Infineon Technologies AG

Q1 Quarterly Financial Report
December 31, 2013

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SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions, except earnings per share, Segment Result Margin and Gross margin	Three months ended, December 31,	
	2013	2012
Selected Results of Operations Data		
Revenue	984	851
Gross margin	36.7%	32.0%
Segment Result	116	44
Segment Result Margin	11.8%	5.2%
Research and development expenses	133	123
Capital expenditure	129	88
Depreciation and amortization	120	116
Income from continuing operations	85	26
Income from discontinued operations, net of income taxes	2	(7)
Net income	87	19
Basic earnings per share (in euro) from continuing operations	0.08	0.02
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.08	0.02
Diluted earnings per share (in euro) from continuing operations	0.08	0.02
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.08	0.02
Selected Liquidity Data		
Net cash provided by (used in) operating activities from continuing operations	158	(41)
Net cash provided by (used in) investing activities from continuing operations[1]	(176)	28
Net cash used in financing activities from continuing operations	(36)	(22)
Net change in cash and cash equivalents from discontinued operations	1	(1)
Change in cash and cash equivalents	(55)	(38)
Free Cash Flow from continuing operations[2]	30	(128)

€ in millions, except numbers of employees	As of	
	December 31, 2013	September 30, 2013
Selected Financial Condition Data		
Total assets	5,859	5,905
Total equity	3,867	3,776
Gross cash position[3]	2,279	2,286
Debt (short-term and long-term)	231	303
Net cash position[3]	2,048	1,983
Employees	27,583	26,725

[1] Thereof €48 million net purchases of and €115 million net proceeds from sales of financial investments in the three months ended December 31, 2013 and December 31, 2012, respectively.
[2] Free cash flow is defined as net cash provided by/used in operating activities from continuing operations and net cash used in/provided by 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)

POSITIVE GLOBAL ECONOMIC DEVELOPMENT DRIVES INFINEON'S FIRST-QUARTER PERFORMANCE:

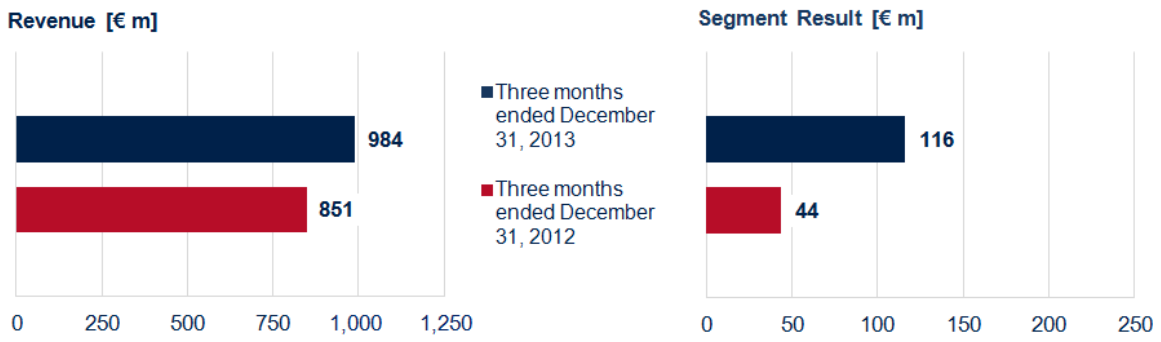
REVENUE SIGNIFICANTLY UP ON PREVIOUS YEAR'S WEAK FIRST QUARTER

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

NEW CAPITAL RETURNS PROGRAM STARTED

FIRST QUARTER OF 2014 FISCAL YEAR (OCTOBER 1 TO DECEMBER 31, 2013):

- Revenue up 16 percent on same quarter last year to €984 million
- Segment Result amounts to €116 million – up €72 million on same quarter last year
- Segment Result Margin of 11.8 percent (October – December 2012: 5.2 percent)
- Net income of €87 million compared to €19 million in same quarter last year



- Net cash position increased by €65 million to €2,048 million at December 31, 2013 (September 30, 2013: €1,983 million); gross cash position of €2,279 million at December 31, 2013 (September 30, 2013: €2,286 million)
- Equity ratio increased to 66.0 percent at December 31, 2013 compared to 63.9 percent at September 30, 2013
- Management and Supervisory Board will propose an unchanged dividend of €0.12 per dividend-entitled share at the forthcoming Annual General Meeting

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF THE 2014 FISCAL YEAR

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

The market research institute 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 occupied second place with a market share of 7.0 percent, followed by Mitsubishi with 6.9 percent. Infineon increased its lead over the second-placed 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 (2012: 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 (2012: 0.5 percentage points).

New development center opened in Malacca

In Malacca (Malaysia) a new development center was opened on December 13, 2013. The development center is located at Infineon's back-end manufacturing site, the foundation stone for which was laid in 1973. Over the course of these 40 years, Malacca has become Infineon's largest site in terms of headcount. With a workforce of about 7,000, Infineon is a major employer in Malacca.

Development activities began in Malacca in 2005 in the fields of product development, product transfers and technology change. Infineon’s 300-strong R&D staff in Malacca focuses, among other things, on integrated circuit packages, test package development and new test technologies. The new premises cover some 3,000 square meters comprising laboratory and office space for up to 400 staff.

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 acquire shares 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 Infineon shares. In total, convertible bonds with a nominal value of €11 million were repurchased for €35 million and put options issued on 6 million shares. Details of the development of the repurchases of the convertible bond and the current status of put options can be found on Infineon's website at “About Infineon/Investor/Capital Returns/ Program 2013”.

During the first quarter of the 2014 fiscal year, parts of the convertible bond with a nominal value of just under €64 million were converted into just under 29 million new shares. Following these conversions and the repurchases, less than 20 percent of the original nominal value of the convertible bond was outstanding in December 2013 and, on December 23, 2013, Infineon announced its intention to redeem all outstanding parts of the convertible bond at their nominal value on February 7, 2014 – prior to its maturity – in accordance with the terms of the bond. During the period between the date of this announcement and the expiry 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.

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 on an equal footing with 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 in 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

The closing price of the Infineon share in Xetra trading at the end of the first quarter of the 2014 fiscal year was €7.76, 5 percent up on the closing price of €7.40 at the end of the preceding quarter.

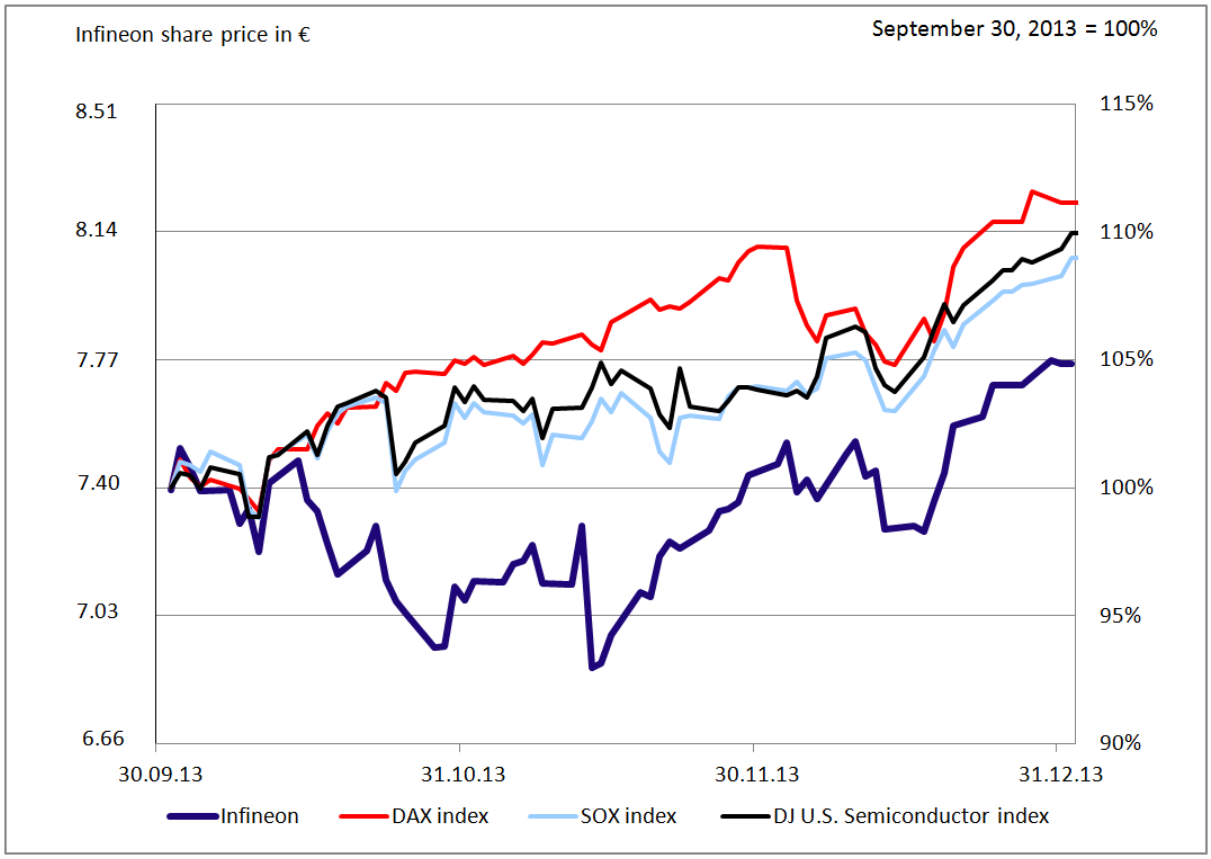
The share price fell during the first half of the quarter until the 2013 fiscal year fourth-quarter and full-year figures were announced on November 12, 2013. The low for the quarter, at €6.88 was recorded on that date. The share price rise that followed over the course of the second half of the quarter more than made up for the preceding drop. At €7.77, the high for the quarter was recorded on December 27, 2013.

The Infineon share underperformed the relevant comparable indices during the first half of the quarter to a considerable extent, a development which could not be fully reversed by the share's improved performance from mid-November onwards. The German stock index (DAX) gained 11 percent, the Dow Jones US Semiconductor Index 9 percent and the Philadelphia Stock Exchange Semiconductor Index (SOX) 8 percent during the three-month period to December 30, 2013.

The Management and Supervisory Board will propose at the Annual General Meeting to take place in Munich on February 13, 2014 that the Company pays an unchanged dividend of €0.12 per dividend-entitled share. 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.

As a result of the already mentioned conversions of parts of the convertible bond and of the exercise of employee stock options during the first quarter, the number of outstanding shares increased by just under 29 million to 1,110 million. Ordinary share capital increased accordingly by €58 million and stood at €2,220 million at December 31, 2013. The number of own shares held at the end of December was unchanged at 6 million.

Development of the Infineon share, the DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones U.S. Semiconductor Index during the first three months of the 2014 fiscal year (daily closing prices)



	Three months ended December 31,		
	2013	2012	+/- in %
Infineon closing prices in euro (Xetra)			
End of the previous period	7.40	4.94	50%
High	7.77	6.26	24%
Low	6.88	4.96	39%
End of the period	7.76	6.13	27%
Weighted-average number of shares traded per day	6,738,856	8,157,736	(17%)
Infineon closing prices in U.S. dollars (OTCQX)			
End of the previous period	9.98	6.44	55%
High	10.88	8.27	32%
Low	9.24	6.47	43%
End of the period	10.82	8.27	31%
Weighted-average number of ADSs traded per day	90,217	41,063	120%
Shares outstanding (as of December 31)	1,109,814,968	1,080,401,872	
Therein: own shares	6,000,000	6,000,000	

WORLD ECONOMY AND SEMICONDUCTOR INDUSTRY

The global economy continued to recover during the first quarter of the 2014 fiscal year. The International Monetary Fund (IMF) expects the pace of growth to accelerate further and predicts that the global growth rate will rise from 2.4 percent in the 2013 calendar year to 3.1 percent in the 2014 calendar year (IMF, January 2014). This forecast is based on the assumption that the euro region economy continues to stabilize. The recovery of the US economy is already under way and is expected to continue in 2014. There are also signs that the pace of growth is beginning to pick up in the world's major emerging economies.

The semiconductor market addressed by Infineon, that is excluding microprocessors and memory products, also performed robustly in the first quarter of the 2014 fiscal year, despite lower demand for semiconductor products quarter-on-quarter due to seasonal factors. Based on the forecast scenario for global economic growth, the market research company IHS forecasts that the semiconductor market relevant for Infineon (excluding microprocessors and memory products) will grow in the 2014 calendar year by 7 percent in US dollar terms, compared to an increase of around 1 percent in the 2013 calendar year (IHS, December 2013).

REVIEW OF RESULTS OF OPERATIONS

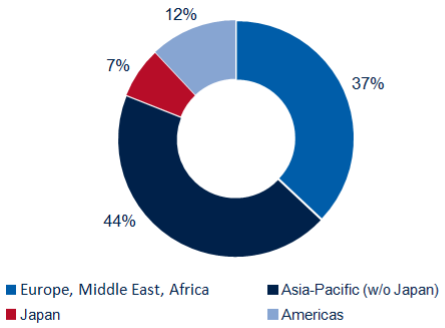
	Three months ended December 31,	
€ in millions	**2013**	2012
Revenue	984	851
Gross profit	**361**	**272**
Research and development expenses	(133)	(123)
Selling, general and administrative expenses	(114)	(108)
Other operating income and expense, net	(6)	(6)
Operating income	**108**	**35**
Net financial result (financial income and expense, net)	(7)	(4)
Income from investments accounted for using the equity method	1	-
Income tax	(17)	(5)
Income from continuing operations	**85**	**26**
Income (loss) from discontinued operations, net of income taxes	2	(7)
Net income	**87**	**19**
Basic earnings per share (in euro)	0.08	0.02
Diluted earnings per share (in euro)	0.08	0.02

SHARP IMPROVEMENT IN NET INCOME DUE TO RISE IN REVENUE

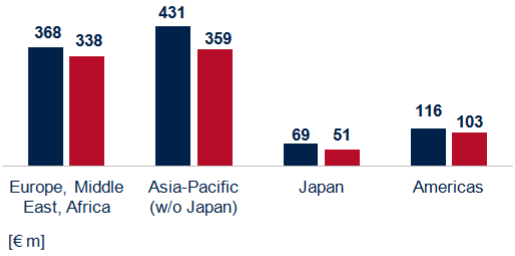
First-quarter net income improved markedly from €19 million in the 2013 fiscal year to €87 million in the current fiscal year, reflecting the higher level of revenue and the ensuing significant improvement in the utilization of manufacturing capacities as well as the reaping of efficiency improvements at Infineon's manufacturing facilities. Earnings per share increased accordingly.

INCREASING IMPORTANCE OF ASIA-PACIFIC AND CHINA

Infineon's revenue increased by €133 million across all regions. More than half of the improvement (€72 million) related to the Asia-Pacific region, the importance of which for Infineon continues to grow accordingly. Revenue generated in this region in the first quarter of the 2014 fiscal year accounted for the largest share of Infineon's revenue (44 percent). Within the Asia-Pacific region, the highest share was recorded in China, which, with 22 percent of Infineon's worldwide revenue, accounted for a higher proportion than Germany.



Revenue by region for the three months ended December 31, 2013



€ in millions, except percentages	Three months ended December 31, 2013		2012	
Europe, Middle East, Africa	368	37%	338	40%
Therein: Germany	190	19%	166	20%
Asia-Pacific (w/o Japan)	431	44%	359	42%
Therein: China	213	22%	166	20%
Japan	69	7%	51	6%
Americas	116	12%	103	12%
Total	**984**	**100%**	**851**	**100%**

LOWER IDLE COSTS RESULT IN OVER-PROPORTIONAL IMPROVEMENT IN GROSS MARGIN

Gross profit (revenue less cost of goods sold) for the first quarter of the 2014 fiscal year amounted to €361 million, an improvement of 33 percent over the €272 million recorded one year earlier. Higher business volumes helped improve capacity utilization at manufacturing facilities. The resulting reduction in idle costs, combined with the reaping of manufacturing efficiency improvements, caused the gross profit to improve at a faster rate than the 16 percent increase in revenue. The gross margin came in at 36.7 percent in the first quarter of the 2014 fiscal year, up from the 32.0 percent recorded in the same quarter one year earlier.

€ in millions, except percentages	Three months ended December 31, 2013	2012
Cost of goods sold	623	579
Change year-on-year	8%	
Percentage of revenue	63.3%	68.0%
Gross profit	361	272
Percentage of revenue (gross margin)	36.7%	32.0%

OPERATING EXPENSES RISE AT LOWER RATE THAN REVENUE

First-quarter operating expenses (research and development expenses and selling, general and administrative expenses) increased by €16 million to €247 million (October – December 2012: €231 million). In percentage terms, operating expenses corresponded to 25.1 percent of first-quarter revenue, as compared to 27.1 percent one year earlier.

Research and development expenses increased from €123 million in the three-month periods ended December 31, 2012 by €10 million to €133 million in the three-month periods ended December 31, 2013. Additional staff were taken on (including for the new development center in Malacca (Malaysia)) in order to build the basis for further growth. A total of 4,543 employees worked in R&D functions at the end of the reporting period (December 31, 2012: 4,375).

	Three months ended December 31,	
€ in millions, except percentages	**2013**	2012
Research and development expenses	133	123
Change year-on-year	8%	
Percentage of revenue	13.5%	14.5%

Selling, general and administrative expenses corresponded to 11.6 percent of revenue in the first quarter of the 2014 fiscal year (October – December 2012: 12.7 percent).

	Three months ended December 31,	
€ in millions, except percentages	**2013**	2012
Selling, general and administrative expenses	114	108
Change year-on-year	6%	
Percentage of revenue	11.6%	12.7%

DETERIORATION IN FINANCIAL RESULT

The net financial result (financial income less financial expenses) for the first quarter of the 2014 fiscal year was a negative €7 million, a deterioration of €3 million compared to the negative €4 million recorded one year earlier. Repurchases of parts of the subordinated convertible bond due 2014 executed in conjunction with the new capital returns program gave rise to losses of €1 million (October - December 2012: zero) in the first quarter of the 2014 fiscal year.

FIRST-QUARTER EFFECTIVE TAX RATE OF 17 PERCENT

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

Based on income from continuing operations of €102 million and a tax expense of €17 million, the effective tax rate for the three months ended December 31, 2013 was 17 percent (October – December 2012: 16 percent based on income from continuing operations of €31 million and a tax expense of €5 million).

MARGINALLY POSITIVE RESULT FROM DISCONTINUED OPERATIONS

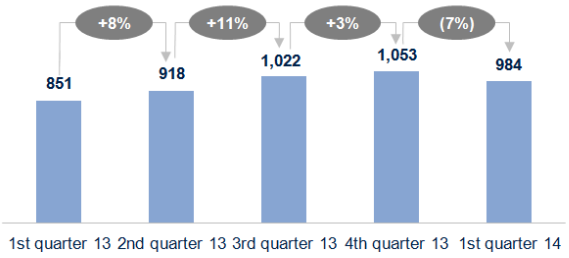
Income from discontinued operations, net of income taxes for the first quarter of the 2014 fiscal year amounted to €2 million, compared to a loss of €7 million one year earlier. No expense was recognized in the quarter under report for risks related to the Qimonda insolvency (October – December 2012: €6 million). For information on risks relating to the Qimonda insolvency, see note 20 “Commitments and contingencies”. Subsequent income in conjunction with the Wireless mobile phone business amounted to €2 million (October – December 2012: expenses of €1 million).

EARNINGS PER SHARE IMPROVED

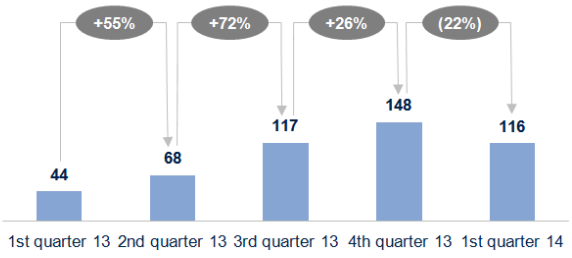
Net income for the first quarter of the 2014 fiscal year totaled €87 million, well up on the €19 million recorded in the previous year's corresponding period.

This improvement resulted in a corresponding increase in earnings per share. Compared to earnings per share of €0.02 (basic and diluted) for the first quarter of the 2013 fiscal year, the corresponding figures for the first quarter of the 2014 fiscal year both amounted to €0.08.

SEGMENT PERFORMANCE



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



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

First-quarter Segment Result Margin of 11.8 percent

Almost all of Infineon's operating segments benefited from the global economic recovery. Some €75 million or approximately 56 percent of the total increase in Infineon revenue (€133 million) compared to the first quarter of the last fiscal year related to the Automotive segment. Industrial Power Control and Power Management & Multimarket also reported sharp increases, whereas revenue for the Chip Card & Security segment remained flat.

In conjunction with the increase in revenue, the first-quarter Segment Result improved by €72 million from €44 million in the previous fiscal year to €116 million in the current fiscal year. The biggest increase in Segment Result was generated by Automotive (€35 million), accounting for 49 percent of the total increase. Only Chip Card & Security recorded a lower Segment Result, caused by higher operating expenses.

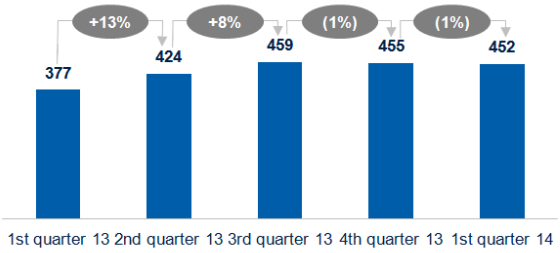
The first-quarter Segment Result Margin was 11.8 percent, compared to 5.2 percent one year earlier.

AUTOMOTIVE

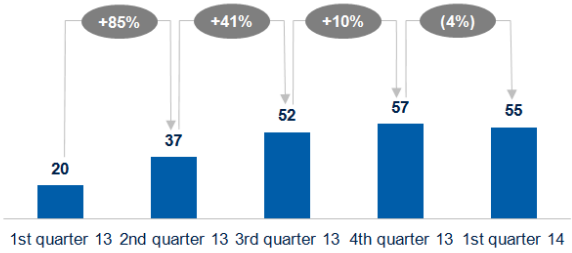
€ in millions, except percentages	Three months ended December 31, 2013	2012
Revenue	452	377
Share of Total Revenue	46%	44%
Segment Result	55	20
Share of Segment Result of Infineon	47%	45%
Segment Result Margin	12.2%	5.3%

Revenue of the Automotive segment in the first quarter of the 2014 fiscal year totaled €452 million, up €75 million or 20 percent compared to the €377 million recorded in the first quarter of the 2013 fiscal year. Confidence within the automotive sector was much stronger during the period under report than one year earlier, reflected in a generally higher level of capacity utilization at car manufacturing plants. Some carmakers also worked extra shifts in order to service increased demand. In the corresponding quarter last year, a less optimistic outlook had resulted in inventory reductions throughout the automotive supply sector and, significantly, to restrained ordering patterns by the customers.

Automotive posted a Segment Result of €55 million for the first quarter of the 2014 fiscal year, €35 million up on the previous year. The first-quarter Segment Result Margin was 12.2 percent, compared to 5.3 percent one year earlier. The main reasons for the improvement were higher revenue compared to the same quarter one year earlier and the ensuing higher utilization of production capacities.



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 three months of the 2014 fiscal year:

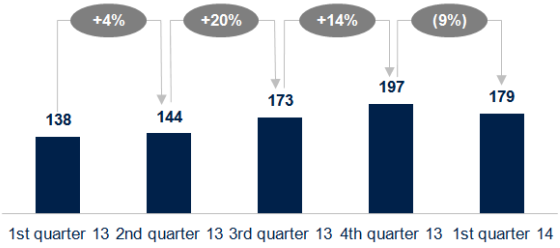
- A leading car manufacturer selected Infineon to supply HybridPACK™ IGBT modules in recognition of their high power density and proven reliability. The HybridPACK™ modules will be used to control the electric motor in the next generation of this customer's hybrid and plug-in hybrid vehicles.
- Thanks to the outstanding technical performance data of Infineon's 77-gigahertz radar sensor receiver modules, a leading Japanese automotive supplier will use Infineon's RASIC family products in its new generation of radar platforms.
- A number of leading manufacturers of electronic safety equipment for electronic stability control systems, power steering systems, and security domain control systems in Europe and Asia-Pacific decided in favor of Infineon's AURIX™ multicore microcontroller family which supports functional safety requirements. The AURIX™ family was also selected by a German automotive supplier for a camera-system application used in conjunction with driver assistance systems.

INDUSTRIAL POWER CONTROL

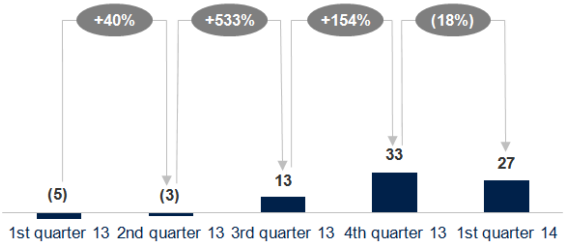
€ in millions, except percentages	Three months ended December 31, 2013	2012
Revenue	179	138
Share of Total Revenue	18%	16%
Segment Result	27	(5)
Share of Segment Result of Infineon	23%	(11%)
Segment Result Margin	15.1%	(3.6%)

Revenue of the Industrial Power Control segment in the first quarter of the 2014 fiscal year increased sharply by €41 million or 30 percent to €179 million. Whereas the previous year's revenue performance was still being negatively impacted by generally weak market conditions in the capital goods sector and by inventory reductions at some major customers, the first quarter of the current fiscal year saw positive developments in all application areas. Growth was stimulated in particular by a marked increase in demand for industrial drives on the one hand and for products relating to the renewable energy and train sectors on the other.

The Segment Result improved thanks to the sharp rise in revenue and the ensuing better utilization of production capacities. After a negative Segment Result of €5 million and a negative Segment Result Margin of 3.6 percent in the first three months of the previous fiscal year, the equivalent figures for the current fiscal year were both positive, at €27 million and 15.1 percent respectively.



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 quarter of the 2014 fiscal year:

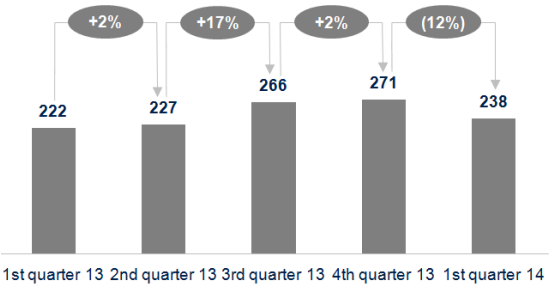
- The worldwide trend towards renewables continued unabated. In addition to the positive momentum coming from the USA and Japan, the solar power market in China also grew strongly, in particular during the second half of the 2013 calendar year. As market leader for discrete IGBTs and IGBT modules used in solar applications and with its broad product range and customer base in this market segment – covering the whole spectrum from just a few kilowatts through to the megawatt range – Infineon is well positioned in these growth markets globally.
- Demand for high-voltage IGBT modules for traction systems also continued to grow strongly during the previous quarter. China is a particularly important market for this application, with increasing investments in transport infrastructure creating the need for a greater number of metro trains, trams, intercity and high-speed trains. Infineon supplies 6.5-kilovolt modules for high-speed trains and 3.3-kilovolt modules for intercity trains to Europe's and Asia's leading train manufacturers. Following the introduction of the 4.5-kilovolt module in the middle of the previous calendar year, Infineon has now completed its IGBT module range for traction applications and offers a range of highly efficient products for all traction systems, from trams to high-speed trains.
- Infineon expanded its portfolio of TRENCHSTOP™ products with a range of specific discrete reverse conducting IGBTs, which have been optimally designed for use in consumer devices such as induction cooking stoves, microwave ovens and rice cookers. These new products, which are extremely efficient and reliable, help Infineon strengthen its leading position in these markets.

POWER MANAGEMENT & MULTIMARKET

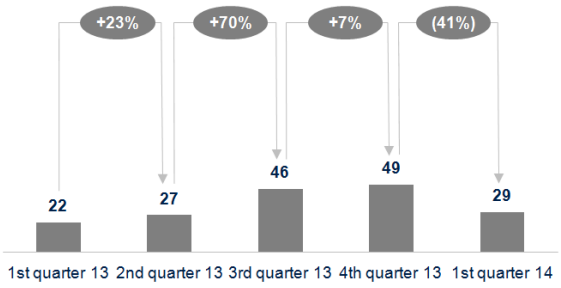
€ in millions, except percentages	Three months ended December 31,	
	2013	2012
Revenue	238	222
Share of Total Revenue	24%	26%
Segment Result	29	22
Share of Segment Result of Infineon	25%	50%
Segment Result Margin	12.2%	9.9%

Revenue of the Power Management & Multimarket segment in the first quarter of the 2014 fiscal year totaled €238 million and was thus €16 million or 7 percent higher than one year earlier. Revenue growth came primarily from increased demand for smartphone-related components and for power semiconductors. Business conditions were generally more favorable in the first three months of the 2014 fiscal year than in the corresponding period in the previous year.

With a first-quarter Segment Result of €29 million, Power Management & Multimarket's contribution to earnings was €7 million or 32 percent up on the previous year's Segment Result of €22 million. The Segment Result Margin for the quarter was 12.2 percent, compared with 9.9 percent one year earlier, with both factors – the contribution from increased revenue and the reduced level of costs for under-utilized production capacities – having a positive impact on Segment Result. By contrast, increased operating expenses compared to the previous year had a negative impact.



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 quarter of the 2014 fiscal year:

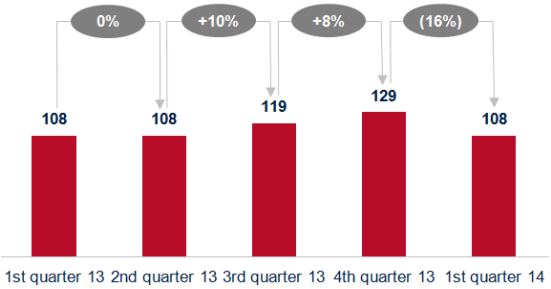
- Infineon broadened its RF portfolio with new transistors for UHF TV power amplifiers. The new products are designed for use in UHF TV broadcast transmitters. These 50V LDMOS RF power transistors provide the highest peak power output available across the entire 470 – 806 MHz TV broadcast band, giving amplifier designers the option to use fewer transistors to achieve target output power. For the customer, this means cost savings due to lower component count and higher reliability as a result of the simpler design. Lower heat loss and extremely low thermal resistance of the package are further factors that contribute to lower cost and higher reliability.
- Infineon presented a new generation of its Pico-GNSS (Global Navigation Satellite System) modules for smartphones. The component with the designation “BGM1143N9” is the world's smallest module and supports all navigation standards, including GPS in the USA, GLONASS in Russia and BeiDou in China. The size of components in smartphones plays an important role since available circuit board space is very limited. Infineon's component, the smallest in the world, measures only 1.5 millimeter by 1.1 millimeter, and requires 60 percent less board space than its predecessor. This reduction in size allows greater functionality with a better cost/performance ratio.

CHIP CARD & SECURITY

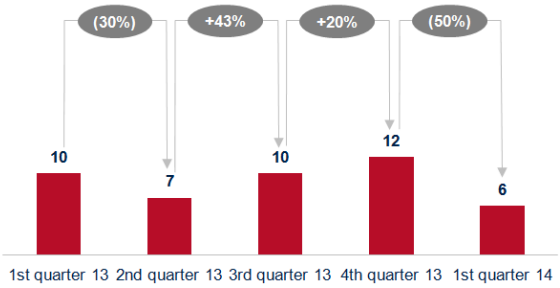
€ in millions, except percentages	Three months ended December 31, 2013	2012
Revenue	108	108
Share of Total Revenue	11%	13%
Segment Result	6	10
Share of Segment Result of Infineon	5%	23%
Segment Result Margin	5.6%	9.3%

Revenue of the Chip Card & Security segment in the first quarter of the 2014 fiscal year was unchanged compared to the previous fiscal year at €108 million. Within that figure, a significant increase in revenue from business with electronic payment cards, government ID applications and authentication solutions compensated for lower revenue generated with SIM cards.

The first-quarter Segment Result amounted to €6 million, compared with €10 million in the previous year, with the deterioration attributable primarily to higher expenses for research and development and selling activities, which together caused operating expenses to rise by €4 million compared with the first quarter of the previous fiscal year. Overall, Chip Card & Security recorded a Segment Result Margin of 5.6 percent (October – December 2012: 9.3 percent).



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 three months of the 2014 fiscal year:

- The world's first contactless smart cards compliant with the CIPURSE™ open standard are now being used in various projects in Brazil. The cards are based on a CIPURSE™-compatible security controller from Infineon. The cards provide a convenient and cashless way to, for example, pay for services such as taxi rides or health care.
- Infineon was presented at the CARTES trade show in November 2013 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 controls and makes electronic ID cards safe for the future. In order to make 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 possible. In future, passengers will be able to pass through electronic checkpoints at airports on average in less than one second.
- Infineon delivered first samples to customers of the new OPTIGA™ Trust Authentification chip, which helps manufacturers of electronic accessories and spare parts to protect their businesses very effectively against economic damages caused by counterfeiting. OPTIGA™ Trust enables end-devices to reliably identify original parts.

- Oracle and Infineon announced a cooperation to develop secure smartcard solutions, aimed at simplifying the development of government ID applications. As part of this cooperation Java card implementations on the basis of the SLE 78 Integrity Guard security controller will be offered. The combination of SLE 78 and Oracle's Java Card implementation provides numerous advantages to both manufacturers and service providers, in particular enabling system integrators, card manufacturers and suppliers to quickly develop and easily tailor solutions for health care, identification and social-insurance-related applications, without compromising on security. Developments of this kind will also encourage the introduction of multiple applications on a single card.

OTHER OPERATING SEGMENTS

	Three months ended December 31,	
€ in millions, except percentages	**2013**	2012
Revenue	6	9
Share of Total Revenue	1%	1%
Segment Result	-	(2)
Share of Segment Result of Infineon	0%	(5%)

Other Operating Segments mainly comprise activities remaining 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 and 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.

Revenue in the first quarter of the 2014 fiscal year generated with IMC and Lantiq continued to decrease. A break-even Segment Result was achieved thanks to the lower level of idle costs (October – December 2012: loss of €2 million).

CORPORATE AND ELIMINATIONS

Corporate and Eliminations ended Revenue the first quarter of the 2014 fiscal year at almost break-even with a loss of €1 million (October – December 2012: loss of €1 million).

REVIEW OF FINANCIAL CONDITION

€ in millions, except percentages	As of December 31, 2013	As of September 30, 2013	Change
Current assets	3,573	3,623	(1%)
Non-current assets	2,286	2,282	0%
Total assets	**5,859**	**5,905**	**(1%)**
Current liabilities	1,450	1,594	(9%)
Non-current liabilities	542	535	1%
Total liabilities	**1,992**	**2,129**	**(6%)**
Total equity	**3,867**	**3,776**	**2%**

CURRENT ASSETS DOWN SLIGHTLY

Current assets went down by 1 percent to €3,573 million as of December 31, 2013 compared to €3,623 million as of September 30, 2013. Trade receivables decreased by €66 million as a result of the seasonal decrease in revenue compared to the previous quarter, whereas inventories increased by €45 million.

NON-CURRENT ASSETS ALMOST UNCHANGED

Non-current assets, at €2,286 million as of December 31, 2013, were virtually unchanged from the €2,282 million reported as of September 30, 2013. Investments in property, plant and equipment in the first quarter totaled €110 million, marginally lower than depreciation and amortization amounting to €113 million. Capital expenditure related primarily to the production sites in Dresden (Germany), Villach (Austria) and Malacca (Malaysia). Intangible assets went up slightly by €12 million, mainly as a result of capitalized development costs.

CONVERSION AND REPURCHASE OF CONVERTIBLE BOND, SETTLEMENT OF PAYABLES AND BONUS PAYMENTS CAUSE LIABILITIES TO DECREASE

Current liabilities stood at €1,450 million as of December 31, 2013, €144 million (9 percent) lower than at September 30, 2013 (€1,594 million). The main reason for this decrease was a €72 million reduction in current provisions, mostly relating to bonus payments to employees. Short-term debt also decreased by €70 million, mainly influenced by the conversion and repurchase of parts of the convertible bond due 2014. Trade payables were €54 million lower than at the end of the previous fiscal year. By contrast, other current liabilities went up by €57 million, with €36 million relating to the issuance of put options in conjunction with the new capital returns program.

Non-current liabilities stood at €542 million as of December 31, 2013 and were therefore practically unchanged from the level reported as of September 30, 2013 (€535 million).

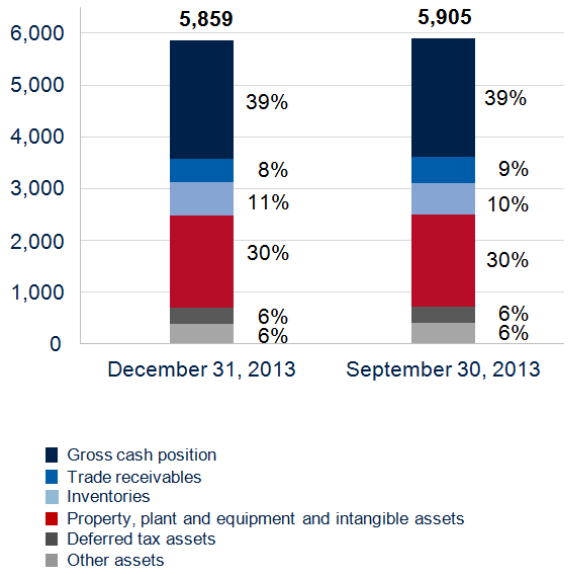
EQUITY MARGINALLY HIGHER DUE TO NET INCOME FOR THE PERIOD

Equity rose by €91 million (2 percent) to stand at €3,867 million as of December 31, 2013 (September 30, 2013: €3,776 million), primarily due to net income of €87 million for the three-month period.

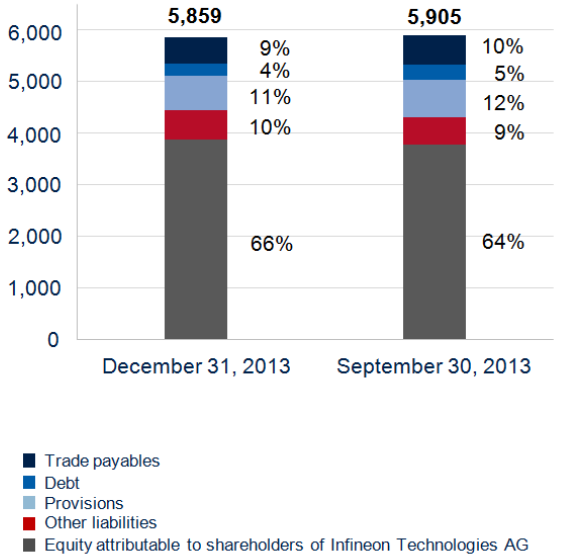
Furthermore, the conversion of parts of the convertible bond increased equity by €61 million. In addition to the negative impact of €1 million recognized in net income for the period, the repurchase of parts of the convertible bond reduced equity by €21 million, net of taxes. Conversion rights attached to more than 4.7 million shares were acquired in conjunction with the repurchase of parts of the bond. The issuance of put options reduced equity by €35 million.

The equity ratio improved to 66.0 percent as of the end of the reporting period (September 30, 2013: 63.9 percent).

Assets [€ m]



Liabilities and Equity [€ m]



REVIEW OF LIQUIDITY

CASH FLOWS

€ in millions	Three months ended December 31, 2013	2012
Net cash provided by (used in) operating activities from continuing operations	158	(41)
Net cash provided by (used in) investing activities from continuing operations	(176)	28
Net cash used in financing activities from continuing operations	(36)	(22)
Net change in cash and cash equivalents from discontinued operations	1	(1)
Net decrease in cash and cash equivalents	**(53)**	**(36)**
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	(2)
Change in cash and cash equivalents	**(55)**	**(38)**

Net cash provided by operating activities from continuing operations significantly increased

Net cash provided by operating activities from continuing operations in the first quarter of the 2014 fiscal year totaled €158 million compared to a cash outflow of €41 million in the same quarter one year earlier. Taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€229 million), the principal items negatively impacting cash flows from continuing operations during the period under report were reductions in trade payables and provisions (€121 million in total), an increase in inventories (€45 million) and taxes paid (€13 million). A decrease in trade receivables (€64 million) and the change in other assets and liabilities (€47 million) had the opposite effect.

In the same quarter one year earlier, taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€151 million), the principal items affecting cash flows from continuing operations were reductions in trade payables and provisions (€263 million in total) and taxes paid (€42 million), offset by a reduction in trade receivables (€87 million).

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 quarter of the 2014 fiscal year totaled €176 million, of which €110 million related to investments in property, plant and equipment and €48 million to the purchase of financial investments. The purchase of financial investments related primarily to money deposits with a term of between three and six months and had no impact on the gross cash position, since the latter includes financial investments as well as cash and cash equivalents.

Net cash provided by investing activities from continuing operations in the first quarter of the previous fiscal year amounted to €28 million. The sale of financial investments gave rise to net inflow of €115 million and investments in property, plant and equipment to an outflow of €75 million.

Net cash used in financing activities from continuing operations decreased due to repurchases of parts of the convertible bond

Net cash used in financing activities from continuing operations in the first quarter of the 2014 fiscal year amounted to €36 million, of which €35 million related to repurchases of parts of the convertible bond due 2014.

In the same quarter last year, net cash used in financing activities from continuing operations amounted to €22 million and related primarily to the repurchase of 6 million own shares for €38 million in conjunction with the exercise of put options. Other financial liabilities gave rise to a net inflow of €17 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:

	Three months ended December 31,	
€ in millions	**2013**	2012
Net cash provided by (used in) operating activities from continuing operations	158	(41)
Net cash provided by (used in) investing activities from continuing operations	(176)	28
Purchases of (proceeds from the sale of) financial investments	48	(115)
Free cash flow	**30**	**(128)**

Investments in organic growth covered by net cash provided by operating activities

Free cash flow in the first quarter of the 2014 fiscal year amounted to €30 million. Net cash provided by operating activities covered the additions to property, plant and equipment and intangible assets totaling €129 million.

Free cash flow in the first quarter of the previous fiscal year was a negative amount of €128 million. In addition to the net cash used in operating activities, disbursements for investments in intangible assets and property, plant and equipment totaled €88 million.

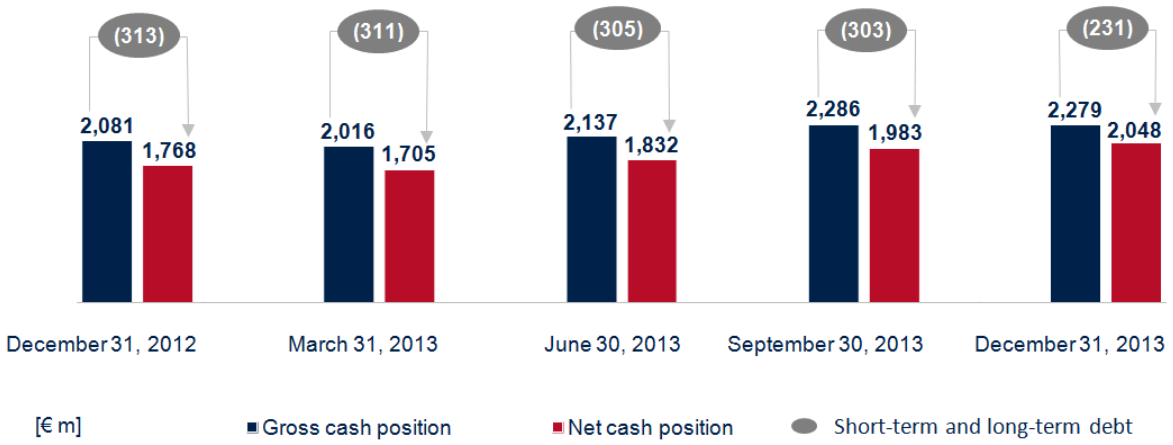
GROSS CASH POSITION AND NET CASH POSITION

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

€ in millions	**December 31, 2013**	September 30, 2013
Cash and cash equivalents	472	527
Financial investments	1,807	1,759
Gross cash position	**2,279**	**2,286**
Less:		
Short-term debt and current maturities of long-term debt	64	134
Long-term debt	167	169
Total debt	**231**	**303**
Net cash position	**2,048**	**1,983**

The gross cash position comprising cash and cash equivalents and financial investments amounted to €2,279 million at December 31, 2013, marginally (€7 million) lower than the €2,286 million reported as of September 30, 2013. Free cash flow was close to covering the full amount of repurchases 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 €65 million to €2,048 million as of the end of the reporting period (September 30, 2013: €1,983 million), mainly due to the decreases in debt in conjunction with the conversion of parts of the convertible bond.



EMPLOYEES

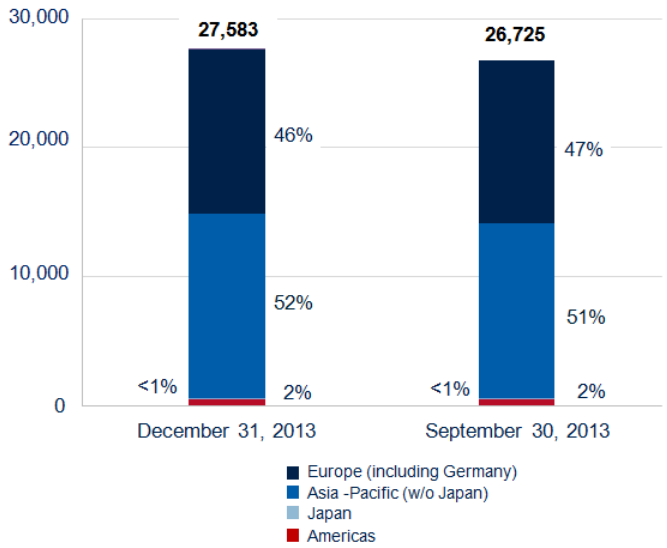
The following table shows the composition of the Infineon workforce, by region, at the relevant reporting dates:

	As of		
	December 31, 2013	September 30, 2013	Change
Region:			
Europe	12,714	12,587	1%
Therein: Germany	8,645	8,520	1%
Asia/Pacific (w/o Japan)	14,236	13,517	5%
Therein: China	1,631	1,615	1%
Japan	123	122	1%
Americas	510	499	2%
Total	**27,583**	**26,725**	**3%**

The Infineon workforce grew by 3 percent during the first quarter of the 2014 fiscal year, with most of the increase taking place in Asia-Pacific (in particular Malaysia) and in manufacturing and R&D functions.

Approximately 31 percent of the Infineon workforce was employed at Infineon sites in Germany at December 31, 2013 (September 30, 2013: 32 percent).

Employees by region



EVENTS AFTER THE REPORTING PERIOD

In January 2014 all remaining convertible bonds with a nominal value of €39 million were converted into 17.6 million shares (see note 15).

OUTLOOK

OUTLOOK FOR THE SECOND QUARTER OF THE 2014 FISCAL YEAR

Second-quarter revenue is forecast to rise by a mid single digit percentage, primarily as a result of higher revenue in the Automotive und Chip Card & Security segments. The Segment Result Margin is expected to come in at between 10 and 13 percent.

UNCHANGED OUTLOOK FOR 2014 FISCAL YEAR

For the 2014 fiscal year, based on an assumed exchange rate of the US dollar against the euro of 1.35, Infineon continues to forecast an increase in revenue of between 7 and 11 percent compared to the previous year and a Segment Result Margin of between 11 and 14 percent.

The expected increase in revenue for the Industrial Power Control segment should be well above the average for the Group. The growth rates forecast for the Power Management & Multimarket and Chip Card & Security segments are forecast to be roughly in line with the expected Group average. The Automotive segment is likely to grow at a rate slightly lower than the Group average. Revenue generated by Other Operating Segments has decreased continuously in each of the last two fiscal years and only amounted to €26 million in the 2013 fiscal year. The figure for the 2014 fiscal year is expected to be unchanged or slightly lower.

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

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 three 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 20 to the Interim Consolidated Financial Statements for the quarter 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 MONTHS ENDED DECEMBER 31, 2013 AND 2012

€ in millions	Notes	**December 31, 2013**	December 31, 2012
Revenue		984	851
Cost of goods sold		(623)	(579)
Gross profit		**361**	**272**
Research and development expenses		(133)	(123)
Selling, general and administrative expenses		(114)	(108)
Other operating income		5	4
Other operating expense		(11)	(10)
Operating income		**108**	**35**
Financial income	4	2	8
Financial expense	5	(9)	(12)
Gain from investments accounted for using the equity method		1	-
Income from continuing operations before income taxes		**102**	**31**
Income tax	6	(17)	(5)
Income from continuing operations		**85**	**26**
Income (loss) from discontinued operations, net of income taxes		2	(7)
Net income		**87**	**19**
Attributable to:			
Non-controlling interests		-	-
Shareholders of Infineon Technologies AG		87	19
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:			
Basic earnings per share (in euro) from continuing operations	7	0.08	0.02
Basic earnings per share (in euro) from discontinued operations	7	-	-
Basic earnings per share (in euro)	7	**0.08**	**0.02**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:			
Diluted earnings per share (in euro) from continuing operations	7	0.08	0.02
Diluted earnings per share (in euro) from discontinued operations	7	-	-
Diluted earnings per share (in euro)	7	**0.08**	**0.02**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

€ in millions	**December 31, 2013**	December 31, 2012
Net income	**87**	**19**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation effects	(2)	(5)
Net change in fair value of hedging instruments	(1)	(4)
Total items that may be reclassified subsequently to profit or loss	**(3)**	**(9)**
Other comprehensive loss for the year, net of tax	**(3)**	**(9)**
Total comprehensive income for the year, net of tax	**84**	**10**
Attributable to:		
Non-controlling interests	-	-
Shareholders of Infineon Technologies AG	84	10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012 (UNAUDITED) AND SEPTEMBER 30, 2013

€ in millions	Notes	**December 31, 2013**	December 31, 2012	September 30, 2013
ASSETS:				
Cash and cash equivalents		472	387	527
Financial investments		1,807	1,694	1,759
Trade receivables	8	452	385	518
Inventories	9	654	585	609
Income tax receivable		5	13	12
Other current assets	10	183	214	198
Assets classified as held for sale		-	4	-
Total current assets		**3,573**	**3,282**	**3,623**
Property, plant and equipment		1,596	1,694	1,600
Goodwill and other intangible assets		182	153	170
Investments accounted for using the equity method		34	32	34
Deferred tax assets		323	312	325
Other non-current assets	11	151	165	153
Total non-current assets		**2,286**	**2,356**	**2,282**
Total assets		**5,859**	**5,638**	**5,905**
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	15	64	38	134
Trade payables	12	515	430	569
Current provisions	14	603	629	675
Income tax payable		57	37	62
Other current liabilities	13	211	218	154
Total current liabilities		**1,450**	**1,352**	**1,594**
Long-term debt	15	167	275	169
Pension plans and similar commitments		248	292	246
Deferred tax liabilities		4	4	4
Long-term provisions	14	56	38	46
Other non-current liabilities		67	73	70
Total non-current liabilities		**542**	**682**	**535**
Total liabilities		**1,992**	**2,034**	**2,129**
Shareholders' equity:	16			
Ordinary share capital		2,220	2,161	2,162
Additional paid-in capital		5,534	5,675	5,549
Accumulated deficit		(3,820)	(4,180)	(3,907)
Other reserves		6	19	9
Own shares		(37)	(37)	(37)
Put options on own shares		(36)	(34)	-
Equity attributable to shareholders of Infineon Technologies AG		**3,867**	**3,604**	**3,776**
Total liabilities and equity		**5,859**	**5,638**	**5,905**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

€ in millions	**December 31, 2013**	December 31, 2012
Net income	**87**	**19**
Plus/Minus: loss (income) from discontinued operations, net of income taxes	(2)	7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	120	116
Income tax expense	18	5
Net interest result	6	4
Gains on disposals of property, plant and equipment	-	(1)
Other non-cash result	-	(2)
Change in trade receivables	64	87
Change in inventories	(45)	(19)
Change in trade payables	(54)	(184)
Change in provisions	(67)	(79)
Change in other assets and liabilities	47	48
Interest received	2	5
Interest paid	(5)	(5)
Income tax paid	(13)	(42)
Net cash provided by (used in) operating activities from continuing operations	**158**	**(41)**
Net cash provided by (used in) operating activities from discontinued operations	**2**	**(1)**
Net cash provided by (used in) operating activities	**160**	**(42)**
Purchases of financial investments	(273)	(485)
Proceeds from sales of financial investments	225	600
Purchases of intangible assets and other assets	(19)	(13)
Purchases of property, plant and equipment	(110)	(75)
Proceeds from sales of property, plant and equipment and other assets	1	1
Net cash provided by (used in) investing activities from continuing operations	**(176)**	**28**
Net cash used in investing activities from discontinued operations	**(1)**	**-**
Net cash provided by (used in) investing activities	**(177)**	**28**
Net change in related party financial receivables and payables	-	(1)
Proceeds from issuance of long-term debt	1	42
Repayments of long-term debt	(3)	(25)
Repurchase of convertible subordinated bonds	(35)	-
Purchases of own shares	-	(38)
Proceeds from the issuance of put options on own shares	1	-
Net cash used in financing activities from continuing operations	**(36)**	**(22)**
Net cash used in financing activities from discontinued operations	**-**	**-**
Net cash used in financing activities	**(36)**	**(22)**
Net decrease in cash and cash equivalents	(53)	(36)
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	(2)
Cash and cash equivalents at beginning of period	527	425
Cash and cash equivalents at end of period	**472**	**387**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

€ in millions, except for number of shares	Note	Ordinary shares issued				Other
		Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
	16					
Balance as of October 1, 2012		**1,080,306,332**	**2,160**	**5,674**	**(4,199)**	**26**
Net income		-	-	-	19	-
Other comprehensive loss for the period, net of tax		-	-	-	-	(5)
Total comprehensive income (loss) for the period, net of tax		-	-	-	19	(5)
Issuance of ordinary shares:						
Exercise of stock options		95,540	1	-	-	-
Share-based compensation		-	-	1	-	-
Purchase of own shares		-	-	-	-	-
Put options on own shares		-	-	-	-	-
Balance as of December 31, 2012		**1,080,401,872**	**2,161**	**5,675**	**(4,180)**	**21**
Balance as of October 1, 2013		**1,081,083,034**	**2,162**	**5,549**	**(3,907)**	**14**
Net income		-	-	-	87	-
Other comprehensive loss for the period, net of tax		-	-	-	-	(2)
Total comprehensive income (loss) for the period, net of tax		-	-	-	87	(2)
Issuance of ordinary shares:						
Exercise of stock options		110,729	1	-	-	-
Exercise of conversion rights		28,621,205	57	4	-	-
Share-based compensation		-	-	1	-	-
Put options on own shares		-	-	1	-	-
Other changes in equity		-	-	(21)	-	-
Balance as of December 31, 2013		**1,109,814,968**	**2,220**	**5,534**	**(3,820)**	**12**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

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**
-	-	-	-	19	-	19
-	(4)	-	-	(9)	-	(9)
-	(4)	-	-	10	-	10
-	-	-	-	1	-	1
-	-	-	-	1	-	1
-	-	(37)	-	(37)	-	(37)
-	-	-	54	54	-	54
3	**(5)**	**(37)**	**(34)**	**3,604**	**-**	**3,604**
3	**(8)**	**(37)**	**-**	**3,776**	**-**	**3,776**
-	-	-	-	87	-	87
-	(1)	-	-	(3)	-	(3)
-	(1)	-	-	84	-	84
-	-	-	-	1	-	1
-	-	-	-	61	-	61
-	-	-	-	1	-	1
-	-	-	(36)	(35)	-	(35)
-	-	-	-	(21)	-	(21)
3	**(9)**	**(37)**	**(36)**	**3,867**	**-**	**3,867**

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 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 months ended December 31, 2013 and 2012, 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 compliance 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. 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.

In the opinion of management, the Interim Consolidated Financial Statements contain all necessary adjustments and 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 and also influence 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 Net income or Net loss 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 quarter 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 in a single IFRS a 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 disclosures 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 result 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 in case of the so-called Block Model.

  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 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 opened. Insolvency proceedings were also opened for further domestic and foreign subsidiaries of Qimonda. Some of these insolvency proceedings have already been completed. The impacts of these proceedings are reported as discontinued operations in Infineon's 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 20 ("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 in the first quarter of the 2014 fiscal year amounted to €2 million. Subsequent expenses in the first quarter of the 2013 fiscal year amounted to €1 million.

Following the sale, Infineon continues to sell products and to render services to IMC. These activities are reported as continuing operations, and within "Other Operating Segments" for segment reporting purposes.

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

The results of Qimonda and the Wireless mobile phone business, presented in the Consolidated Statement of Operations as discontinued operations, net of income taxes, in the three months ended December 31, 2013 and 2012, consist of the following:

	Three months ended December 31,	
€ in millions	**2013**	2012
Qimonda's share of discontinued operations, net of income taxes	-	(6)
Wireless mobile phone business' share of discontinued operations, net of income taxes	2	(1)
Income (loss) from discontinued operations, net of income taxes	**2**	**(7)**

4 FINANCIAL INCOME

Financial income for the three months ended December 31, 2013 and 2012 comprises solely interest income of €2 million and €8 million, respectively.

5 FINANCIAL EXPENSE

Financial expense for the three months ended December 31, 2013 and 2012 comprises the following:

	Three months ended December 31,	
€ in millions	**2013**	2012
Interest expense	8	12
Other financial expense	1	-
Total	**9**	**12**

Interest expense for the three months ended December 31, 2013 includes losses before tax of €1 million, resulting from the repurchase of convertible subordinated bonds due 2014.

6 INCOME TAX

Income from continuing operations before income taxes and income tax expense for the three months ended December 31, 2013 and 2012, respectively, is as follows:

	Three months ended December 31,	
€ in millions	**2013**	2012
Income from continuing operations before income taxes	102	31
Income tax expense	(17)	(5)
Effective tax rate	17%	16%

In the three months ended December 31, 2013 and 2012, Infineon's tax expense is affected by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets.

7 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 December 31,	
€ in millions (unless otherwise stated)	**2013**	2012
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	85	26
Earnings (loss) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	2	(7)
Earnings attributable to shareholders of Infineon Technologies AG	**87**	**19**
Weighted-average number of shares outstanding (in millions):		
- Ordinary share capital	1,089.1	1,080.3
- Adjustment for own shares	(6.0)	(3.6)
Weighted-average number of shares outstanding – basic	1,083.1	1,076.7
Basic earnings per share[1] (in €):		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.08	0.02
Earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	-
Earnings per share attributable to shareholders of Infineon Technologies AG – basic	**0.08**	**0.02**

[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 ordinary 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 activities. 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 in the case of stock options, or higher than the average share price for the period in the case of put options on own shares.

Diluted earnings per share are calculated as follows:

€ in millions (unless otherwise stated)	Three months ended December 31, 2013	2012
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	85	26
Adjustment for interest expense on convertible bond	-	-
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	85	26
Earnings (loss) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	2	(7)
Earnings attributable to shareholders of Infineon Technologies AG – diluted	**87**	**19**
Weighted-average number of shares outstanding – basic (in millions):	1,083.1	1,076.7
Adjustments for:		
- Effect of potential conversion of convertible bond	41.6	-
- Effect of shared-based compensation	1.3	0.9
- Effect of put options on own shares	-	0.1
Weighted-average number of shares outstanding – diluted	1,126.0	1,077.7
Diluted earnings per share[1] (in €):		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.08	0.02
Earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	-
Earnings per share attributable to shareholders of Infineon Technologies AG – diluted	**0.08**	**0.02**

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

The weighted-average number of potentially dilutive instruments which did not have a dilutive impact was not taken into account in the calculation of diluted earnings per share. This included:

- 49.9 million shares which could have been issuable upon conversion of the outstanding convertible subordinated bond were not taken into account in the three months ended December 31, 2012 because they would have increased the earnings per share.
- In the three months ended December 31, 2013 and 2012 11.9 million and 12.9 million, respectively, stock options and performance shares 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 reporting period or, respectively, the performance hurdle was not reached.
- 1.5 million and 5.0 million, respectively, put options written on own shares were not taken into account in the three months ended December 31, 2013 and 2012 since their exercise price was lower than the average share price during the reporting period.

8 TRADE RECEIVABLES

Trade receivables consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Third party – trade	454	522
Related parties – trade	5	4
Trade accounts receivable, gross	**459**	**526**
Allowance for doubtful accounts	(7)	(8)
Trade accounts receivable, net	**452**	**518**

9 INVENTORIES

Inventories consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Raw materials and supplies	95	92
Work in progress	371	350
Finished and purchased goods	188	167
Total Inventories	**654**	**609**

Inventories at December 31, 2013 and September 30, 2013 are stated net of write-downs of €86 million and €83 million, respectively.

10 OTHER CURRENT ASSETS

Other current assets consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
VAT and other receivables from tax authorities	58	66
Grants receivables	36	39
Prepaid expenses	32	33
Third party – financial and other receivables	10	13
Restricted cash	7	7
Employee receivables	1	1
Derivative financial instruments	1	2
Other	38	37
Total	**183**	**198**

As at December 31, 2013 and September 30, 2013, the item “restricted cash” included €7 million for interest payments in connection with the subordinated convertible bond due 2014 (see note 15).

11 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Restricted cash	75	75
Prepaid expenses	28	28
Securities	15	15
Investments in other equity investments	6	6
Grants receivables	5	5
Advance payments	5	7
Long-term receivables	4	5
Assets arising from employee benefits	2	2
Other	11	10
Total	**151**	**153**

"Restricted cash" as of December 31, 2013 and September 30, 2013 consists of a rental deposit in connection with the Campeon head office of €75 million.

12 TRADE PAYABLES

Trade payables consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Third party – trade	505	557
Related parties – trade	10	12
Trade payables	**515**	**569**

13 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

€ in million	**December 31, 2013**	September 30, 2013
Payroll obligations to employees	81	66
Obligation to acquire own shares	36	-
Advanced payments	22	24
Deferred government grants	18	19
VAT and other taxes payables	18	8
Deferred income	16	18
Derivative financial instruments with negative fair values	7	4
Accrued interest	6	8
Related parties – other payables	1	1
Other	6	6
Total	**211**	**154**

The obligation to acquire own shares in connection with the new capital returns program (see note 16) is reported within other current liabilities. The obligation amounts to €36 million as of December 31, 2013 and corresponds to the discounted exercise value of outstanding put options on own shares at that date, plus interest up to the end of the reporting period.

14 PROVISIONS

Provisions consist of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Personnel costs	126	176
Warranties	109	114
Provisions related to Qimonda	361	356
Other	63	75
Total	**659**	**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 20.

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 liabilities.

The total amounts of provisions are reflected in the Consolidated Statement of Financial Position as of December 31, 2013 and September 30, 2013 as follows:

€ in millions	**December 31, 2013**	September 30, 2013
Current	603	675
Non-current	56	46
Total	**659**	**721**

15 DEBT

Debt consists of the following:

€ in millions	**December 31, 2013**	September 30, 2013
Convertible subordinated bonds, interest rate 7.5%, due 2014	38	108
Current maturities of long-term debt	26	26
Total short-term debt and current maturities of long-term debt	**64**	**134**
Loans payable to banks:		
Unsecured loans, weighted average rate 1.22% (previous year: 1.25%), due 2015 – 2023	167	169
Total long-term debt	**167**	**169**
Total	**231**	**303**

In conjunction with its new capital returns program (see note 16), Infineon repurchased and subsequently cancelled subordinated convertible bonds due 2014 with a nominal value of €11 million during the first quarter of the 2014 fiscal year. In addition, bond holders exercised their conversion rights and converted their holdings into shares in the first quarter of the 2014 fiscal year. The conversion price stood at €2.22 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. As of the balance sheet date bonds with a nominal value of €64 million had been converted into 28.6 million shares of the company. The remaining bonds outstanding at the balance sheet date with a nominal value of €39 million could be converted into 17.6 million shares. On December 23, 2013 Infineon announced 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 were converted.

Loans payable to banks, including the current portion thereof, relate primarily to project financing at Infineon Technologies Austria AG and Infineon Technologies (Kulim) Sdn. Bhd.

Furthermore, Infineon has established several bilateral financing arrangements, in the form of both short- and long-term credit facilities.

16 EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,219,629,936 as of December 31, 2013 divided into 1,109,814,968 no par value registered shares. As of September 30, 2013 it 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. 28,731,934 new shares were issued in the first quarter of the 2014 fiscal year of which 110,729 resulted from the exercise of employee stock options, and 28,621,205 from conversions of the subordinated convertible bonds due 2014 (see note 15).

The Management Board and Supervisory Board will propose to the Annual General Meeting, which has been called for February 13, 2014, 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 would result in an expected distribution of approximately €129 million. Since payment of the dividend depends on approval by the shareholders at the Annual General Meeting, no liability has been recognized as of September 30, 2013 or December 31, 2013.

The capital returns program started in 2011, under which a total of €212 million was spent on measures aimed at returning capital to shareholders, ended on March 31, 2013. During the 2013 fiscal year up to the end of the program put options for 6 million shares were exercised, leaving a total of 6 million own shares on hand as of December 31, 2013.

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 may 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 accordance with the requirements of sections 14 (2) and 20a (3) of the German Securities Trading Act in connection 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 timeframe 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 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 15).

As of December 31, 2013, the Company had issued put options for the repurchase of own shares with a value of €36 million. The put options, which have a maximum term of nine months, correspond to a total of 6 million shares. The premium of €1 million received for issued put options led to a corresponding increase in additional paid-in capital.

The following table contains an overview of the issued, expired and exercised put options on own shares during 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	36	6
Outstanding put options as of December 31, 2013	**36**	**6**

The obligation to acquire own shares recognized as of December 31, 2013, measured at the present value of the amount expected to settle the outstanding put options, amounted to €36 million and resulted in a corresponding reduction in equity which was reported within the equity line item “Put options on own shares”. The 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 previously recorded within equity will be reclassified from “Put options on own shares” to “Own shares”. If the options are not exercised, the relevant liability is derecognized and equity increased accordingly.

17 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 then starting fiscal year 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 three months to December 31, 2013 and 2012 0.1 million and 3.0 million options expired, respectively. The number of options exercised amounted to 0.1 million in both periods. The costs incurred for share-based compensation were minimal in the periods ending December 31, 2013 and 2012 (see note 21).

18 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 (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 December 31, 2013 and September 30, 2013 consist of the following:

€ in millions	**December 31, 2013**		September 30, 2013	
	at-equity companies	other related companies	at-equity companies	other related companies
Trade and other receivables	4	1	3	1
Financial receivables	-	-	-	-
Trade and other payables	8	2	10	2
Financial payables	-	1	-	1

Sales and service charges to and purchases from related companies as of December 31, 2013 and December 31, 2012 consist of the following:

€ in millions	Three months ended December 31,			
	2013		2012	
	at-equity companies	other related companies	at-equity companies	other related companies
Sales and service charges	4	1	4	-
Purchases	20	6	18	6

In the three months ended December 31, 2013 and 2012 there were no transactions between Infineon and related persons which fell outside the scope of the existing employment, service or appointment terms, or the contractual arrangements for their remuneration.

19 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 December 31, 2013:

€ in millions	Total	Fair value by category		
2014 fiscal year		Level 1	Level 2	Level 3
Financial assets				
Current assets:				
Financial investments	**66**	-	66	-
Other current financial assets[1]	**1**	-	1	-
Non-current assets:	-	-	-	-
Other financial assets[1]	**21**	15	-	6
Total	**88**	**15**	**67**	**6**
Financial liabilities				
Current liabilities:				
Other current financial liabilities[1]	**7**	-	7	**-**
Total	**7**	**-**	**7**	**-**

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

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.

20 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 antitrust violations 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.

The Company has executed a settlement agreement resolving these various lawsuits, subject to certain conditions. As part of the settlement, the Company agreed to pay approximately US$29 million, which the Company has deposited into an escrow fund. After final court approval, the Company will be released from claims by the state attorneys general and by any 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.

Between December 2004 and February 2005, two putative class proceedings were filed in the Canadian province of Quebec, and one was filed in each of Ontario 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 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. It is not possible to reliably estimate the future course of the proceedings. The Company will defend 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.

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 turned out to be legally flawed, as the entity that made 99.99 percent of the sales used as a basis for this claim is its Asian subsidiary, and the 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 recently also rejected this later theory as legally barred and the jury trial to determine damages has been suspended. Instead, briefing with respect to entry of a permanent injunction as well as mediation has been ordered. The parties since agreed on a stipulated injunction with no impact on Infineon's current products. The mediation took place on January 21, 2014, but was unsuccessful. Thus, it is likely that the court will also ask the parties for written submissions as to whether the case can go directly to appeal. The suit with respect to the two remaining patents will not commence before the case with respect to the former 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. A number of different 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 the 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 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 nominated 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 decision 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. Moreover, 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 which 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 still exist. 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.

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.

Contestation of intercompany payments under insolvency law

On March 22, 2013, the administrator filed suit against Infineon at Regional Court Munich I that was served on April 17, 2013. 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 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. On July 31, 2013, the Company filed its response to the suit and on October 31, 2013, the administrator filed his reply with the court. The court set March 31, 2014 as deadline for the Company to respond again and scheduled an oral hearing for April 10, 2014.

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 subsequently challenged Micron over the sale under insolvency law and filed suit against Micron with Regional Court Munich I. 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 yet to substantiate 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 asserts 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 same time as the memory business was being 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.

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.

Insolvency of Qimonda Dresden

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 €361 million and €356 million as of December 31, 2013 and September 30, 2013, respectively. 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 such matters 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. It remains entirely possible, however, that this assessment may have to be revised in future and that any re-assessments of the miscellaneous legal disputes and proceedings could have a material adverse effect on financial condition, liquidity position and results of operations, particularly in the period in which re-assessment is made. Furthermore, in conjunction 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 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 resolution 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 defending against or settling 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 December 31, 2013 amounting to €108 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 complying with certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to maintaining these requirements. Nevertheless, should such requirements not be met, as of December 31, 2013, a maximum of €69 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 Qimonda-related subsidies.

Infineon, through certain of its sales and other agreements may, in the normal course of business, be obligated to indemnify its 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 conditions 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.

21 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.

The remaining activities of operations that have been sold are aggregated within Other Operating Segments. Since the transition period following the sale of the Wireless mobile phone business, this also includes the supply of products and the rendering of services to IMC.

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 December 31,	
€ in millions	**2013**	2012
Revenue:		
Automotive	452	377
Industrial Power Control	179	138
Power Management & Multimarket	238	222
Chip Card & Security	108	108
Other Operating Segments	6	9
Corporate and Eliminations	1	(3)
Total	**984**	**851**

Revenue for the three-month period ended December 31, 2013 and 2012 does not contain any inter-segmental revenue.

	Three months ended December 31,	
€ in millions	**2013**	2012
Segment Result:		
Automotive	55	20
Industrial Power Control	27	(5)
Power Management & Multimarket	29	22
Chip Card & Security	6	10
Other Operating Segments	-	(2)
Corporate and Eliminations	(1)	(1)
Total	**116**	**44**

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

	Three months ended December 31,	
€ in millions	**2013**	2012
Segment Result	116	44
Plus/Minus:		
Impact on earnings of restructuring measures and closures, net	(4)	(2)
Share-based compensation expense	(2)	(1)
Acquisition-related depreciation/amortization and losses	-	(1)
Gains on sales of assets, businesses, or interests in subsidiaries, net	-	1
Other expenses	(2)	(6)
Operating income	**108**	**35**
Financial income	2	8
Financial expense	(9)	(12)
Gain from investment accounted for using the equity method, net	1	-
Income from continuing operations before income taxes	**102**	**31**

Neubiberg, February 3, 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 Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Neubiberg, February 3, 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 December 31, 2013 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, February 3, 2014

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer

SUPPLEMENTARY INFORMATION (UNAUDITED)

FORWARD-LOOKING STATEMENTS

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

Annual General Meeting 2014	February 13, 2014	ICM – Internationales Congress Center Munich, Germany

Fiscal Period	**Period end date**	**Results press release (preliminary)**
Second Quarter	March 31, 2014	April 29, 2014
Third Quarter	June 30, 2014	July 30, 2014
Fourth Quarter and Fiscal Year 2014	September 30, 2014	November 18, 2014

Publication date of the first quarterly financial report for the 2014 fiscal year: February 4, 2014

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