

A large, light blue graphic on the left side of the page depicts a stylized circuit board. It features several thick, rounded lines representing traces that curve and connect to various components. One prominent component is a circular pad with a grid of smaller dots, similar to a microarray or a sensor array. Another component is a square pad. The overall design is clean and modern, emphasizing the company's focus on semiconductor technology.

**Q2** HALF-YEAR FINANCIAL REPORT  
MARCH 31, 2013

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# CONTENT

Selected Consolidated Financial Data.....	2
Interim Group Management Report (Unaudited) .....	3
Significant events during the first half of fiscal year 2013 .....	5
The Infineon Share .....	6
Dividends and Capital Return Program.....	7
World Economy and Semiconductor Industry .....	7
Review of Results of Operations.....	8
Segment Performance .....	11
Review of Financial Condition.....	16
Review of Liquidity .....	17
Employees .....	20
Significant events after the end of the reporting period.....	21
Outlook.....	21
Risks and Opportunities.....	21
Consolidated Statement of Operations (Unaudited) for the three and six months ended March 31, 2013 and 2012.....	22
Consolidated Statement of Comprehensive Income (Unaudited) for the three and six months ended March 31, 2013 and 2012.....	23
Consolidated Statement of Financial Position as of March 31, 2013 and 2012 (Unaudited) and September 30, 2012 .....	24
Consolidated Statement of Cash Flows (Unaudited) for the three and six months ended March 31, 2013 and 2012.....	26
Consolidated Statement of Changes in Equity (Unaudited) for the six months ended March 31, 2013 and 2012.....	28
Condensed Notes to the Unaudited Interim Consolidated Financial Statements.....	30
Responsibility Statement by the Management Board.....	46
Review Report.....	47
Supplementary Information (Unaudited).....	48

## SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions; except earnings per share and Segment Result Margin and Gross margin	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
<b>Selected Results of Operations Data</b>				
Revenue	918	986	1,769	1,932
Gross margin	31.4%	37.0%	31.7%	37.6%
Segment Result	68	144	112	285
Segment Result Margin	7.4%	14.6%	6.3%	14.8%
Research and development expenses	122	110	245	216
Capital expenditure	65	192	153	486
Depreciation and amortization	116	103	231	200
Income from continuing operations	36	109	63	213
Income from discontinued operations, net of income taxes	(3)	2	(10)	(6)
Net income	33	111	53	207
Basic earnings per share (in euro) from continuing operations	0.03	0.10	0.06	0.20
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in euro)	0.03	0.10	0.05	0.19
Diluted earnings per share (in euro) from continuing operations	0.03	0.10	0.06	0.20
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in euro)	0.03	0.10	0.05	0.19
<b>Selected Liquidity Data</b>				
Net cash provided by operating activities from continuing operations	137	181	96	240
Net cash provided by operating activities	134	181	93	213
Net cash provided by (used in) investing activities from continuing operations <sup>1</sup>	21	140	50	(411)
Net cash provided by (used in) investing activities <sup>1</sup>	21	138	49	(421)
Net cash used in financing activities from continuing operations	(133)	(134)	(154)	(224)
Net cash used in financing activities	(133)	(134)	(154)	(224)
Change in cash and cash equivalents	23	184	(15)	(431)

€ in millions; except number of employees	As of	
	March 31, 2013	September 30, 2012
<b>Selected Financial Condition Data</b>		
Total assets	5,571	5,898
Total equity	3,547	3,575
Gross cash position <sup>2</sup>	2,016	2,235
Debt (short-term and long-term)	311	295
Net cash position	1,705	1,940
<b>Employees</b>	26,104	26,658

<sup>1</sup> Thereof €201 million and €73 million net proceeds from financial investments during the six months ended March 31, 2013 and 2012, respectively (three months ended March 31, 2013 and 2012: €85 million and €331 million, respectively).

<sup>2</sup> Gross cash position is defined as cash and cash equivalents and financial investments. Net cash position is defined as gross cash position less short-term and long-term debt.

## INTERIM GROUP MANAGEMENT REPORT (UNAUDITED)

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INFINEON'S BUSINESS PERFORMANCE OVER SIX MONTH PERIOD  
CHARACTERIZED BY A BOTTOMING OUT OF ECONOMIC ACTIVITY:

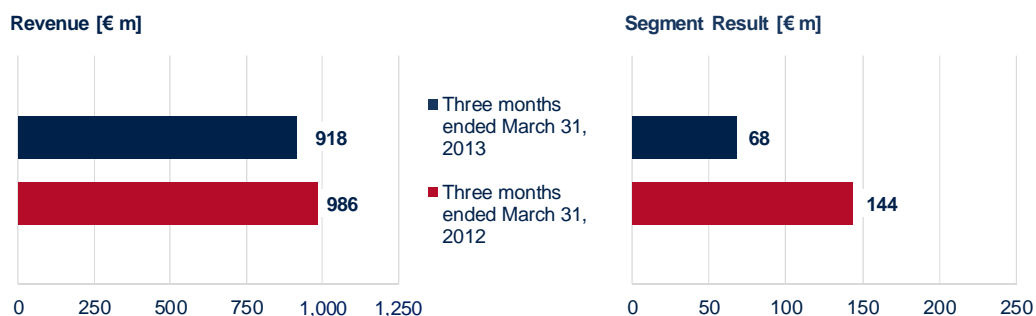
REVENUE DOWN COMPARED TO CORRESPONDING PERIOD OF THE PRIOR  
YEAR, SHARP DROP IN SEGMENT RESULT MARGIN AND LOWER PROFIT  
FROM CONTINUING OPERATIONS

POSITIVE DEVELOPMENT OF QUARTERLY REVENUE AND SEGMENT RESULT  
WITHIN THE SIX MONTH PERIOD

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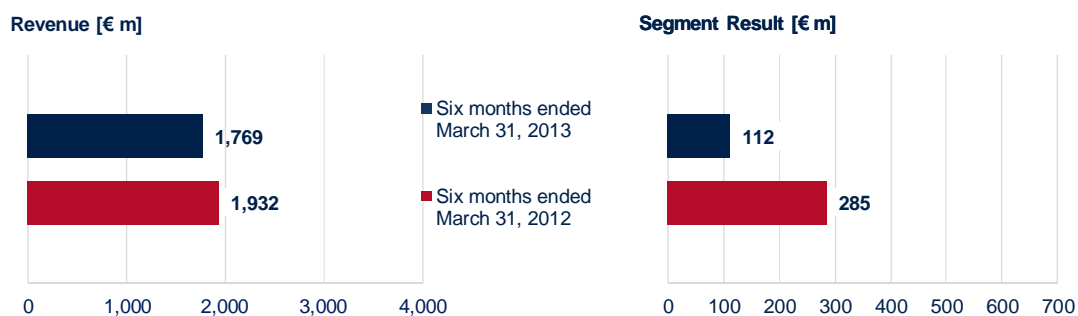
**SECOND QUARTER OF 2013 FISCAL YEAR (JANUARY 1, 2013 TO MARCH 31, 2013):**

- **Revenue** down 7 percent to €918 million compared with previous year, but 8 percent up on preceding quarter
- **Segment Result** of €68 million – a decline of 53 percent on the same quarter last year, but an improvement of 55 percent on the preceding quarter
- **Segment Result Margin** of 7.4 percent (January - March 2012: 14.6 percent; October - December 2012: 5.2 percent)
- **Net income** of €33 million compared with €111 one year earlier and €19 million in the previous quarter



**FIRST SIX MONTHS OF 2013 FISCAL YEAR (OCTOBER 1, 2012 TO MARCH 31, 2013):**

- **Revenue** 8 percent lower at €1,769 million (October 2011 - March 2012: €1,932 million)
- **Segment Result** amounting to €112 million – a decrease of 61 percent compared with the €285 million reported for the same six month period last year
- **Segment Result Margin** of 6.3 percent compared with 14.8 percent one year earlier
- **Net income** of €53 million compared to €207 million in corresponding six month period last year



- **Net cash position** decreased by €235 million to €1,705 million at March 31, 2013 (September 30, 2012: €1,940 million); gross cash position of €2,016 million at March 31, 2013 (September 30, 2012: €2,235 million)
- **Equity ratio** of 63.7 percent at March 31, 2013 compared to 60.6 percent at September 30, 2012

## SIGNIFICANT EVENTS DURING THE FIRST HALF OF FISCAL YEAR 2013

### **INFINEON IS AGAIN LISTED IN THE SUSTAINABILITY YEARBOOK AND SEEN AS ONE OF THE WORLD'S MOST SUSTAINABLE COMPANIES**

In February 2013 Infineon was listed in the Sustainability Yearbook of the RobecoSAM Group for the third consecutive year and is therefore among the top 15 percent most sustainable companies worldwide assessed by the RobecoSAM Group. The RobecoSAM annually evaluates the economic, ecological and social performance of approximately 3,000 of the world's larger companies, including 29 semiconductor companies. Infineon was ranked among the best eight companies of the semiconductor sector. Only companies that have applied for the Dow Jones Sustainability Index can be admitted in the Sustainability Yearbook. In September 2012, Infineon was listed in the Dow Jones Sustainability Index for the third consecutive year. General sustainability criteria, sector-specific challenges and characteristics such as stakeholder engagement or product quality management are some of the aspects considered in this assessment. Infineon is sector leader worldwide in the fields "product stewardship" and "operational eco-efficiency".

The inclusion in the Dow Jones Sustainability Index and in the Sustainability Yearbook is a clear sign that Infineon is successfully addressing the demands of modern society in the spirit of sustainable development.

### **300-MILLIMETER THIN-WAFER PRODUCTION BY INFINEON COMPLETES QUALIFICATION; FIRST COOLMOS™ CHIPS NOW BEING SHIPPED WORLDWIDE**

In February 2013, Infineon received the first customer go-aheads for products of the CoolMOS™ family manufactured on the 300-millimeter line at the Villach (Austria) site. The production process based on the new technology has completed qualification from start to finish and been approved by customers. The next step is for the present manufacturing concept for CoolMOS™ products – qualified from start to finish with the front-end site in Villach and with assembly of the thin chips at the back-end site in Malacca (Malaysia) – to be expanded to include the front-end site in Dresden (Germany).

Infineon is the first and only company worldwide to produce power semiconductors on 300-millimeter thin wafers. Thanks to their larger diameter compared to standard 200-millimeter wafers, about two-and-a-half times as many chips can be made from each one. Although not much thicker than a sheet of paper, the chips have electrically active structures on the front and backside. Thin-wafer technology is the basis for this unique development.

The full productivity benefits of 300-millimeter technology will not be realized until it accounts for a significant percentage of total production volume. However, it is already now possible to achieve capacity increases with 300-millimeter technology at a lower incremental investment per chip.

### **INFINEON AUSTRIA IS AWARDED THE NATIONAL INNOVATION AWARD**

In March 2013 Infineon was honored with the 2013 National Innovation Award in Austria. The accolade was received for the 300-millimeter thin-wafer technology developed at the Infineon site in Villach (Austria). Infineon prevailed this year in the "large companies" category as one of six finalists among a total of 592 submissions from within Austria. Infineon was quick to adopt this new manufacturing technology at an early stage, committing the necessary investments for the project even in economically difficult times. Furthermore, the coordination of two EU research projects has enabled the network for the targeted development and production of this key technology in Europe to be expanded. With the resulting innovative performance, Infineon is setting new global standards in terms of base materials, machinery, processes and procedures for the manufacture of power semiconductors, which act as pacemakers for driving the future development of energy-efficient products worldwide.

## THE INFINEON SHARE

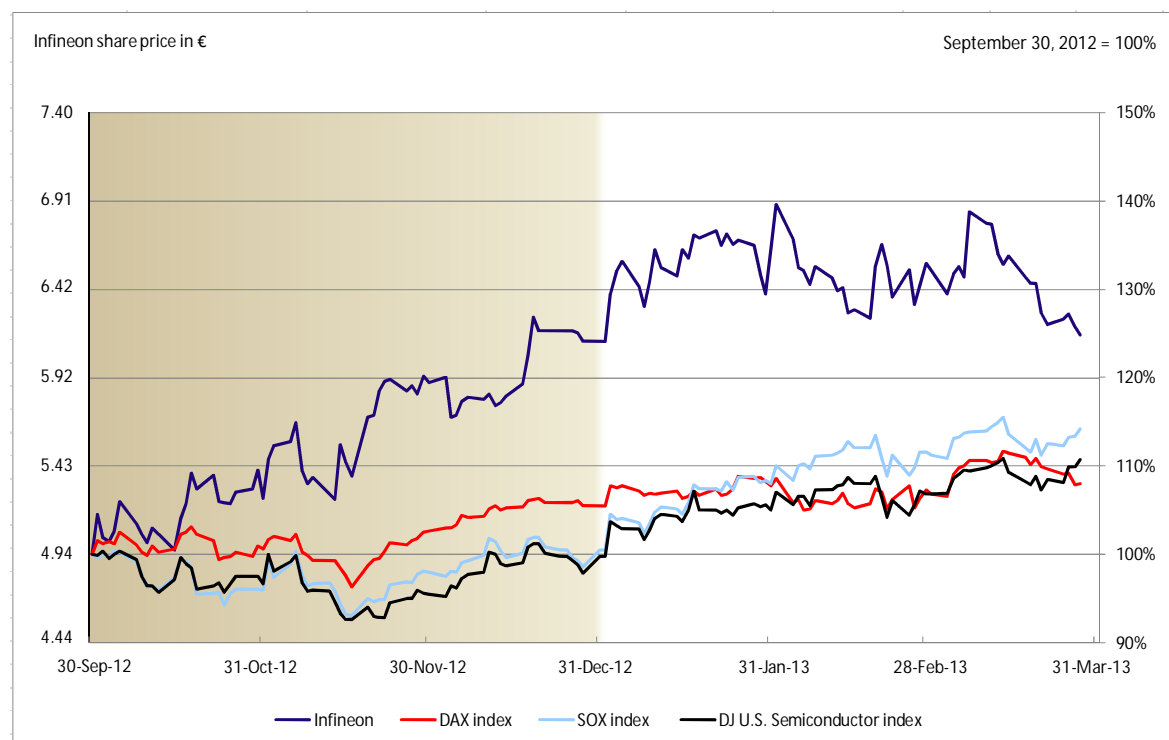
### INFINEON SHARE PERFORMANCE DURING SECOND QUARTER AND FIRST HALF OF 2013 FISCAL YEAR

During the first two months of the **second quarter of the 2013 fiscal year**, the Infineon share developed more or less in line with the comparable indices for the semiconductor sector and, at €6.89, reached its high for the quarter at the beginning of February following the release of quarterly figures. The share price subsequently moved sideways with strong fluctuations and at the beginning of March again came close to its quarterly high at a price of €6.85, before dropping back by the end of the quarter. The closing Xetra price of €6.16 at March 31, 2013 also marked the share's low for the quarter, marginally higher than the closing Xetra price of €6.13 at the end of the preceding quarter.

The German stock index (DAX) gained 2 percent in value in the three month period ended March 31, 2013. This performance was easily surpassed by the US sector indices, the Philadelphia Stock Exchange Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index, which rose by 14 percent and 11 percent, respectively.

However, when considering the **first six months of the 2013 fiscal year**, the picture is somewhat different. During this period, the Infineon share gained 25 percent in value and considerably outperformed the comparable indices, with the SOX, Dow Jones US Semiconductor Index and DAX up by 14, 11 and 8 percent respectively.

### Performance of the Infineon share, the DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index during the first six months of the 2013 fiscal year (daily closing prices)





	Three months ended March 31,			Six months ended March 31,		
	2013	2012	+/- in %	2013	2012	+/- in %
<b>Infineon closing prices in Euro (Xetra)</b>						
End of the previous period	6.13	5.82	5%	4.94	5.59	(12%)
High	6.89	7.81	(12%)	6.89	7.81	(12%)
Low	6.16	6.06	2%	4.96	5.22	(5%)
End of the period	6.16	7.67	(20%)	6.16	7.67	(20%)
Weighted-average number of shares traded per day	7,159,652	7,963,968	(10%)	7,658,694	9,332,006	(18%)
<b>Infineon closing prices in U.S. dollars (OTCQX)</b>						
End of the previous period	8.27	7.51	10%	6.44	7.39	(13%)
High	9.41	10.32	(9%)	9.41	10.32	(9%)
Low	7.94	7.79	2%	6.47	6.96	(7%)
End of the period	7.96	10.22	(22%)	7.96	10.22	(22%)
Weighted-average number of ADSs traded per day	95,804	47,356	102%	67,985	126,200	(46%)
<b>Shares outstanding (as of March 31)</b>						
Therein: own shares <sup>1</sup>	6,000,000	7,000,000				

<sup>1</sup> The own shares as of March 31, 2012, were cancelled on September 19, 2012. The share capital was reduced accordingly.

## DIVIDENDS AND CAPITAL RETURN PROGRAM

At the Annual General Meeting held in Munich on February 28, 2013 the shareholders approved the dividend proposal jointly put forward by Infineon's Management Board and Supervisory Board. As a consequence, a dividend of €0.12 per share, unchanged from the previous year, was paid on March 1, 2013, resulting in a total disbursement of €129 million to shareholders.

During the first six months of the 2013 fiscal year, put options were exercised by investors in conjunction with the capital return program, with 6 million shares being repurchased at a total cost of €38 million. During the course of this program – which ran from May 9, 2011 to March 31, 2013 – Infineon repurchased a nominal amount of €47 million of the convertible bond due May 2014 for €128 million and 13 million of its own shares for €84 million. Premiums received for the put options in conjunction with the program totaled €16 million. Separately from the capital return program, Infineon also had repurchased a further nominal amount of €36 million of this convertible bond for €107 million during the period from October 2010 to March 2011. Overall, the total volume of share repurchases, convertible bond repurchases and dividend payments over the past two-and-a-half years amounted to €686 million.

## WORLD ECONOMY AND SEMICONDUCTOR INDUSTRY

The growth of the global economy slowed down significantly over the course of 2012. In recent months, however, the situation has become somewhat brighter. The OECD's Composite Leading Indicator, for instance – a broadly watched early indicator – has risen continuously since September 2012, pointing to the early stages of an economic recovery with effect from the second quarter of the 2013 calendar year (OECD, April 2013). Despite these signs of improvement, however, global economic growth looks set to remain on the weak side for the

current year as a whole. The International Monetary Fund (IMF) forecasts global economic growth of 2.6 percent for calendar year 2013, followed by 3.4 percent in calendar year 2014. The IMF calculated a growth rate of 2.5 percent for the 2012 calendar year (IMF, April 2013).

The global semiconductor market has also been sluggish. Semiconductor market revenues (excluding microprocessors and memory chips) were down by 4 percent in the first six months of the 2013 fiscal year compared to the first six months of the 2012 fiscal year (WSTS, March 2013). Now, however, the first signs of a recovery are becoming visible and market researchers are currently predicting a market upturn during the second quarter of the 2013 calendar year. Analysts at the market research company IHS iSuppli continue to forecast a growth rate of 5 percent for the global semiconductor market (excluding microprocessors and memory chips), followed by growth of 8 percent in the 2014 calendar year (IHS iSuppli, April 2013).

## REVIEW OF RESULTS OF OPERATIONS

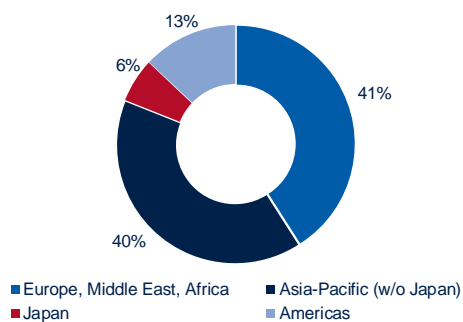
€ in millions; except earnings per share	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	918	986	1,769	1,932
<b>Gross profit</b>	<b>288</b>	<b>365</b>	<b>560</b>	<b>726</b>
Research and development expenses	(122)	(110)	(245)	(216)
Selling, general and administrative expenses	(102)	(117)	(211)	(235)
Other operating income and expense, net	(16)	(9)	(20)	(17)
<b>Operating income</b>	<b>48</b>	<b>129</b>	<b>84</b>	<b>258</b>
Net financial result (financial income and expense, net)	(4)	(2)	(8)	(8)
Income from investments accounted for using the equity method	-	-	-	1
Income tax expense	(8)	(18)	(13)	(38)
<b>Income from continuing operations</b>	<b>36</b>	<b>109</b>	<b>63</b>	<b>213</b>
Income from discontinued operations, net of income taxes	(3)	2	(10)	(6)
<b>Net income</b>	<b>33</b>	<b>111</b>	<b>53</b>	<b>207</b>
Basic earnings per share (in euro)	0.03	0.10	0.05	0.19
Diluted earnings per share (in euro)	0.03	0.10	0.05	0.19

### NET INCOME DOWN AS A RESULT OF LOWER REVENUE AND UNDER-UTILIZATION OF PRODUCTION CAPACITIES

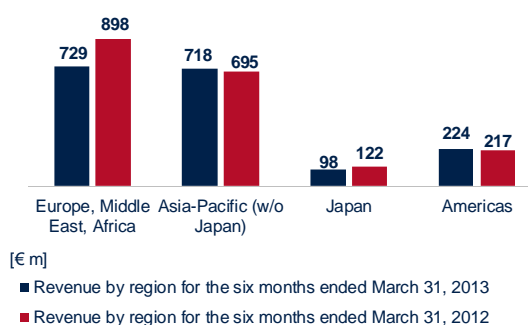
Six-month revenue fell by 8 percent to €1,769 million (October 2011 - March 2012: €1,932 million). Within the first half of the 2013 fiscal year, the first signs of economic recovery were perceptible in the form of an 8 percent quarter-on-quarter rise in revenue. **Net income** for the first six months fell from €207 million in the 2012 fiscal year to €53 million in the current fiscal year, reflecting the combined effect of lower revenue due to a general slowdown in economic growth and the build-up of production capacities, which were not fully utilized during the six month period under report. The result was also influenced by changes in the segment mix. **Earnings per share** decreased accordingly.

### INCREASING IMPORTANCE OF ASIA-PACIFIC

Six-month revenue fell by €169 million in the Europe/Middle East/Africa region compared to the previous year, whereas a small increase of €23 million was recorded for Asia-Pacific. This region is becoming increasingly important for Infineon. The revenue figures for the Europe/Middle East/Africa region (€729 million) and the Asia-Pacific region (€718 million) were almost equal in the first half of the 2013 fiscal year.



Revenue by region for the six months ended March 31, 2013



[€ m]

■ Revenue by region for the six months ended March 31, 2013  
■ Revenue by region for the six months ended March 31, 2012

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Europe, Middle East, Africa	391 43%	460 47%	729 41%	898 47%
Therein: Germany	194 21%	241 24%	360 20%	485 25%
Asia-Pacific (w/o Japan)	359 39%	346 35%	718 40%	695 36%
Therein: China	151 17%	138 14%	317 18%	291 15%
Japan	47 5%	63 6%	98 6%	122 6%
Americas	121 13%	117 12%	224 13%	217 11%
<b>Total</b>	<b>918 100%</b>	<b>986 100%</b>	<b>1,769 100%</b>	<b>1,932 100%</b>

### **MORE PRONOUNCED DROP IN GROSS MARGIN AS COST OF GOODS SOLD REMAINED PRACTICALLY UNCHANGED**

**Gross profit** (revenue less cost of goods sold) for the first six months of the 2013 fiscal year amounted to €560 million and was thus 23 percent down on the €726 million recorded in the corresponding period one year earlier. Although variable costs of goods sold decreased due to lower production volumes, increased costs (in particular depreciation and amortization and personnel expense) arose as a result of the measures taken to expand production capacities, which were not fully utilized during the period under report. Shifts in the segment mix also had an impact, with the overall consequence that gross profit decreased at a faster rate than the 8 percent drop in revenue. The **gross margin** came in at 31.7 percent in the six-month period, down from the 37.6 percent recorded in the same period one year earlier.

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Cost of goods sold	630	621	1,209	1,206
Changes year-on-year	1%		0%	
Percentage of revenue	68.6%	63.0%	68.3%	62.4%
Gross profit	288	365	560	726
Percentage of revenue (gross margin)	31.4%	37.0%	31.7%	37.6%

### **HIGHER RESEARCH AND DEVELOPMENT EXPENSES PUSH UP OPERATING EXPENSES**

Six-month **operating expenses** (research and development expenses and selling, general and administrative expenses) increased by €5 million to €456 million (October 2011 - March 2012: €451 million). In percentage terms, operating expenses corresponded to 25.7 percent of six-month revenue, compared to 23.4 percent one year earlier.

**Research and development expenses** increased by €29 million from €216 million to €245 million for the six-month periods ended March 31, 2012 and 2013. The number of employees engaged in research and development was higher than in the corresponding period last year, in order to build the basis for further growth.

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Research and development expenses	122	110	245	216
Change year-on-year	11%		13%	
Percentage of revenue	13.3%	11.2%	13.8%	11.2%

**Selling, general and administrative expenses** corresponded to 11.9 percent of revenue in the first six months of the 2013 fiscal year (October 2011 - March 2012: 12.2 percent).

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Selling, general and administrative expenses	102	117	211	235
Change year-on-year	(13%)		(10%)	
Percentage of revenue	11.1%	11.9%	11.9%	12.2%

### NET FINANCIAL RESULT UNCHANGED

**Net financial result** (financial income less financial expense) for the six-month periods ended March 31, 2012 and 2013 amounted in both cases to a net expense of €8 million. In the first six months of the previous fiscal year, repurchases of subordinated convertible bonds due 2014 executed in conjunction with the capital return program gave rise to losses of €5 million. No further repurchases were made during the six-month period under report and hence no losses are included in financial expenses. However, six-month financial income decreased as a result of lower interest rates and the reduced gross cash position.

### EFFECTIVE TAX RATE OF 17 PERCENT

As in the same period one year earlier, tax expense for the first six months of the 2013 fiscal year was affected by lower foreign tax rates, tax credits and changes in valuation allowances on deferred tax assets.

Based on income from continuing operations of €76 million and tax expense of €13 million, the effective tax rate for the six-month period ended March 31, 2013 was 17 percent. The rate in the corresponding period one year earlier was 15 percent, when a tax expense of €38 million arose on income from continuing operations of €251 million.

### EXPENSES IN CONNECTION WITH QIMONDA HAVE A NEGATIVE IMPACT ON RESULT FROM DISCONTINUED OPERATIONS

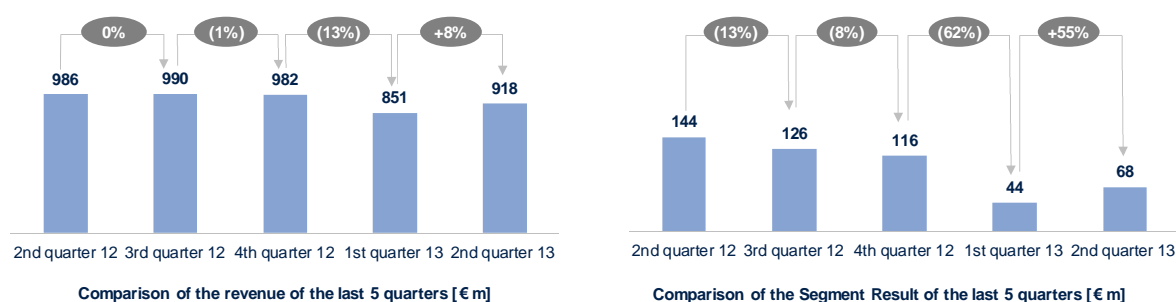
The **result from discontinued operations, net of income taxes**, amounted to a negative €10 million for the first half of the 2013 fiscal year, compared to a negative €6 million in the corresponding period one year earlier. An expense of €9 million was recognized for risks related to the Qimonda insolvency (see note 16 "Commitments and contingencies"). Subsequent expenses totaling €1 million were incurred in conjunction with the Wireless mobile phone business.

### EARNINGS DETERIORATION REFLECTED IN EARNINGS PER SHARE

**Net income** for the six months ended March 31, 2013 totaled €53 million, significantly down from the €207 million recorded in the previous year's corresponding period.

The lower earnings resulted in a similarly sharp reduction in **earnings per share**. Compared to earnings per share of €0.19 (basic and diluted) for the first six months of the 2012 fiscal year, the corresponding figures for the first six months of the 2013 fiscal year both amounted to €0.05.

## SEGMENT PERFORMANCE



### Segment Result Margin of 6.3 percent for six-month period

Most segments were affected by the generally weak state of the economy, albeit to different extents. €88 million or approximately 54 percent of the total decline in Infineon revenue (€163 million) compared to the corresponding six-month period of the previous fiscal year related to the Industrial Power Control segment and a further €68 million or approximately 42 percent related to Other Operating Segments. Chip Card & Security was the only segment to generate more revenue than in the previous year's corresponding period (up by €7 million).

The six-month Segment Result fell by €173 million from €285 million in the previous fiscal year to €112 million in the current fiscal year, primarily as a result of lower revenues and higher fixed costs, the latter caused by expanded production capacities that were not fully utilized during the period under report. Industrial Power Control recorded the steepest drop in Segment Result (down by €74 million), accounting for 43 percent of the total decrease.

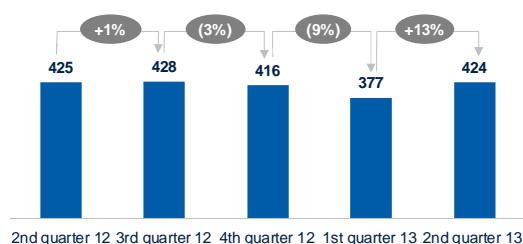
The six-month Segment Result Margin was 6.3 percent compared to 14.8 percent one year earlier.

## AUTOMOTIVE

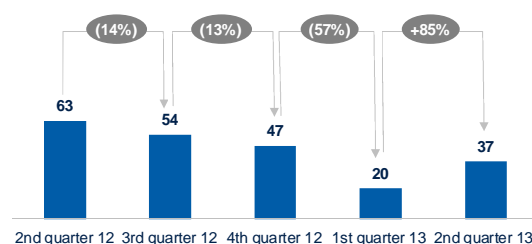
€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	424	425	801	816
Share of Total Revenue	46%	43%	45%	42%
Segment Result	37	63	57	118
Share Segment Result of Infineon	54%	44%	51%	41%
Segment Result Margin	8.7%	14.8%	7.1%	14.5%

The Automotive segment recorded **second-quarter** revenue totaling €424 million. After a comparatively weak first quarter, revenue has meanwhile returned to a level similar to the previous fiscal year, when the segment posted second-quarter revenue of €425 million. The continuing weakness of markets in Europe was offset by strong vehicle sales elsewhere, particularly in China and North America. Automotive contributed a second-quarter Segment Result of €37 million, down by €26 million on the €63 million reported the previous year. The Segment Result Margin for the quarter was 8.7 percent, compared with 14.8 percent one year earlier. The deterioration was primarily due to increased fixed costs connected with continued efforts to develop and expand Infineon's manufacturing landscape and the fact that capacities were not fully utilized during the quarter. At the same time, research and development expenses were greater than those of the previous year.

**Six-month** revenue totaled €801 million, which was €15 million or 2 percent lower than the previous year's corresponding figure of €816 million. The decline in revenue is mainly due to the weak state of the markets – a phenomenon which started in Southern Europe and has now spread to other countries in the region. The ensuing adjustments to customer inventory levels impacted the entire six-month period and put significant downward pressure on revenue in the first quarter. Segment Result amounted to €57 million compared with €118 million one year earlier, dropping by €61 million due to lower revenue and other factors described above. The Segment Result Margin for the six-month period was 7.1 percent compared to 14.5 percent in the previous fiscal year.



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



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

Major **events and developments** in the Automotive segment in the first half of the 2013 fiscal year:

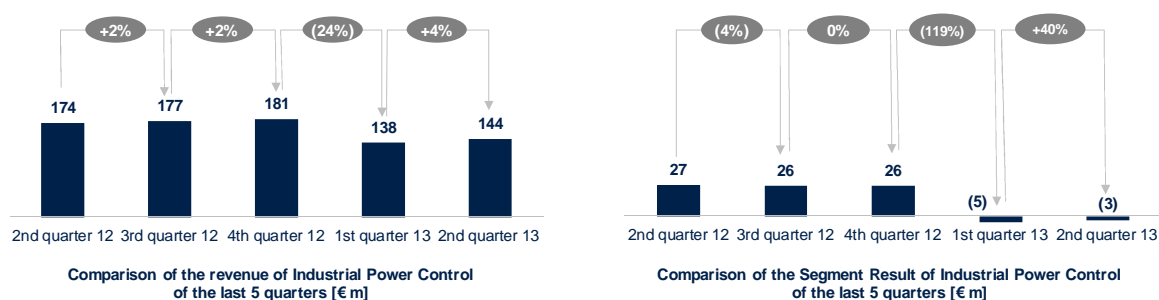
- A major new contract was gained in the field of vehicle security and powertrains, which will generate several hundred million euros in revenue from 2015 onwards.
- One of the world's leading manufacturers of electronic safety equipment for airbags, brakes and electric power steering systems selected Infineon to supply products from the new AURIX range of microcontrollers based on multi-core architecture, components for power supplies, and bridge drivers used to control electric motors.
- Infineon was also able to win business from an Asian automotive supplier convinced of the benefits offered by the AURIX family, including the ability to support functional safety requirements.
- Thanks to the outstanding quality of its MEMS products, Infineon was awarded sensor component business used for side-impact protection purposes. These sensors provide the necessary information to trigger the side airbag.
- Infineon launched the new architecture family of microcontrollers XMC-1000, whose 32-bit architecture is based on an ARM platform, which has been optimized for industrial applications. Ultimately, the new architecture is intended to replace the previous 8-bit microcontrollers. The first samples and development kits were presented at the Embedded World Exhibition held in Nuremberg. Several hundred visitors to the exhibition expressed their interest in the new product family.

## INDUSTRIAL POWER CONTROL

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	144	174	282	370
Share of Total Revenue	16%	18%	16%	19%
Segment Result	(3)	27	(8)	66
Share Segment Result of Infineon	(4%)	19%	(7%)	23%
Segment Result Margin	(2.1%)	15.5%	(2.8%)	17.8%

The Industrial Power Control segment reported **second-quarter** revenue of €144 million, which was €30 million down on the previous fiscal year (€174 million). Lower demand for products in the field of renewable energy, especially for solar power in Europe, was the principal reason for the decrease. Business with industrial drives also fell. Segment Result was driven down by the steep decline in revenue and the related under-utilization of production capacities. Compared with the same quarter one year earlier, when a Segment Result of €27 million and a Segment Result Margin of 15.5 percent were posted, the equivalent figures for the second quarter of the current fiscal year were negative €3 million and negative 2.1 percent, in other words €30 million down.

The **six-month** revenue of €282 million was €88 million down on the previous year (€370 million). The decrease in this case related mainly to the field of renewable energy and industrial drives. In addition to the general contraction of the market, business was also negatively impacted by inventory destocking by major direct customers in Europe and by Asian distributors. Six-month Segment Result was a negative amount of €8 million, compared with a positive amount of €66 million one year earlier. The Segment Result Margin for the six-month period was negative 2.8 percent compared to a positive margin of 17.8 percent in the previous year.



**Major events and developments** in the Industrial Power Control segment in the first half of the 2013 fiscal year:

- Introduction of a next generation of IGBT products with Trenchstop™ 5 technology. These products set a new benchmark in IGBT performance in a number of applications, such as photovoltaic inverters, uninterruptible power supplies and electronically controlled welding machines. The new product family enables customers to reduce overall costs, improve efficiency and increase reliability at the same time.
- Infineon introduced TIM (Thermal Interface Material) products, which provide optimal solutions for customers to meet the challenge of heat dissipation from the power module. TIM has been specifically developed for Infineon and is already being applied in the production process, depending on the product's future use, thus enabling the customer's system to achieve greater power density, improved reliability and extended service life.
- Infineon also expects to be able to profit from the growing Chinese market for solar applications in the future. China has set itself the target of more than doubling installed capacities for the generation of solar power in 2013. The first orders from leading Chinese manufacturers of inverters are already being fulfilled with PrimePACK™ and EconoDUAL™ modules. These IGBT modules are suitable for higher power ranges and are in line with the worldwide trend towards the use of central inverters in photovoltaic installations in the plus-250-kW range.

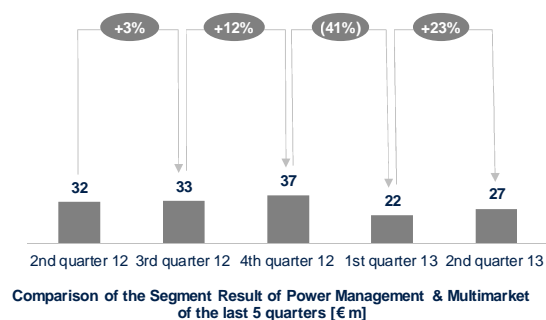
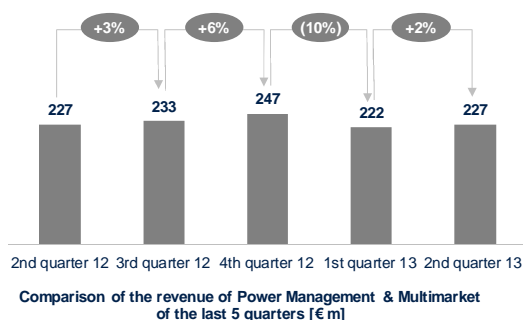
## POWER MANAGEMENT & MULTIMARKET

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	227	227	449	449
Share of Total Revenue	25%	23%	25%	23%
Segment Result	27	32	49	72
Share Segment Result of Infineon	40%	22%	44%	25%
Segment Result Margin	11.9%	14.1%	10.9%	16.0%

The Power Management & Multimarket segment reported **second-quarter** revenue of €227 million, the same level as achieved one year earlier. The Segment Result for the second quarter decreased by €5 million from €32 million to €27 million, while Segment Result Margin dropped by 2.2 percentage points to 11.9 percent. The deterioration in Segment Result was due to higher operating expenses, particularly in the field of research and development.

The Power Management & Multimarket segment generated revenue of €449 million in the first **six months** of the 2013 fiscal year, also similar to the previous year's level. The six-month Segment Result fell by €23 million from €72 million to €49 million. The Segment Result Margin dropped from 16.0 percent to 10.9 percent, reflecting the effect of higher idle costs owing to under-utilized production capacities and higher operating expenses, primarily for research and development activities.





**Major events and developments** in the Power Management & Multimarket segment in the first half of the 2013 fiscal year:

- In February 2013, the first customer approvals were received for power semiconductors of the CoolMOS™ family produced on the 300-millimeter line at the Villach (Austria) site. The next step is for the present manufacturing concept for CoolMOS products, qualified from start to finish, with the front-end site in Villach and with assembly of the thin chips at the back-end site Malacca (Malaysia), to be expanded to the front-end site in Dresden (Germany). Customers will benefit from the new technology thanks to fast availability, greater capacity and improved productivity.
- At the "Strategies in Light" trade fair, Infineon presented two new 60-volt DC/DC LED drivers. The new driver-ICs offer excellent power conversion efficiency, benchmark current accuracy that helps assure constant light output and first of its kind adjustable over-temperature protection that prevents light elements being damaged by overheating. The new ILD6070/ILD6150 drivers give lighting manufacturers the flexibility to manufacture a variety of products using the same drivers, based on a wider input voltage range (4.5 V to 60V) and also support digital as well as analog dimming inputs. With the addition of 60V devices to its portfolio, Infineon now enables manufacturers to support as many as 18 LEDs in a light string, compared to a maximum of 12 LEDs in typically available 40V devices.

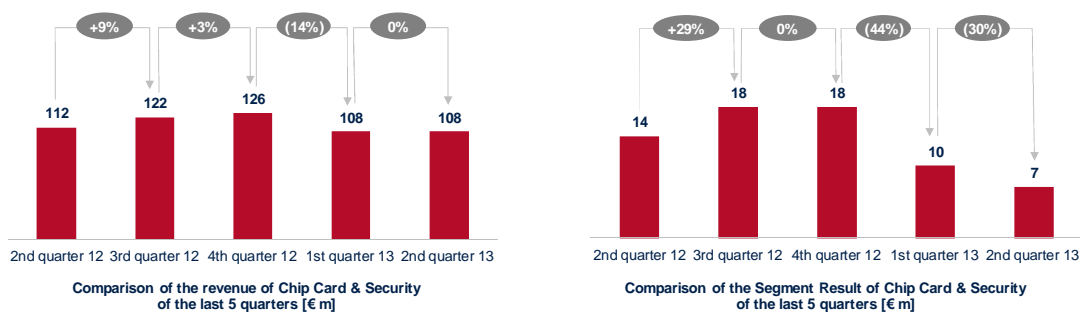
## CHIP CARD & SECURITY

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	108	112	216	209
Share of Total Revenue	12%	11%	12%	11%
Segment Result	7	14	17	20
Share Segment Result of Infineon	10%	10%	15%	7%
Segment Result Margin	6.5%	12.5%	7.9%	9.6%

**Second-quarter** revenue in the current fiscal year totaled €108 million compared to €112 million one year earlier. Revenue was up for pay cards, SIM cards and security chips for governmental ID applications and down for integrated Near Field Communications ("NFC") solutions as well as security chips for pay TV applications due to project-related factors. The second-quarter Segment Result amounted to €7 million, compared to €14 million in the previous year. Overall, Chip Card & Security recorded a Segment Result Margin of 6.5 percent (January 2012 - March 2012: 12.5 percent). Gross profit fell due to revenue and product mix related factors. R&D and selling expenses were practically unchanged from their previous year's second-quarter levels.

**Six-month** revenue totaled €216 million, an increase of €7 million or 3 percent on last year (€209 million). Revenue from security controllers for SIM cards, governmental ID applications and pay cards was well up in each case, whereas business with integrated NFC solutions and security chips for pay TV was down, owing to project-related factors. The six-month Segment Result amounted to €17 million, compared to €20 million one year earlier. The Segment Result Margin dropped to 7.9 percent, mainly resulting from higher research and development expenses. Selling and administrative expenses were virtually unchanged from the previous year. The gross margin decreased slightly as a result of changes in the product mix.





**Major events and developments** in the Chip Card & Security segment in the first half of the fiscal year 2013:

- After the successful introduction of 90-nanometer products for mobile communications devices, 90-nanometer products are now also being shipped for pay cards and governmental ID applications. By the end of the first six-month period of the 2013 fiscal year, more than 100 million of these chips had already been supplied to pay card customers. The new SOLID FLASH™-based security controllers are gaining ground in key payment application projects worldwide and feature, for example, in "Deutsche Sparkassen Verlag" bank cards, "Maestro" debit cards in Switzerland and "Carte Bancaire" cards in France. In the course of further market introduction, the product will now be supplied to numerous projects in other European countries, North and South America, Africa and Asia (Japan, China, South Korea, Indonesia).
- Infineon presented its new "Coil on Module" chip package for dual interface bank and credit cards, which can be used for both contact-based and contactless applications. This innovative product addresses a fast-growing market. The new "Coil on Module" chip package with an integrated antenna uses radio technology (rather than the commonly-used electro-mechanical approach) to connect antenna and module, thus improving the robustness of the payment card and making the manufacturing process significantly more efficient.
- Infineon has developed an innovative encryption technique that offers data security for price-sensitive mass market products. In this context, Infineon was awarded the Horst Goertz-Foundation's German Prize for IT Security in November 2012. This technology protects applications such as electronic public transport tickets, event tickets, library cards, and ski passes more efficiently against manipulation and counterfeiting. The authentication procedure and secure data transmission of CIPURSE™, the open standard for secure access control and fare collection in public transport, are based on this new encryption technology. Infineon already produces CIPURSE™-compliant security chips for access control and electronic ticketing for public transport systems.

**OTHER OPERATING SEGMENTS**

€ in millions, except percentages	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	5	39	14	82
Share of Total Revenue	1%	4%	1%	4%
Segment Result	(3)	7	(5)	11
Share Segment Result of Infineon	(4.4%)	4.9%	(4.5%)	3.9%

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

In both the **second quarter and the six-month period**, revenue generated with IMC and Lantiq continued to decrease as the remaining activities are being phased out, resulting in a further drop in Segment Result compared to the corresponding periods in the previous fiscal year.

### CORPORATE AND ELIMINATIONS

The Segment Result for the **second quarter** was a positive amount of €3 million compared with a positive amount of €1 million in the corresponding quarter one year earlier. For the **six-month period**, the Segment Result was a positive amount of €2 million (October 2011 - March 2012: negative amount of €2 million).

### REVIEW OF FINANCIAL CONDITION

€ in millions, except percentages	As of		Change
	March 31, 2013	September 30, 2012	
Current assets	3,280	3,510	(7%)
Non-current assets	2,291	2,388	(4%)
<b>Total assets</b>	<b>5,571</b>	<b>5,898</b>	<b>(6%)</b>
Current liabilities	1,315	1,678	(22%)
Non-current liabilities	709	645	10%
<b>Total liabilities</b>	<b>2,024</b>	<b>2,323</b>	<b>(13%)</b>
<b>Equity</b>	<b>3,547</b>	<b>3,575</b>	<b>(1%)</b>

### DECREASE IN CURRENT ASSETS RESULTING FROM LOWER GROSS CASH POSITION

**Current assets** decreased by 7 percent to stand at €3,288 million as of March 31, 2013 (September 30, 2012: €3,510 million). The main reason for the drop was the lower gross cash position (sum of cash and cash equivalents and financial investments), which was, in turn, mainly attributable to the settlement of liabilities – including payments for investments and bonus payments – as well as the dividend payment and the capital return program.

### NON-CURRENT ASSETS DOWN DUE TO LESS INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

**Non-current assets** decreased by €97 million (4 percent) from €2,388 million as of September 30, 2012 to €2,291 million as of March 31, 2013, mainly due to the lower level of investment in property, plant and equipment. The depreciation expense for the six-month period amounting to €220 million exceeded additions amounting to €124 million. Capital expenditure related primarily to the production sites in Kulim (Malaysia), Villach (Austria) and Regensburg (Germany).

### LIABILITIES REDUCED BY SETTLEMENT OF PAYABLES, BONUS PAYMENTS AND EXPIRY OF CAPITAL RETURN PROGRAM

**Current liabilities** stood at €1,315 million as of March 31, 2013, €363 million (22 percent) lower than at September 30, 2012 (€1,678 million). The principal factor for the reduction was the €164 million decrease in trade and other payables. Non-current provisions went down by €89 million, primarily due to bonus payments to employees which exceeded new accruals and allocations to the provision for bonuses for the current fiscal year. Furthermore, put options with a value of €38 million were exercised and put options with a value of €51 million expired during the first half of the 2013 fiscal year. No new put options were issued as the capital return program expired on March 31, 2013, thus contributing to a reduction in other current financial liabilities from €100 million as of September 30, 2012 to €12 million as of March 31, 2013.

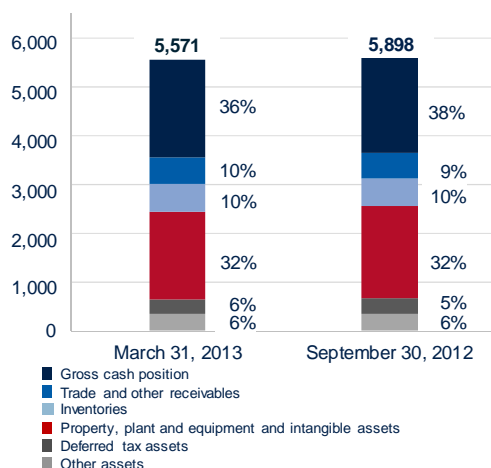
Compared to September 30, 2012 (€645 million), **non-current liabilities** increased by €64 million or 10 percent to stand at €709 million as of March 31, 2013. The main changes here were a €37 million increase in non-current provisions and a €33 million increase in non-current financial liabilities.

**DESPITE POSITIVE NET INCOME FOR THE PERIOD AND EXPIRY OF PUT OPTIONS, EQUITY SLIGHTLY LOWER DUE TO DIVIDEND PAYMENT**

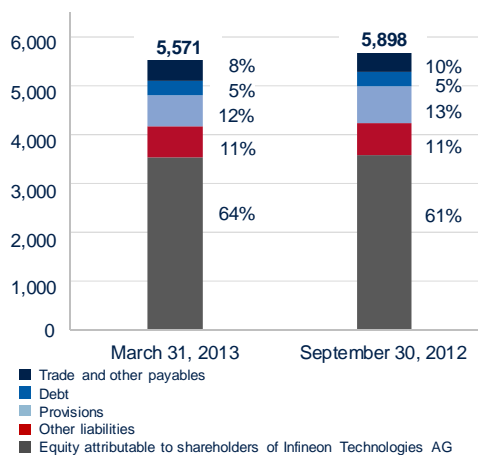
Equity fell by €28 million (1 percent) to €3,547 million as of March 31, 2013 (September 30, 2012: €3,575 million). This reduction was due in part to the fact that the dividend paid for the 2012 fiscal year amounting to €129 million exceeded net income of €53 million for the six-month period. The expiry of put options had the effect of increasing equity by €51 million.

The equity ratio improved to 63.7 percent as of March 31, 2013 (September 30, 2012: 60.6 percent).

Assets [€ m]



Liabilities and Equity [€ m]



**REVIEW OF LIQUIDITY**

**CASH FLOW**

€ in millions	Six months ended March 31,	
	2013	2012
Net cash provided by operating activities from continuing operations	96	240
Net cash provided by (used in) investing activities from continuing operations	50	(411)
Net cash used in financing activities from continuing operations	(154)	(224)
Net change in cash and cash equivalents from discontinued operations	(4)	(37)
<b>Net decrease in cash and cash equivalents</b>	<b>(12)</b>	<b>(432)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	1
<b>Change in cash and cash equivalents</b>	<b>(15)</b>	<b>(431)</b>

**Lower income from continuing operations causes corresponding decrease in net cash provided by operating activities from continuing operations**

During the first half of the 2013 fiscal year net cash provided by operating activities from continuing operations amounted to €96 million (October 2011 - March 2012: €240 million). Taking income from continuing operations before depreciation and amortization, interest and taxes (€315 million) as the starting point, the principal items affecting cash flows from continuing operations during the six-month period under report were reductions in trade and other payables and provisions totaling €223 million as well as tax payments amounting to €38 million. Offsetting this, reductions in trade and other receivables and the decrease/increase in other current assets/liabilities totaled €47 million.

In the corresponding six-month period one year earlier, taking income from continuing operations before depreciation and amortization, interest and taxes (€459 million) as the starting point, the principal items affecting cash flows from operating activities from continuing operations were reductions in trade and other payables and provisions totaling €257 million. The reduction in trade and other receivables had a positive impact of €36 million.

**Net cash provided by investing activities from continuing operations mainly driven by the sale of financial investments and lower level of investment in property, plant and equipment**

Net cash provided by investing activities from continuing operations in the first half of the 2013 fiscal year amounted to €50 million. The sale of financial investments (primarily money deposits with a maximum term of three to six months) gave rise to a net inflow of €201 million. This did not impact the gross cash position, however, since the latter includes cash and cash equivalents as well as financial investments. Purchases of property, plant and equipment in the first half of the current fiscal year totaled €124 million. A total of €29 million was invested in intangible assets, mostly for internal development projects.

In the first six months of the previous fiscal year, net cash used in investing activities from continuing operations amounted to €441 million. Purchases of property, plant and equipment and of intangible assets totaled €486 million in the first half of the previous fiscal year. The purchase and sale of financial investments during that period generated a net cash inflow of €73 million.

**Dividend payment and repurchases of shares via put options resulted in net cash used in financing activities from continuing operations**

Net cash used in financing activities from continuing operations in the first half of the 2013 fiscal year amounted to €154 million. The most significant element of which was €129 million used to pay the dividend for the 2012 fiscal year. The repurchase of 6 million of Infineon's own shares via put options accounted for a cash outflow of €38 million. By contrast, the increase in other financial liabilities, due to new loans raised, gave rise to a net inflow of €13 million.

In the corresponding six-month period of the previous fiscal year, net cash used in financing activities from continuing operations amounted to €224 million. Also in that period, €130 million was used to pay the dividend for the 2011 fiscal year, €70 million was used to repurchase subordinated convertible bonds due 2014 in conjunction with the capital return program and shares resulting from the exercise of put options on own shares by investors and other financial liabilities were reduced by a net amount of €30 million.

**FREE CASH FLOW**

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

€ in millions	Six months ended March 31,	
	2013	2012
Net cash provided by operating activities from continuing operations	96	240
Net cash provided by (used in) investing activities from continuing operations	50	(411)
Purchase of (proceeds from sale of) financial investments	(201)	(73)
<b>Free cash flow</b>	<b>(55)</b>	<b>(244)</b>

### Investment in organic growth results in negative free cash flow

Free cash flow for the first half of the 2013 fiscal year was a negative amount of €55 million compared with a negative amount of €244 million in the corresponding period last year. Net cash used for investing activities totaling €153 million exceeded net cash provided by operating activities from continuing operations totaling €96 million.

The considerably weaker free cash flow in the first six months of the previous fiscal year was caused by net cash provided by operating activities from continuing operations covering only a part of the high level of investments (€486 million) in property, plant and equipment as well as intangible assets.

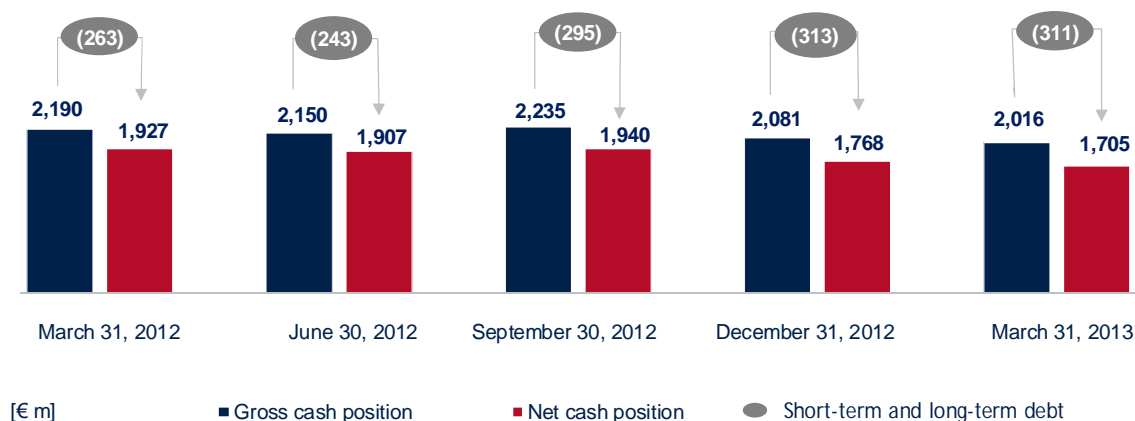
### GROSS CASH POSITION AND NET CASH POSITION

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

€ in millions	March 31, 2013	September 30, 2012
Cash and cash equivalents	410	425
Financial investments	1,606	1,810
<b>Gross cash position</b>	<b>2,016</b>	<b>2,235</b>
Less:		
Short-term debt and current portion of long-term debt	38	55
Long-term debt	273	240
<b>Total financial debt</b>	<b>311</b>	<b>295</b>
<b>Net cash position</b>	<b>1,705</b>	<b>1,940</b>

The gross cash position, comprising cash and cash equivalents and financial investments, amounted to €2,016 million at March 31, 2013, a decrease of €219 million on the position of €2,235 million recorded at September 30, 2012. The decrease in the gross cash position in particular results from the settlement of payables also for investments, the dividend payment, disbursements in conjunction with the capital return program and bonus payments to employees.

The net cash position, defined as the gross cash position less short-term and long-term debt, decreased accordingly by €235 million from €1,940 million at September 30, 2012 to €1,705 million at March 31, 2013.



## EMPLOYEES

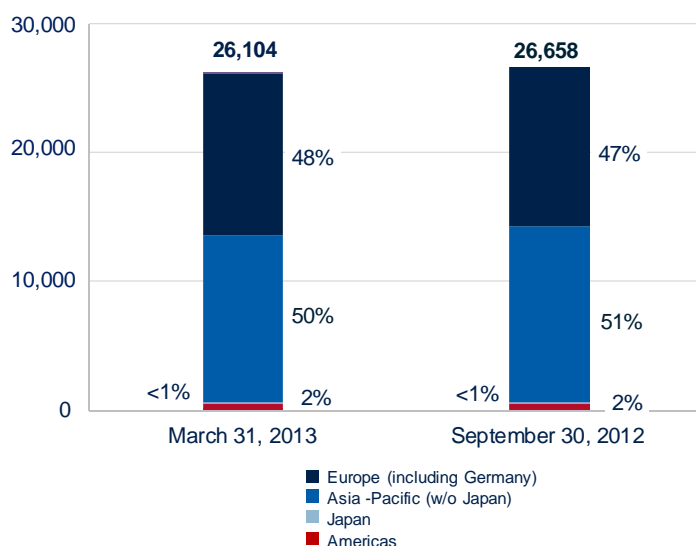
The following table shows the composition of the workforce by region, at the relevant reporting dates of fully consolidated companies of the Infineon Group:

Region:	As of		Change
	March 31, 2013	September 30, 2012	
Europe	12,526	12,427	1%
Therein: Germany	8,485	8,408	1%
Asia-Pacific (w/o Japan)	12,959	13,624	(5%)
Therein: China	1,391	1,423	(2%)
Japan	120	116	3%
Americas	499	491	2%
<b>Total</b>	<b>26,104</b>	<b>26,658</b>	<b>(2%)</b>

The number of employees decreased by 2 percent during the first half of the 2013 fiscal year, with the reduction of the workforce in the Asia-Pacific region (particularly Malaysia) offset by increases in other regions. Research and development functions were strengthened as the foundation for future growth, more than offset by staff reductions in other areas.

Approximately 33 percent of the Infineon workforce was employed at Infineon sites in Germany at March 31, 2013 (September 30, 2012: 32 percent).

### Employees by region



## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On April 22, 2013 the European Commission issued its Statement of Objections in conjunction with antitrust proceedings against Infineon and other manufacturers of chips for smartcards. In this Statement of Objections, Infineon was informed for the first time of the basis of the European Commission's antitrust allegations (see note 16 "Commitments and contingencies").

## OUTLOOK

### OUTLOOK FOR THE THIRD QUARTER OF THE 2013 FISCAL YEAR

Based on an assumed exchange rate of 1.30 US dollars to the euro (unchanged from the previous quarter), Infineon forecasts third-quarter revenue of about €1 billion, with all segments expected to contribute to revenue growth. The Group's Segment Result Margin for the third quarter is forecast at approximately 10 percent of revenue.

### OUTLOOK FOR 2013 FISCAL YEAR: REVENUE AND SEGMENT RESULT MARGIN EXPECTED AT THE UPPER END OF OUR PREVIOUSLY GUIDED RANGE

Up to now Infineon had forecast a mid-to-high single digit percentage decline in revenue for the 2013 fiscal year. Based on the results of the first half of the current fiscal year and the outlook for the third quarter, the Management Board expects to achieve the upper end of this range. The Segment Result Margin for the 2013 fiscal year is expected to be at the upper end of the mid-to-high single digit percentage range guided thus far.

In terms of revenue growth compared to the previous fiscal year, the Automotive, Power Management & Multimarket and Chip Card & Security segments are expected to fare better than the Group average in the fiscal year 2013, whereas Industrial Power Control is expected to suffer from a revenue decline significantly higher than the Group average. Revenue of the Other Operating Segments segment will again fall sharply, as goods and services sold relating to the previously sold Wireline Communications and Wireless mobile phone businesses continue to decrease as planned. This forecast is based on an assumed exchange rate of 1.30 US dollars to the euro.

Investments in the 2013 fiscal year will be in the region of €400 million and compare with a depreciation and amortization expense of approximately €470 million.

## RISKS AND OPPORTUNITIES

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

Specific risks which could have a material adverse effect on Infineon's financial condition, liquidity position and results of operations, specific opportunities and the concept behind Infineon's risk management system are described in the Group Management Report for the 2012 fiscal year (pages 155 to 164).

During the first six months of the 2013 fiscal year, Infineon did not identify any material changes to the opportunities and risks described in the 2012 Annual Report and in note 16 to the Interim Consolidated Financial Statements.

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

## CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2013 AND 2012

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Revenue	918	986	1,769	1,932
Cost of goods sold	(630)	(621)	(1,209)	(1,206)
<b>Gross profit</b>	<b>288</b>	<b>365</b>	<b>560</b>	<b>726</b>
Research and development expenses	(122)	(110)	(245)	(216)
Selling, general and administrative expenses	(102)	(117)	(211)	(235)
Other operating income	3	11	8	15
Other operating expense	(19)	(20)	(28)	(32)
<b>Operating income</b>	<b>48</b>	<b>129</b>	<b>84</b>	<b>258</b>
Financial income	8	11	17	23
Financial expense	(12)	(13)	(25)	(31)
Income from investments accounted for using the equity method	-	-	-	1
<b>Income from continuing operations before income taxes</b>	<b>44</b>	<b>127</b>	<b>76</b>	<b>251</b>
Income tax expense	(8)	(18)	(13)	(38)
<b>Income from continuing operations</b>	<b>36</b>	<b>109</b>	<b>63</b>	<b>213</b>
Income (loss) from discontinued operations, net of income taxes	(3)	2	(10)	(6)
<b>Net income</b>	<b>33</b>	<b>111</b>	<b>53</b>	<b>207</b>
Attributable to:				
Non-controlling interests	-	-	-	-
Shareholders of Infineon Technologies AG	33	111	53	207
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:				
Basic earnings per share (in euro) from continuing operations	0.03	0.10	0.06	0.20
Basic earnings per share (in euro) from discontinued operations	-	-	(0.01)	(0.01)
<b>Basic earnings per share (in euro)</b>	<b>0.03</b>	<b>0.10</b>	<b>0.05</b>	<b>0.19</b>
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:				
Diluted earnings per share (in euro) from continuing operations	0.03	0.10	0.06	0.20
Diluted earnings (loss) per share (in euro) from discontinued operations	-	-	(0.01)	(0.01)
<b>Diluted earnings per share (in euro)</b>	<b>0.03</b>	<b>0.10</b>	<b>0.05</b>	<b>0.19</b>



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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
<b>Net income</b>	<b>33</b>	<b>111</b>	<b>53</b>	<b>207</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effects	5	(1)	-	5
Net change in fair value of hedging instruments	(1)	-	(6)	1
Net change in fair value of available-for-sale financial assets	-	-	-	(1)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>4</b>	<b>(1)</b>	<b>(6)</b>	<b>5</b>
<b>Other comprehensive income (loss), net of tax</b>	<b>4</b>	<b>(1)</b>	<b>(6)</b>	<b>5</b>
<b>Total comprehensive income, net of tax</b>	<b>37</b>	<b>110</b>	<b>47</b>	<b>212</b>
Attributable to:				
Non-controlling interests	-	-	-	-
Shareholders of Infineon Technologies AG	37	110	47	212

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

€ in millions	March 31, 2013	March 31, 2012	September 30, 2012
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	410	576	425
Financial investments	1,606	1,614	1,810
Trade and other receivables	534	540	539
Inventories	573	521	567
Income tax receivable	14	9	6
Other current financial assets	3	5	9
Other current assets	136	124	149
Assets classified as held for sale	4	9	5
<b>Total current assets</b>	<b>3,280</b>	<b>3,398</b>	<b>3,510</b>
Property, plant and equipment	1,631	1,577	1,731
Goodwill and other intangible assets	156	134	146
Investments accounted for using the equity method	32	35	32
Deferred tax assets	311	257	315
Other financial assets	123	133	124
Other assets	38	46	40
<b>Total non-current assets</b>	<b>2,291</b>	<b>2,182</b>	<b>2,388</b>
<b>Total assets</b>	<b>5,571</b>	<b>5,580</b>	<b>5,898</b>

INFINEON TECHNOLOGIES HALF-YEAR FINANCIAL REPORT MARCH 31, 2013  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2013 AND 2012 (UNAUDITED) AND SEPTEMBER 30, 2012**

€ in millions	March 31, 2013	March 31, 2012	September 30, 2012
<b>LIABILITIES AND EQUITY:</b>			
Current liabilities:			
Short-term debt and current maturities of long-term debt	38	58	55
Trade and other payables	458	564	622
Current provisions	621	687	710
Income tax payable	48	84	69
Other current financial liabilities	12	137	100
Other current liabilities	138	149	122
<b>Total current liabilities</b>	<b>1,315</b>	<b>1,679</b>	<b>1,678</b>
Long-term debt	273	205	240
Pension plans and similar commitments	292	169	293
Deferred tax liabilities	4	6	4
Long-term provisions	67	31	30
Other financial liabilities	7	7	8
Other liabilities	66	64	70
<b>Total non-current liabilities</b>	<b>709</b>	<b>482</b>	<b>645</b>
<b>Total liabilities</b>	<b>2,024</b>	<b>2,161</b>	<b>2,323</b>
Shareholders' equity:			
Ordinary share capital	2,161	2,173	2,160
Additional paid-in capital	5,547	5,706	5,674
Accumulated deficit	(4,146)	(4,307)	(4,199)
Other reserves	22	15	28
Own shares	(37)	(46)	-
Put options on own shares	-	(122)	(88)
<b>Equity attributable to shareholders of Infineon Technologies AG</b>	<b>3,547</b>	<b>3,419</b>	<b>3,575</b>
<b>Total liabilities and equity</b>	<b>5,571</b>	<b>5,580</b>	<b>5,898</b>

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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
<b>Net income</b>	<b>33</b>	<b>111</b>	<b>53</b>	<b>207</b>
Plus/Minus: net income (loss) from discontinued operations, net of income taxes	3	(2)	10	6
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	116	103	231	200
Income tax expense	8	18	13	38
Net interest result	4	2	8	8
Provision for doubtful accounts	(7)	-	(10)	-
Gains on sales of financial investments	-	(1)	-	-
Gains on disposals of property, plant and equipment	-	-	-	(1)
Income from investments accounted for using the equity method	-	-	-	(1)
Impairment charges	8	14	8	14
Share-based compensation	1	1	2	1
Change in trade and other receivables	(85)	(1)	11	36
Change in inventories	13	17	(6)	(17)
Change in other current assets	21	12	21	17
Change in trade and other payables	16	(46)	(165)	(153)
Change in provisions	20	(37)	(58)	(104)
Change in other current liabilities	(26)	(11)	15	11
Change in other assets and liabilities	4	(19)	(2)	(39)
Interest received	4	10	9	17
Interest paid	-	-	(6)	(7)
Income tax received (paid)	4	10	(38)	7
<b>Net cash provided by operating activities from continuing operations</b>	<b>137</b>	<b>181</b>	<b>96</b>	<b>240</b>
<b>Net cash used in operating activities from discontinued operations</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>	<b>(27)</b>
<b>Net cash provided by operating activities</b>	<b>134</b>	<b>181</b>	<b>93</b>	<b>213</b>

INFINEON TECHNOLOGIES HALF-YEAR FINANCIAL REPORT MARCH 31, 2013  
**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2013 AND 2012**

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Purchases of financial investments	(385)	(450)	(870)	(1,019)
Proceeds from sales of financial investments	470	781	1,071	1,092
Purchases of intangible assets and other assets	(16)	(16)	(29)	(32)
Purchases of property, plant and equipment	(49)	(176)	(124)	(454)
Proceeds from sales of property, plant and equipment and other assets	1	1	2	2
<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>21</b>	<b>140</b>	<b>50</b>	<b>(411)</b>
<b>Net cash used in investing activities from discontinued operations</b>	<b>-</b>	<b>(2)</b>	<b>(1)</b>	<b>(10)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>21</b>	<b>138</b>	<b>49</b>	<b>(421)</b>
Net change in related party financial receivables and payables	-	-	(1)	-
Proceeds from the issuance of long-term debt	-	8	43	10
Repayments of long-term debt	(5)	(15)	(30)	(40)
Repurchase of convertible subordinated bonds	-	-	-	(50)
Purchase of own shares	-	-	(38)	(20)
Proceeds from the issuance of put options on own shares	-	3	-	6
Proceeds from the issuance of ordinary shares	1	-	1	-
Dividend payments	(129)	(130)	(129)	(130)
<b>Net cash used in financing activities from continuing operations</b>	<b>(133)</b>	<b>(134)</b>	<b>(154)</b>	<b>(224)</b>
<b>Net cash provided by financing activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash used in financing activities</b>	<b>(133)</b>	<b>(134)</b>	<b>(154)</b>	<b>(224)</b>
Net increase (decrease) in cash and cash equivalents	22	185	(12)	(432)
Effect of foreign exchange rate changes on cash and cash equivalents	1	(1)	(3)	1
Cash and cash equivalents at beginning of period	387	392	425	1,007
<b>Cash and cash equivalents at end of period</b>	<b>410</b>	<b>576</b>	<b>410</b>	<b>576</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED MARCH 31, 2013 AND 2012

€ in millions; except for number of shares	Ordinary shares issued			Other	
	Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
<b>Balance as of October 1, 2011</b>	<b>1,086,745,835</b>	<b>2,173</b>	<b>5,854</b>	<b>(4,514)</b>	<b>16</b>
Net income	-	-	-	207	-
Other comprehensive income, net of tax	-	-	-	-	5
Total comprehensive income, net of tax	-	-	-	207	5
Dividends	-	-	(130)	-	-
Share based compensation	-	-	1	-	-
Purchase of own shares	-	-	-	-	-
Put options on own shares	-	-	7	-	-
Other changes in equity	-	-	(26)	-	-
<b>Balance as of March 31, 2012</b>	<b>1,086,745,835</b>	<b>2,173</b>	<b>5,706</b>	<b>(4,307)</b>	<b>21</b>
<b>Balance as of October 1, 2012</b>	<b>1,080,306,332</b>	<b>2,160</b>	<b>5,674</b>	<b>(4,199)</b>	<b>26</b>
Net income	-	-	-	53	-
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income, net of tax	-	-	-	53	-
Dividends	-	-	(129)	-	-
Issuance of ordinary shares:					
Exercise of stock options	407,802	1	-	-	-
Share based compensation	-	-	2	-	-
Purchase of own shares	-	-	-	-	-
Put options on own shares	-	-	-	-	-
<b>Balance as of March 31, 2013</b>	<b>1,080,714,134</b>	<b>2,161</b>	<b>5,547</b>	<b>(4,146)</b>	<b>26</b>

INFINEON TECHNOLOGIES HALF-YEAR FINANCIAL REPORT MARCH 31, 2013  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED MARCH 31, 2013 AND 2012**

reserves						
Unrealized gains (losses) on securities	Unrealized gains (losses) on hedging instruments	Own shares	Put options on own shares	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
<b>3</b>	<b>(9)</b>	<b>(26)</b>	<b>(142)</b>	<b>3,355</b>	-	<b>3,355</b>
-	-	-	-	207	-	207
(1)	1	-	-	5	-	5
(1)	1	-	-	212	-	212
-	-	-	-	(130)	-	(130)
-	-	-	-	1	-	1
-	-	(20)	-	(20)	-	(20)
-	-	-	20	27	-	27
-	-	-	-	(26)	-	(26)
<b>2</b>	<b>(8)</b>	<b>(46)</b>	<b>(122)</b>	<b>3,419</b>	-	<b>3,419</b>
<b>3</b>	<b>(1)</b>	-	<b>(88)</b>	<b>3,575</b>	-	<b>3,575</b>
-	-	-	-	53	-	53
-	(6)	-	-	(6)	-	(6)
-	(6)	-	-	47	-	47
-	-	-	-	(129)	-	(129)
-	-	-	-	1	-	1
-	-	-	-	2	-	2
-	-	(37)	-	(37)	-	(37)
-	-	-	88	88	-	88
<b>3</b>	<b>(7)</b>	<b>(37)</b>	-	<b>3,547</b>	-	<b>3,547</b>

# CONDENSED NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

## 1 / BASIS OF PRESENTATION

The condensed Interim Consolidated Financial Statements of Infineon for the three and six months ended March 31, 2013 and 2012, have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of September 30, 2012 presented herein was derived from audited financial statements, it does not include all disclosures required by IFRS. The condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with IFRS, as adopted by the EU, for the 2012 fiscal year. The accounting policies applied preparing the accompanying Interim Consolidated Financial Statements are consistent with those used for the 2012 fiscal year.

In the opinion of management, the Interim 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 of operations for any interim period are not necessarily indicative of results for the full fiscal year.

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

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

Deviations in amounts presented may occur due to rounding.

## 2 / ACCOUNTING POLICIES

### FINANCIAL REPORTING RULES APPLIED FOR THE FIRST TIME

The following standard has been applied for the first time in the first six months of the 2013 fiscal year:

Amendment to IAS 1 “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”. The amendment requires that a distinction is made in the Statement of Comprehensive Income between items that will be recognized in future periods in the Statement of Operations and those which will not. The amendment does not have a significant impact on Infineon’s Consolidated Financial Statements.



### 3 / DIVESTITURES AND DISCONTINUED OPERATIONS

#### QIMONDA — DISCONTINUED OPERATIONS

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

Certain provisions relating to Qimonda’s insolvency were required to be adjusted in the first three and six months of the 2013 and 2012 fiscal years as a result of new developments.

A detailed description of the Qimonda-related risks is provided in note 16 (“Commitments and Contingencies - Qimonda matters”).

#### SALE OF THE WIRELESS MOBILE PHONE BUSINESS — DISCONTINUED OPERATIONS

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

Subsequent income totaled €2 million in the three-month period ended March 31, 2012. Subsequent expenses totaled €1 million and €4 million in the six-month periods ended March 31, 2013 and 2012, respectively.

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

#### ASSETS CLASSIFIED AS HELD FOR SALE

Assets reported as held for sale at March 31, 2013 and at September 30, 2012 amounting to €4 million and €5 million, respectively, relate to property, plant and equipment acquired from Qimonda Dresden GmbH & Co. OHG (“Qimonda Dresden”) which Infineon intends to sell.

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

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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Qimonda's share of discontinued operations, net of income taxes	(3)	-	(9)	(2)
Wireless mobile phone business' share of discontinued operations, net of income taxes	-	2	(1)	(4)
<b>Income (loss) from discontinued operations, net of income taxes</b>	<b>(3)</b>	<b>2</b>	<b>(10)</b>	<b>(6)</b>

## 4 / FINANCIAL INCOME

Financial income for the three months ended March 31, 2013 and 2012 relates to interest income of €8 million and €11 million respectively and for the six months ended March 31, 2013 and 2012 to interest income of €17 million and €23 million, respectively.

## 5 / FINANCIAL EXPENSE

Financial expense for the three and six months ended March 31, 2013 and 2012 were as follows:

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Interest expense	11	13	24	31
Other financial expense	1	-	1	-
<b>Total</b>	<b>12</b>	<b>13</b>	<b>25</b>	<b>31</b>

## 6 / INCOME TAX

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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Income from continuing operations before income taxes	44	127	76	251
Income tax expense	(8)	(18)	(13)	(38)
Effective tax rate	18%	14%	17%	15%

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

## 7 / EARNINGS PER SHARE

Basic earnings per share (“EPS”) is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the reporting period. The number of shares outstanding is increased when stock options are exercised and decreased by share repurchases and the acquisition of shares following the exercise of put-options on own shares.

Basic earnings per share are calculated as follows:

€ in millions (unless otherwise stated)	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	36	109	63	213
Earnings (loss) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(3)	2	(10)	(6)
<b>Earnings attributable to shareholders of Infineon Technologies AG</b>	<b>33</b>	<b>111</b>	<b>53</b>	<b>207</b>
Weighted-average number of shares outstanding (in millions):				
- Ordinary share capital	1,080.5	1,086.7	1,080.4	1,086.7
- Adjustment for own shares	(6.0)	(7.0)	(4.8)	(6.1)
Weighted-average number of shares outstanding – basic	1,074.5	1,079.7	1,075.6	1,080.6
Basic earnings per share <sup>1</sup> (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.03	0.10	0.06	0.20
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	-	(0.01)	(0.01)
<b>Earnings per share attributable to shareholders of Infineon Technologies AG – basic</b>	<b>0.03</b>	<b>0.10</b>	<b>0.05</b>	<b>0.19</b>

<sup>1</sup> The calculation for earnings per share is based on unrounded figures.

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

Diluted earnings per share are calculated as follows:

€ in millions (unless otherwise stated)	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	36	109	63	213
Adjustment for interest expense on convertible bond	-	3	-	7
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted	36	112	63	220
Earnings (loss) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(3)	2	(10)	(6)
<b>Earnings attributable to shareholders of Infineon Technologies AG – diluted</b>	<b>33</b>	<b>114</b>	<b>53</b>	<b>214</b>
Weighted-average number of shares outstanding – basic (in millions):	1,074.5	1,079.7	1,075.6	1,080.6
Adjustments for:				
- Effect of potential conversion of convertible bond	-	51.6	-	54.3
- Effect of stock options	0.9	1.4	0.9	1.3
Weighted-average number of shares outstanding – diluted	1,075.4	1,132.7	1,076.5	1,136.2
Diluted earnings per share <sup>1</sup> (in €):				
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.03	0.10	0.06	0.20
Loss from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	-	-	(0.01)	(0.01)
<b>Earnings per share attributable to shareholders of Infineon Technologies AG – diluted</b>	<b>0.03</b>	<b>0.10</b>	<b>0.05</b>	<b>0.19</b>

<sup>1</sup> The calculation for earnings per share is based on unrounded figures.

The weighted-average number of potentially dilutive instruments which did not have a dilutive impact was not taken into account in the calculation of diluted earnings per share. For the three months ended March 31, 2013 and 2012 this included 13.4 million and 12.4 million, respectively, and in the six months ended March 31, 2013 and 2012 13.3 million and 12.1 million, respectively, of stock options issued to members of the management board and employees, since the exercise price was higher than the average share price during the relevant periods. During the three months ended March 31, 2013 the remaining put options written on own shares from May 2011 onwards expired. During the three and six months ended March 31, 2012 17.4 million and 13.5 million, respectively, of the put options were not taken into account since their exercise price was lower than the average share price during the reporting period. Additionally, during the three and six months ended March 31, 2013 50.3 and 50.2 million, respectively, ordinary shares issuable upon conversion of the outstanding convertible subordinated bond were not taken into account, as their impact would have been antidilutive on earnings per share.

## 8 / TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

€ in millions	March 31, 2013	September 30, 2012
Third party – trade	480	485
Related parties – trade	4	5
<b>Trade accounts receivable, gross</b>	<b>484</b>	<b>490</b>
Allowance for doubtful accounts	(10)	(16)
<b>Trade accounts receivable, net</b>	<b>474</b>	<b>474</b>
Grants receivable	49	53
Third party – financial and other receivables	9	11
Related parties – financial and other receivables	1	-
Employee receivables	1	1
<b>Total</b>	<b>534</b>	<b>539</b>

## 9 / INVENTORIES

Inventories consist of the following:

€ in millions	March 31, 2013	September 30, 2012
Raw materials and supplies	80	77
Work-in-process	338	309
Finished and purchased goods	155	181
<b>Total</b>	<b>573</b>	<b>567</b>

Inventories at March 31, 2013 and September 30, 2012 are stated net of write-downs of €100 million and €85 million, respectively.

## 10 / TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

€ in millions	March 31, 2013	September 30, 2012
Third party – trade	447	603
Related parties – trade	7	12
<b>Trade payables</b>	<b>454</b>	<b>615</b>
Related parties – other payables	1	2
Other	3	5
<b>Total</b>	<b>458</b>	<b>622</b>

## 11 / PROVISIONS

Provisions consist of the following:

€ in millions	March 31, 2013	September 30, 2012
Personnel costs	132	188
Warranties	108	109
Provisions related to Qimonda	341	326
Other	107	117
<b>Total</b>	<b>688</b>	<b>740</b>

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

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

Provisions relating to Qimonda are described in detail in note 16.

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

The total amounts of provisions are reflected in the Consolidated Statement of Financial Position as of March 31, 2013 and September 30, 2012 respectively, as follows:

€ in millions	March 31, 2013	September 30, 2012
Current	621	710
Non-current	67	30
<b>Total</b>	<b>688</b>	<b>740</b>

## 12 / DEBT

Debt consists of the following:

€ in millions	March 31, 2013	September 30, 2012
Current portion of long-term debt	38	55
<b>Total short-term debt and current portion of long-term debt</b>	<b>38</b>	<b>55</b>
Convertible subordinated bonds, 7.5%, due 2014	104	100
Loans payable to banks:		
Unsecured term loans, weighted average rate 1.44% (prior year: 1.99%), due 2014 – 2022	169	140
<b>Total long-term debt</b>	<b>273</b>	<b>240</b>
<b>Total</b>	<b>311</b>	<b>295</b>

In conjunction with its capital return program (see note 13), the Company did not repurchase any subordinated convertible bonds due 2014 during the six months ended March 31, 2013. The remaining bonds outstanding at March 31, 2013 with a nominal value of €113 million can be converted into up to 50.9 million shares after the adjustment of the conversion ratio based on the most recent dividend payment.

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

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

## 13 / EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,161,428,268 as of March 31, 2013 sub-divided into 1,080,714,134 no par value registered shares. As of September 30, 2012 it stood at €2,160,612,664 sub-divided into 1,080,306,332 no par value registered shares, each representing €2 of the Company's ordinary share capital. 407,802 new shares were issued in the first six months of the 2013 fiscal year as a result of the exercise of employee stock options.

It was resolved at the Annual General Meeting held on February 28, 2013, that a dividend of €0.12 for each share entitled to receive a dividend be paid out of the unappropriated profit reported by Infineon Technologies AG for the 2012 fiscal year. Taking into account the fact that own shares are not entitled to receive a dividend, this resulted in a distribution of €129 million.

On May 9, 2011 Infineon Technologies AG resolved to repurchase shares on the basis of the authorization given by shareholders at the Annual General Meeting on February 17, 2011. From the original sum of up to €300 million allocated to measures aimed at returning capital to shareholders, €212 million were spent by the end of the program at March 31, 2013. The capital return has in particular been effected through writing put options on Infineon shares, and additionally through repurchases of outstanding convertible bonds (see note 12). According to applicable law, the repurchased shares may only be used to cancel shares and thereby reduce share capital or for covering conversion rights of convertible bonds or for servicing employee options, because the share buyback will be carried out in accordance with sections 14 (2) and 20a (3) of the German Securities Trading Act in connection with the provisions of Commission Regulation (EC) No. 2273/2003 of December 22, 2003. The Company made use of this, and cancelled all shares repurchased in the 2012 and 2011 fiscal years, reducing the ordinary share capital accordingly.

From the beginning of the program and up to March 31, 2013, the Company has issued put options on its own shares with a maximum term of nine months for an exercise value of €302 million. As of March 31, 2013 no put options remain outstanding and the program is completed. Options for 6 million shares were exercised during the six months ended March 31, 2013, for which Infineon paid €38 million to the owners of the options, leaving a total of 6 million own shares on hand as of March 31, 2013.

The following table shows put options on own shares issued, expired and exercised in the 2013 and 2012 fiscal years:

in each case stated in millions	Exercise value in €	Underlying number of shares
<b>Outstanding put options as of October 1, 2011</b>	<b>144</b>	<b>26</b>
Put options issued during the 2012 fiscal year	120	22
Less: put options expired in the 2012 fiscal year	(155)	(29)
Less: put options exercised in the 2012 fiscal year	(20)	(3)
<b>Outstanding put options as of September 30, 2012</b>	<b>89</b>	<b>16</b>
Put options issued during the 2013 fiscal year	-	-
Less: put options expired in the 2013 fiscal year	(51)	(10)
Less: put options exercised in the 2013 fiscal year	(38)	(6)
<b>Outstanding put options as of March 31, 2013</b>	<b>-</b>	<b>-</b>

The obligation to acquire own shares recognized at the respective balance sheet date, measured at the present value of the amount expected to settle the outstanding put options, results in a corresponding reduction in equity which is reported within the equity line item "Put options on own shares". The obligation is recognized within "Other current financial liabilities", measured on an accrual basis with interest recognized over the term of the instrument. The relevant liabilities are extinguished when the put options are settled by payment. At that stage, the amount previously recorded is reclassified, within equity, from "Put options on own shares" to "Own shares". If the options are not exercised, the relevant liability is derecognized and equity increased accordingly.

## 14 / SHARE-BASED COMPENSATION

On December 14, 2012, the Company granted 3,848,140 options to eligible employees and 547,619 options to the Management Board under the "Infineon Technologies AG Aktienoptionsplan 2010" ("Stock Option Plan 2010"). The contractual term of the options is 7 years. The expenses of this tranche granted on December 14, 2012, have been deferred and are being recognized proportionately over the expected vesting period of approximately 5 years.

In compliance with the requirements of Section 87, Paragraph 1 sentence 3 of the German Stock Corporation Act (AktG), service contracts with Management Board members include multi-year assessment criteria and allow a cap to be set in the event of exceptional developments. The exercise of all stock options of each individual tranche may not give rise to a gain greater than 250 percent of the part of the target annual income relevant for the tranche; any remaining options above this cap are forfeited.

Otherwise, there have been no significant changes to the disclosures provided in the Annual Report for the year ended September 30, 2012. A total of 1.6 million and 4.6 million options respectively expired during the three and six months ended March 31, 2013. Expenses for share-based compensation were not significant for the three and six months ended March 31, 2013 and 2012.

## 15 / RELATED PARTIES

Infineon also transacts in the normal course of business with equity method investees and other related companies (collectively, "related parties"). Related parties also include members of key management personnel, in particular Management and Supervisory Board members.

Infineon purchases certain raw materials and services from, and sells certain products and services to related parties. These purchases from and sales to related parties are generally effected at manufacturing cost plus a mark-up.

Related party receivables consist primarily of trade, financial, and other receivables from equity method investees and related companies, and totaled €5 million as of March 31, 2013 and September 30, 2012, respectively.

Related party payables consist primarily of trade, financial, and other payables to equity method investees and related companies, and totaled €8 million and €14 million as of March 31, 2013 and September 30, 2012, respectively.

Sales and service charges to related parties totaled €6 million and €3 million in the three-month periods ended March 31, 2013 and 2012, respectively, while purchases from related parties totaled €29 million and €34 million in the three-month periods ended March 31, 2013 and 2012, respectively. Sales and service charges to related parties totaled €10 million and €11 million in the six-month periods ended March 31, 2013 and 2012, respectively, while purchases from related parties totaled €53 million and €62 million in the six-month periods ended March 31, 2013 and 2012, 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 in connection with its investigation into alleged antitrust violations in the Dynamic Random Access Memory (DRAM) industry. A number of 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 manufacturers 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 1998 through at the latest to



June 2002. The lawsuits seek actual and treble damages in unspecified amounts, attorneys' fees and other costs, and injunctive and other equitable relief.

The Company has executed a settlement agreement resolving these various lawsuits, subject to certain conditions. As part of the settlement, the Company agreed to pay approximately US\$29 million, which the Company has deposited into an escrow fund. After final court approval, the Company will be released from claims by the state attorneys general, and by any indirect purchaser class members who do not elect to opt out of the class since with this election they also opt out of this settlement. Prior to the time of final court approval of the settlement, there is a risk that class members may decide to opt out of the class.

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 these civil class action antitrust litigations encompass provisions for legal expenses and only 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.

In October 2008 the European Commission (EU Commission) initiated an investigation into the Company and other manufacturers of Smartcard chips for alleged violations of antitrust laws. In 2009, 2012 and in the first quarter of the 2013 calendar year, the Company received and responded to written requests for information from the EU Commission. On April 22, 2013 the Company received the Statement of Objections in which it was, for the first time, informed of the basis of the European Commission's antitrust allegations. It is not possible to reliably estimate the future course of the proceedings. The Company will defend itself against all allegations of anticompetitive conduct.

In June 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 as parties to the proceedings, and clarifies that it focuses on the period from July 1998 to June 2002. The SDE's Notice of Investigation is based on the antitrust proceedings carried out in the United States and in Europe.

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

## **PATENT LITIGATION**

In November 2008, Volterra Semiconductor Corporation ("Volterra") filed suit against Primarion, Inc., an affiliate of the Company, 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 that were offered by Primarion and claimed relief for damages, enhanced damages for willful infringement and injunctive relief. Volterra later withdrew one patent; four patents remain in the case. In May 2011, the court decided that two of the patents were infringed. This decision was anticipated by the Company. It has accordingly made preparations to appeal this outcome and recorded provisions for legal expenses and those liabilities and risks that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at the present time. The case is now in the damages phase. However, fact discovery showed that the damages theory originally set forth by Volterra of profits lost through price erosion by the U.S. entity and owner of the patents-in-suit turned out to be legally flawed, as the entity that made most sales used as a basis for this claim is its Asian subsidiary, and the profits do not "inexorably" flow back to the U.S. entity. Volterra has since provided a different damages theory, which alleges loss of value of its subsidiary. The jury trial to determine damages is set to begin on November 4, 2013. The suit will not commence with respect to the two remaining patents before damages have been adjudicated with respect to the former two patents. 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 was initially stayed. In December 2011, the stay was lifted and the case transferred to California, where it is in the discovery stage. 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 April 2011 the Company sued Atmel Corporation for infringement of eleven of its patents in the United States District Court for the District of Delaware. In July 2011 Atmel responded, denying liability and countersuing the Company, alleging infringement of, initially, six of its patents, as well as breach of a confidentiality agreement allegedly entered into by the parties during previous negotiations involving some of the patents-in-suit. In March 2012 Atmel extended its countersuit by four further allegedly infringed patents. In August 2012 the parties agreed to drop four patents each from the lawsuit, leaving seven Infineon and six Atmel patents in litigation. On December 4, 2012 the court issued its Markman order, in which the court construed the claim language of the patent claims asserted by the parties. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these suits.

## QIMONDA MATTERS

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out and transferred to Qimonda in the form of a non-cash contribution with financial effect from May 1, 2006. A number of different service agreements were concluded with Qimonda in addition to the demerger and contribution agreement of April 25, 2006 as part of the establishment of Qimonda as a separate legal entity. Qimonda filed an application at the Munich Local Court to commence insolvency proceedings on January 23, 2009. On April 1, 2009, the insolvency proceedings formally opened. Qimonda was joined in declaring insolvency by a number of German and international subsidiaries of Qimonda, notably including Qimonda Dresden and Qimonda Flash GmbH ("Qimonda Flash").

The insolvency of Qimonda, Qimonda Dresden and Qimonda Flash has given rise to various disputes between the administrator of these companies and Infineon, some of which are already before the courts. Infineon and the administrator are in talks and are endeavoring to find a mutually acceptable overall solution.

### LEGAL DISPUTES

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

The administrator filed a request for declaratory judgment in an unspecified amount against Infineon Technologies AG and, by way of third party notice, Infineon Technologies Holding B.V., at Regional Court Munich I in November 2010. This requested that Infineon be deemed liable to make good the deficit balance of Qimonda as it stood when the insolvency proceedings in respect of the assets of Qimonda began, that is to say to refund to Qimonda the difference between the latter's actual business assets when the insolvency proceedings began and its share capital (in German: "Unterbilanzhaftung"). The administrator contends that the commencement of operating activities by Qimonda amounts to what is considered in case law to be the activation of a shell company (in German: "Wirtschaftliche Neugründung"), and that this activation of a shell company was not disclosed in the correct manner. The consequence of this failure to provide correct disclosure is that the party activating the company – Infineon – is liable for the deficit balance at the time the insolvency proceedings began. The first oral hearing took place on January 19, 2012. A second oral hearing was held on November 15, 2012. On March 6, 2012 the German Federal High Court issued a ruling on principle that any liability resulting from the activation of a shell company only depends on the situation at the date of the activation of a shell company and not – as asserted by the administrator – on the situation at the date on which insolvency proceedings are opened.

In addition to the request for declaratory judgment against Infineon in an unspecified amount, on February 14, 2012 the administrator also lodged a request for payment based on an alternative claim (in German: "Hilfsantrag"), as well as making other additional claims. In conjunction with this alternative claim, the administrator has requested the payment of at least €1.71 billion plus interest in connection with the alleged activation of a shell company. On June 15, 2012 the insolvency administrator increased his request for payment of February 14, 2012 on the grounds of activation of a shell company to at least approximately €3.35 billion plus interest. Furthermore, the insolvency administrator continues to base a substantial part of his alleged payment claims on so-called liability for impairment of capital (in German "Differenzhaftung").

The alleged claims in connection with the liability for impairment of capital were asserted against Infineon out of court in August 2011 for an unspecified amount. The administrator asserts that the non-cash contribution provided by Infineon in the context of the capital increase to Qimonda was overvalued and that the equivalent value (lowest issue price) of the subscribed stock was therefore not met.

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

value of several times the lowest issue price of the shares issued, while the court-appointed auditor of non-cash contributions and post-formation acquisitions confirmed to the court that the lowest issue price of the shares issued was covered by the value of the non-cash contributions.

### **Continuation of the rights of use of Infineon and its licensees in respect of the patents transferred to Qimonda**

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

The Company filed an action for declaratory judgment against the administrator regarding this matter with Regional Court Munich I in January 2011. This action was intended to produce a decision by the court confirming that the rights of use of Infineon and its licensees with respect to the aforementioned intellectual property of the Qimonda Group still exist. On February 9, 2012 the Regional Court Munich I upheld Infineon's action almost completely, only dismissing the action with respect to the patents transferred to third parties or expired prior to the opening of insolvency proceedings on the one hand and with respect to rights to receive information on the other. The administrator's counteraction was dismissed. Both parties have appealed against the rulings to the Regional Appeal Court of Munich. In an oral hearing on February 28, 2013 the Regional Appeal Court left its decision open, and scheduled a pronouncement of its decision for May 23, 2013.

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

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

### **Contestation of intercompany payments under insolvency law**

On March 22, 2013, the administrator filed suit against Infineon at Regional Court Munich I that was served on April 17, 2013. In this suit, the administrator asserts insolvency-law-related claims amounting to €105.9 million and USD 28 million plus interest at five per-cent points over the base rate of the German Federal Bank for the period since the opening of the insolvency proceedings. The appeal relates to Intercompany Payments from Qimonda to Infineon ("IC-Payments") since April 2008 as well as a payment made directly to the US Department of Justice ("DoJ-Payment") in October 2008. Some of these IC-Payments have already been contested in writing by the administrator on September 2, 2011.

The suit is mainly based on insolvency law and partly supplemented by an alleged breach of the prohibition of return of contributions under stock corporation law. The administrator asserts in particular that payments were postponed by Infineon, that Infineon was already aware Qimonda was insolvent at the time of the payment or that there was an imbalance between activity and payment. Furthermore, the administrator asserts that certain legal transactions between Qimonda and Infineon would breach provisions under stock corporation law banning the return of contributions on the grounds that the transactions concerned were of an unconventional nature and disadvantageous for Qimonda.

## **EXTRAJUDICIAL CLAIMS**

### **Inotera**

Qimonda sold a stake in the joint venture Inotera Memories, Inc. ("Inotera") to Micron Technology, Inc. ("Micron") for US\$400 million in October 2008. The administrator subsequently challenged Micron over the sale under insolvency law and filed suit against Micron with Regional Court Munich I. The administrator suggested in short letters sent in April and August 2010 that he may also pursue corporate liability claims against Infineon in connection with the sale of the Inotera stake. The administrator has yet to substantiate the claims against Infineon purported in these letters.

### **Other claims made by the administrator**

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

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

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

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

### **Assessment of these claims by Infineon**

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

### **Claims asserted orally by the administrator**

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

### **Insolvency of Qimonda Dresden GmbH & Co. OHG**

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

### **Other claims**

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

## PROVISIONS

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

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. Certain of these matters led Infineon to record provisions of €341 million and €326 million as of March 31, 2013 and September 30, 2012, respectively. Presenting details of the actual amounts included in provisions for specific liabilities and risks associated with the insolvency of Qimonda could seriously prejudice Infineon's legal or negotiating position, so no such disclosures are made.

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

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

## OTHER

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

## PROVISIONS 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 Infineon's financial condition, liquidity position and results of operations.

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



## OTHER CONTINGENCIES

In total, Infineon has guarantees outstanding to external parties as of March 31, 2013 amounting to €126 million.

In conjunction with its investing activities, Infineon receives government grants and subsidies related to the construction and financing of certain of its production facilities. Grants are also received for selected research and development projects. These amounts are recognized upon the achievement of specified criteria. Certain of these grants have been received contingent upon Infineon complying with certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to maintaining these requirements. Nevertheless, should such requirements not be met, as of March 31, 2013, a maximum of €28 million of these subsidies could be refundable. From today's perspective, Infineon expects to be able to comply with the conditions attached to the grants. This amount does not include any potential liabilities for Qimonda-related subsidies.

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

## 17 / SEGMENT INFORMATION

### IDENTIFICATION OF SEGMENTS

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

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

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

### SEGMENT DATA

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
<b>Revenue:</b>				
Automotive	424	425	801	816
Industrial Power Control	144	174	282	370
Power Management & Multimarket	227	227	449	449
Chip Card & Security	108	112	216	209
Other Operating Segments	5	39	14	82
Corporate and Eliminations	10	9	7	6
<b>Total</b>	<b>918</b>	<b>986</b>	<b>1,769</b>	<b>1,932</b>

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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
<b>Segment Result:</b>				
Automotive	37	63	57	118
Industrial Power Control	(3)	27	(8)	66
Power Management & Multimarket	27	32	49	72
Chip Card & Security	7	14	17	20
Other Operating Segments	(3)	7	(5)	11
Corporate and Eliminations	3	1	2	(2)
<b>Total</b>	<b>68</b>	<b>144</b>	<b>112</b>	<b>285</b>

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

€ in millions	Three months ended March 31,		Six months ended March 31,	
	2013	2012	2013	2012
Segment Result	68	144	112	285
Plus / Minus:				
Impairments on assets including assets held for sale, net of reversals	(8)	(14)	(8)	(14)
Impact on earnings of restructuring measures and closures, net	(1)	-	(3)	-
Share-based compensation expense	(1)	-	(2)	(1)
Acquisition-related depreciation/amortization and losses	(1)	(1)	(1)	(2)
Other expenses	(9)	-	(14)	(10)
<b>Operating income</b>	<b>48</b>	<b>129</b>	<b>84</b>	<b>258</b>
Financial income	8	11	17	23
Financial expense	(12)	(13)	(25)	(31)
Income from investments accounted for using the equity method	-	-	-	1
<b>Income from continuing operations before income taxes</b>	<b>44</b>	<b>127</b>	<b>76</b>	<b>251</b>

Neubiberg, May 7, 2013

## RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

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

Neubiberg, May 7, 2013

Dr. Reinhard Ploss

Dominik Asam

Arunjai Mittal



## REVIEW REPORT

To the Supervisory Board of Infineon Technologies AG, Neubiberg:

We have reviewed the condensed interim consolidated financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of operations, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and condensed notes to the interim consolidated financial statements - together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from October 1, 2012 to March 31, 2013 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 respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, May 7, 2013

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun

Wirtschaftsprüfer

Wolper

Wirtschaftsprüfer

## SUPPLEMENTARY INFORMATION (UNAUDITED)

### OUTLOOK

This Quarterly Report contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

These statements are based on assumptions and projections resting upon currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected.

Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

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

### FINANCIAL CALENDAR

<b>Fiscal Period</b>	<b>Period end date</b>	<b>Results press release (preliminary)</b>
Third Quarter Fiscal Year 2013	June 30, 2013	July 30, 2013
Fourth Quarter and Fiscal Year 2013	September 30, 2013	November 12, 2013
First Quarter Fiscal Year 2014	December 31, 2013	January 30, 2014
Second Quarter Fiscal Year 2014	March 31, 2014	April 29, 2014

**Publication of half-year financial report March 31, 2013: May 7, 2013**

### CONTACT INFORMATION

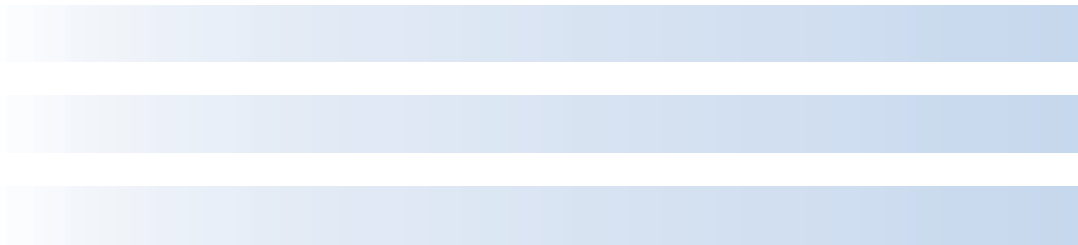
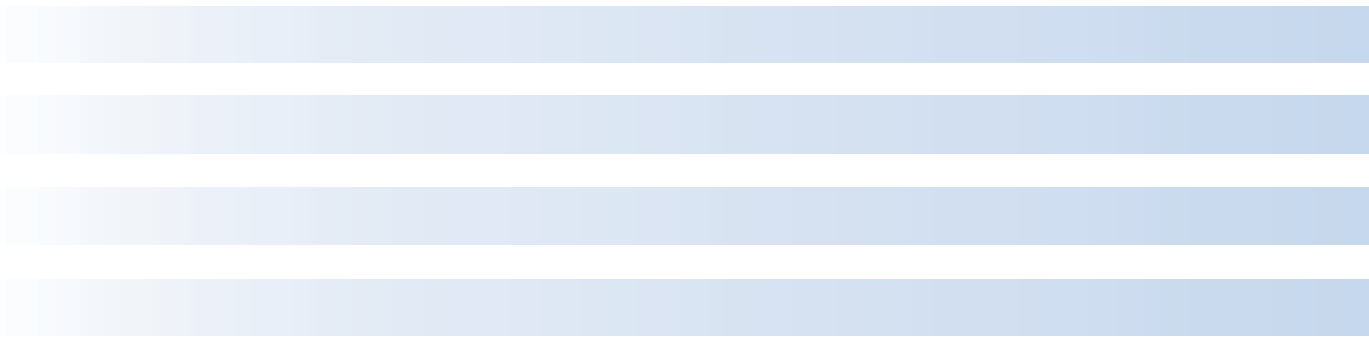
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Half-Year Financial Report of 2nd Quarter 2013

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