QUARTERLY REPORT OF INFINEON TECHNOLOGIES AG MARCH 31, 2011

Infineon Technologies AG

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SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions; except earnings per share and Total Segment Result Margin	Three months ended March 31, 2011	Three months ended March 31, 2010	Six months ended March 31, 2011	Six months ended March 31, 2010
Selected Results of Operations Data				
Revenue	994	781	1,916	1,468
Total Segment Result	202	96	379	166
Total Segment Result Margin	20.3%	12.3%	19.8%	11.3%
Income from continuing operations	173	75	322	16
Income from discontinued operations, net of income taxes	399	4	482	128
Net income	572	79	804	144
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in Euro)	0.53	0.07	0.74	0.13
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in Euro)	0.50	0.07	0.70	0.13
Selected Liquidity Data				
Net cash provided by operating activities from continuing operations	177	207	311	308
Net cash provided by operating activities	261	173	471	320
Net cash used in investing activities from continuing operations1	(1,632)	(372)	(1,762)	(492)
Net cash used in investing activities1	(555)	(389)	(740)	(302)
Net cash used in financing activities from continuing operations	(152)	(145)	(232)	(205)
Net cash used in financing activities	(151)	(145)	(235)	(205)
Net decrease in cash and cash equivalents	(445)	(361)	(504)	(187)

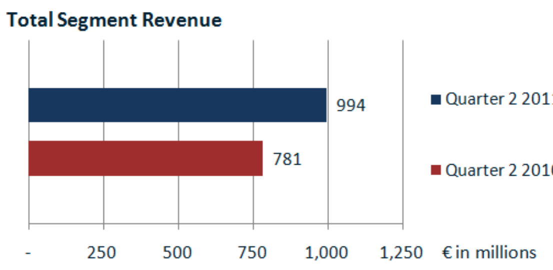
€ in millions; except number of employees	As of March 31, 2011	As of September 30, 2010
Selected Financial Condition Data		
Total assets	5,724	4,993
Total equity	3,249	2,625
Gross cash position	2,691	1,727
Debt (short-term and long-term)	356	396
Net cash position	2,335	1,331
Employees[2]	25,119	26,654

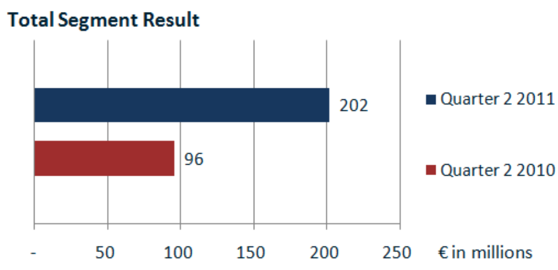
[1] Thereof € 1,468 million and € 348 million net purchases of financial investments during the six months ended March 31, 2011 and 2010, respectively (three months ended March 31, 2011 and 2010: € 1,468 million and € 350 million, respectively).
[2] Prior period amount includes the employees transferred to Intel as part of the sale of the Wireless mobile phone business.

INTERIM GROUP MANAGEMENT REPORT (UNAUDITED)

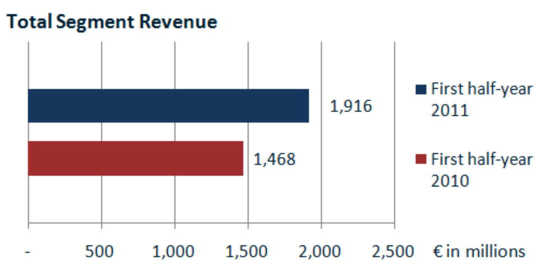
FIRST SIX MONTHS OF THE 2011 FISCAL YEAR: INFINEON CONTINUES TO PERFORM WELL

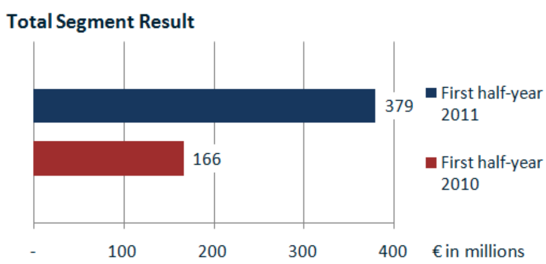
- Second quarter of the 2011 fiscal year (January 1, 2011 to March 31, 2011):
  - Revenue up by 27 percent to €994 million, an increase of 8 percent on the previous quarter.
  - Total Segment Result improved to €202 million, more than double the result of €96 million reported for the second quarter one year earlier. Total Segment Result was also 14 percent ahead of the previous quarter.
  - Total Segment Result Margin (defined as Revenue divided by Total Segment Result) of 20 percent, compared to 12 percent in the second quarter of the 2010 fiscal year and 19 percent in the first quarter of the current fiscal year.
  - Net income improved to €572 million, compared to €79 million in the same quarter last year. The current year's figure includes income from discontinued operations of €399 million (January 1 to March 31, 2010: €4 million), reflecting in particular a post-tax gain of €378 million arising from the sale of the Wireless mobile phone business.





- First six months of the 2011 fiscal year (October 1, 2010 to March 31, 2011):
  - Revenue up by 31 percent to €1,916 million, compared to €1,468 million in the same period last year.
  - Total Segment Result of €379 million, an improvement of €213 million compared to the €166 million reported for the corresponding period last year.
  - Total Segment Result Margin of about 20 percent, a significant improvement over the 11 percent reported one year earlier.
  - Net income increased to €804 million compared to €144 million one year earlier, influenced by income from discontinued operations amounting to €482 million (October 1, 2009 – March 31, 2010: €128 million).





  - Gross cash position of €2,691 million at March 31, 2011, an increase of €964 million compared to the €1,727 million reported at September 30, 2010. Net cash position at March 31, 2011 stood at €2,335 million.

IMPORTANT EVENTS IN THE FIRST HALF OF THE 2011 FISCAL YEAR

Sale of the Wireless mobile phone business finalized

On January 31, 2011 we closed the sale of our Wireless mobile phone business to Intel Corporation (“Intel”). This business is being continued by the purchaser under the name “Intel Mobile Communications” (“IMC”). The purchase consideration totaled U.S. $1.4 billion. The transaction gave rise to a pre-tax gain of €501 million in the first half of the 2011 fiscal year. The sale of the Wireless mobile phone business - following the carve-outs of the Memory and Wireline Communications businesses - concludes our strategic plan to focus on profitable, high-growth and less volatile semiconductor businesses and concentrate our activities on the areas of energy efficiency, mobility and security, all of which are strategically important for the future. Further information on the sale is provided in note 3 (“Divestitures and Discontinued Operations — Sale of the Wireless mobile phone business — Discontinued Operations”).

Future dilution avoided by repurchase of convertible bonds

During the first six months of the 2011 fiscal year we repurchased subordinated convertible bonds due 2014 with a nominal amount of €36 million for approximately €107 million. The repurchase of bonds has the effect of avoiding future dilution since – given the fact that the Infineon share price is currently well above the conversion price - it can be assumed that the conversion option will be exercised. The repurchase also enables the Company to avoid the future interest payments of 7.5 percent per year of the nominal amount that would otherwise have been due on the repurchased bonds. The repurchase gave rise to a pre-tax loss of €11 million, which has been recognized as interest expense within financial expense. Additional paid-in capital was reduced by €60 million (net of tax) to reflect the reacquisition of the conversion rights associated with the repurchased bonds.

Production capacity utilization remains at a high level; capital expenditure further increased

Our front-end and back-end production facilities both continued to work close to full capacity in the first half of the 2011 fiscal year. We invested €277 million in property, plant and equipment in the first six months of the 2011 fiscal year, most of it for increases in capacity at our power semiconductor production facilities (both front-end and back-end) in Malaysia and on innovation investments at our Villach site. Capital expenditure for the full fiscal year 2011 is budgeted at approximately €850 million, significantly higher than the amount invested during the previous fiscal year (€325 million). We purchased real estate and manufacturing facilities in Dresden for more than €100 million. The respective agreement has been signed in the beginning of May 2011 (see also “Subsequent Events”). Among others, we will invest U.S. $160 million this year to upgrade the manufacturing facilities in Malacca, Malaysia. The investment will increase our capacity to produce power semiconductors for energy efficiency applications and will create 350 new jobs in Malacca. The investment is another step by Infineon to expand its presence in Asia and integrate more tightly into local market structures. In recent years, Asia has developed into a key market for global semiconductor sales. We are continuously expanding our Asian business. In January 2011, our new entity in Beijing, China, Infineon Integrated Circuits (Beijing) Co., Ltd., commenced operations. In addition to sales and marketing, application R&D and central functions, the new entity hosts a technical center for automotive solutions and an IGBT stack manufacturing facility. IGBTs (Insulated Gate Bipolar Transistors) are power semiconductors used, for instance, to drive electric motors in cars or high-speed trains and in renewable energy generation systems. A further major area of investment will be the ramp up of a 300-millimeter pilot plant in Villach, which we will use to prepare for the mass-production of discrete power semiconductors on 300-millimeter wafers.

Infineon included in Sustainability Yearbook 2011

After having been admitted to the Dow Jones Sustainability Europe Index, in March 2011 Infineon was included for the first time in the Sustainability Yearbook 2011. Over 2,000 companies took part in the assessment for the Sustainability Yearbook 2011, including 29 semiconductor companies. We made it straight to the world’s best-scoring 15 percent of sustainable companies – and to the top 10 among semiconductor companies. This assessment in corporate sustainability performance also gives convincing credence to our business strategy of focusing on the three megatrends in society: energy efficiency, mobility and security.

Legal disputes with insolvency administrator of Qimonda AG

On January 31, 2011 we brought a declaratory action regarding the assets of Qimonda AG against the insolvency administrator before the Regional Court Munich I. Infineon holds rights of use in respect of Qimonda’s intellectual property under the contribution agreement between the Company and Qimonda in connection with the carve-out of the memory business. The insolvency administrator has declared non-performance of this agreement. The purpose of the legal action is to determine that Infineon’s and its licensees’ rights to the aforementioned intellectual property rights of the Qimonda Group remain valid (see note 16 "Commitments and Contingencies – Qimonda Litigation").

On December 1, 2010 the insolvency administrator dealing with the bankruptcy estate of Qimonda AG filed an action in the Regional Court Munich I seeking a declaratory judgment against Infineon in an unspecified amount. The action asserts that, in connection with the carve-out of the memory business to Qimonda AG, Infineon utilized a previously formed shell company and "economically re-established" this company (known in German as a "wirtschaftliche Neugründung") through the transfer of the memory business. The action further asserts that Infineon neglected to provide the registry court with the declaration required by German company law in these circumstances. For further details regarding this action see note 16 ("Commitments and Contingencies - Litigation and Government Inquiries - Qimonda Litigation").

Changes in Management Board and Supervisory Board of Infineon Technologies AG

Dominik Asam was appointed as Chief Financial Officer (CFO) of Infineon Technologies AG effective January 1, 2011. Upon closing of the sale of the Wireless mobile phone business, Prof. Dr. Hermann Eul stepped down from his mandate and ceased to be a member of the Management Board of Infineon Technologies AG.

Wolfgang Mayrhuber was elected to the Supervisory Board at the Annual General Meeting of Infineon Technologies AG held on February 17, 2011. After the Annual General Meeting, the Supervisory Board elected him unanimously to be its new Chairman. The previous Chairman of the Supervisory Board of Infineon Technologies AG, Prof. Dr. Klaus Wucherer, had already stepped down from his mandate – as announced at the time of his appointment in February 2010 – with effect immediately after the 2011 Annual General Meeting.

PERFORMANCE OF THE INFINEON SHARE IN THE FIRST HALF OF THE 2011 FISCAL YEAR

The Infineon share closed on March 31, 2011 at €7.24 (Xetra closing price), virtually unchanged from its level at the beginning of the second quarter on January 3, 2011 (€7.22).

The share recorded its low for the three-month period (€6.81) at the beginning of the quarter on January 10, 2011, after which it steadily gained ground until the beginning of February, reaching its high for the quarter (€8.27) on February 8.

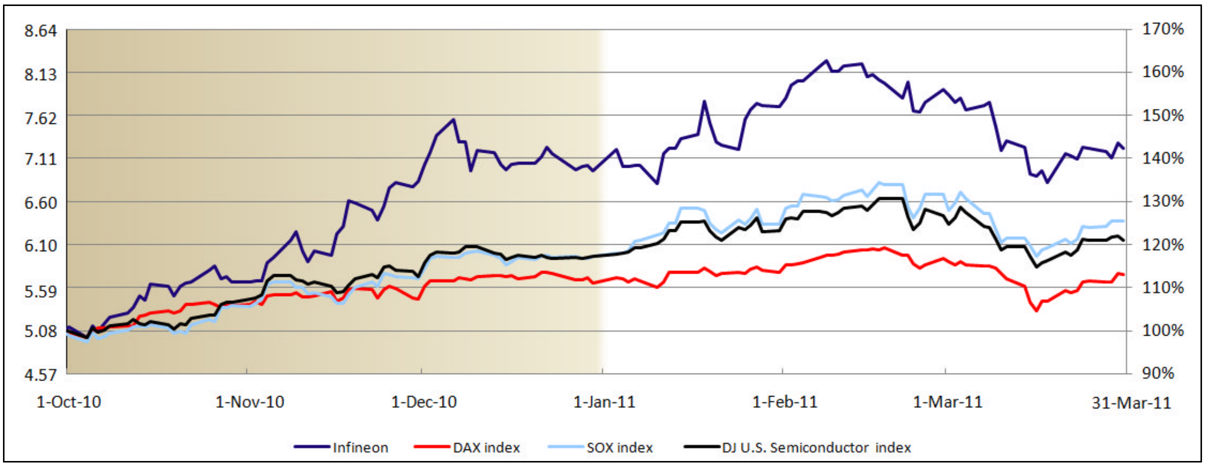
Major international stock indices also moved up only slightly during the second quarter of the 2011 fiscal year. The German stock index, the DAX, rose by 1 percent, the Philadelphia Stock Exchange Semiconductor Index ("SOX") by 6 percent and the Dow Jones US Semiconductor Index by 3 percent.

By contrast, the Infineon share rose by 42 percent during the six-month period from €5.13 at October 1, 2010 to €7.24 (Xetra closing price) at March 31, 2011. During this time the Dax rose by 13 percent, the Dow Jones US Semiconductor Index by 21 percent and the SOX by 25 percent.

At the Annual General Meeting held on February 17, 2011, it was resolved to pay a cash dividend of €0.10 per share for the fiscal year 2010, resulting in a total dividend payment of €109 million.

In November 2010, the deregistration of our ordinary shares under the U.S. Securities Exchange Act became effective. We delisted our American Depositary Shares ("ADSs") from the New York Stock Exchange ("NYSE") in April 2009. Since then, the ADSs have been traded over the counter on the OTCQX International Premier market. Our ordinary shares continue to be traded on the Frankfurt Stock Exchange and on various regional exchanges in Germany. We will maintain our presence on the U.S. securities market through a Level 1 ADR program. The ADSs are traded on the OTCQX market using the ticker symbol IFNNY.

Relative development of the Infineon share, German DAX Stock Index, SOX and DJ U.S. Semiconductor Index in the first half of the 2011 fiscal year



	Three months ended March 31,			Six months ended March 31,		
	2011	2010	+/- in %	**2011**	2010	+/- in %
IFX closing prices in Euro (Xetra)						
Beginning of the period	7.22	4.10	76%	5.13	3.76	36%
High	8.27	5.17	60%	8.27	5.17	60%
Low	6.81	3.77	81%	5.00	3.05	64%
End of the period	7.24	5.14	41%	7.24	5.14	41%
Weighted-average number of shares traded per day	12,872,917	20,774,470	(38%)	13,799,470	20,221,407	(32%)
Shares outstanding (as of March 31)	1,086,744,585	1,086,742,085				
IFX closing prices in U.S. dollars (OTCQX)						
Beginning of the period	9.61	5.88	63%	7.05	5.35	32%
High	11.35	6.95	63%	11.35	6.95	63%
Low	8.84	5.15	72%	6.81	4.38	55%
End of the period	10.31	6.93	49%	10.31	6.93	49%
Weighted-average number of ADSs traded per day	113,423	92,405	23%	92,405	236,020	(61%)

INDUSTRY ENVIRONMENT

In the first quarter of calendar year 2011, the world economy remained on the upswing. Although political unrest in the Middle East and North Africa as well as the natural and nuclear catastrophes in Japan are likely to dampen economic growth in the short term, economic experts forecast that the global economic upturn will after all maintain its momentum. In its latest world economic outlook, the International Monetary Fund (“IMF”) predicts a growth rate of 3.5 percent for calendar year 2011 after growth of 3.9 percent in calendar year 2010 (IMF, April 2011).

The global semiconductor market also performed strongly in the first quarter of calendar year 2011. Overall, iSuppli Corporation expects the global semiconductor market to grow by 7 percent in calendar year 2011 (iSuppli, March 2011), following a growth rate of 32 percent in calendar year 2010. In December 2010, iSuppli Corporation predicted 5 percent growth for calendar year 2011.

SEGMENT PERFORMANCE

All of our operating segments benefitted from continued strong demand for semiconductor products and all recorded second-quarter revenue increases. At €1,916 million, revenue for the first six months of the 2011 fiscal year was significantly up from the previous year's corresponding figure (€1,468 million).

Total Segment Result for the three-month period increased to €202 million (prior year period: €96 million) and for the six-month period improved from €166 million to €379 million, boosted by the higher gross profit from increased revenue. The figure was only partly offset by slightly higher research and development expenses on the one hand and rising selling, general and administrative expenses on the other. Overall, however, these operating expenses rose at a lower rate than revenue and therefore contributed to a sharp improvement in profitability. The second-quarter Total Segment Result Margin climbed from 12 percent in the 2010 fiscal year to 20 percent in the current period. The Total Segment Result Margin for the first half of the 2011 fiscal year was 20 percent, compared with 11 percent one year earlier.

Revenue for the six months ended March 31, 2011

Segment Result for the six months ended March 31, 2011

AUTOMOTIVE

€ in millions, except percentages	Three months ended March 31, 2011	2010	Six months ended March 31, 2011	2010
Revenue	392	316	746	595
Share of Total Revenue	39%	40%	39%	41%
Segment Result	74	51	133	88
Share of Total Segment Result	37%	53%	35%	53%
Segment Result Margin	19%	16%	18%	15%

Second-quarter revenue rose to €392 million on the back of the global increase in car production volumes, an increase of €76 million or 24 percent compared to the €316 million recorded one year earlier. Business in Asia developed particularly well, as did the number of higher-value vehicles sold worldwide with an above-average semiconductor content. Segment Result for Automotive was €74 million, up by €23 million from the €51 million reported in the second quarter of the 2010 fiscal year. The second-quarter Segment Result Margin improved accordingly from 16 percent to 19 percent, benefitting in particular from the positive impact on earnings caused by higher sales volumes. Expenditure on development and application support was further increased in order to strengthen our strong market position in the automotive industry.

Six-month revenue totaled €746 million, rising by €151 million or 25 percent compared to the previous year (€595 million). The increase in revenue in the first half of the 2011 fiscal year was facilitated by expanding capacities and driven by very strong growth in Asia as well as by steadily growing demand in North America. The Segment Result improved by €45 million to €133 million (October 2009 – March 2010: €88 million). The six-month Segment Result Margin improved from 15 percent to 18 percent. This sharp improvement was largely attributable to the rise in revenue. Development expenditure was increased again, primarily in the fields of microcontrollers using our advanced 65-nanometer multicore architecture and highly integrated power and control circuits on a single silicon chip. Our local presence was strengthened further by adding resources for application and customer support.

Major events and developments in the Automotive segment in the first half of the 2011 fiscal year:

- Design win with a “U-Chip” in the field of engine control for a major Chinese customer. The U-Chip makes available all of the interfaces needed to ensure efficient circuit design and therefore optimally complements the TriCore microcontroller components within the drivetrain.
- As an addition to the HybridPacks 1 and 2 that are already enjoying success in the market, the Automotive Easy IGBT modules for hybrid and electric cars were also introduced during the first half of the fiscal year. This product family covers the power range up to 6 kW. As one example, air-conditioning compressors that were previously driven by a belt can now be regulated as required using an electronically controlled electric motor, saving energy and reducing fuel consumption.
- Another important milestone reached during the first six months of the 2011 fiscal year was the design win for a magnetic field sensor to record the steering position to be used in Volkswagen’s electric power-steering systems.
- As radar-based driver assistance systems become more widely used, we gained new customers. Infineon’s highly integrated silicon-germanium solution generates cost benefits for those systems and is therefore set to become an alternative to gallium arsenide-based solutions in high volume solutions.

INDUSTRIAL & MULTIMARKET

	Three months ended March 31,		Six months ended March 31,	
€ in millions, except percentages	**2011**	2010	**2011**	2010
Revenue	433	324	856	604
Share of Total Revenue	44%	41%	45%	41%
Segment Result	108	59	215	103
Share of Total Segment Result	53%	61%	57%	62%
Segment Result Margin	25%	18%	25%	17%

Second-quarter revenue totaled €433 million, rising by €109 million or 34 percent compared to the previous year (€324 million). Business with components used in industrial and renewable-energy-related applications performed particularly well during the quarter. The segment was also able to significantly expand the business with communication products, particularly in the field of mobile communication infrastructure. With a second-quarter Segment Result of €108 million, Industrial & Multimarket made the largest contribution to earnings, up by €49 million from €59 million reported in the previous year quarter. The Segment Result Margin was 25 percent, a significant improvement over the 18 percent reported in the second quarter of the 2010 fiscal year. The improvement was attributable primarily to benefits from economies of scale resulting from significantly greater volumes. Research and development expenses were higher than in the previous year, reflecting increased investment in innovative products and pioneering technologies such as power semiconductor components on a silicon carbide base. Higher selling and marketing expenses resulted, among other factors, from the expansion of our presence in all significant selling regions, especially Asia.

Six-month revenue of the Industrial & Multimarket segment jumped to €856 million as a result of rising demand and was €252 million or 42 percent higher than in the corresponding period last year. In addition to the market-related factors described above, the significantly higher value of the US dollar compared to the previous year also had a positive impact on revenue. The six-month Segment Result more than doubled from €103 million in the previous year to €215 million in the current fiscal year. The six-month Segment Result Margin improved from 17 percent to 25 percent, also mainly reflecting benefits from economies of scale. Research and development expenses and sales and marketing expenses for the comparable six-month periods were increased in order to boost the segment’s performance in the future. The rate of increase was, however, less pronounced than the increase in revenue.

Major events and developments in the Industrial & Multimarket segment in the first half of the 2011 fiscal year:

- At the beginning of the 2011 fiscal year, the business segment RF Power, based in Morgan Hill, CA, USA, was integrated into Infineon´s Industrial & Multimarket segment. This business develops and produces key components for mobile infrastructure and supplies its products to infrastructure providers such as Ericsson and Huawei. The RF Power business was part of the former Wireless Solutions segment (together with the sold Wireless mobile phone business).
- In November 2010 Infineon and Xinjiang Goldwind Science and Technology Co., Ltd., the Chinese leader in R&D and manufacturing of wind power equipment, signed a license agreement for IGBT stacks required for the construction of wind turbines.
- Infineon also continued to expand its business with components for train drive systems (traction). Significant amounts are currently being invested around the world on railway infrastructure expansion and for regional as well as long-distance trains. The value of Infineon´s power semiconductors in high-speed trains is up to €100,000 per train. The equivalent figure for subway trains is approximately €10,000 per train.

CHIP CARD & SECURITY

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Revenue	107	99	205	182
Share of Total Revenue	11%	13%	11%	12%
Segment Result	14	3	24	4
Share of Total Segment Result	7%	3%	6%	2%
Segment Result Margin	13%	3%	12%	2%

Second-quarter revenue totaled €107 million compared to €99 million one year earlier. The first volume delivery for the new German electronic personal identity card took place during the quarter, an important step in Infineon's strategy of expanding business in the field of secure government identification. Revenue increases were also recorded for applications in the area of integrated Near-Field-Communications ("NFC") solutions. Expansion into these attractive lines of business gave rise to a significantly improved sales mix and hence a higher gross profit. The Segment Result for the second quarter of the 2011 fiscal year climbed to €14 million, an improvement of €11 million over the same quarter last year. Overall, Chip Card & Security recorded a Segment Result Margin of 13 percent. The advanced stage of development of new products on the 90-nanometer technology platform as well as developments on the basis of the 65-nanometer node resulted in increased research and development expenditure. Selling and marketing expenses were raised slightly with a view to supporting newly developed products and product launches, but nevertheless remained constant as a percentage of revenue.

Six-month revenue totaled €205 million, an increase of €23 million or 13 percent compared to the previous year (€182 million). The main revenue drivers were applications relating to secure government identification and PayTV. Revenue gains were also achieved with higher-value applications in the area of SIM cards and Trusted Platform Modules (TPM). Infineon's investments in the field of high-security PayTV and in the development and marketing of the digital security concept "Integrity Guard" has been recognized by customers and business partners alike. The six-month Segment Result rose by €20 million from €4 million in the previous year to €24 million in the current year, with the Segment Result Margin improving to 12 percent. Continuous investment in security applications and the optimization of cost structures through migration to 90-nanometer technology are helping us make good progress with our product structure and increase gross profit as a consequence. The slight rise in selling and marketing expenses reflects mainly increased resources being put into new markets and applications, such as NFC or new security applications beyond the chipcard formfactor (Embedded Security). Overall, operating expenses rose in line with revenue.

Major events and developments in the Chip Card & Security segment in the first half of the 2011 fiscal year:

- In February 2011 Infineon received the Innovation Award of German Industry for the best technological innovation. Infineon received the prestigious award in the category "large-scale companies" for its security technology "Integrity Guard", developed for applications that need to store sensitive data especially securely and over long periods of time. Examples of this are credit cards and secure government identification such as electronic passports or the new German identity card.

- The first six months of the 2011 fiscal year also saw the successful ramp-up of the SLE78 product family based on Integrity Guard security technology. Supplying the latest generation of security controllers for the new German identity card represents a significant milestone, with Infineon now manufacturing a substantial proportion of the chips for the largest identity card project in Europe. In the meantime, Infineon is able to draw on a wealth of experience in the field of contactless technology for security chips relevant for identification projects and also for payment cards to an increasing degree.
- In December 2010, the OSPT (Open Standard for Public Transport) Alliance was successfully launched at the biggest trade show of the chip card industry, CARTES 2010, which was held in Paris. The OSPT Alliance, where major chip card industry players join forces, is an international association which defines the new open standard for public transport CIPURSE™ for secure smart-card-based automatic fare collection solutions. It aims to form an ecosystem to support secure, interoperable and flexible solutions for Smart Cards, NFC Devices and Transport Infrastructure. In contrast to proprietary solutions, the open standard CIPURSE ensures a multi-supplier network and broader product variety. Based on the successful establishment of this new standard, Infineon will introduce its first CIPURSE products in 2011. By supporting CIPURSE, Infineon will continue to drive its successful controller business for public transportation applications.

OTHER OPERATING SEGMENTS

	Three months ended March 31,		Six months ended March 31,	
€ in millions, except percentages	**2011**	2010	**2011**	2010
Revenue	61	44	102	86
Share of Total Revenue	6%	6%	5%	6%
Segment Result	7	(8)	9	(9)
Share of Total Segment Result	3%	(8%)	2%	(5%)

Other operating segments primarily cover the remaining activities of operations that have been sold. Since the sale of the Wireless mobile phone business, this also includes the supply of products to IMC on a medium-term basis. Product supplies to Lantiq following the sale of the Wireline communication business are also reported as part of other operating segments.

Second-quarter revenue in the current fiscal year totaled €61 million, with a Segment Result of €7 million. The rise in revenue and improvement in Segment Result were both mainly attributable to business with IMC following the sale of the Wireless mobile phone business. Revenue with Lantiq decreased in comparison to the previous year but generated a better margin thanks to the impact of improved cost structures.

Six-month revenue in the current fiscal year totaled €102 million, compared to €86 million one year earlier. In contrast to the previous year, revenue in the current fiscal year includes sales to IMC and business with analog and digital TV tuners as well as receiver components for satellite radio. The Segment Result for the six-month period improved by €18 million to €9 million as a result of business with IMC and cost structure improvements.

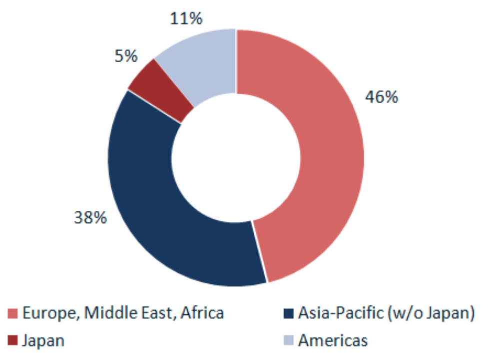
CORPORATE AND ELIMINATIONS

Second-quarter Segment Result improved from a loss of €9 million in the 2010 fiscal year to a loss of €1 million in the current fiscal year. Six-month Segment Result was a loss of €2 million compared to one of €20 million in the previous year. The result for the first half of the 2010 fiscal year contained the impact of idle costs relating to production at ALTIS Semiconductor S.N.C., Essonnes, France (“ALTIS”). ALTIS, previously a joint venture of Infineon and International Business Machines Corporation, New York, USA (“IBM”), was deconsolidated during the quarter ended December 31, 2010. All of Infineon’s shares in ALTIS were sold in August 2010.

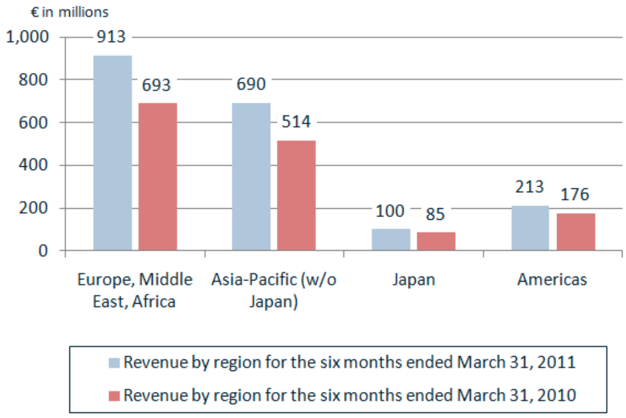
MATERIAL ITEMS OF THE CONSOLIDATED STATEMENT OF OPERATIONS

€ in millions; except earnings per share	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Revenue	994	781	1,916	1,468
Gross profit	**421**	**285**	**805**	**526**
Research and development expenses	(112)	(96)	(220)	(185)
Selling, general and administrative expenses	(113)	(95)	(216)	(183)
Other operating income and expense, net	(9)	7	(13)	(83)
Operating income	**187**	**101**	**356**	**75**
Financial income and expense, net	(3)	(22)	(15)	(49)
Income from continuing operations	**173**	**75**	**322**	**16**
Income from discontinued operations, net of income taxes	399	4	482	128
Net income	**572**	**79**	**804**	**144**
Basic earnings per share (in Euro)	0.53	0.07	0.74	0.13
Diluted earnings per share (in Euro)	0.50	0.07	0.70	0.13

Revenue increased in all regions. Europe remained the largest sales market for Infineon, while the Asian region continues to grow in importance. The regional distribution of revenue was largely unchanged from the previous year.



Revenue by region for the six months ended March 31, 2011



€ in millions, except percentages	Three months ended March 31,				Six months ended March 31,			
	2011		2010		**2011**		2010	
Europe, Middle East, Africa	490	49%	379	48%	913	48%	693	47%
therein: Germany	270	27%	214	27%	509	27%	391	27%
Asia-Pacific (w/o Japan)	343	35%	275	35%	690	36%	514	35%
therein: China	166	17%	134	17%	339	18%	245	17%
Japan	50	5%	46	6%	100	5%	85	6%
Americas	111	11%	81	11%	213	11%	176	12%
Total	**994**	**100%**	**781**	**100%**	**1,916**	**100%**	**1,468**	**100%**

Gross profit (revenues less cost of sales) for the first half of the 2011 fiscal year amounted to €805 million compared to €526 million one year earlier. Our production facilities continued to be almost fully utilized, despite increased capacities. Improved capacity utilization resulted in a better absorption of fixed costs. Coupled with the benefits arising from efficiency improvements and a more favorable product mix, six-month gross profit improved from 36 percent in the previous year to 42 percent in the current year. We are therefore performing within our target business model, which aims at a gross margin in the low 40 percent range.

	Three months ended March 31,		Six months ended March 31,	
€ in millions, except percentages	**2011**	2010	**2011**	2010
Cost of goods sold	573	496	1,111	942
Changes year-on-year	16%		18%	
Percentage of revenue	58%	64%	58%	64%
Gross profit	421	285	805	526
Percentage of revenue (gross margin)	42%	36%	42%	36%

Research and development expenses rose by 19 percent from €185 million in the first half of the 2010 fiscal year to €220 million in the first six months of the current fiscal year, partly reflecting higher personnel expenses and increased R&D activities. Although R&D expenses rose in absolute terms, they fell as a percentage of revenue from 13 percent to 11 percent for the comparable six-month periods, reflecting the fact that costs increased at a lower rate than revenue.

	Three months ended March 31,		Six months ended March 31,	
€ in millions, except percentages	**2011**	2010	**2011**	2010
Research and development expenses	112	96	220	185
Change year-on-year	17%		19%	
Percentage of revenue	11%	12%	11%	13%

Selling, general and administrative expenses for the six-month period increased from €183 million in the previous fiscal year to €216 million in the current fiscal year, mainly as a result of the higher level of volume-related selling costs and increased personnel expenses.

	Three months ended March 31,		Six months ended March 31,	
€ in millions, except percentages	**2011**	2010	**2011**	2010
Selling, general and administrative expenses	113	95	216	183
Change year-on-year	19%		18%	
Percentage of revenue	11%	12%	11%	12%

Net other operating income and expenses gave rise to a net expense of €13 million for the six-month period, compared to a net expense of €83 million in the same period last year, which had included a loss of €73 million arising on the deconsolidation of ALTIS.

Net financial income and expenses for the six-month period improved by €34 million to a net expense of €15 million. Therein included is a loss of €11 million arising in conjunction with the repurchases of our subordinated convertible bonds due 2014 during the six-month period. Net financial income and expense of the prior year period was €49 million. This significant improvement resulted from lower interest expenses reflecting the reduction in debt and higher interest income due to the improved gross cash position.

Income from discontinued operations net of income taxes amounted to €482 million for the first half of the 2011 fiscal year. This figure includes the post-tax gain of €344 million arising on the sale of the Wireless mobile phone business and the operating result generated by that business until closing of the sale on January 31, 2011. The provision for potential liabilities in connection with the insolvency of Qimonda was increased by €35 million during the first half of the 2011 fiscal year. For the corresponding six-month period last year, income from discontinued operations had been €128 million and had included a post-tax gain of €106 million arising on the sale of the Wireline Communications business to Lantiq.

Net income for the first half of the 2011 fiscal year, at €804 million (October 1, 2009 – March 31, 2010: €144 million), was significantly up on the previous year, also resulting in a correspondingly sharp improvement in earnings per share. Compared to basic and diluted earnings per share of €0.13 for the first half of the 2010 fiscal year, basic and diluted earnings per share for the first six months of the the 2011 fiscal year improved to €0.74 and €0.70 respectively, including the non-recurring gain resulting from the closing of the sale of the Wireless mobile phone business in the current year.

FINANCIAL CONDITION

€ in millions, except percentages	As of **March 31, 2011**	As of September 30, 2010	Change year-on-year
Current assets	4,254	3,590	18%
thereof: assets held for sale	-	495	(100%)
Non-current assets	1,470	1,403	5%
Total assets	**5,724**	**4,993**	**15%**
Current liabilities	1,967	1,808	9%
thereof: liabilities held for sale	-	177	(100%)
Non-current liabilities	508	560	(9%)
Total liabilities	**2,475**	**2,368**	**5%**
Total equity	**3,249**	**2,625**	**24%**

Total assets increased by €731 million or 14.6 percent from €4,993 million at September 30, 2010 to €5,724 million at March 31, 2011.

Within current assets, the main increase related to the gross cash position (aggregated amount of cash and cash equivalents and financial investments). In total, current assets increased by €664 million from €3,590 million at September 30, 2010 to €4,254 million at March 30, 2011. The €964 million improvement in the gross cash position reflects the cash inflow of €1,098 million received in conjunction with the sale of the Wireless mobile phone business, offset partly by disbursements to repurchase subordinated convertible bonds due 2014 and dividend payments totaling €216 million. Other receivables also went up, mainly as a result of the assignment of German value added tax by IMC to Infineon as part of the sale of the Wireless mobile phone business in lieu of payment; the value added tax receivable had not been offset against Infineon's own value added tax payable prior to March 31, 2011. Inventories went up by €101 million in line with increased production volumes and due to the fact that Infineon will be supplying products to IMC for a transitional period of six months. The disposal of the assets transferred to IMC – previously reported in the consolidated statement of financial position as "held for sale" – worked in the opposite direction. Current financial assets decreased by €63 million, mainly as a result of exercising the U.S. Dollar/Euro options entered into to hedge the proceeds from the sale of the Wireless mobile phone business.

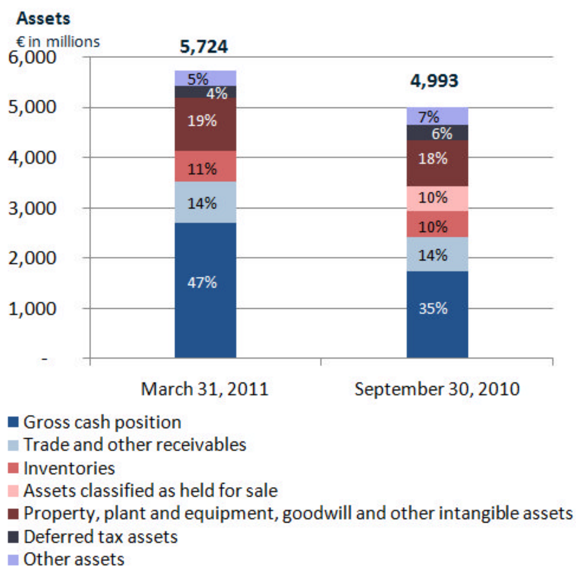
Non-current assets increased overall by €67 million during the six-month period ended March 31, 2011, mainly as a result of the higher level of capital expenditure on property, plant and equipment and intangible assets. The utilization of tax loss carry forwards mainly in conjunction with the gain from the sale of the Wireless mobile phone business resulted in an €85 million decrease in deferred tax assets within non-current assets.

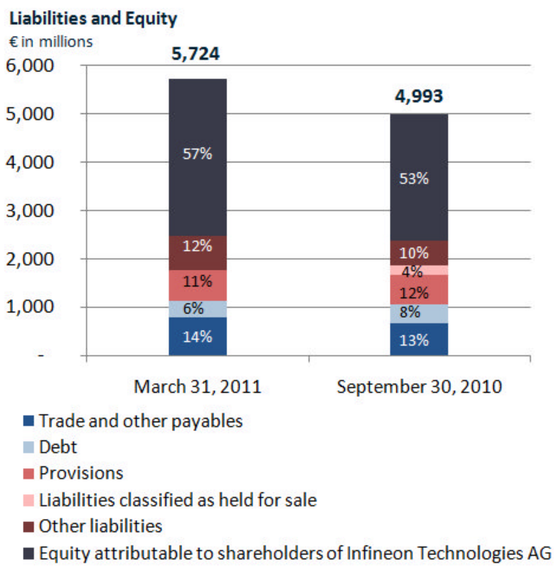
On the equity and liabilities side of the statement of financial position, total liabilities increased by €107 million to €2,475 million at March 31, 2011 despite a €52 million decrease in non-current liabilities.

Current liabilities totaled €1,967 million at March 31, 2011, an increase of 9 percent on the €1,808 million reported at September 30, 2010. Trade payables went up as a result of increased business volumes and increasing levels of capital expenditure. Current provisions increased by €29 million and income tax liabilities by €31 million. Other current liabilities rose by €170 million, mainly as a result of higher value added tax payables arising in conjunction with the sale of the Wireless mobile phone business. At the same time, held-for-sale liabilities decreased by €177 million following the transfer of liabilities relating to the Wireless mobile phone business to IMC. The amount to be paid to IMC to settle the transfer of specified personnel-related liabilities (primarily pension entitlements) and the repayment of upfront payments received from IMC for product sales to be made in the coming months are reported at March 31, 2011 within current liabilities and amount to approximately €100 million in total.

Non-current liabilities decreased by 9 percent to stand at €508 million at March 31, 2011 (September 31, 2010: €560 million) mainly reflecting the reduction on long-term debt by €37 million to €226 million. The repurchase of subordinated convertible bonds due 2014 during the first half of the 2011 fiscal year reduced the carrying amount of long-term provisions by €28 million.

Equity increased by €624 million or 24 percent from €2,625 million at September 30, 2010 to stand at €3,249 million at March 31, 2011. The increase was due to the net income of €804 million for the six-month period, offset by the effect of the dividend payment (€109 million) and a reduction in additional paid-in capital (€60 million) in conjunction with the repurchase of subordinated convertible bonds due 2014 during the six-month period under report.





LIQUIDITY

CASH FLOW

Our cash flow shows the sources and uses of cash and cash equivalents during the reported periods. The cash flow is of key importance for the evaluation of our financial situation.

€ in millions	Six months ended March 31, 2011	2010
Net cash provided by operating activities from continuing operations	311	308
Net cash used in investing activities from continuing operations	(1,762)	(492)
Net cash used in financing activities from continuing operations	(232)	(205)
Net increase in cash and cash equivalents from discontinued operations	1,179	202
Net decrease in cash and cash equivalents	**(504)**	**(187)**

Net cash provided by operating activities from continuing operations

Despite the fact that income from continuing operations for the first half of the year jumped from €16 million to €322 million, net cash provided by operating activities from continuing operations, at €311 million, remained at a similar level to the previous year (€308 million). Non-cash depreciation and amortization of €172 million for the period under report were offset by €130 million of cash tied up in working capital due to increased business volume. During the first six months of the 2011 fiscal year, inventories increased by €37 million and trade receivables by €81 million, while trade payables only increased by €81 million. Also the disbursement of employees' variable remuneration for the 2010 fiscal year reduced the cash flow with a corresponding reduction of provisions. Another negative factor was the payment of taxes amounting to €50 million.

Income from operating activities from continuing operations for the corresponding six month period of the previous year of €16 million included depreciation and amortization of €171 million and non-cash charges of €73 million from the deconsolidation of ALTIS. Furthermore, working capital decreased by €89 million, while interest and tax payments amounted to €34 million.

Net cash used in investing activities from continuing operations

The cash outflow for investing activities from continuing operations in the first half of the 2011 fiscal year amounted to €1,762 million, of which €1,468 million related to the purchase of financial investments (primarily cash deposits with a maximum term of six months).

In total, we invested €277 million in property, plant and equipment during the first six months of the year. The focus of capital expenditure was on the one hand the expansion of front-end power semiconductor production capacities in Kulim, Malaysia, and Villach, Austria, and back-end power semiconductor capacities in Malacca, Malaysia, on the other. We also started work on the construction of a 300-millimeter pilot plant in Villach, which we will use to prepare the mass-production of discrete power semiconductors on 300-millimeter wafers.

In the corresponding six-month period of the previous year, net cash used in investing activities from continuing operations amounted to €492 million, of which most (€375 million) were also related to the purchase of financial investments. Capital expenditures on property, plant and equipment in that period amounted to €65 million. The deconsolidation of ALTIS also resulted in cash being reduced by €88 million.

Net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations for the first half of the 2011 fiscal year totaled €232 million, of which €107 million related to the repurchase of subordinated convertible bonds due 2014 with a nominal amount of €36 million. Other non-current debt was reduced by €16 million. We paid a dividend of €109 million to our shareholders during the six-month period under report.

In the corresponding six-month period of the previous fiscal year, net cash used in financing activities from continuing operations amounted to €205 million, of which €190 million related to the repurchase of subordinated convertible notes that were fully redeemed in June 2010.

Change in cash and cash equivalents from discontinued operations

Net cash inflow from discontinued operations for the first half of the 2011 fiscal year amounted to €1,179 million and resulted primarily from the cash proceeds of €1,098 million received on the sale of the Wireless mobile phone business. Prior to finalizing the sale, a total of €72 million had been invested in the business. Net cash provided by operating activities relating to the Wireless mobile phone business (reported as discontinued operations) totaled €184 million for the six-month period. Disbursements of €23 million were made during the period under report for liabilities relating to the insolvency of Qimonda, principally relating to the settlement agreement with the indirect customers group and the chief public prosecutors (see note 16, Commitment and Contingencies).

The cash inflow from discontinued operations for the first half of the previous fiscal year amounted to €202 million, most of which (€223 million) related to the purchase price received during the first quarter of the 2010 fiscal year for the sale (in November 2009) of the Wireline Communications business. This was offset by payments of €42 million related to the insolvency of Qimonda, including the payment of the final installment of the settlement agreed with the U.S. Department of Justice (DOJ). The remaining €21 million stems from cash inflows provided in the first half of the previous year by the operating activities of the Wireless mobile phone business and the Wireline Communications business, net of disbursements for capital expenditure.

FREE CASH FLOW

We report free cash flow, defined as cash flow from operating and investing activities from continuing operations excluding purchases or sales of financial investments. We believe that the presentation of free cash flow provides useful information to investors because this measure gives an indication of the cash-generating ability of our business. Free cash flow is an additional measure, since we hold a portion of our liquid resources in form of financial investments and wish to disclose the cash flow from our business adjusted for any changes in financial investments. Free cash flow is not intended to represent the residual cash flow available for discretionary expenditures, since dividends, debt service requirements or other non-discretionary expenditures are not deducted. Free cash flow only includes amounts from continuing operations, and is determined as follows from the consolidated statement of cash flows:

€ in millions	Six months ended March 31, 2011	2010
Net cash provided by operating activities from continuing operations	311	308
Net cash used in investing activities from continuing operations	(1,762)	(492)
Purchase of and proceeds from sale of financial investments, net	1,468	348
Free cash flow	**17**	**164**

Free cash flow from operating activities for the first six months of the 2011 fiscal year totaled €17 million, compared to €164 million in the previous year. The decrease in free cash flow was attributable primarily to the higher amount of cash funds tied up in working capital as well as increased capital expenditure on property, plant and equipment.

GROSS CASH POSITION AND NET CASH POSITION

The following table presents our gross and net cash positions, as well as our long-term and short-term debt. Since we hold a portion of our liquid resources in the form of financial investments, which for IFRS purposes are not considered to be “cash and cash equivalents”, we report our gross and net cash positions to provide investors with an understanding of our overall liquidity position at the respective reporting dates. The gross and net cash position is derived as follows from the corresponding amounts in our consolidated statement of financial position:

€ in millions	March 31, 2011	September 30, 2010
Cash and cash equivalents	1,162	1,667
Financial investments	1,529	60
Gross cash position	**2,691**	**1,727**
Less:		
Long-term debt	226	263
Short-term debt and current maturities of long-term debt	130	133
Total financial debt	**356**	**396**
Net cash position	**2,335**	**1,331**

Our gross cash position, comprising cash and cash equivalents and financial investments, amounted to €2,691 million at March 31, 2011, an increase of €964 million from €1,727 million at September 30, 2010. The gross cash position at the end of the period under report primarily reflects cash inflows from the sale of the Wireless mobile phone business. Cash inflows from operating activities totaling €471 million for the six-month period were more than offset by cash outflows for capital expenditure, the repurchase of subordinated convertible bonds due 2014 and the dividend payment.

Our net cash position, which is defined as the gross cash position less long-term and short-term debt, increased accordingly by €1,004 million from €1,331 million at September 30, 2010 to €2,335 million at March 31, 2011.

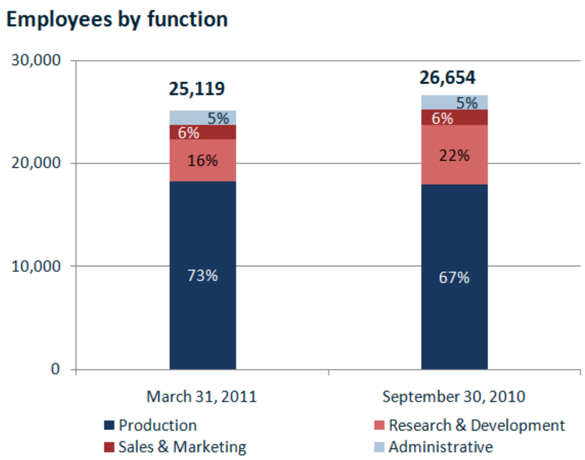
EMPLOYEES

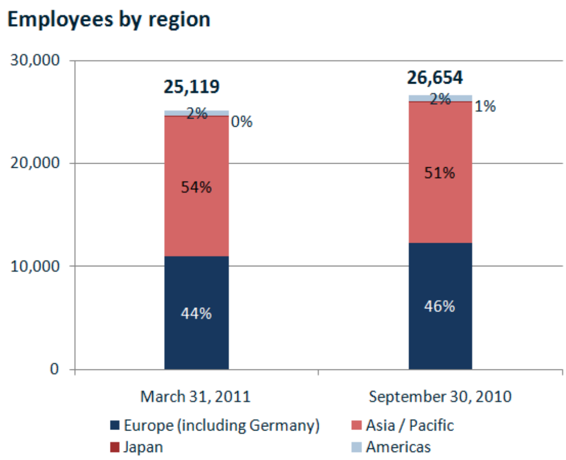
The following table shows the composition of the workforce of our fully consolidated companies by function and region at the dates shown:

	As of		
	March 31, 2011	September 30, 2010	Change
Function:			
Production	18,258	17,924	2%
Research & Development	4,045	5,771	(30%)
Sales & Marketing	1,455	1,520	(4%)
Administration	1,361	1,439	(5%)
Total	**25,119**	**26,654**	**(6%)**
Region:			
Europe	10,967	12,275	(11%)
therein: Germany	7,553	8,826	(14%)
Asia-Pacific (w/o Japan)	13,590	13,619	(0%)
therein: China	1,787	1,633	9%
Japan	110	120	(8%)
Americas	452	640	(29%)
Total	**25,119**	**26,654**	**(6%)**

The number of Infineon employees decreased by 6 percent in the first six months of the 2011 fiscal year. The reduction was mainly driven by the sale of the Wireless mobile phone business. The headcount numbers disclosed above as of September 30, 2010 include employees transferred to IMC as part of the sale of the Wireless mobile phone business. On the other hand the workforce was increased by additional staff hired in response to the dynamic development in business volumes and in the area of research and development at sites in Germany and the Asia-Pacific region. Employees were also hired in production (principally at back-end sites in the Asia-Pacific region) in connection with the expansion of our production capacities.

The Infineon sites in Germany accounted for 30 percent of Infineon employees as of March 31, 2011 compared to 33 percent as of September 30, 2010.





SUBSEQUENT EVENTS

INFINEON PURCHASES MANUFACTURING FACILITIES FROM QIMONDA INSOLVENCY ADMINISTRATOR IN DRESDEN

Infineon Technologies Dresden GmbH (“Infineon Dresden”) has purchased real estate and manufacturing facilities from the insolvency administrator managing the assets of Qimonda Dresden GmbH & Co. OHG (“Qimonda Dresden”), Dr. Michael Jaffé, for a total sum of €100.6 million. The real estate borders directly on the Infineon premises in Dresden, Germany. The purchase of real estate covers cleanroom and manufacturing facilities as well as 300 millimeter manufacturing equipment of the former Qimonda Dresden and forms part of the company’s strategic capacity expansion.

The insolvency administrator had kept the cleanroom facilities operational after the insolvency proceedings were opened. Infineon now takes over the full remaining items of property and manufacturing facilities.

With this purchase Infineon secures 300 millimeter manufacturing equipment that forms an important basis for potential volume production of 300 millimeter power semiconductors. Infineon is currently working on a development project to assess the use of 300 millimeter wafers for manufacturing power semiconductors on thin wafer technology. For this purpose a pilot line is set-up at the company’s site in Villach, Austria. Some of the machinery now acquired will be used for completion of the pilot line in Villach. Infineon will decide about the start and the location of a 300 millimeter volume production during the current fiscal year.

CAPITAL RETURN

On May 9, 2011, Infineon Technologies AG decided to exercise the share buyback authorization granted by the Annual General Meeting on February 17, 2011. Infineon plans to return up to €300 million of capital to investors over a period extending until March 2013. The capital return may be effected through writing put options on Infineon shares, through outright repurchases of Infineon shares via the Xetra trading on the Frankfurt Stock Exchange, or through repurchases of further portions of Infineon’s outstanding convertible bonds.

Any shares bought back will be cancelled to reduce the company’s share capital or used for servicing employee options. The share buyback will be carried out in accordance with Sec.14 (2) and Sec. 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 planned program may be suspended and resumed at any time within the time limits assigned by the Annual General Meeting and in compliance with other statutory provisions. Irrespective thereof, Infineon reserves the right to acquire and sell insignificant amounts of its own shares and to implement other capital return measures. Details of the share buyback program and on the put options issued and shares acquired will be regularly published by Infineon on the Internet at www.infineon.com/cms/en/corporate/investor/.

OUTLOOK

EFFECTS OF THE AFTERMATH OF THE MARCH 2011 EARTHQUAKE IN JAPAN ON INFINEON

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

OUTLOOK FOR THE THIRD QUARTER OF THE 2011 FISCAL YEAR

Taking into account the above as well as current backlog and scheduled delivery dates, we expect revenue and Total Segment Result Margin for the third quarter of the 2011 fiscal year to be about flat relative to the levels of the second quarter of the 2011 fiscal year.

Within this outlook, Automotive revenues are expected to decline slightly, whereas sales in Chip Card & Security and Industrial & Multimarket should exhibit some growth.

OUTLOOK FOR THE 2011 FISCAL YEAR

At an assumed Euro/U.S. Dollar exchange rate of 1.40, we expect full-year revenue growth of 20 percent, compared to a mid-teens percentage guided for so far. Within this outlook, we expect above group average growth for Industrial & Multimarket, growth about in-line with the group average for Automotive, and growth below group average for Chip Card & Security revenues.

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

Due to sustained high levels of order intake and order backlog as well as to ensure production capacity and due to the purchase of manufacturing facilities in Dresden Infineon increased the investment budget to an amount of approximately €850 million for the 2011 fiscal year. Investments in the 2010 fiscal year amounted to €325 million.

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

RISKS AND OPPORTUNITIES

We are exposed to a number of risks as a result of the volatility of the semiconductor business, our international orientation and our wide product range. Such risks include, but are not limited to, broader economic developments, including the sustainability of recent improvements in the market environment; fluctuations in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products, such as for instance automobiles and consumer electronics, that incorporate our products; the failure to comply with our delivery commitments to customers resulting from lack of production capacities (allocation) due to unexpected demand in the markets; the impact of the earthquake, Tsunami and nuclear power plant catastrophe in Japan with all its consequences, as for example on our supply chain, those of our customers and their customers with respect to materials, production plants and the demand in general; the success of our development efforts, both on our own and with partners; the success of our efforts to introduce new production processes at our facilities; to fulfill the quality requirements of our existing, as well as new developed products; the actions of competitors; the recoverability of our financial investments; the continued availability of adequate funds; the outcome of antitrust investigations and litigation matters; the effects of currency fluctuations, primarily between the U.S. dollar and the Euro; the outcome of Qimonda's insolvency proceedings, including potential liabilities related to the Qimonda insolvency, including pending antitrust and related securities law claims, claims by the insolvency administrator brought in December 2010 by way of a declaratory action which alleges that Infineon “economically re-established” Qimonda (what is known in German as “wirtschaftliche Neugründung”) through the transfer of the memory business, risks arising from the insolvency administrator's declaration to elect non-performance of the contribution agreement between Infineon and Qimonda and the resulting declaratory action brought by the Company against the insolvency administrator in January 2011, claims in connection with Qimonda's sale of its stake in Inotera to Micron, the potential repayment of governmental subsidies received, employee- and supplier-related contingencies and contingent liabilities.

A variety of – in particular financial – risks, also present opportunities when developing positively.

These and other material risks that we face are described in further detail in the “Report on expected Developments, together with associated Material Opportunities and Risks” section in the Group Management Report of our Annual Report for the fiscal year ended September 30, 2010. A copy of our annual report is available at the Investor Relations section of our website http://www.infineon.com/investor.

We encourage you to read the detailed description of the risks that we face in the Group Management Report in our Annual Report for the 2010 fiscal year and in note 16 (“Commitments and Contingenies”) of this report. The occurrence of one or more of the events described therein could have a material adverse effect on our Company and our results of operations, which could result in a change in our share price.

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011 AND 2010

€ in millions; except earnings per share	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Revenue	994	781	1,916	1,468
Cost of goods sold	(573)	(496)	(1,111)	(942)
Gross profit	421	**285**	**805**	**526**
Research and development expenses	(112)	(96)	(220)	(185)
Selling, general and administrative expenses	(113)	(95)	(216)	(183)
Other operating income	9	3	11	9
Other operating expense	(18)	4	(24)	(92)
Operating income	**187**	**101**	**356**	**75**
Financial income	8	8	14	19
Financial expense	(11)	(30)	(29)	(68)
Income from investments accounted for using the equity method	2	2	2	3
Income from continuing operations before income taxes	**186**	**81**	**343**	**29**
Income tax expense	(13)	(6)	(21)	(13)
Income from continuing operations	**173**	**75**	**322**	**16**
Income from discontinued operations, net of income taxes	399	4	482	128
Net income	**572**	**79**	**804**	**144**
Attributable to:				
Non-controlling interests	-	-	-	1
Shareholders of Infineon Technologies AG	572	79	804	143
Basic earnings per share attributable to shareholders of Infineon Technologies AG:				
Basic earnings per share (in Euro) from continuing operations	0.16	0.07	0.30	0.01
Basic earnings per share (in Euro) from discontinued operations	0.37	-	0.44	0.12
Basic earnings per share (in Euro)	**0.53**	**0.07**	**0.74**	**0.13**
Diluted earnings per share attributable to shareholders of Infineon Technologies AG:				
Diluted earnings per share (in Euro) from continuing operations	0.15	0.07	0.29	0.01
Diluted earnings per share (in Euro) from discontinued operations	0.35	-	0.41	0.12
Diluted earnings per share (in Euro)	**0.50**	**0.07**	**0.70**	**0.13**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011 AND 2010

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Net income	**572**	**79**	**804**	**144**
Currency translation effects	(7)	9	(4)	11
Net change in fair value of available-for-sale financial assets	-	-	-	1
Net change in fair value of cash flow hedges	-	(4)	(8)	(5)
Other comprehensive income (loss) for the year, net of tax	**(7)**	**5**	**(12)**	**7**
Total comprehensive income for the year, net of tax	**565**	**84**	**792**	**151**
Attributable to:				
Non-controlling interests	-	-	-	1
Shareholders of Infineon Technologies AG	565	84	792	150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS OF MARCH 31, 2011 AND SEPTEMBER 30, 2010

€ in millions	March 31, 2011	September 30, 2010
Assets:		
Current assets:		
Cash and cash equivalents	1,162	1,667
Financial investments	1,529	60
Trade and other receivables	829	687
Inventories	615	514
Income tax receivable	13	7
Other current financial assets	9	72
Other current assets	97	88
Assets classified as held for sale	-	495
Total current assets	**4,254**	**3,590**
Property, plant and equipment	962	838
Goodwill and other intangible assets	97	87
Investments accounted for using the equity method	37	35
Deferred tax assets	223	308
Other financial assets	126	119
Other assets	25	16
Total assets	**5,724**	**4,993**
Liabilities and equity:		
Current liabilities:		
Short-term debt and current maturities of long-term debt	130	133
Trade and other payables	779	665
Current provisions	582	553
Income tax payable	142	111
Other current financial liabilities	11	16
Other current liabilities	323	153
Liabilities classified as held for sale	-	177
Total current liabilities	**1,967**	**1,808**
Long-term debt	226	263
Pension plans and similar commitments	147	146
Deferred tax liabilities	11	11
Long-term provisions	42	55
Other financial liabilities	5	6
Other liabilities	77	79
Total liabilities	**2,475**	**2,368**
Shareholders' equity:		
Ordinary share capital	2,173	2,173
Additional paid-in capital	5,880	6,048
Accumulated deficit	(4,809)	(5,613)
Other reserves	5	17
Total equity	**3,249**	**2,625**
Total liabilities and equity	**5,724**	**4,993**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED MARCH 31, 2011 AND 2010

	Six months ended March 31,	
€ in millions	**2011**	2010
Net income	**804**	**144**
Less: net income from discontinued operations, net of income taxes	(482)	(128)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	172	171
Provision for doubtful accounts	3	2
Losses (gains) on sales of financial investments	-	(2)
Losses (gains) on sales of businesses and interests in subsidiaries	-	(3)
Losses in connection with the deconsolidation of ALTIS	-	73
Losses (gains) on disposals of property, plant and equipment	-	(2)
Income from investments accounted for using the equity method	(2)	(3)
Impairment charges	(5)	7
Share-based compensation	1	-
Deferred income taxes	-	(6)
Changes in operating assets and liabilities:		
Trade and other receivables	(81)	(75)
Inventories	(37)	(16)
Other current assets	(10)	(11)
Trade and other payables	57	97
Provisions	(32)	28
Other current liabilities	2	30
Other assets and liabilities	(29)	36
Interest received	10	5
Interest paid	(10)	(18)
Income tax paid	(50)	(21)
Net cash provided by operating activities from continuing operations	**311**	**308**
Net cash provided by operating activities from discontinued operations	**160**	**12**
Net cash provided by operating activities	**471**	**320**
Cash flows from investing activities:		
Purchases of financial investments	(1,468)	(375)
Proceeds from sales of financial investments	-	27
Proceeds from sales of businesses and interests in subsidiaries	-	1
Cash decrease from the deconsolidation of ALTIS	-	(88)
Purchases of intangible assets and other assets	(18)	(16)
Purchases of property, plant and equipment	(277)	(65)
Proceeds from sales of property, plant and equipment and other assets	1	24
Net cash used in investing activities from continuing operations	**(1,762)**	**(492)**
Net cash provided by investing activities from discontinued operations	**1,022**	**190**
Net cash used in investing activities	**(740)**	**(302)**

	Six months ended March 31,	
€ in millions	**2011**	2010
Cash flows from financing activities:		
Net change in short-term debt	-	8
Net change in related party financial receivables and payables	-	(1)
Proceeds from issuance of long-term debt	27	-
Repayments of long-term debt	(43)	(23)
Repurchase of convertible subordinated notes	(107)	(190)
Change in restricted cash	-	1
Dividend payments	(109)	-
Net cash used in financing activities from continuing operations	**(232)**	**(205)**
Net cash used in financing activities from discontinued operations	**(3)**	**-**
Net cash used in financing activities	**(235)**	**(205)**
Net increase (decrease) in cash and cash equivalents	(504)	(187)
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	1
Cash and cash equivalents at beginning of period	1,667	1,414
Cash and cash equivalents at end of period	**1,162**	**1,228**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED MARCH 31, 2011 AND 2010

€ in millions; except for number of shares	Ordinary shares issued			
	Shares	Amount	Additional paid-in capital	Accumulated deficit
Balance as of October 1, 2009	**1,086,742,085**	**2,173**	**6,048**	**(6,180)**
Net income	-	-	-	143
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	143
Deconsolidation of ALTIS	-	-	-	-
Balance as of March 31, 2010	**1,086,742,085**	**2,173**	**6,048**	**(6,037)**
Balance as of October 1, 2010	**1,086,742,085**	**2,173**	**6,048**	**(5,613)**
Net income	-	-	-	804
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	804
Dividends	-	-	(109)	-
Issuance of ordinary shares:				
Exercise of stock options	2,500	-	-	-
Share based compensation	-	-	1	-
Other changes in equity	-	-	(60)	-
Balance as of March 31, 2011	**1,086,744,585**	**2,173**	**5,880**	**(4,809)**

Other reserves					
Foreign currency translation adjustment	Unrealized gains (losses) on securities	Unrealized gains (losses) on cash flow hedge	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
3	**1**	**(12)**	**2,033**	**60**	**2,093**
-	-	-	143	1	144
11	1	(5)	7	-	7
11	1	(5)	150	1	151
-	-	-	-	(61)	(61)
14	**2**	**(17)**	**2,183**	**-**	**2,183**
16	**3**	**(2)**	**2,625**	**-**	**2,625**
-	-	-	804	-	804
(4)	-	(8)	(12)	-	(12)
(4)	-	(8)	792	-	792
-	-	-	(109)	-	(109)
-	-	-	-	-	-
-	-	-	1	-	1
-	-	-	(60)	-	(60)
12	**3**	**(10)**	**3,249**	**-**	**3,249**

CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1 / BASIS OF PRESENTATION

The accompanying consolidated financial statements of Infineon Technologies AG and its consolidated subsidiaries ("Infineon" or the "Company") as of and for the three and six months ended March 31, 2011 and 2010, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), and as adopted by the European Union ("EU"). The accompanying consolidated financial statements have been prepared in compliance with IAS 34, "Interim Financial Reporting". Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted. In addition, although the consolidated statement of financial position as of September 30, 2010 was derived from the audited consolidated financial statements, it does not include all disclosures required by IFRS. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements prepared in accordance with IFRS, as adopted by the EU, as of and for the fiscal year ended September 30, 2010. The accounting policies applied in preparing the accompanying consolidated financial statements are consistent with those for the 2010 fiscal year.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. The results for any interim period are not necessarily indicative of results for the full fiscal year.

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

All amounts herein are shown in Euro ("€") except where otherwise stated. Negative amounts are presented in parentheses.

Certain amounts in the prior period consolidated financial statements and condensed notes have been reclassified to conform to the current period presentation.

Deviations of amounts presented in the consolidated financial statements are possible due to rounding.

2 / ACCOUNTING POLICIES

STANDARDS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME

No new Standards or Interpretations were applied for the first time in the second quarter of the 2011 fiscal year.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

The following new or revised standards have been recently issued by the IASB. These have not been applied in the consolidated financial statements for the three and six months ended March 31, 2011, as they are either not yet mandatory or have not yet been adopted by the European Commission:

- IFRS 9 "Financial Instruments",
- Revised IAS 24 "Related Party Disclosures",
- Amendments to IFRS 7 "Financial Instruments: Disclosures"

The Company is currently evaluating the impact on its presentation of the net assets, financial position and results of operations of the standards which have not yet been applied.

3 / DIVESTITURES AND DISCONTINUED OPERATIONS

QIMONDA — DISCONTINUED OPERATIONS

On January 23, 2009, Qimonda AG ("Qimonda") a majority owned company, and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG ("Qimonda Dresden"), filed an application at the Munich Local Court to commence insolvency proceedings. On April 1, 2009, the insolvency proceedings formally opened. Formal insolvency proceedings have also been commenced by several additional subsidiaries of Qimonda in various jurisdictions. Some of these insolvency proceedings have been already dissolved. The results of Qimonda are reported as discontinued operations in the Company's consolidated statement of operations and the Company's consolidated statement of cash flows for all periods presented.

As a result of the insolvency proceedings by Qimonda, Infineon is exposed to potential liabilities and risks including the following, which effects are recognized as discontinued operations:

- The Company is a named defendant in certain pending antitrust and securities law claims. Qimonda is required to indemnify Infineon, in whole or in part, for such claims, including any related expenses. Owing to Qimonda's insolvency, however, the Company expects that Qimonda will not be able to indemnify it for these claims. Further information on these pending antitrust and securities law claims and their potential impact on the Company may be found in note 16 ("*Commitments and Contingencies – Litigation and Government Inquiries – Antitrust Litigation*", "*– Other Government Litigation*" and, "*– Securities Litigation*").
- The Company is the named defendant in a lawsuit in Delaware in which the plaintiffs are seeking to hold the Company liable for the payment of severance and other benefits allegedly due from Qimonda North America in connection with the termination of employment related to Qimonda's insolvency. Further information on this suit may be found in note 16 ("*Commitments and Contingencies – Litigation and Government Inquiries – Qimonda Litigation*").
- The Company is the named defendant in an unspecified action for a declaratory judgment brought by the Qimonda insolvency administrator on December 1, 2010 in the Regional Court of Munich I. The action asserts that, in connection with the carve-out of the Memory business to Qimonda AG, Infineon utilized a previously formed shell company and "economically re-established" this company (known in German as a "wirtschaftliche Neugründung") through the transfer of the Memory business and that Infineon failed to submit the declaration required in this regard to the registry court, thereby making it impossible to carry out the required assessment of Qimonda's capital structure. The action seeks to establish a basic obligation to pay on the part of the company. See note 16 ("*Commitments and Contingencies – Litigation and Government Inquiries – Qimonda Litigation*").
- The Company faces potential liabilities arising from its former participation in Qimonda Dresden. Before the carve-out of the Qimonda business, the Company was a general partner of Qimonda Dresden, and as such could under certain circumstances, as a matter of law, be held liable for certain liabilities of Qimonda Dresden that originated prior to the carve-out. These include, among others, the potential repayment of public subsidies, claims from suppliers, as well as employee-related claims, including salaries and social security contributions. The Company is in negotiations with the Free State of Saxony and the Qimonda administrator regarding these matters.
- The Company and its subsidiary Infineon Technologies Dresden GmbH ("Infineon Dresden") are subject to lawsuits by approximately 80 former Infineon employees who were transferred to Qimonda or Qimonda Dresden as part of the carve-out and are now demanding to be re-employed by the Company. All court decisions to date have been in favor of the Company or Infineon Dresden.
- The Qimonda administrator has claimed damages from the Company under company law in connection with the sale by Qimonda of its interest in Inotera. It is alleged that Infineon, as a shareholder of Qimonda, influenced Qimonda to conclude a patent cross license agreement with the buyer of its stake in Inotera and thus indirectly steered Qimonda into a legal transaction detrimental to Qimonda, namely the sale of its interest in Inotera. The claim has been asserted without any concrete explanation of the details of the matter. The Company has denied the claims.

In addition to the matters described above, the Company could also be subject to claims by the administrator for repayment of certain sums, such as payments for intra-group services and supplies, received from Qimonda within defined periods prior to the commencement of insolvency proceedings. The insolvency of Qimonda could also expose the Company to other claims arising in connection with contracts, offers, uncompleted transactions, continuing obligations, risks, encumbrances and other liabilities transferred in connection with the carve-out of the Memory business to Qimonda, as the Company expects that Qimonda will not be able to fulfill its obligation to indemnify it against any such liabilities.

Certain adjustments for provisions related to potential liabilities were made in the three and six months ended March 31, 2011. The net impact before income taxes shown as discontinued operations in the consolidated statement of operations was negative €34 million and negative €35 million.

In addition, as a result of the insolvency of Qimonda, Infineon is exposed to risks whose effects are recognized within continuing operations and described in more detail in note 16 ("*Commitments and Contingencies – Qimonda Litigation*").

SALE OF THE WIRELINE COMMUNICATIONS BUSINESS — DISCONTINUED OPERATIONS

The sale of the Wireline Communications business to several Lantiq companies, affiliates of Golden Gate Private Equity Inc. ("Lantiq"), closed on November 6, 2009. The majority of the purchase price was paid at closing in the amount of €223 million. An additional €20 million of the purchase price was paid, as agreed in the contract, nine months after the closing date in August 2010.

The results of the Wireline Communications business as well as the gain on the sale are reported as "Income from discontinued operations, net of income taxes", in the Company's consolidated statement of operations for all periods presented.

SALE OF THE WIRELESS MOBILE PHONE BUSINESS — DISCONTINUED OPERATIONS

On January 31, 2011 the Company completed the sale of the Wireless mobile phone business of the Wireless Solutions segment to Intel Corporation ("Intel") for a cash purchase price of U.S. $1.4 billion. The sale, which covers the activities of several Infineon subsidiaries, was executed primarily as an "asset deal". All assets, patents, other intellectual property and selected liabilities allocated to the Wireless mobile phone business were specified and transferred separately. This business is being continued by the purchaser under the name "Intel Mobile Communications" ("IMC").

Trade receivables arising before the deal was closed were not part of the sale. Similarly, trade payables arising before closing are required to be settled by Infineon.

The Company's production landscape is largely unaffected by the transaction. Only a few items of dedicated production equipment were transferred and paid for in each case in addition to the purchase price stated above, based on the carrying amounts of the assets. Specified personnel-related liabilities – particularly pension obligations – were taken over by the purchaser. The Company will pay cash of approximately €70 million for the transfer of these liabilities to Intel. The payment is expected to be made during the three-month period ending June 30, 2011. Upfront payments received from IMC amounting to €32 million are required to be paid back to IMC at the end of a transitional phase lasting several months, during which time most of IMC's procurement activities will be carried out by the Company.

The purchase price was hedged by a U.S. dollar/Euro option exercisable at a Euro/U.S. dollar exchange rate of 1.32. Net of transaction and separation costs, the cash inflow in the 2011 fiscal year in conjunction with the sale amounted to €1,098 million.

The pre-tax gain on the sale of the Wireless mobile phone business recognized in the quarter ended March 31, 2011 was €535 million. In total – taking account of all items with a profit or loss impact that have arisen since the contract was concluded in August 2010, including transaction costs and the U.S. dollar hedge – the pre-tax gain amounted to €520 million.

The income tax expense on the gain arising on the sale of the Wireless mobile phone business amounted to €157 million for both the three-month and six-month periods ended March 31, 2011. This includes a deferred tax expense arising on the derecognition of a deferred tax asset. In the fourth quarter of the 2010 fiscal year it had been necessary to recognize a deferred tax asset of €82 million (through the consolidated statement of operations) in conjunction with the planned sale of the Wireless mobile phone business.

The results of the Wireless mobile phone business until the sale have been recognized in the consolidated statement of operations for the three and six months ended March 31, 2011 under "Income from discontinued operations, net of income taxes”. In accordance with the internal reporting, the Wireless Solutions segment is no longer reported as a segment (see note 17). Prior period amounts have been adjusted accordingly.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets and liabilities classified as held for sale as of September 30, 2010, primarily consist of the book values of assets and liabilities disposed of in connection with the sale of the Wireless mobile phone business. The net amounts of assets and liabilities transferred at completion of the transaction differ from those classified as “held for sale” as of September 30, 2010, because changes have occurred in these accounts in the interim period, for example as a result of increases or decreases of finished goods or the payment of personnel liabilities.

No assets and liabilities classified as held for sale are reported as of March 31, 2011. As of September 30, 2010, the carrying amounts of the major classes of assets and liabilities classified as held for sale were as follows:

€ in millions	**March 31, 2011**	September 30, 2010
Trade and other receivables	-	3
Inventories	-	74
Other current assets	-	14
Property, plant and equipment	-	56
Goodwill and other intangible assets	-	312
Other financial assets	-	1
Other assets	-	35
Assets classified as held for sale	**-**	**495**
Current provisions	-	71
Other current liabilities	-	18
Pension plans and similar commitments	-	46
Other liabilities	-	42
Liabilities classified as held for sale	**-**	**177**

INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES

The results of Qimonda, the Wireline Communication business and the Wireless mobile phone business presented in the consolidated statement of operations as discontinued operations, net of income taxes for the three and six months ended March 31, 2011 and 2010, respectively, consist of the following components:

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Qimonda				
Estimated expenses resulting from Qimonda's application to open insolvency proceedings	(34)	(1)	(35)	(1)
Loss before tax	**(34)**	**(1)**	**(35)**	**(1)**
Income tax benefits	4	-	4	-
Qimonda's share of discontinued operations, net of income taxes	**(30)**	**(1)**	**(31)**	**(1)**
Wireline Communications Business				
Revenue	-	(1)	-	31
Costs and expenses	-	-	(1)	(26)
Profit (loss) before tax	**-**	**(1)**	**(1)**	**5**
Income tax expense	1	-	1	-
Income (loss) from operations	**1**	**(1)**	**-**	**5**
Pre-tax gain recognized on the sale of the Wireline Communications business	-	-	-	110
Income tax expense on gain	-	-	-	(4)
Gain on the sale of the Wireline Communications business, net of income taxes	-	-	-	106
Wireline Communication's share of discontinued operations, net of income taxes	**1**	**(1)**	**-**	**111**
Wireless mobile phone business				
Revenue	220	254	677	508
Costs and expenses	(156)	(246)	(483)	(487)
Profit before tax	**64**	**8**	**194**	**21**
Income tax expense	(14)	(2)	(25)	(3)
Income from operations	**50**	**6**	**169**	**18**
Pre-tax gain recognized on the sale of the Wireless mobile phone business	535	-	501	-
Income tax expense on gain	(157)	-	(157)	-
Gain on the sale of the Wireless mobile phone business, net of income taxes	378	-	344	-
Wireless mobile phone business' share of discontinued operations, net of income taxes	**428**	**6**	**513**	**18**
Income from discontinued operations, net of income taxes	**399**	**4**	**482**	**128**

4 / FINANCIAL INCOME

Financial income for the three and six months ended March 31, 2011 and 2010 respectively is as follows:

	Three month ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Interest income	8	4	14	8
Valuation changes and gains on sales of financial investments	-	3	-	9
Other financial income	-	1	-	2
Total	**8**	**8**	**14**	**19**

5 / FINANCIAL EXPENSE

Financial expense for the three and six months ended March 31, 2011 and 2010 respectively is as follows:

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Interest expense	11	29	29	59
Other financial expense	-	1	-	9
Total	**11**	**30**	**29**	**68**

Interest expense for the three and six months ended March 31, 2011 includes losses before tax of €2 million and €11 million, respectively, as a result of the repurchases of convertible subordinated bonds due 2014 (see note 12).

6 / INCOME TAX

Income from continuing operations before income taxes and income tax expense for the three and six months ended March 31, 2011 and 2010 respectively are as follows:

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Income from continuing operations before income taxes	186	81	343	29
Income tax expense	(13)	(6)	(21)	(13)
Effective tax rate	7%	8%	6%	46%

In the three and six months ended March 31, 2011 and 2010, the tax expense of the Company 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") is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the period.

The calculation of diluted EPS is based on the assumption of converting all potential dilutive instruments in ordinary shares resulting in a respective increase in the number of shares on the one hand and a respective decrease on the income impact of these instruments, for example interest expenses, on the other hand.

The computation of earnings per share is based on the following figures:

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	**2011**	2010
Earnings (€ in millions):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	173	75	322	15
Earnings from discontinued operations attributable to shareholders of Infineon Technologies AG	399	4	482	128
Net earnings attributable to shareholders of Infineon Technologies AG	**572**	**79**	**804**	**143**
Shares in millions:				
Weighted-average shares outstanding - basic	1,086.7	1,086.7	1,086.7	1,086.7
Adjustments for:				
Assumed conversion of convertible bonds	72.0	84.0	75.4	-
Share options	1.4	0.6	1.3	0.3
Weighted-average shares outstanding - diluted	1,160.1	1,171.3	1,163.4	1,087.0
Basic earnings per share (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.16	0.07	0.30	0.01
Earnings from discontinued operations attributable to shareholders of Infineon Technologies AG	0.37	-	0.44	0.12
Net earnings per share attributable to shareholders of Infineon Technologies AG - basic	**0.53**	**0.07**	**0.74**	**0.13**
Diluted earnings per share (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.15	0.07	0.29	0.01
Earnings from discontinued operations attributable to shareholders of Infineon Technologies AG	0.35	-	0.41	0.12
Net earnings per share attributable to shareholders of Infineon Technologies AG - diluted	**0.50**	**0.07**	**0.70**	**0.13**

The calculation of diluted earnings per share is based on adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG of €177 million and €80 million for the three months ended March 31, 2011 and 2010 and €332 million and €15 million for the six months ended March 31, 2011 and 2010. The adjusted earnings reflect the pro forma reduced interest expense resulting upon the assumed conversion of the convertible bonds.

Not included in the diluted earnings per share calculation were 11.5 million and 16.1 million shares underlying employee stock options for the three months ended March 31, 2011 and 2010, respectively, and 13.3 million and 16.2 million shares underlying employee stock options for the six months ended March 31, 2011 and 2010, respectively, because the exercise price of those stock options was greater than the average market price of the ordinary shares. Additionally, 0 million and 40.6 million ordinary shares issuable upon the conversion of convertible subordinated bonds for the three months ended March 31, 2011 and 2010, respectively, and 0 million and 127.7 million ordinary shares issuable upon the conversion of convertible subordinated bonds for the six months ended March 31, 2011 and 2010, respectively, were not included in the computation of diluted earnings per share as their impact would have been anti-dilutive.

8 / TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

€ in millions	March 31, 2011	September 30, 2010
Third party - trade	620	648
Related parties - trade	4	3
Trade accounts receivable, gross	**624**	**651**
Allowance for doubtful accounts	(31)	(29)
Trade accounts receivable, net	**593**	**622**
Grants receivable	36	39
License fees receivable	1	6
Third party - financial and other receivables	21	12
Related parties - financial and other receivables	2	-
Employee receivables	1	6
Other receivables	175	2
Total	**829**	**687**

Other receivables as of March 31, 2011 include €173 million (September 30, 2010: €0) of German value added tax receivable assigned to the Company by IMC in conjunction with the sale of the Wireless mobile phone business and which had not been offset at March 31, 2011 against the Company's value added tax payable reported within other current liabilities.

9 / INVENTORIES

Inventories consist of the following:

€ in millions	March 31, 2011	September 30, 2010
Raw materials and supplies	70	58
Work-in-process	405	329
Finished goods	140	127
Total Inventories	**615**	**514**

10 / TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

€ in millions	March 31, 2011	September 30, 2010
Third party - trade	675	645
Related parties - trade	10	14
Trade payables	**685**	**659**
Related parties - other payables	17	4
Other	77	2
Total	**779**	**665**

11 / PROVISIONS

Provisions consist of the following:

€ in millions	March 31, 2011	September 30, 2010
Personnel-related obligations	195	268
Warranties and licenses	112	122
Provisions related to Qimonda	143	97
Other	174	121
Total	**624**	**608**

Provisions for personnel-related obligations include costs of incentive and bonus payments, vacation entitlements, compensation for termination of employment, early retirement, years of service awards, other personnel-related costs and related social security payments.

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

Other provisions comprise provisions for outstanding expenses, penalties for default or delay on contracts, asset retirement obligations and miscellaneous other liabilities.

Further information on provisions related to Qimonda is provided in notes 3 and 16.

The total amounts of provisions are reflected in the consolidated statement of financial position as of March 31, 2011 and September 30, 2010, respectively, as follows:

€ in millions	March 31, 2011	September 30, 2010
Current	582	553
Non-current	42	55
Total	**624**	**608**

12 / DEBT

Debt consists of the following:

€ in millions	March 31, 2011	September 30, 2010
Short-term debt and current maturities:		
Loans payable to banks, weighted average rate 1.70% (prior year 1.45%)	51	51
Notes payable to governmental entity, due 2010	-	24
Current portion of long-term debt	79	58
Total short-term debt and current maturities	**130**	**133**
Long-term debt:		
Convertible subordinated bonds, 7.5%, due 2014	129	153
Loans payable to banks:		
Unsecured term loans, weighted average rate 2.26% (prior year 2.16%), due 2013 – 2015	97	110
Total long-term debt	**226**	**263**

On May 26, 2009, the Company (as guarantor), through its subsidiary Infineon Technologies Holding B.V. (as issuer), issued €196 million in new subordinated convertible bonds due 2014 at a discount of 7.2 percent in an offering to institutional investors in Europe. The bonds are convertible into ordinary shares of the Company, whereby the conversion price is currently €2.30 as adjusted in accordance with antidilution protection clauses following the Company's share capital increase in August 2009 and the dividend payment in February 2011. The bonds accrue interest at 7.5 percent per year. The principal of the bonds is unsecured and ranks pari passu with all present and future unsecured subordinated obligations of the issuer. The coupons on the bonds are secured and unsubordinated. The noteholders have a negative pledge relating to future capital market indebtedness and an early redemption option in the event of a change of control. The Company may redeem the convertible bonds due 2014 after two and a half years at their nominal amount plus interest accrued thereon plus the present value of all remaining coupon payments through the maturity date, if the Company's closing share price exceeds 150 percent of the conversion price on 15 out of the previous 30 consecutive trading days. The bonds are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. €31 million attributable to the conversion right of the noteholders was recognized in additional paid-in capital at the date of issuance of the subordinated convertible bonds due 2014. The debt component of these convertible bonds is recorded at amortized cost using the effective interest method. During the three and six months ended March 31, 2011, respectively, the Company made cash repurchases of notional amounts of €8 million and €36 million of its convertible subordinated bonds due 2014 for an amount of €27 million and €107 million, which resulted in a loss of €2 million and €11 million before tax which was recognized in interest expense. In addition, there was a reduction of €60 million net of tax to additional paid-in capital, reflecting the repurchase of conversion options for 15.4 million shares incorporated within the bonds repurchased, measured at the current conversion price. The remaining outstanding nominal amount of the bonds of €160 million can be converted into up to 69.6 million shares based on the current conversion ratio.

The Company has established several bilateral short- and long-term credit facilities with a number of financial institutions:

€ in millions			As of March 31, 2011		
Term	Nature of financial institution commitment	Purpose/ intended use	Aggregate facility	Drawn	Available
Short-term	firm commitment	general corporate purposes, working capital, guarantees	110	51	59
Short-term	no firm commitment	working capital, cash management	96	-	96
Long-term[1]	firm commitment	project finance	242	176	66
Total			**448**	**227**	**221**

[1] Including current maturities.

13 / EQUITY

The ordinary share capital of Infineon Technologies AG amounted to €2,173,484,170 at September 30, 2010 and was sub-divided into 1,086,742,085 non-par bearer shares, each representing €2 of the Company's ordinary share capital. 2,500 new shares were issued out of Conditional Capital I during the first six months of the 2011 fiscal year as a result of the exercise of share options. Conditional and Authorized Capital remained unchanged in all other respects.

It was resolved at the Annual General Meeting of Infineon Technologies AG held on February 17, 2011 to fully use the unappropriated profit reported by Infineon Technologies AG at the end of the 2010 fiscal year amounting to €108,674,208.50 to pay a dividend of €0.10 for each share entitled to receive a dividend.

It was resolved at the Annual General Meeting on February 17, 2011 to authorize the Company to acquire – through February 16, 2016 and within the limits stipulated by law – treasury shares in an amount of up to 10 percent of the Company's ordinary share capital at the date of the resolution or, if the amount is smaller, of the Company's ordinary share capital at the date on which the authorization is exercised. The Management Board can opt to acquire the treasury share via the stock exchange, by means of a public offer made to all shareholders or a public request to submit sale offers or via a bank engaged to acquire the shares as part of a specific buy-back program. The Company is also authorized to acquire treasury shares up to 5 percent of the current share capital with the aid of equity capital derivatives. The authorization to use the treasury shares corresponds in the main part to the previous authorization that expired on August 11, 2010.

14 / SHARE-BASED COMPENSATION

In 2010, the Company's shareholders approved the Stock Option Plan 2010 ("SOP 2010") which replaced the SOP 2006 Plan. Under the terms of the SOP 2010, the Company can grant up to 12 million options over a three-year period. The exercise price of each option equals 120 percent of the average closing share price during the five trading days prior to the grant date.

On December 16, 2010, the Company granted 3,024,250 options to eligible employees and 440,000 options to the Management Board under the SOP 2010. The expected vesting period of these options is approximately 5 years and the contractual term of the options is 7 years. The expenses of the first tranche under the SOP 2010 granted on December 16, 2010, have been deferred and are being recognized proportionately over the expected vesting period of approximately 5 years.

The Supervisory Board has structured the performance-related compensation of the Management Board granted through the first tranche of the SOP 2010 in such a way to foster the sustainable development of the Company and installed a cap for extraordinary performance developments in compliance with Section 87 (1) phrase 3 of the German Stock Corporation Act.

Of the 15.7 million options which were outstanding as of September 30, 2010, 2,500 options were exercised and 1.7 million and 5.9 million options expired in the three and six months ended March 31, 2011.

Otherwise, there have been no significant changes to the disclosures provided in the annual report as of September 30, 2010.

Share-based compensation expense was not significant for the three and six months ended March 31, 2011.

15 / RELATED PARTIES

The Company also has transactions in the normal course of business with companies accounted for using the equity method and other related companies (collectively "Related Parties"). Related Parties also include members of key management personnel, such as Management and Supervisory Board members.

The Company purchases certain of its raw materials from, and sells certain of its products to, Related Parties. Purchases from and sales to Related Parties are generally based on manufacturing cost plus a mark-up.

Related Party receivables consist primarily of trade, financial, and other receivables from equity method investments and related companies, and totaled €6 million and €3 million as of March 31, 2011 and September 30, 2010.

Related Party payables consist primarily of trade, financial, and other payables from equity method investments and related companies, and totaled €27 million and €18 million as of March 31, 2011 and September 30, 2010, respectively.

In the three months ended March 31, 2011 and 2010, sales to Related Parties totaled €24 million and €9 million, respectively, while purchases from Related Parties totaled €39 million and €80 million, respectively. In the six months ended March 31, 2011 and 2010, sales to Related Parties totaled €30 million and €15 million, respectively, while purchases from Related Parties totaled €79 million and €119 million, respectively.

16 / 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 ("DOJ") 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 last 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 $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 the settlement. Any class member may opt-out of the class prior to final approval of the settlement by the court.

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.

The provisions recorded in connection with the civil class action litigation encompass 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 this time. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these proceedings.

GOVERNMENT INQUIRIES

In October 2008, the Company learned that the European Commission had commenced an investigation involving the Company's Chip Card & Security business for alleged violations of antitrust laws. In September and October 2009, the Company and its French subsidiary received written requests for information from the European Commission. The Company is cooperating with the Commission in answering the requests. No reasonable estimated amount can be attributed at this time to the potential outcome of this investigation.

On June 21, 2010, the Brazil 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, and focuses on the period from July 1998 to June 2002. The SDE's Notice of Investigation is based on the investigations carried out in the United States and in Europe. The provisions recorded encompass 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 this time. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these proceedings.

SECURITIES LITIGATION

Between September and November 2004, seven securities class action complaints were filed against the Company and current or former officers in U.S. federal district courts, later consolidated in the Northern District of California, on behalf of a putative class of investors that purchased the Company's publicly traded securities from March 2000 to July 2004. The consolidated amended complaint alleges violations of the U.S. securities laws and asserts that the defendants made materially false and misleading public statements about the Company's historical and projected financial results and competitive position because they did not disclose the Company's alleged participation in DRAM price fixing activities. The complaint also alleges that, by fixing the price of DRAM, defendants manipulated the price of the Company's securities, thereby injuring its shareholders. Subject to negotiation and documentation of a formal agreement, and court approval, the Company agreed to settle the litigation on April 11, 2011. The parties are prohibited from disclosing potential settlements amounts. The provisions recorded encompass provisions for legal expenses and those liabilities that can be estimated with reasonable accuracy at this time.

The Company's directors' and officers' insurance carriers have denied coverage in the securities class action described above and the Company filed suit against the carriers in December 2005 and August 2006. The Company's claims against one D&O insurance carrier were finally dismissed in May 2007. The claim against the other insurance carrier is still pending.

PATENT LITIGATION

In October 2007, CIF Licensing LLC ("CIF"), a member of the General Electric Group, filed suit in the Civil Court of Düsseldorf, Germany against Deutsche Telekom AG alleging infringement of four European patents in Germany by certain CPE-modems and ADSL-systems (the "CIF Suit"). Deutsche Telekom has notified its suppliers, which include customers of the Company that a declaratory judgment of patent infringement would be legally binding on the suppliers. In January 2008, the Company joined the suit on the side of Deutsche Telekom. CIF then filed suit against the Company alleging indirect infringement of one of the four European patents. The Company is part of a joint defense group consisting of Deutsche Telekom, most of its suppliers and most of their respective suppliers. The Company is contractually obligated to indemnify and/or to pay damages to its customers under certain circumstances pursuant to its customer contracts. In July 2008, Deutsche Telekom, the Company and the other defendants filed actions contesting the validity of the four patents before the Federal Patent Court in Munich. In October 2008, CIF also filed suit in the Civil Court of Düsseldorf against Arcor GmbH &Co KG, Hansenet Telekommunikation GmbH and United Internet AG (all three, the "New Defendants") alleging infringement of the same four European patents. The New Defendants have notified their suppliers of the suit. All proceedings at the Civil Court in Düsseldorf have been stayed and the Company expects that they will only continue after resolution of the pending Federal Patent Court actions. No specified amount of damages has been asserted by CIF in these suits. The Federal Patent Court invalidated one of the patents on December 15, 2010 and another of the patents on January 26, 2011. CIF has filed an appeal against the ruling on the first invalidated patent. For the second invalidated patent, no court ruling has as yet been published in writing. Any disclosure of the Company's estimate of potential outcomes, if such amounts could reasonably be estimated at this time, could seriously prejudice the position of the Company in these suits.

In November 2008, Volterra Semiconductor Corporation ("Volterra") filed suit against Primarion, Inc., the Company, and 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 offered by Primarion and claimed relief for damages, enhanced damages for willful infringement and injunctive relief. Volterra later withdrew one patent and litigation was stayed as to two, leaving two patents currently at issue in the suit. The Defendants deny all claims of infringement, brought counterclaims against Volterra for antitrust violations, fraud on the U.S. Patent and Trademark Office ("U.S. PTO") and invalidity, and initiated reexaminations of the patents. The court denied Volterra's motion for a preliminary injunction in November 2009, reversing its grant six weeks earlier. Reexaminations of the patent-in-suit have concluded and the U.S. PTO has issued or will issue reexamination certificates. In March 2011, the court granted summary judgment to Volterra on the question of infringement and enforceability of the patents-in-suit, and further granted partial summary judgment as to various aspects of invalidity. Trial has been set for May 2011 to resolve remaining factual disputes with respect to the validity of the patents-in-suit. The provisions recorded for this case encompass 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 this time. 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. In January 2010, the Company also filed suit against Volterra in the United States District Court for the District of Delaware for infringement of four U.S. patents. The case is stayed pending outcome of the California action.

QIMONDA LITIGATION

In April 2009, former employees of Qimonda's subsidiaries in the U.S. filed a complaint in the U.S. Federal District Court in Delaware against the Company, IF North America and Qimonda AG, individually and on behalf of several putative classes of plaintiffs. The suit relates to the termination of the plaintiffs' employment in connection with Qimonda's insolvency and the payment of severance and other benefits allegedly due by Qimonda. The complaint seeks to "pierce the corporate veil" and to impose liability on the Company and IF North America under several theories, although the plaintiffs do not specify a particular amount of damages attributable to the Company, IF North America, or Qimonda AG. In a decision issued June 29, 2010, the District Court denied the Company's motion to dismiss and found that the complaint adequately stated a claim for relief. The Court, however, agreed to stay all proceedings until at least June 2011, pending developments in the Qimonda Subsidiaries' bankruptcy proceedings. The Company and IF North America dispute the substantive allegations asserted in the complaint, and if the case proceeds they expect to defend the claims vigorously. At this time no discovery has been commenced, and no reasonable estimated amount can be attributed at this time to the potential outcome of the claim.

The Company and its subsidiary Infineon Dresden are subject to lawsuits by approximately 80 former Infineon employees who were transferred to Qimonda or Qimonda Dresden as part of the carve-out of Qimonda and who seek to be re-employed by the Company. No reasonable estimated amount can be attributed at this time to the potential outcome of any such claims. All court decisions to date have been in favor of the Company or Infineon Dresden.

The Company is named defendant in an unspecified action for a declaratory judgment brought by the Qimonda insolvency administrator on December 1, 2010 in the Regional Court Munich I. The action asserts that, in connection with the carve-out of the memory business to Qimonda AG, Infineon utilized a previously formed shell company and "economically re-established" this company (known in German as a "wirtschaftliche Neugründung") through the transfer of the memory business, and that Infineon failed to submit the declaration required in this regard to the registry court, thereby making it impossible to carry out the required assessment of Qimonda's capital structure. The administrator claims that, as a consequence of the alleged breach of this register-related legal formality, Infineon is obliged to refund to Qimonda the amount by which the actual company assets of Qimonda at the time insolvency proceedings were opened were less than Qimonda's equity capital (known as "Unterbilanzhaftung," or liability for impairment of capital). The action seeks to establish a basic obligation to pay on the part of the company as the administrator does not currently consider himself to be in a position to put a concrete figure on the amount of his alleged claim.

Infineon had refuted the circumstances alleged and the legal consequences deriving from these already before the action was brought and intends to defend itself vigorously against this action through all stages of the proceedings.

The Company holds rights of use in respect of Qimonda's intellectual property under the contribution agreement between the Company and Qimonda in connection with the carve-out of the memory business. The insolvency administrator has declared non-performance of this agreement. If the administrator's decision were to be upheld, the Company and its subsidiaries would no longer be licensed to use patents contributed by it to Qimonda or patents subsequently applied for by Qimonda itself and would potentially be 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 patent cross license agreements, possibly leading to compensation claims against the Company.

On January 31, 2011, the Company brought a declaratory action in this matter against the insolvency administrator before the Regional Court Munich I. The purpose of the legal action is to determine that Infineon's and its licensees' rights to the aforementioned intellectual property rights of the Qimonda Group remain valid. Prior to bringing this action, Infineon negotiated intensively with the insolvency administrator with a view to resolving this matter.

The potential consequences of the non-performance decision differ from the effects reported under "discontinued operations" (see note 3) as it affects the Company's continuing operations, because the Company could otherwise use the patents concerned itself and/or license them under patent cross license agreements with third parties. The outcome of these negotiations would therefore be of relevance not just to historical periods, but also to future periods.

OTHER QIMONDA MATTERS

As described in note 3, the Company faces certain contingent liabilities in connection with the insolvency proceedings of Qimonda and recorded provisions and liabilities. As of March 31, 2011 and September 30, 2010, the Company recognized provisions of €143 million and €97 million respectively in connection with some of the matters described above and in note 3. In addition, liabilities of €21 million were recognized as of September 30, 2010. Most of these provisions are reported under current provisions. They also include an amount relating to prior periods, which the Company has recognized due to the efforts described above to bring about an out-of-court settlement with the insolvency administrator. The Company expects to increase this amount further over the coming quarters and currently estimates that this will result in future charges recognized in income totaling €74 million.

The provisions recorded encompass only those liabilities and risks that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at this time. 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. Presenting details of further actual amounts included in provisions for specific liabilities and risks associated with the insolvency of Qimonda could seriously prejudice the Company's legal or negotiating position, so no such disclosures are made. In addition, it is not possible at this time to estimate amounts for or present comments on liabilities and risks that could materialize but are currently considered to be unlikely to do so, and accordingly such matters are not included in provisions.

The Company 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 the Company as it deems appropriate. If the claims made are found to have merit, the Company could face substantial financial liabilities that could negatively affect its business and its operating results, financial position and cash flows.

MISCELLANEOUS

The Company is also involved in various other legal disputes and proceedings in connection with its business activities. These relate to products, services, patents, environmental protection issues and other matters. Based on its current knowledge, the Company does not believe that the ultimate resolution of these other pending legal disputes and proceedings will have a material adverse effect on its operating results, financial position and cash flows. It remains entirely possible, however, that this assessment may have to be revised in future and that any actual resolutions of the miscellaneous legal disputes and proceedings could have material adverse effect on operating results, financial position and cash flows, particularly in the period of resolution.

PROVISIONS AND THE POTENTIAL EFFECT OF THESE MATTERS

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 essentially 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 the Company's operating results, financial position and cash flows.

An adverse final resolution of any of the matters described above could result in significant financial liabilities for the Company and other adverse effects and these in turn could have a material adverse effect on its business and its operating results, financial position and cash flows. The Company 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 the Company as it deems appropriate. Irrespective of the validity of the allegations and the success of the aforementioned claims and other matters described above, the Company could incur significant costs in defending against or settling such allegations and this too could have a material adverse effect on its operating results, financial position and cash flows.

OTHER CONTINGENCIES

On a group-wide basis the Company has guarantees outstanding to external parties of €88 million as of March 31, 2011.

The Company has received government grants and subsidies related to the construction and financing of certain of its production facilities. These amounts are recognized upon the attainment of specified criteria. Certain of these grants have been received contingent upon the Company maintaining compliance with certain project-related requirements for a specified period after receipt. The Company is committed to maintaining these requirements. Nevertheless, should such requirements not be met, as of March 31, 2011, a maximum of

€22 million of these subsidies could be refundable. Such amount does not include any potential liabilities for Qimonda related subsidies (see note 3).

The Company 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 the future, and depends on specific facts and circumstances related to each agreement. Historically, payments made by the Company under these types of agreements have not had a material adverse effect on the Company's business, results of operations or financial condition.

17 / OPERATING SEGMENT INFORMATION

SEGMENT REPORTING

The Company reports operating segment information in accordance with IFRS 8.

The Company's business is organized in three operating segments: Automotive, Industrial & Multimarket and Chip Card & Security.

Remaining activities from sold businesses are aggregated under Other Operating Segments. Since the closing of the sale of the Wireless mobile phone business, sales to IMC are included in this segment. Sales to Lantiq after the sale of the Wireline Communications business are also included in this segment.

Corporate and Eliminations reflects the elimination of intercompany revenues and income/expenses as well as certain corporate functions which are not allocated to the operating segments.

SEGMENT DATA

The following tables present selected segment data:

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Revenue:				
Automotive	392	316	746	595
Industrial & Multimarket	433	324	856	604
Chip Card & Security	107	99	205	182
Other Operating Segments	61	44	102	86
Corporate and Eliminations	1	(2)	7	1
Total	**994**	**781**	**1,916**	**1,468**

Revenues for the three and six months ended March 31, 2011 and 2010 do not contain intersegment revenues.

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Segment Result:				
Automotive	74	51	133	88
Industrial & Multimarket	108	59	215	103
Chip Card & Security	14	3	24	4
Other Operating Segments	7	(8)	9	(9)
Corporate and Eliminations	(1)	(9)	(2)	(20)
Total	**202**	**96**	**379**	**166**

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

	Three months ended March 31,		Six months ended March 31,	
€ in millions	**2011**	2010	**2011**	2010
Total Segment Result	202	96	379	166
Adjusted:				
Asset impairments, net	3	-	5	(4)
Share-based compensation expense	(1)	-	(1)	-
Acquisition-related amortization and losses	(1)	(1)	(2)	(2)
Losses in connection with the deconsolidation of ALTIS	-	8	-	(73)
Gains (losses) on sales of assets, businesses, or interests in subsidiaries	-	(1)	-	2
Other expense, net	(16)	(1)	(25)	(14)
Operating income	**187**	**101**	**356**	**75**
Financial income	8	8	14	19
Financial expense	(11)	(30)	(29)	(68)
Income from investment accounted for using the equity method, net	2	2	2	3
Income from continuing operations before income tax	**186**	**81**	**343**	**29**

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Neubiberg, May 9, 2010

Peter Bauer	Dominik Asam	Dr. Reinhard Ploss

REVIEW REPORT

To the Supervisory Board of Infineon Technologies AG, Neubiberg:

We have reviewed the condensed interim consolidated financial statements - comprising the statement of financial position, the statement of operations, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and selected explanatory notes - together with the interim group management report of Infineon Technologies AG, for the period from October 1, 2010 to March 31, 2011 that are part of the semi annual financial report according to § 37 w 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 aspects, 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 aspects, 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, May 9, 2011

KPMG AG

Wirtschaftsprüfungsgesellschaft

Kozikowski Wirtschaftsprüfer	Kempf Wirtschaftsprüfer

SUPPLEMENTARY INFORMATION (UNAUDITED)

FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements about the future of Infineon's business and the industry in which we operate. These include statements relating to future developments in the world semiconductor market, our ability to manage our costs and to achieve our cost savings and growth targets, the resolution of Qimonda's insolvency proceedings and the liabilities we may face as a result of Qimonda's insolvency, the benefits of research and development alliances and activities, the introduction of new technology at our facilities, our continuing ability to offer commercially viable products, and our expected or projected future results.

These forward-looking statements are subject to a number of uncertainties, including broader economic developments, including the sustainability of recent improvements in the market environment; fluctuations in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products, such as for instance automobiles and consumer electronics, that incorporate our products; the failure to comply with delivery commitments to customers resulting from capacity limitations and allocation; the success of our development efforts, both alone and with partners; the success of our efforts to introduce new production processes at our facilities; the actions of competitors; the continued availability of adequate funds; the outcome of antitrust investigations and litigation matters; the effects of currency fluctuations, primarily between the U.S. dollar and the euro, and the outcome of Qimonda's insolvency proceedings; as well as the other factors mentioned herein, including under the heading "Risks and Opportunities" in the unaudited Interim Group Management Report as well as in note 16 ("Commitments and Contingenies") in the condensed notes to the unaudited consolidated financial statements, and those described in the "Report on expected developments, together with associated material opportunities and risks" section of the Group Financial Statements and Management Report for the 2010 fiscal year.

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

FINANCIAL CALENDAR

Fiscal Period	Period end date	Results press release (preliminary)
Third Quarter	June 30, 2011	July 28, 2011
Fiscal Year 2011	September 30, 2011	November 16, 2011

Publication date of the second quarterly report for the 2011 fiscal year: May 10, 2011

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