repurchase further parts of the outstanding convertible subordinated bond due 2014. Any shares repurchased will either be cancelled, thereby reducing the share capital, used to service convertible bonds, or distributed to employees, board members of affiliated companies, or members of the Management Board. The share buyback will be carried out in line with the requirements of sections 14 (2) and 20a (3) of the German Securities Trading Act in accordance with the provisions of Commission Regulation (EC) No. 2273/2003 of December 22, 2003.

The capital returns program may be suspended and resumed at any time within the time frame defined in the resolution of the Annual General Meeting and taking into consideration other legal requirements.

As part of the capital returns program, during the first quarter of the 2014 fiscal year the Company repurchased and cancelled subordinated convertible bonds due 2014 with a nominal value of €11 million for approximately €35 million. The resulting loss of €1 million was recorded as interest expense. After allowing for tax, €21 million was recorded directly as a reduction to additional paid-in capital reflecting the repurchase of associated conversion rights over 4.7 million shares, valued based on the conversion ratio at the time of the repurchase (see note 16). As of June 30, 2014, the Company had issued put options for the repurchase of own shares with a value of €85 million, of which put options with an amount of €67 million remain outstanding as of June 30, 2014. The outstanding put options, which have a maximum term of twelve months, correspond to a total of 10.5 million shares. The premium of €3 million received for issued put options led to a corresponding increase in additional paid-in capital.

The following table contains an overview of put options on own shares issued, expired and exercised in the 2014 and 2013 fiscal years:

In each case stated in millions	**Exercise value in €**	Underlying number of shares
Outstanding put options as of October 1, 2012	**89**	**16**
Put options issued during the 2013 fiscal year	-	-
Less: put options expired in the 2013 fiscal year	(51)	(10)
Less: put options exercised in the 2013 fiscal year	(38)	(6)
Outstanding put options as of September 30, 2013	**-**	**-**
Put options issued during the 2014 fiscal year	85	14
Less: put options expired in the 2014 fiscal year	(18)	(3)
Less: put options exercised in the 2014 fiscal year	-	-
Outstanding put options as of June 30, 2014	**67**	**11**

The present value of the amount expected to settle the currently outstanding put options measured at issuance, amounted to €66 million and is shown within the equity line item “Put options on own shares”. The corresponding obligation was recognized within “Other current liabilities”, and measured on an accrual basis with interest unwound over the term of the instrument. The relevant liabilities are extinguished when the put options are settled by payment, at which point the amount will be reclassified within equity from “Put options on own shares” to “Own shares”. If the options are not exercised, the relevant liability is derecognized and equity increases accordingly.

18 SHARE-BASED COMPENSATION

A new Long Term Incentive Plan (LTI) consisting of a so called “performance share” plan was developed for the Management Board and selected senior executives as a successor to the Stock Option Plan 2010.

Under this plan, (virtual) performance shares are provisionally allocated on October 1 for the fiscal year starting on that date according to a pre-determined LTI allocation amount in euro. With the allotment of a virtual performance share, the participant in the plan acquires the right to receive (real) Infineon shares once a personal investment in Infineon shares has reached a four-year holding period. The level of personal investment is dependent on position and LTI allocation.

50 percent of the performance shares are performance-related, 50 percent are not dependent on performance. The performance-related shares are only finally allocated if the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) during the period between the date of the provisional allocation and the end of the holding period. If at the end of the holding period the requirements for an allocation of performance shares – either all or only those that are not performance related – are fulfilled, then the entitlement to the transfer of the corresponding number of (real) Infineon shares is acquired. Members of the Management Board may not receive more than a 250 percent gain on the respective LTI allocation; above this level performance shares are forfeited.

As at October 1, 2013 114,046 and 1,294,484, respectively, (virtual) performance shares were allocated and accepted by the Management Board and employees. The associated cost is deferred over the service period of four years for employees and two years for members of the Management Board.

There are no significant changes to the plans described in the consolidated financial statements as at September 30, 2013. In the nine months ended June 30, 2014 and 2013 a total of 0.2 and 4.7 million options, respectively, expired. The costs incurred for share-based compensation were not significant for the three and nine months ended June 30, 2014 and 2013 (see note 22).

19 RELATED PARTIES

Infineon transacts in the normal course of business with equity method investees and other related companies (collectively, “related companies”). Related parties also include persons in key positions at Infineon (collectively, “related persons”), in particular members of the Management and Supervisory Board and their close relatives.

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 manufacturing cost plus a mark-up.

Related companies receivables and payables consist exclusively of trade and other receivables and payables from and to equity method investees and other related companies.

Related companies receivables and payables as of June 30, 2014 and September 30, 2013 consist of the following:

€ in millions	**June 30, 2014**		September 30, 2013	
	at-equity companies	other related companies	at-equity companies	other related companies
Trade and other receivables	2	1	3	1
Financial receivables	-	2	-	-
Trade and other payables	5	2	10	2
Financial payables	-	1	-	1

Sales and service charges to and purchases from related companies for the three and nine months ended June 30, 2014 and 2013 consist of the following:

€ in millions	Three months ended June 30,			
	2014		2013	
	at-equity companies	other related companies	at-equity companies	other related companies
Sales and service charges	4	6	6	1
Purchases	18	1	22	5

€ in millions	Nine months ended June 30,			
	2014		2013	
	at-equity companies	other related companies	at-equity companies	other related companies
Sales and service charges	12	7	15	2
Purchases	58	17	58	23

In the three and nine months ended June 30, 2014 and 2013 there were no transactions between Infineon and related persons which fall outside the scope of the existing employment, service or appointment terms, or the contractual arrangements for their remuneration.

CHANGES IN THE SUPERVISORY BOARD

Upon his retirement on March 31, 2014, Mr. Alfred Eibl also retired from his position as employee representative on the Company’s Supervisory Board. Effective from April 1, 2014 Mr. Reinhard Gottinger, who was previously a substitute member, takes over as the new employee representative on the Supervisory Board. The successor to Mr. Eibl on the Mediation Committee is Mr. Jürgen Scholz and on the Strategy & Technology Committee is Mr. Reinhard Gottinger.

20 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are:

- valued according to quoted prices in an active market for identical financial instruments (Level 1),
- valued according to quoted prices in an active market for comparative financial instruments or using valuation models whose main input factors are based on observable market data (Level 2), or
- valued using input factors that are not based on observable market data (Level 3).

The following table shows the amounts allocated to each measurement level as of June 30, 2014:

€ in millions	Total	Fair value by category		
2014 fiscal year		Level 1	Level 2	Level 3
Financial assets				
Current assets:				
Financial investments	**64**	-	64	-
Other current financial assets[1]	**2**	-	2	-
Assets classified as held for sale	**-**	-	-	-
Non-current assets:	-	-	-	-
Other financial assets[1]	**20**	15	-	5
Total	**86**	**15**	**66**	**5**
Financial liabilities				
Current liabilities:				
Other current financial liabilities[1]	**2**	-	2	**-**
Total	**2**	**-**	**2**	**-**

[1] Included in the position “Other current assets”, “Other non-current assets” and “Other current liabilities”, respectively of the Consolidated Statement of Financial Position.

The allocation to classes of financial assets and liabilities, the valuation methods, and major assumptions are unchanged compared to September 30, 2013. The valuation is described in detail in the notes to the 2013 consolidated financial statements under note 2. A detailed overview of Infineon’s financial instruments, the financial risk factors, and the management of financial risks is included in the notes to the 2013 consolidated financial statements under notes 36 and 37.

21 COMMITMENTS AND CONTINGENCIES

LITIGATION AND GOVERNMENT INQUIRIES

ANTITRUST LITIGATION

In September 2004, the Company entered into a plea agreement with the Antitrust Division of the U.S. Department of Justice in connection with its investigation into alleged violations of U.S. antitrust laws in the DRAM industry. A number of putative price fixing class action lawsuits have been filed in U.S. state and federal courts against the Company, its U.S. subsidiary Infineon Technologies North America Corp. (“IF North America”) and other DRAM suppliers by indirect purchasers, state attorneys general of various U.S. states and territories, and California school districts, political subdivisions and public agencies. The lawsuits allege, among other things, violations of federal and state antitrust laws and violations of state unfair competition laws relating to the sale and pricing of DRAM products during specified time periods commencing in or after 1998 through, at the latest, to June 2002. The lawsuits seek actual and treble damages in unspecified amounts, penalties, costs, attorneys’ fees, and injunctive and other equitable relief for the alleged unlawful conduct.

The Company has executed a settlement agreement resolving these various lawsuits, subject to certain conditions. As part of the settlement, the Company has deposited approximately US$29 million into an escrow account. The settlement was formally approved by the court in June 2014. The period for opt-outs has expired, only a small number of class members opted out of the settlement, representing only a marginal proportion of the overall damages claim of the class. A further, also small number of class members also objected to the distribution of the settlement amount and have appealed the court's approval. The Company views the remaining monetary risk arising out of the opt-outs and objections as low.

Between December 2004 and February 2005, two putative class proceedings were filed in the Canadian province of Ontario, and one was filed in each of Quebec and British Columbia against the Company, IF North America and other DRAM manufacturers on behalf of all direct and indirect purchasers resident in Canada who purchased DRAM or products containing DRAM between July 1999 and June 2002, seeking damages, investigation and administration costs, as well as interest and legal costs. Plaintiffs primarily allege conspiracy to unduly restrain competition and to illegally fix the price of DRAM.

In June 2014, the Company has executed a settlement agreement resolving the various Canadian lawsuits, subject to certain conditions. As part of the settlement, the Company will deposit CA$9 million into an escrow account. After final court approval, the Company will be released from claims by the class members who do not elect to opt out of this settlement. Prior to the time of final court approval of the settlement, there is a risk that class members may decide to opt out.

In October 2008 the European Commission ("EU Commission") initiated an investigation into the Company and other manufacturers of chips for smartcards for alleged violations of antitrust laws. In 2009, 2012 and in the first quarter of the 2013 calendar year, the Company received and responded to written requests for information from the EU Commission. On April 22, 2013 the Company received the Statement of Objections in which it was, for the first time, informed of the basis of the European Commission's antitrust allegations. The Company defends itself against all allegations of anticompetitive conduct. For this purpose, the Company submitted its reply to the Statement of Objections to the EU Commission on July 22, 2013 and has subsequently reiterated its view on the case in writing and verbally. The Company assumes that the proceedings will be terminated by the end of this calendar year; however it is currently not possible to reliably estimate the outcome of the proceedings.

In June 2010, the Brazilian Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation related to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names the Company, various DRAM manufacturers and certain executives as parties to the proceedings, and focuses on the period from July 1998 to June 2002. The SDE's Notice of Investigation is based on the antitrust proceedings carried out in the United States and in Europe.

Insofar as there are liabilities and risks associated with the antitrust matters described herein that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at this time, provisions have been recorded, including for legal expenses. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these proceedings.

PATENT LITIGATION

In November 2008, Volterra Semiconductor Corporation ("Volterra") filed suit against the Company, IF North America, and Primarion, Inc., a former affiliate of the Company that is now part of IF North America, (jointly the "Defendants") in the United States District Court for the Northern District of California, alleging infringement of five U.S. patents by certain products that were offered by Primarion, and claimed relief for damages, enhanced damages for willful infringement and injunctive relief. Volterra later withdrew one patent; four patents remain in the case. In May 2011, the court decided that two of the patents were infringed. This decision was anticipated by the Company. It has accordingly made preparations to appeal this outcome and recorded provisions for legal expenses and those liabilities and risks that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at the present time. The case is now in the damages phase. However, fact discovery showed that the damages theory originally set forth by Volterra of profits lost through price erosion by the U.S. entity and owner of the patents-in-suit was legally flawed, as the entity that made 99.99 percent of the sales used as a basis for this claim was its Asian subsidiary whose profits do not "inexorably" flow back to the U.S. entity. Volterra then provided a different damages theory, which alleged loss of value of its subsidiary. However, the court has also rejected this later theory as legally barred and the jury trial to determine damages has been suspended. Instead, written submissions for injunctive relief as well as mediation have been ordered. The parties since agreed on injunctive relief with no impact on Infineon's current products. Mediation in January 2014 was unsuccessful but the parties continue to negotiate and follow-up mediation is expected in

October. The suit with respect to the two remaining patents will not commence until the case with respect to the first two patents are formally concluded in the first instance. In January 2010, the Company filed suit against Volterra in the United States District Court for the District of Delaware for infringement of four U.S. patents. The case was initially stayed. In December 2011, the stay was lifted and the case transferred to California, where it is in the discovery stage. In August 2013, Infineon Technologies Austria AG, an affiliate of the Company, also filed suit against Volterra as well as its Asian subsidiary in the United States District Court for the Eastern District of Texas for infringement of four U.S. patents. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these suits. There can be no assurance that the provisions recorded will be sufficient to cover all of the liabilities that could ultimately be incurred in relation to this litigation.

PROCEEDINGS IN RELATION TO QIMONDA

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out from Infineon and transferred to Qimonda in the form of a non-cash contribution with economic effect from May 1, 2006. Various service agreements were concluded with Qimonda in addition to the demerger and contribution agreement of April/May, 2006 as part of the establishment of Qimonda as a separate legal entity. Qimonda filed an application at the Munich Local Court to commence insolvency proceedings on January 23, 2009. On April 1, 2009, the insolvency proceedings formally opened. Qimonda was joined in declaring insolvency by a number of German and international subsidiaries of Qimonda, notably including Qimonda Dresden and Qimonda Flash GmbH ("Qimonda Flash").

The insolvency of Qimonda, Qimonda Dresden and Qimonda Flash has given rise to various disputes between the administrator of these companies and Infineon, some of which are already before the courts. Infineon is continuing its discussions with the insolvency administrator in a joint effort to find an amicable solution acceptable to both parties.

Legal disputes

Alleged activation of a shell company and liability for impairment of capital

The administrator filed a request for declaratory judgment in an unspecified amount against Infineon Technologies AG and, by way of third party notice, Infineon Technologies Holding B.V. and Infineon Technologies Investment B.V., at Regional Court Munich I in November 2010. This requested that Infineon be deemed liable to make good the deficit balance of Qimonda as it stood when the insolvency proceedings in respect of the assets of Qimonda began, i.e. to refund to Qimonda the difference between the latter's actual business assets when the insolvency proceedings began and its share capital (in German: "Unterbilanzhaftung"). The administrator contended that the commencement of operating activities by Qimonda amounted to what is considered in case law to be the activation of a shell company (in German: "Wirtschaftliche Neugründung"), and that this activation of a shell company was not disclosed in the correct manner. On March 6, 2012, with respect to another matter, the German Federal High Court issued a ruling on principle that any liability resulting from the activation of a shell company only depends on the situation at the date of the activation of a shell company and not, as asserted by the administrator, on the situation at the date on which insolvency proceedings are opened.

In addition to the request for declaratory judgment against Infineon in an unspecified amount, on February 14, 2012 the administrator also lodged a request for payment based on an alternative claim (in German: "Hilfsantrag"), as well as making other additional claims. In conjunction with this alternative claim, the administrator has requested the payment of at least €1.71 billion plus interest in connection with the alleged activation of a shell company. On June 15, 2012 the insolvency administrator increased his request for payment of February 14, 2012 on the grounds of activation of a shell company to at least approximately €3.35 billion plus interest. Furthermore, the insolvency administrator continues to base a substantial part of his alleged payment claims, as already asserted out of court against Infineon in August 2011 for an unspecified amount, on so-called liability for impairment of capital (in German "Differenzhaftung"). This claim is based on the allegation that, from the very beginning, the carved-out memory products business had a negative billion euro value. The administrator therefore asserts that Infineon is obliged to make good the difference between this negative value and the lowest issue price (in German: "geringster Ausgabebetrag") of the subscribed stock.

This allegation runs contrary to two valuations prepared as part of the preparatory documentation for the capital increase by independent auditing companies, one of which had been engaged by Infineon and the other of which was acting in the capacity of a court-appointed auditor of non-cash contributions and post-formation acquisitions.

The auditing company engaged by Infineon at the time concluded in its valuation that the business area contributed had a value of several times the lowest issue price of the shares issued, while the court-appointed auditor of non-cash contributions and post-formation acquisitions confirmed to the court that the lowest issue price of the shares issued was covered – as legally required – by the value of the non-cash contributions.

The parties have exchanged comprehensive written submissions as well as expert reports. A first oral hearing took place on January 19, 2012, a second was held on November 15, 2012. On August 29, 2013 the court appointed an independent expert in order to clarify specifically the valuation issues raised by the administrator.

Continuation of the rights of use of Infineon and its licensees in respect of Qimonda patents

Infineon transferred numerous patents to Qimonda in the course of its contribution of the memory business. It retained rights of use in respect of these patents in the contribution agreement, which also contains provisions concerning cross licensing. The administrator has declared non-performance of this agreement. If the administrator's assertion were found to be legal, the Company and its subsidiaries would no longer be licensed to use patents transferred by it to Qimonda in the form of contributions, or patents applied for by Qimonda itself subsequent to the carve-out. As a result, this could leave the Company unable to sublicense such patents in full to third parties. This could also affect contract partners of the Company with whom the Company has concluded cross patent license agreements, possibly leading to compensation claims against the Company.

The Company filed an action for declaratory judgment against the administrator regarding this matter with Regional Court Munich I in January 2011. This action was intended to produce a decision by the court confirming that the rights of use of Infineon and its licensees with respect to the aforementioned intellectual property of the Qimonda Group are still valid. On February 9, 2012 the Regional Court Munich I upheld Infineon's action almost completely, only dismissing the action with respect to the patents transferred to third parties or expired prior to the opening of insolvency proceedings on the one hand and with respect to rights to receive information on the other. The administrator's counteraction was dismissed. Both parties lodged appeals with the Munich Regional Appeal Court. Confirming the Company's legal opinion, in its ruling of July 25, 2013, the court upheld the first instance judgment, apart from a small number of restrictions. The administrator and the Company both lodged appeals with the German Federal High Court which scheduled on oral hearing for November 4, 2014.

The administrator applied to the US Bankruptcy Court for the Eastern District of Virginia in October 2009 for an order stating that rights of use under Qimonda's US patents do not fall under a protective provision of US insolvency law, according to which such rights of use continue to exist despite the insolvency of the licensor. The administrator bases its argument here on the view that the legal protection afforded to licenses in insolvency pursuant to section 365(n) of the US Bankruptcy Code applies only to US insolvency proceedings and not to insolvency proceedings in other countries (in this case Germany). Infineon and other semiconductor manufacturers have filed objections to this application.

After the US Bankruptcy Court upheld the administrator's claim in November 2009, the US District Court for the Eastern District of Virginia then sent the case back to the US Bankruptcy Court in July 2010 instructing that the legitimate interests of the licensees and the creditors in the insolvency should be carefully weighed up against the background of the purpose of the statutory regulation. In October 2011, the US Bankruptcy Court decided, after having diligently balanced the interests of the parties, that the legal protection offered by section 365(n) of the US Bankruptcy Code applies with respect to Qimonda's US patents, thus the patents' rights of use remain valid. The administrator appealed against the decision of the U.S. Bankruptcy Court directly to the Court of Appeals for the Fourth Circuit. An oral hearing by the Court of Appeals for the Fourth Circuit took place on September 17, 2013. The Court of Appeals affirmed the decision of the U.S. Bankruptcy Court on December 3, 2013. On April 30, 2014, the administrator applied to the U.S. Supreme Court for a review of the case.

Contestation of intercompany payments under insolvency law

On March 22, 2013, the administrator filed suit against Infineon at Regional Court Munich I. In this suit, the administrator asserts insolvency law related claims amounting to €105.9 million and US$28 million plus interest of 5 percentage points over the base rate of the German Federal Bank for the period since the opening of the insolvency proceedings. The appeal relates to intercompany payments from Qimonda to Infineon ("IC-Payments") since April 2008 as well as a payment made directly to the US Department of Justice ("DoJ Payment") in October 2008. Some of these IC-Payments had already been contested in writing by the administrator on September 2, 2011.

The suit is mainly based on insolvency law and partly supplemented by an alleged breach of the prohibition of return of contributions under stock corporation law. The administrator asserts in particular that payments were postponed by Infineon, that Infineon was already aware Qimonda was insolvent at the time of the payment or that there was a disparity between service and payment. Furthermore, the administrator also asserts that certain legal transactions between Qimonda and Infineon would have breached provisions under stock corporation law banning the return of contributions on the grounds that the transactions concerned were of an unconventional nature and disadvantageous for Qimonda. The first oral hearing took place on April 10, 2014. On July 3, 2014, the court commissioned an independent expert.

Extrajudicial claims

Inotera

Qimonda sold a stake in the joint venture Inotera Memories, Inc. ("Inotera") to Micron Technology, Inc. ("Micron") for US$400 million in October 2008. The administrator suggested in short letters sent in April and August 2010 that he may also pursue corporate liability claims against Infineon in connection with the sale of the Inotera stake. The administrator has not substantiated the claims against Infineon purported in these letters.

Other claims made by the administrator

The administrator brought forward further written claims against the Company in the final quarter of the 2011 fiscal year, some of which he asserts judicially in the suit filed at Regional Court Munich I on March 22, 2013 (see "Contestation of intercompany payments under insolvency law" above).

The other claims brought forward by the administrator have not been asserted judicially so far. He maintains that certain further legal transactions between Qimonda and Infineon would breach provisions under stock corporation law banning the return of contributions on the grounds that the transactions concerned were of an unconventional nature and disadvantageous for Qimonda. He also asserts that Infineon, in its capacity as the controlling company, caused Qimonda to enter into disadvantageous legal transactions without compensating it accordingly.

Further, the administrator asserts that the provisions of stock corporation law pertaining to post-formation acquisitions were breached in connection with numerous contracts concluded between Qimonda and Infineon at the time that the memory business was contributed to Qimonda.

Finally, the administrator also asserts that it is entitled to claim against Infineon because the latter did not provide Qimonda with a financing structure and liquidity resources adequate to enable its survival.

Assessment of these claims by Infineon

The claims purported in writing by the administrator in 2011 omit in most cases to mention any specific figures and often amount to no more than general assertions without any supporting detail. The Company has rejected in writing these claims made to date on the basis of its understanding of the matters involved. The Company has good arguments with which to mount a successful defense against a large number of these purported claims should they come before the court. Risks and uncertainties of a not inconsiderable magnitude remain, however, not least because several of the combinations of factors involved are not covered by case law from the highest instance.

Further contestation under insolvency law of payments made by Qimonda Dresden GmbH & Co. OHG

In a letter dated April 17, 2014, the insolvency administrator brought forward further out of court insolvency law related claims relating to payments made by Qimonda Dresden but did not yet substantiate them. He demands repayment of payments to Infineon Technologies Dresden GmbH in the amount of nearly €11 million as well as to the Company in the amount of nearly €1 million since April 2008, plus interest of 5 percentage points over the base rate of the German Federal Bank for the period since the opening of the insolvency proceedings.

Claims asserted orally by the administrator

Infineon and Qimonda concluded contracts concerning the separation of IT systems as part of the carve-out of the memory business. The administrator asserted in a meeting held in the 2011 fiscal year that the provisions of stock corporation law pertaining to post-formation acquisitions were breached in the conclusion of these contracts and that the contracts were of an unconventional nature. The administrator also maintained that it was entitled to claim against Infineon in relation to the (sub)letting agreements concluded between Qimonda and Infineon in connection with the carve-out of the memory business. Most of these claims have now also been asserted judicially in the suit filed on March 22, 2013.

Residual liability of Infineon as former shareholder of Qimonda Dresden GmbH & Co. OHG

Infineon was a shareholder with personal liability in Qimonda Dresden until the carve-out of the memory business, as a result certain long-standing creditors have residual liability claims against Infineon. These claims, which include the potential repayment of public subsidies, trade tax demands, receivables of service providers and suppliers and employee-related claims such as salaries and social security contributions, can only be exercised by the administrator acting in the name of the creditors concerned. Infineon and the administrator concluded a framework agreement covering the orderly resolution of residual liability issues on July 7, 2011. Infineon and the administrator also agreed that Infineon may recover 70 percent of the residual liability payments from the insolvent assets as an ordinary rather than a secondary creditor. Settlements have subsequently been concluded with some of the residual liability creditors.

Other claims

Infineon may still be exposed to other claims arising in connection with contracts, offers, uncompleted transactions, continuing obligations, liabilities, risks and other obligations transferred to Qimonda in connection with the carve-out of the memory business.

Provisions relating to Qimonda

Infineon recognizes provisions and liabilities for such obligations and risks which it assesses at the end of each reporting period are more likely than not to be incurred (that is where, from Infineon's perspective at the end of each reporting period, the probability of having to settle an obligation or risk is greater than the probability of not having to) and the obligation or risk can be estimated with reasonable accuracy at this time.

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. Certain of these matters led Infineon to record provisions of €356 million as of June 30, 2014 and September 30, 2013, respectively. In addition €6 million (CAD 9 million) was recognized as liability as of June 30, 2014 for the settlement of the Canadian DRAM lawsuit. Presenting details of the actual amounts included in provisions for specific liabilities and risks associated with the insolvency of Qimonda could seriously prejudice Infineon's legal or negotiating position, so no such disclosures are made.

There can be no certainty that the provisions recorded will be sufficient to cover all of the liabilities that could ultimately be incurred in relation to the insolvency of Qimonda and, in particular, the matters discussed above. In addition, it is possible that liabilities and risks materialize that are currently considered to be unlikely to do so, and accordingly are not included in provisions.

Infineon evaluates the merits of the various claims in each of these matters continuously, defends itself vigorously and seeks to find alternative solutions in the best interest of Infineon as it deems appropriate. Should the alleged claims prove to be valid, substantial financial obligations could arise for Infineon which could have a material adverse effect on its business and its financial condition, liquidity position and results of operations.

OTHER

Infineon is also involved in various other legal disputes and proceedings in connection with its existing or previous business activities. These can relate to products, services, patents, environmental issues and other matters. Based on its current knowledge, Infineon does not believe that the ultimate resolution of these other pending legal disputes and proceedings will have a material adverse effect on Infineon`s financial condition, liquidity position and results of operations. However future revisions to this assessment cannot be ruled out and any re-assessment of the miscellaneous legal disputes and proceedings could have a material adverse effect on the financial condition, liquidity position and results of operations, particularly in the period in which re-assessment is made. Furthermore, in connection with its existing or previous business operations, Infineon is also exposed to numerous legal risks which have until now not resulted in legal disputes. These include risks related to product liability, environment, capital market, anti-corruption, competition and antitrust legislation as well as other compliance regulations. Claims could also be made against Infineon in connection with these matters in the event of breaches of law committed by individual employees or third parties.

PROVISIONS FOR LEGAL PROCEEDINGS AND OTHER UNCERTAIN LEGAL ISSUES

Provisions relating to legal proceedings and other uncertain legal issues are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. If the estimated amount of the liabilities is within a range of amounts and all amounts within the range are equally probable, the provision recorded is equal to the mid-point of the range.

Any potential liability is reviewed again as soon as additional information becomes available and the estimates are revised if necessary. Provisions with respect to these matters are subject to future developments or changes in circumstances in each of the matters, which could have a material adverse effect on Infineon’s financial condition, liquidity position and results of operations.

An adverse final decision of any of the matters described above could result in significant financial liabilities for Infineon and other adverse effects and these in turn could have a material adverse effect on its business and financial condition, liquidity position and results of operations. Infineon evaluates the merits of the various claims in each of these matters continuously, defends itself vigorously and seeks to find alternative solutions in the best interest of Infineon as it deems appropriate. Irrespective of the validity of the allegations and the success of the aforementioned claims and other matters described above, Infineon could incur significant costs in the defense against or settlement of such allegations and this too could have a material adverse effect on its financial condition, liquidity position and results of operations.

OTHER CONTINGENCIES

In total, Infineon has guarantees outstanding to external parties as of June 30, 2014 amounting to €106 million.

In conjunction with its investing activities, Infineon receives government grants and subsidies related to the construction and financing of certain of its production facilities. Grants are also received for selected research and development projects. These amounts are recognized upon the achievement of specified criteria. Certain of these grants have been received contingent upon Infineon achieving or maintaining certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to fulfilling these requirements. Nevertheless, should such requirements not be met, as of June 30, 2014, a maximum of €74 million of these subsidies could be refundable. From today’s perspective, Infineon expects to be able to comply with the conditions attached to the grants. Such amount does not include any potential liabilities for subsidies received by Qimonda.

Through certain of its sales and other agreements Infineon may, in the normal course of business, be obligated to indemnify the counterparties under certain conditions for warranties, patent infringement or other matters. The maximum amount of potential future payments under these types of agreements is not predictable with any degree of certainty, since the potential obligation is contingent on events that may or may not occur in future, and depends on specific facts and circumstances related to each agreement. Historically, payments made by Infineon under these types of agreements have not had a material adverse effect on Infineon’s financial condition, liquidity position and results of operations.

22 SEGMENT INFORMATION

IDENTIFICATION OF SEGMENTS

Infineon's business is structured on the basis of its four operating segments, namely Automotive, Industrial Power Control, Power Management & Multimarket and Chip Card & Security.

Other Operating Segments comprise the remaining activities for product lines that have been disposed of and other business activities. Since the sale of the Wireline Communications business and the Wireless mobile phone business, product sales to Lantiq and IMC under the corresponding production agreements, other than those assigned to discontinued operations, are included in Other Operating Segments.

Corporate and Eliminations comprises the elimination of intragroup revenue and profits/losses as well as specific group functions that are not allocated to the operating segments.

SEGMENT DATA

	Three months ended June 30,		Nine months ended June 30,	
€ in millions	**2014**	2013	**2014**	2013
Revenue:				
Automotive	510	459	1,446	1,260
Industrial Power Control	200	173	565	454
Power Management & Multimarket	271	266	761	716
Chip Card & Security	123	119	352	335
Other Operating Segments	5	6	17	20
Corporate and Eliminations	1	(1)	4	5
Total	**1,110**	**1,022**	**3,145**	**2,790**

Revenue for the three and nine month periods ended June 30, 2014 and 2013 does not contain any inter-segmental revenue.

	Three months ended June 30,		Nine months ended June 30,	
€ in millions	**2014**	2013	**2014**	2013
Segment Result:				
Automotive	70	52	191	110
Industrial Power Control	40	13	100	5
Power Management & Multimarket	46	46	112	95
Chip Card & Security	10	10	24	27
Other Operating Segments	4	(2)	6	(8)
Corporate and Eliminations	-	(2)	(2)	-
Total	**170**	**117**	**431**	**229**

The following table provides the reconciliation of Segment Result to Income from continuing operations before income taxes:

	Three months ended June 30,		Nine months ended June 30,	
€ in millions	**2014**	2013	**2014**	2013
Segment Result	170	117	431	229
Plus/Minus:				
Impairments 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)	(4)	(7)	(6)
Share-based compensation expense	(2)	(1)	(4)	(3)
Acquisition-related depreciation/amortization and losses	-	-	-	(2)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net	-	-	2	-
Other expenses	(1)	(8)	(13)	(22)
Operating income	**165**	**94**	**408**	**178**
Financial income	3	6	7	23
Financial expense	(2)	(13)	(15)	(38)
Loss from investments accounted for using the equity method, net	-	-	1	-
Income from continuing operations before income taxes	**166**	**87**	**401**	**163**

Neubiberg, August 4, 2014

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 interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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, August 4, 2014

Dr. Reinhard Ploss   Dominik Asam   Arunjai Mittal

REVIEW REPORT

To the Supervisory Board of Infineon Technologies AG, Neubiberg:

We have reviewed the condensed interim consolidated financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of operations, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and condensed notes to the interim consolidated financial statements – together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from October 1, 2013 to June 30, 2014 that are part of the quarterly financial report according to § 37 x Abs. 3 WpHG [„Wertpapierhandelsgesetz": „German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the European Union (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 the IFRS applicable to 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 the IFRS applicable to 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, August 4, 2014

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer

SUPPLEMENTARY INFORMATION (UNAUDITED)

OUTLOOK

This Quarterly Report 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.

FINANCIAL CALENDAR

Fiscal Period	Period end date	Results press release (preliminary)
Fourth Quarter and Fiscal Year 2014	September 30, 2014	November 27, 2014
First Quarter Fiscal Year 2015	December 31, 2014	January 29, 2015
Second Quarter Fiscal Year 2015	March 31, 2015	May 5, 2015
Third Quarter Fiscal Year 2015	June 30, 2015	July 30, 2015

Publication date of the third quarterly financial report for the 2014 fiscal year: August 5, 2014

Due to rounding, numbers presented throughout this and other reports may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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