QUARTERLY REPORT OF INFINEON TECHNOLOGIES AG DECEMBER 31, 2011

Infineon Technologies AG

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SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions; except earnings per share, Total Segment Result Margin and Gross margin	Three months ended, December 31, 2011	2010
Selected Results of Operations Data		
Revenue	946	922
Gross margin	38.2%	41.6%
Total Segment Result	141	177
Total Segment Result Margin	14.9%	19.2%
Research and development expenses	(106)	(108)
Capital expenditure	(294)	(131)
Depreciation and amortization	97	83
Income from continuing operations	104	149
Income from discontinued operations, net of income taxes	(8)	83
Net income	96	232
Basic earnings per share (in Euro) from continuing operations	0.10	0.14
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in Euro)	0.09	0.21
Diluted earnings per share (in Euro) from continuing operations	0.10	0.13
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in Euro)	0.09	0.20
Selected Liquidity Data		
Net cash provided by operating activities from continuing operations	59	134
Net cash provided by operating activities	32	210
Net cash used in investing activities from continuing operations[1]	(551)	(130)
Net cash used in investing activities[1]	(559)	(185)
Net cash used in financing activities from continuing operations	(90)	(80)
Net cash used in financing activities	(90)	(84)
Change in cash and cash equivalents	(615)	(57)

€ in millions; except numbers of employees	As of December 31, 2011	September 30, 2011
Selected Consolidated Balance Sheet Data		
Total assets	5,693	5,873
Total equity	3,436	3,355
Gross cash position[2]	2,337	2,692
Short-term and long-term debt	269	305
Net cash position[2]	2,068	2,387
Employees	26,026	25,720

[1] Thereof €258 million net purchases of financial investments in the three months ended December 31, 2011.
[2] 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)

FIRST-QUARTER PERFORMANCE AFFECTED BY GENERAL ECONOMIC SLOWDOWN:

REVENUE LOWER THAN IN PREVIOUS QUARTER, BUT HIGHER THAN IN SAME QUARTER LAST YEAR

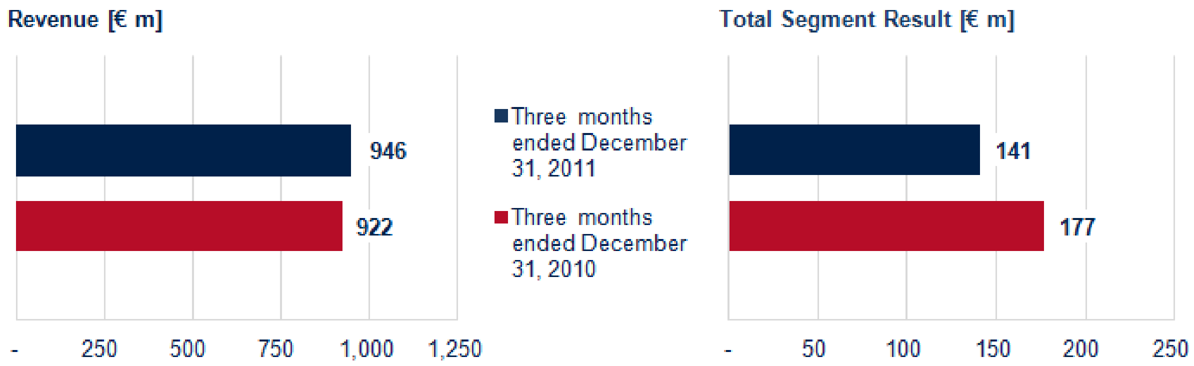
TOTAL SEGMENT RESULT MARGIN DOWN ON PREVIOUS QUARTER AND ON SAME QUARTER LAST YEAR

INCOME FROM CONTINUING OPERATIONS BELOW PREVIOUS QUARTER AND SAME QUARTER LAST YEAR

CAPITAL EXPENDITURE TO SUPPORT ORGANIC GROWTH REMAINS AT HIGH LEVEL; CAPITAL RETURN PROGRAM CONTINUED

FIRST QUARTER 2012 FISCAL YEAR (OCTOBER 1, 2011 TO DECEMBER 31, 2011):

- Revenue down by 9 percent to €946 million on previous quarter, but up 3 percent on first quarter of previous fiscal year
- Total Segment Result of €141 million recorded, a decrease of 28 percent against the previous quarter and 20 percent down on first quarter last year
- Total Segment Result Margin (defined as Total Segment Result divided by revenue) of 14.9 percent achieved (previous quarter: 18.8 percent; prior year quarter: 19.2 percent)
- Net income of €96 million, compared to €125 million in same quarter of the previous year



- Net cash position decreased by €319 million to €2,068 million at December 31, 2011 (September 30, 2011: €2,387 million); gross cash position of €2,337 million at December 31, 2011
- Equity ratio increased to 60 percent as of December 31, 2011 compared to 57 percent at September 30, 2011
- Management Board and Supervisory Board to propose increased dividend (+20 percent) of €0.12 per dividend-entitled share to upcoming annual general meeting

INFINEON SHARE PERFORMANCE DURING THE FIRST THREE MONTHS OF THE 2012 FISCAL YEAR

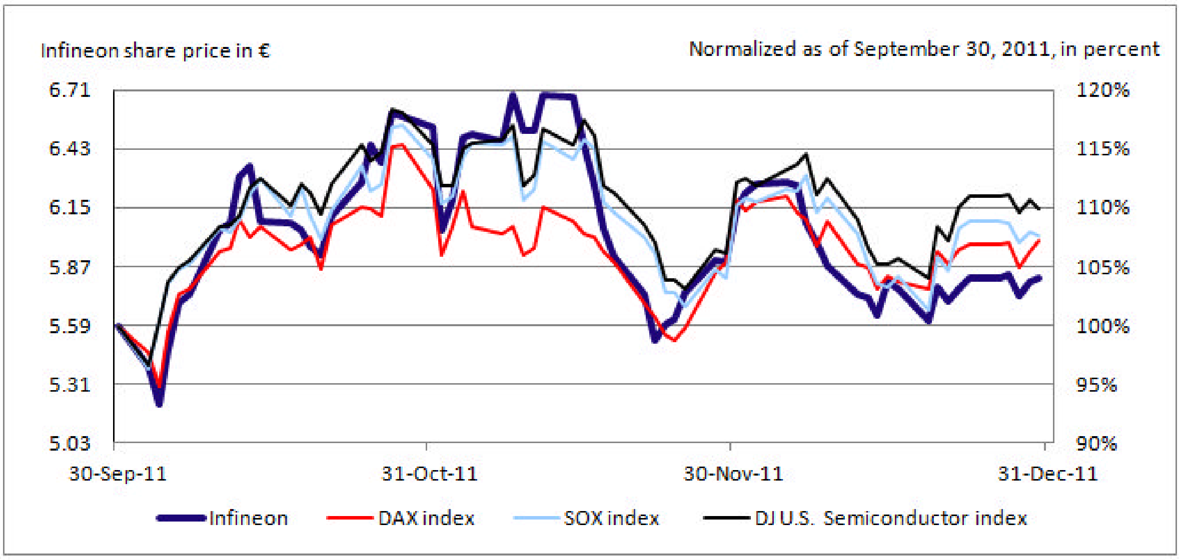
The Infineon share closed on December 30, 2011 at a price of €5.82 (Xetra year-end closing price), 4 percent higher than its closing price of €5.59 on September 30, 2011.

Alternating negative and positive reports on the sovereign debt crisis, combined with uncertainties about future economic developments, caused considerable market price fluctuations during the first quarter of the 2012 fiscal year, without any clear trend being evident. At €5.22, the lowest Infineon share price during the reporting period was recorded right at the beginning of the quarter on October 4, 2011. It subsequently rose to reach its high for the quarter of €6.69 on November 8, 2011.

Share indices were also generally volatile over the course of the quarter and repeatedly influenced by reports on the sovereign debt crisis. The Deutsche Aktien Index DAX ended 7 percent higher, the Philadelphia Stock Exchange Semiconductor Index (SOX) 8 percent higher and the Dow Jones US Semiconductor Index 10 percent higher than at the beginning of the quarter.

During the three-month period under report, Infineon continued the capital return program initiated in the third quarter of the 2011 fiscal year. In addition to the repurchase of subordinated convertible bonds due 2014, a further 3 million shares were repurchased for €20 million via put options. At December 31, 2011, Infineon held 7 million of its own shares, which the Company intends to cancel at a later stage in the current fiscal year, thus reducing the number of outstanding shares and the Company's ordinary share capital.

Development of the Infineon share, the DAX, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index during the three months ended December 31, 2011 (Daily Closing Prices)



	Three months ended December 31,		
	2011	2010	+/- in %
IFX closing prices in Euro (Xetra)			
Beginning of the period	5.59	5.13	9%
High	6.69	7.57	(12%)
Low	5.22	5.00	4%
End of the period	5.82	6.96	(16%)
Weighted-average number of shares traded per day	10,721,420	15,466,418	(31%)
IFX closing prices in U.S. dollars (OTCQX)			
Beginning of the period	7.39	7.05	5%
High	9.40	10.03	(6%)
Low	6.96	6.81	2%
End of the period	7.51	9.16	(18%)
Weighted-average number of ADSs traded per day	203,793	72,043	183%
Shares outstanding (31. December 2011)	1,086,745,835	1,086,742,085	
Therein own shares[1]	7,000,000	0	

[1] The Company plans to cancel own shares at a later date during the current fiscal year. This will result in both a decrease in the number of shares outstanding and in share capital.

GLOBAL ECONOMY AND SEMICONDUCTOR INDUSTRY

Global economic growth continued to decelerate during the final quarter of the 2011 calendar year. The sovereign debt crisis in particular cast its shadow increasingly over the eurozone, where the possibility of a recession can no longer be ruled out. The International Monetary Fund (IMF) is currently forecasting a global economic growth rate of 2.5 percent for the 2012 calendar year, compared to a rate of 2.8 percent for the 2011 calendar year (IMF, January 2012).

The global semiconductor market was also weaker in the fourth quarter of the 2011 calendar year, with market volumes significantly down on the previous quarter. For the 2012 calendar year as a whole, market researchers forecast an average growth rate of between 3 percent (IHS iSuppli, December 2011) and 7 percent (IC Insights, January 2012), as compared to 0.4 percent for the 2011 calendar year.

REVIEW OF RESULTS OF OPERATIONS

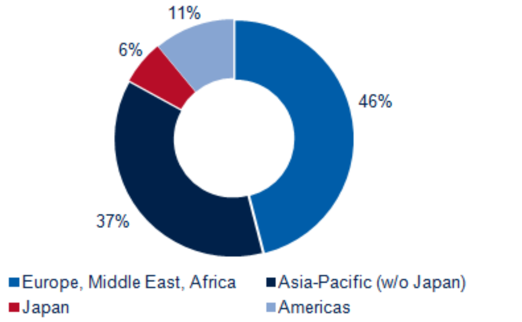
€ in millions; except earnings per share	Three months ended December 31, 2011	2010
Revenue	946	922
Gross profit	**361**	384
Research and development expenses	(106)	(108)
Selling, general and administrative expenses	(118)	(103)
Other operating income and expense, net	(8)	(4)
Operating income	**129**	169
Net financial result (financial income and expense, net)	(6)	(12)
Income from investments accounted for using the equity method	1	-
Income tax expense	(20)	(8)
Income from continuing operations	**104**	149
Income from discontinued operations, net of income taxes	(8)	83
Net income	**96**	232
Basic earnings per share (in euro)	0.09	0.21
Diluted earnings per share (in euro)	0.09	0.20

ECONOMIC SLOWDOWN IN TIMES OF CAPACITY EXPANSION AND ABSENCE OF WIRELESS MOBILE PHONE BUSINESS LED TO DECREASED NET INCOME

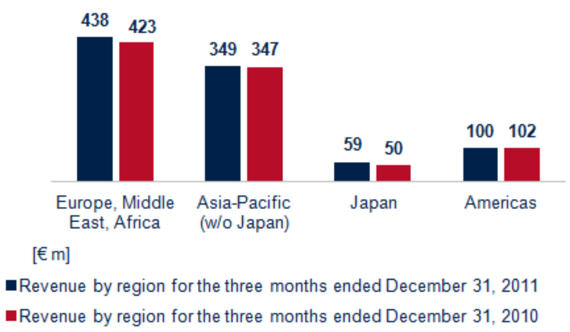
First-quarter net income fell from €232 million to €96 million, reflecting the impact on continuing operations caused by a general economic slowdown at a time when Infineon continued to expand production capacities. Moreover, first-quarter net income in the previous fiscal year included earnings of €85 million (reported within discontinued operations) from the Wireless mobile phone business sold to Intel Corporation (Intel) on January 31, 2011. Earnings per share decreased accordingly.

SLIGHT RISE IN REVENUE WITH VIRTUALLY UNCHANGED REGIONAL MIX

Revenue increased slightly in all regions with the exception of the Americas. Europe remains the largest market for Infineon, even though the Asian region continues to grow in importance. The regional breakdown of revenue was largely unchanged from the previous year.



Revenue by region for the three months ended December 31, 2011



€ in millions, except percentages	Three months ended December 31, 2011		2010	
Europe, Middle East, Africa	438	46%	423	46%
therein: Germany	244	26%	239	26%
Asia-Pacific (w/o Japan)	349	37%	347	38%
therein: China	153	16%	173	19%
Japan	59	6%	50	5%
Americas	100	11%	102	11%
Total	**946**	**100%**	**922**	**100%**

LOWER GROSS PROFIT OWING TO INCREASE IN COST OF GOODS SOLD

Gross profit (revenue less cost of goods sold) for the three-month period under report amounted to €361 million and was thus 6 percent down on the €384 million recorded one year earlier. Increased costs (depreciation and amortization expense and personnel costs) arose partially as a result of measures taken in previous quarters to expand production capacities that were then not fully utilized during the quarter under report. The cost of materials (e.g. precious metals) also increased. These two factors combined caused the gross margin to drop from 41.6 percent in the first quarter of the 2011 fiscal year to 38.2 percent in the first quarter of the current fiscal year.

€ in millions, except percentages	Three months ended December 31, 2011	2010
Cost of goods sold	585	538
Changes year-on-year	9%	
Percentage of revenue	61.8%	58.4%
Gross profit	361	384
Percentage of revenue (gross margin)	38.2%	41.6%

OPERATIONAL COSTS LARGELY UNCHANGED AS PERCENTAGE OF REVENUE

First-quarter operating expenses (research and development expenses and selling, general and administrative expenses) increased by €13 million to €224 million (prior year quarter: €211 million). In percentage terms, operational costs corresponded to 23.7 percent of first-quarter revenue, as compared with 22.9 percent one year earlier.

Research and development expenses were almost unchanged from the previous year, with expenditure of €106 million and €108 million recorded in the three months ended December 31, 2011 and 2010.

€ in millions, except percentages	Three months ended December 31, 2011	2010
Research and development expenses	106	108
Changes year-on-year	(2%)	
Percentage of revenue	11.2%	11.7%

At 12.5 percent of revenue, first-quarter selling, general and administrative expenses remained in line with the Infineon target business model (low teen percent range). Compared to the first quarter of the 2011 fiscal year they did, however, climb from €103 million to €118 million, mainly as a result of higher personnel expenses.

€ in millions, except percentages	Three months ended December 31, 2011	2010
Selling, general and administrative expenses	118	103
Changes year-on-year	15%	
Percentage of revenue	12.5%	11.2%

NET FINANCIAL RESULT IMPROVED DUE TO HIGHER INCOME FROM LIQUIDITY INVESTMENTS

The net financial result (financial income less financial expenses) for the three months ended December 31, 2011 was a negative €6 million, an improvement of €6 million compared to the negative €12 million recorded one year earlier. The improvement primarily reflected the impact of interest income arising on the higher gross cash position and lower losses recorded in conjunction with the repurchase of subordinated convertible bonds due 2014. Losses on such repurchases in the quarter under report amounted to €5 million (prior year quarter: €9 million) (see note 12 “Debt”).

INCOME TAX EXPENSE INCREASED

As in the corresponding period one year earlier, the income tax expense for the first quarter of the 2012 fiscal year was influenced by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets. Based on income from continuing operations before income taxes of €124 million and a tax expense of €20 million, the effective tax rate for the three months ended December 31, 2011 was 16 percent. In the corresponding quarter of the previous fiscal year, the effective tax rate for continuing operations of 5 percent on earnings of €157 million and tax expense of €8 million had been impacted by the reversal of tax provisions for prior years.

ADDITIONAL TAX EXPENSE ON SALE OF WIRELESS MOBILE PHONE BUSINESS LEADS TO LOSS FROM DISCONTINUED OPERATIONS

The income from discontinued operations, net of income taxes, amounted to a negative €8 million for the first quarter of the 2012 fiscal year, compared to a positive €83 million one year earlier. A change in the administrative guidelines of the German tax authorities which is generally relevant to a transaction in connection with the sale of the Wireless mobile phone business resulted in a tax expense of €8 million as an adjustment of tax provisions.

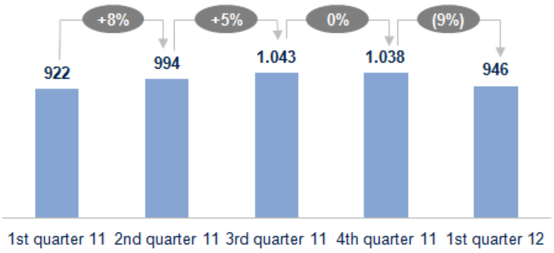
The deterioration was mainly attributable to the fact that the previous year's first-quarter income from discontinued operations included earnings of €85 million from the Wireless mobile phone business sold on January 31, 2011.

DECREASE IN EARNINGS PER SHARE

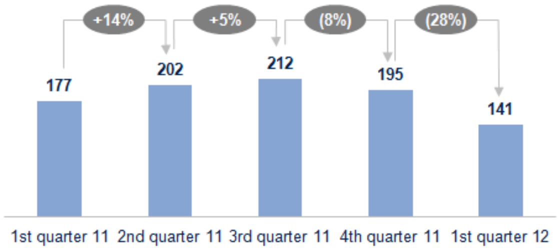
Net income for the three months ended December 31, 2011 fell markedly to €96 million (prior year quarter: €232 million).

This earnings deterioration resulted in a corresponding drop in earnings per share. Compared to basic and diluted earnings per share of €0.21 and €0.20, respectively, for the three months ended December 31, 2010, the corresponding figure for the three months ended December 31, 2011 was €0.09 (basic and diluted).

SEGMENT PERFORMANCE



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



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

First-quarter Total Segment Result Margin of 15 percent

At €946 million, revenue for the first three months of the 2012 fiscal year was slightly up on the previous year's corresponding figure (€922 million). By contrast, the first-quarter Total Segment Result fell by €36 million from €177 million in the previous fiscal year to €141 million in the current fiscal year, primarily as a result of higher fixed costs caused by expanded production capacities that were not fully utilized during the period under report. Concurrently, there was a rise in the cost of materials, in particular for precious metals.

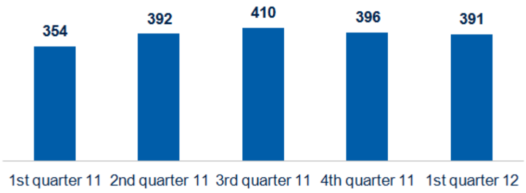
The first-quarter Total Segment Result Margin was 14.9 percent compared to 19.2 percent one year earlier.

AUTOMOTIVE

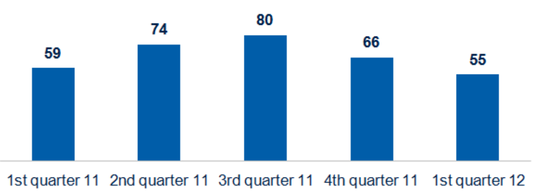
	Three months ended December 31,	
€ in millions, except percentages	**2011**	2010
Revenue	391	354
Share of Total Revenue	41%	38%
Segment Result	55	59
Share of Total Segment Result	39%	33%
Segment Result Margin	14.1%	16.7%

Thanks to continued strong global demand for medium- and upper-range car models with a high number of electronics components, the Automotive segment recorded revenue of €391 million for the first quarter of the 2012 fiscal year, an increase of €37 million or 10 percent compared to the €354 million recorded in the first quarter of the 2011 fiscal year.

The Automotive segment posted a Segment Result of €55 million for the first quarter of the 2012 fiscal year, €4 million down on the previous year. The Segment Result Margin decreased accordingly from 16.7 percent to 14.1 percent. Principal factors influencing this performance were the increased level of expenditure incurred by the segment for development and application support as well as measures undertaken to develop Infineon's production capacity across all segments.



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



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

Major events and developments in the Automotive segment during the first three months of the 2012 fiscal year:

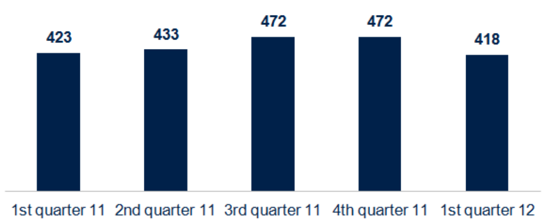
- A major design win was achieved for electric cars on the Chinese market with respect to the power module HybridPACK2 used in inverters embedded in electric motors for both hybrid and fully electric cars. Start of volume production is scheduled for 2013. The latest HybridPACK3 module generation has also been very well received by the market, enabling the segment to achieve a significant design win at an early development stage.
- Development of the H-PSOF (Heatsink Plastic Small Outline Flatlead) TOLL package underlines Infineon's technological leadership in the field of automotive and power electronics and its large-scale system expertise. The new package enables automotive electronics manufacturers to deliver even better solutions for high-voltage applications, including battery management for hybrid vehicles, electric power-steering systems (EPS), active alternators and other applications with high loads that improve the vehicle's efficiency factor and help reduce emissions. In its latest study, the US market research firm, Strategy Analytics, identifies EPS and Start/Stop systems as growth markets. Volumes in this sector are predicted to more than double from approximately 47 million units in 2011 to some 110 million units by 2016, an average growth rate of approximately 19 percent. The first products in the new package are 40-Volt power-MOSFETs within the OptiMOS™ T2 family with currents of up to 300 A and extremely low resistance in on-state $R_{DS(on)}$.

INDUSTRIAL & MULTIMARKET

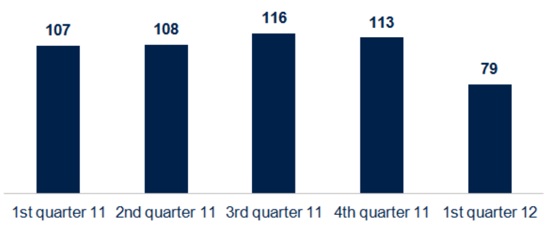
€ in millions, except percentages	Three months ended December 31, 2011	2010
Revenue	418	423
Share of Total Revenue	44%	46%
Segment Result	79	107
Share of Total Segment Result	56%	60%
Segment Result Margin	18.9%	25.3%

Revenue in the first quarter of the 2012 fiscal year amounted to €418 million, slightly lower than in the previous year (€423 million). Whereas the business with components for communication products and industrial drives was expanded, sharp drops in revenue were registered for products incorporated into computers and consumer goods and for the wind energy application-related business.

With a first-quarter Segment Result of €79 million, Industrial & Multimarket made the largest contribution to earnings, albeit €28 million lower than the €107 million posted in the previous year. The Segment Result Margin (as a percentage of revenue) fell by 6.4 percentage points from 25.3 percent to 18.9 percent. This reduced margin reflects the fact that production capacities had been expanded in previous quarters, but were not fully utilized during the first quarter. Research and development expenses as well as sales and marketing and administration expenses increased on a first-quarter comparison.



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



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

Major events and developments in the Industrial & Multimarket segment in the first three months of the 2012 fiscal year:

- At its Villach site, Infineon produced the first chips on a 300-millimeter thin wafer for power semiconductors, making it the first company in the world to succeed in achieving this milestone. The construction of a power semiconductor pilot line for 300-millimeter thin wafers had been commenced in Villach in October 2010.

Infineon has once again demonstrated its innovation power in the field of production technology by achieving first silicon on a 300-millimeter basis which paves the way for further profitable growth on power semiconductors.

- Industrial & Multimarket was able to win new projects in the areas of renewable energies and CAV (Construction and Agricultural Vehicles) on the back of its IGBT modules. According to market researchers at IMS Research, these modules represent the major growth drivers in the market for power semiconductor modules used in industrial engines, renewable energy, hybrid and electric vehicles and consumer electronics.

Preparations were made during the first quarter to split Industrial & Multimarket into two separate segments. The split was implemented with effect from January 1, 2012. The new structure reflects the orientation towards target markets and will provide the foundation for growth in those markets. The new segment Industrial Power Control (IPC) will concentrate on businesses in the field of drive electronics and renewables, while the segment Power Management & Multimarket (PMM) will concentrate on chips used in the field of energy-efficient power supplies and high-frequency applications.

The following table shows the split of Industrial & Multimarket's revenue and segment result for the three months ended December 31, 2011 and 2010 on the basis of the new segment structure:

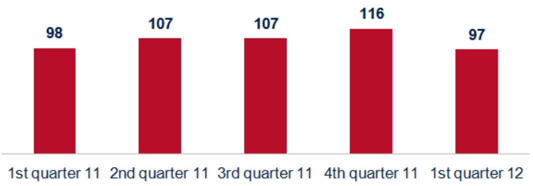
	Three months ended December 31,	
€ in millions	**2011**	2010
Revenue:		
Industrial Power Control	196	186
Power Management & Multimarket	222	237
Segment Result:		
Industrial Power Control	39	52
Power Management & Multimarket	40	55

CHIP CARD & SECURITY

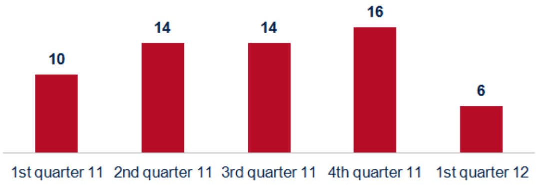
	Three months ended December 31,	
€ in millions, except percentages	**2011**	2010
Revenue	97	98
Share of Total Revenue	10%	11%
Segment Result	6	10
Share of Total Segment Result	4%	6%
Segment Result Margin	6.2%	10.2%

Revenue in the first quarter of the 2012 fiscal year totaled €97 million, virtually unchanged to the previous year's reported figure of €98 million. While there is some weakness in payment and Pay TV applications, we experienced strong growth in the business with integrated NFC (Near-Field Communications) products. Revenue generated in this line of business had only been minor in the first quarter last year. By contrast, it accounted for 8 percent of segment revenue in the first quarter of the current fiscal year and doubled compared to the fourth quarter of the previous fiscal year.

The first-quarter Segment Result amounted to €6 million, compared with €10 million the previous year. Changes in the revenue mix as a result of reduced levels of business with payment card and pay-TV components could not be fully offset by the increase in NFC revenue. Expenses for sales and marketing were slightly higher than in the same quarter last year. Overall, Chip Card & Security recorded a Segment Result Margin of 6.2 percent.



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



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

Major events and developments in the Chip Card & Security segment in the first three months of the 2012 fiscal year:

- By the end of 2011, Infineon had delivered more than 650 million security controllers based on 90-nanometer technology, which is already in the volume-production stage and hence has completed its successful market introduction phase.
- In November 2011 Infineon also announced the availability of first samples of the next technology generation, namely the 65-nanometer embedded flash (eFlash) microcontrollers used in security chip applications. They are a result of the development and production partnership entered into in 2009 between Infineon and Taiwan Semiconductor Manufacturing Company (TSMC) aimed at furthering 65-nanometer technology. The first products to be ramped to high volumes will be security microcontrollers for SIM card applications. In the highly competitive security IC market, production on a 65-nanometer basis means a considerable competitive advantage due to a gain in efficiency through significantly reduced chip sizes compared to former technologies. Production based on 300-millimeter wafers rather than 200-millimeter wafers also results in significantly higher levels of productivity.
- The market research firm IMS Research has confirmed Infineon’s leading position in the growth market for NFC security controllers. According to IMS Research’s most recent study (January 2012), Infineon has a 51.5 percent share of the market for NFC secure elements. The study shows that a total of 46 million secure elements for NFC-compatible cell phones were shipped in 2011. The lion’s share relates to embedded secure elements followed by SIM cards and other solutions such as micro-SD cards. Infineon is the only chip manufacturer that can deliver security functions for contactless NFC applications for mobile devices in all of the form factors described and hence the only one that supports all NFC business models.

OTHER OPERATING SEGMENTS

	Three months ended December 31,	
€ in millions, except percentages	**2011**	2010
Revenue	43	41
Share of Total Revenue	5%	4%
Segment Result	4	2
Share of Total Segment Result	2.8%	1.1%

Other Operating Segments mainly comprise activities remaining with Infineon after the sale of or exit from 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 phased out. Product supplies to Lantiq following the sale of the Wireline Communications business fall under this category. Similarly, goods and services sold to Intel Mobile Communications (IMC) during a defined transitional period following the sale of the Wireless mobile phone business are also allocated to Other Operating Segments. The same applies to the business with analog and digital TV tuners.

First-quarter revenue totaled €43 million (prior year quarter: €41 million). The Segment Result amounted to €4 million compared to €2 million one year earlier. The slight rise in revenue and improvement in segment result compared to the first quarter of the previous fiscal year was primarily attributable to business with IMC following the sale of the Wireless mobile phone business. Revenue with Lantiq decreased in line with forecast, compared to the corresponding quarter last year.

CORPORATE AND ELIMINATIONS

The segment result for the first quarter finished close to break even with a loss of €3 million (prior year quarter: loss of €1 million).

REVIEW OF FINANCIAL CONDITION

	As of		
€ in millions, except percentages	**December 31, 2011**	September 30, 2011	Change
Current assets	3,603	3,971	(9%)
Non-current assets	2,090	1,902	10%
Total assets	**5,693**	**5,873**	**(3%)**
Current liabilities	1,777	2,005	(11%)
Non-current liabilities	480	513	(6%)
Total liabilities	**2,257**	**2,518**	**(10%)**
Total equity	**3,436**	**3,355**	**2%**

DECREASE IN CURRENT ASSETS AS RESULT OF LOWER GROSS CASH POSITION

Current assets decreased by 9 percent to stand at €3,603 million as of December 31, 2011 (September 30, 2011: €3,971 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 continuing high level of investment in organic growth, the capital return program and the pay outs for liabilities. The decrease in trade receivables was offset to a large extent by an increase in inventories.

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT CAUSES NON-CURRENT ASSETS TO INCREASE

Non-current assets went up by €188 million (10 percent) from €1,902 million as of September 30, 2011 to €2,090 million as of December 31, 2011, principally due to capital expenditure on property, plant and equipment. As the amount invested was significantly higher than depreciation, the carrying amount of property, plant and equipment rose by a total of €166 million. Capital expenditure included further expansion of the production sites in Kulim (Malaysia), Villach (Austria) and Dresden (Germany).

LIABILITIES REDUCED BY SETTLEMENT OF TRADE PAYABLES AND BONUS PAYMENTS AND OUTFLOWS FOR CAPITAL RETURN PROGRAM

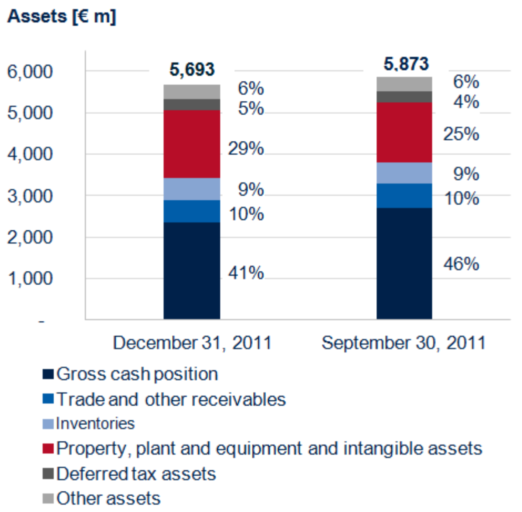
As of December 31, 2011 current liabilities stood at €1,777 million, €228 million (11 percent) lower than at September 30, 2011 (€2,005 million). On the one hand trade and other payables decreased by €127 million. On the other hand current provisions went down by €74 million, mainly reflecting the disbursement of bonus payments to employees. Additionally, the exercise of put options with a value of €20 million resulted in a reduction of other current financial liabilities.

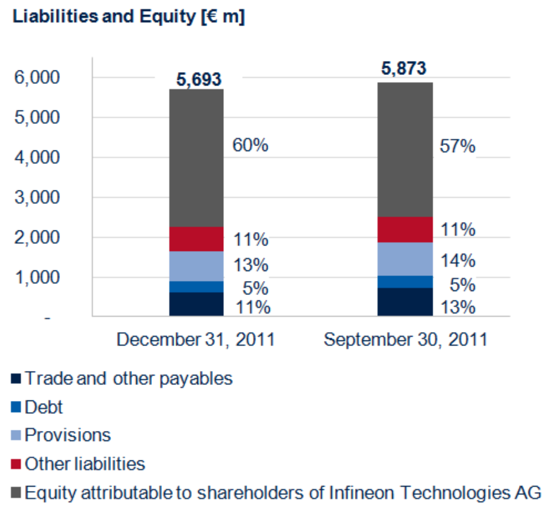
Compared to September 30, 2011 (€513 million), non-current liabilities decreased by €33 million or 6 percent to stand at €480 million as of December 31, 2011, with long-term debt reduced by €33 million during the period. The repurchase of subordinated convertible bonds due 2014 during the first quarter of the 2012 fiscal year reduced the carrying amount of non-current liabilities by €16 million.

EQUITY MARGINALLY HIGHER DUE TO NET INCOME FOR PERIOD

Equity rose by €81 million (2 percent) to stand at €3,436 million as of December 31, 2011 (September 30, 2011: €3,355 million), with the increase resulting primarily from the first-quarter net income of €96 million. The equity ratio improved to 60 percent as of December 31, 2011 (September 30, 2011: 57 percent).

Equity was reduced by €26 million in conjunction with the repurchase of subordinated convertible bonds due 2014, through which the Company re-acquired conversion rights for 8.2 million shares. The expiry and issuance of new put options offset one another. Option premiums received increased equity by €3 million.





REVIEW OF LIQUIDITY

CASH FLOWS

€ in millions	Three months ended December 31, 2011	2010
Net cash provided by operating activities from continuing operations	59	134
Net cash used in investing activities from continuing operations	(551)	(130)
Net cash used in financing activities from continuing operations	(90)	(80)
Net change in cash and cash equivalents from discontinued operations	(35)	17
Net decrease in cash and cash equivalents	**(617)**	**(59)**
Effect of foreign exchange rate changes on cash and cash equivalents	2	2
Change in cash and cash equivalents	**(615)**	**(57)**

Sharp decrease in net cash provided by operating activities from continuing operations due to reductions in trade payables and provisions

Net cash provided by operating activities from continuing operations in the first quarter of the 2012 fiscal year totaled €59 million, some €75 million lower than in the same quarter last year (€134 million). Taking income from continuing operations before depreciation and amortization, interest and income taxes as the starting point (€227 million), the principal items reducing net cash provided by operating activities from continuing operations were a reduction of trade payables, other liabilities and provisions, totaling €174 million during the period under report.

In the first quarter of the previous fiscal year, income from continuing operations before depreciation, interest and taxes had amounted to €252 million, with net cash provided by operating activities from continuing operations being reduced by increases in trade receivables and other receivables, other current assets and inventories (€78 million in total) as well as income tax payments (€28 million).

Sharp rise in net cash used in investing activities from continuing operations mainly due to high level of cash resources invested in financial investments and to substantial investments in property, plant and equipment

Net cash used in investing activities from continuing operations in the first quarter of the 2012 fiscal year amounted to €551 million. Of this amount, €258 million (net) related to the purchase of financial investments (primarily money market deposits with a maximum term of three to six months). This did not impact the gross cash position, however, since the latter includes financial investments as well as cash and cash equivalents. Capital expenditure on property, plant and equipment in the first quarter totaled €278 million, with the primary focus on expanding front-end capacities in Kulim (Malaysia), Villach (Austria) and Dresden (Germany). In a similar vein, back-end manufacturing capacities were expanded in Malacca (Malaysia), Warstein (Germany) and Cegléd (Hungary).

Net cash used in investing activities from continuing operations in the first quarter of the 2011 fiscal year amounted to €130 million, of which €122 million related to the purchase of property, plant and equipment.

Disbursements for the repurchase of convertible bonds and of shares via put options reflected in net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations in the first quarter of the 2012 fiscal year amounted to €90 million, driven primarily by repurchases of subordinated convertible bonds due 2014 for €50 million (nominal amount: €19 million). Other financial liabilities were reduced by €23 million (net). Furthermore Infineon spent €20 million on the repurchase of 3 million own shares via put options. Option premiums of €3 million were received for newly issued put options on own shares.

In the same quarter last year, net cash used in financing activities from continuing operations amounted to €80 million and related to repurchases of subordinated convertible bonds due 2014 (nominal amount of €28 million).

Net decrease in cash and cash equivalents from discontinued operations

The net cash outflow from discontinued operations in the first quarter totaled €35 million, of which €32 million related to the scheduled repayment of amounts received from IMC following a transitional phase of several months, during which Infineon performed procurement activities on behalf of IMC.

The net cash outflow from discontinued operations in the same quarter one year earlier had amounted to €17 million, mainly relating to net cash used for the wireless mobile phone business operations less capital expenditure for this line of business and less disbursements in conjunction with the Qimonda insolvency.

FREE CASH FLOW

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

	Three months ended December 31,	
€ in millions	**2011**	2010
Net cash provided by operating activities from continuing operations	59	134
Net cash used in investing activities from continuing operations	(551)	(130)
Purchases of and proceeds from the sale of financial investments, net	258	-
Free cash flow	**(234)**	**4**

Substantial investment in organic growth results in high negative free cash flow figure

Free cash flow for the first quarter of the 2012 fiscal year was a negative €234 million compared to a positive €4 million in the corresponding period last year. Net cash provided by operating activities only covered a part of the high level of investments (€294 million) in property, plant and equipment and intangible assets.

By contrast, free cash flow in the same quarter one year earlier had been a positive €4 million. The significantly lower level of disbursements for tangible and intangible assets (€131 million) was covered by correspondingly high net cash provided by operating activities.

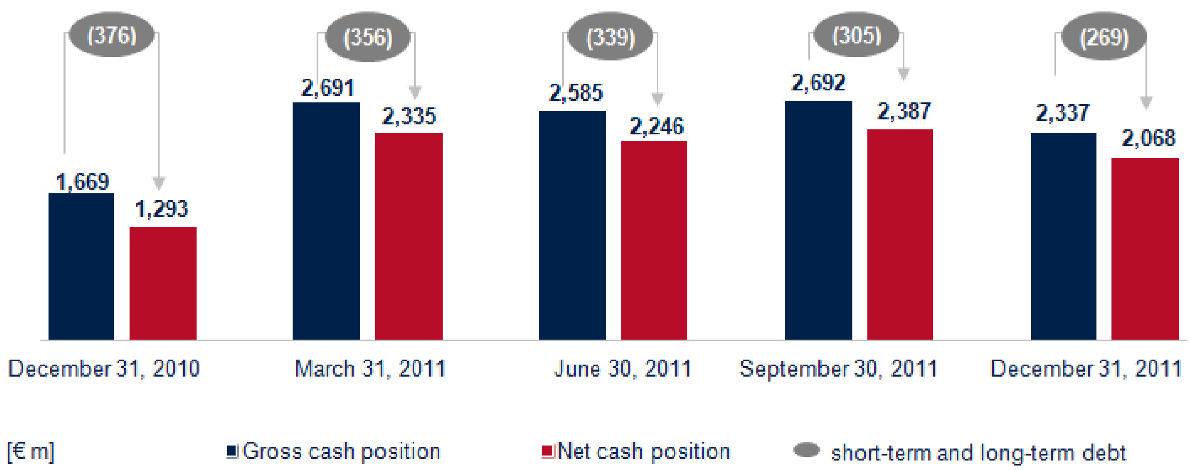
GROSS CASH POSITION AND NET CASH POSITION

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 Company's overall liquidity. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

€ in millions	**December 31, 2011**	September 30, 2011
Cash and cash equivalents	392	1,007
Financial investments	1,945	1,685
Gross cash position	**2,337**	**2,692**
Less:		
Long-term debt	204	237
Short-term debt and current maturities of long-term debt	65	68
Total financial debt	**269**	**305**
Net cash position	**2,068**	**2,387**

The gross cash position, comprising cash and cash equivalents and financial investments, amounted to €2,337 million at December 31, 2011, a decrease of €355 million on the position of €2,692 million recorded at September 30, 2011. The decrease in the gross cash position mainly reflects cash outflows for investments relating to continuing operations, disbursements in conjunction with the capital return program, incentive payments to employees and the reduction of trade payables.

The net cash position, which is defined as the gross cash position less short-term and long-term debt, decreased accordingly by €319 million from €2,387 million at September 30, 2011 to €2,068 million at December 31, 2011.



EMPLOYEES

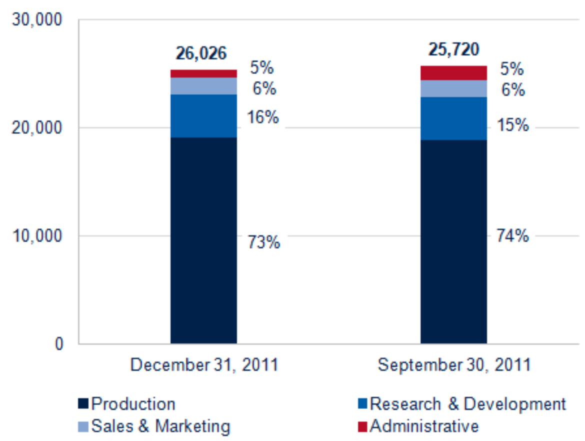
The following table shows the composition of the Infineon workforce, by function and region, at the relevant reporting dates:

	As of		
	December 31, 2011	September 30, 2011	Change
Function:			
Production	19,033	18,892	1%
Research & Development	4,014	3,900	3%
Sales & Marketing	1,564	1,534	2%
Administrative	1,415	1,394	2%
Total	**26,026**	**25,720**	**1%**
Region:			
Europe	11,897	11,681	2%
Therein: Germany	8,075	7,926	2%
Americas	480	476	1%
Asia/Pacific	13,535	13,450	1%
Therein: China	1,363	1,278	7%
Japan	114	113	1%
Total	**26,026**	**25,720**	**1%**

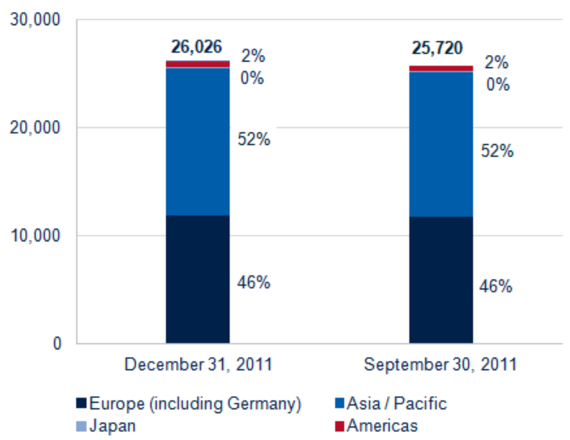
The number of employees increased marginally (by 1 percent) during the first quarter of the 2012 fiscal year, with all sites - particularly Wuxi (China), Villach and Graz (Austria) as well as Dresden and Regensburg (Germany) - reporting larger workforces. Around one half of the increase related to production following the expansion of manufacturing capacities. The number of employees working on research and development activities was also increased so as to enable further growth.

31 percent of the Infineon workforce was employed at Infineon sites in Germany at both December 31, 2011 and September 30, 2011.

Employees by function



Employees by region



EVENTS AFTER THE REPORTING PERIOD

Arunjai Mittal, who previously headed the Industrial & Multimarket (IMM) segment, was appointed as the fourth member of the Management Board with effect from January 1, 2012 with responsibility for the Regions, Sales, Marketing, Strategy Development and Mergers & Acquisitions (M&A). In this capacity, he will be responsible for drawing up and aligning possible strategy options. Peter Bauer, as Chief Executive Officer of Infineon Technologies AG, continues to be responsible for the overall strategy of the Company and its various segments.

The Industrial & Multimarket segment was split into two separate segments effective January 1, 2012, namely Industrial Power Control and Power Management & Multimarket. Industrial Power Control will concentrate on businesses in the fields of drive electronics and renewables, whereas Power Management & Multimarket will focus on businesses with chips used in the field of energy-efficient power supplies and high-frequency applications. These are mainly used in consumer goods such as television sets, games consoles, PCs and mobile devices as well as in computer servers. This move reflects Infineon’s aim of making better use of market opportunities by taking a more application-oriented approach.

OUTLOOK

With continued confidence on the part of automotive customers and some early signs of stabilization in the chipcard and lower power markets, Infineon expects revenues for the second quarter of the 2012 fiscal year to be flat to down slightly compared to the first quarter. Within this revenue outlook, Automotive sales should be up and Chip Card & Security turnover should be about flat. Seasonal weakness will drive a decline in Power Management & Multimarket sales, while Industrial Power Control turnover should continue to decline owing to the late-cycle nature of this business.

Total Segment Result Margin should be down broadly by 1 percentage point. With a view to the growth prospects of the Company, Infineon is planning slightly higher research and development as well as selling, general and administrative expense for the second quarter of the 2012 fiscal year relative to the preceding quarter.

RISKS AND OPPORTUNITIES

The high degree of volatility in the semiconductor business, the international nature of business and the broad range of products mean that Infineon is exposed to a considerable number of risks, comprising the following without being limited to those: general economic developments; fluctuations in demand for (and selling prices of) semiconductor products in general as well as for its own products and for end-user products (such as automobiles and consumer electronics devices that contain Infineon products); the impact of currency fluctuations, primarily between the US dollar and the euro; the potential break-up of the European single currency euro; failure to meet supply commitments to customers due to lack of production capacity in times of unexpected market demand (production allocation); the impact of natural catastrophes such as earthquakes, floods, reactor catastrophes, political unrest, the threat of nationalization or expropriation of assets and the consequences of any such action on the supply of Infineon, its customers or their customers with respect to materials, production and demand in general; the success of Infineon’s own or joint development activities with partners; the success of efforts to introduce new production processes; compliance with quality requirements for existing and newly developed products; the activities of competitors; the worldwide increase in incidences of computer attacks, which – despite the defense mechanisms employed – could have a detrimental impact on Infineon’s business; the recoverability of resources invested in financial investments; the availability of adequate financial resources at all times; the outcome of anti-trust matters, investigations and legal disputes; infringements of patent rights owned by entities with their own development and production resources on the one hand, but also increasingly of patent rights owned by dedicated patent exploiters (non-practicing entities); as well as specific risks and liabilities in conjunction with the Qimonda insolvency, as described in more detail in note 16 (Commitments and Contingencies) under the heading “Qimonda matters”.

A variety of risks, particularly those of a financial nature, can also be seen as opportunities if they develop positively.

These and other significant risks to which Infineon is exposed are described in detail under the heading “Report of expected developments, together with associated material opportunities and risks” in the Group Management Report contained in the Annual Report for the 2011 fiscal year. A copy of the most recent Annual Report is available on Infineon’s website, under the heading “Investor Relations”, at http://www.infineon.com/investor.

Investors are encouraged to read the detailed description of risks Infineon is exposed to, which are highlighted in the Group Management Report for the 2011 fiscal year. The occurrence of one or more of the risks described could have an adverse impact on Infineon's business and/or reported net income, which, in turn, might be reflected in a declining share price.

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

€ in millions; except for earnings per share	**December 31, 2011**	December 31, 2010
Revenue	946	922
Cost of goods sold	(585)	(538)
Gross profit	**361**	**384**
Research and development expenses	(106)	(108)
Selling, general and administrative expenses	(118)	(103)
Other operating income	4	2
Other operating expense	(12)	(6)
Operating income	**129**	**169**
Financial income	12	6
Financial expense	(18)	(18)
Income from investments accounted for using the equity method	1	-
Income from continuing operations before income taxes	**124**	**157**
Income tax expense	(20)	(8)
Income from continuing operations	**104**	**149**
Loss (income) from discontinued operations, net of income taxes	(8)	83
Net income	**96**	**232**
Attributable to:		
Non-controlling interests	-	-
Shareholders of Infineon Technologies AG	96	232
Basic earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):		
Basic earnings per share from continuing operations	0.10	0.14
Basic earnings (loss) per share from discontinued operations	(0.01)	0.07
Basic earnings per share	**0.09**	**0.21**
Diluted earnings per share attributable to shareholders of Infineon Technologies AG (in Euro):		
Diluted earnings per share from continuing operations	0.10	0.13
Diluted earnings (loss) per share from discontinued operations	(0.01)	0.07
Diluted earnings per share	**0.09**	**0.20**

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

€ in millions	**December 31, 2011**	December 31, 2010
Net income	**96**	**232**
Currency translation effects	6	3
Net change in fair value of available-for-sale financial assets	(1)	-
Net change in fair value of hedging instruments	1	(8)
Other comprehensive income (loss) for the year, net of tax	**6**	**(5)**
Total comprehensive income for the year, net of tax	**102**	**227**
Attributable to:		
Non-controlling interests	-	-
Shareholders of Infineon Technologies AG	102	227

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

€ in millions	December 31, 2011	September 30, 2011
Assets:		
Current assets:		
Cash and cash equivalents	392	1,007
Financial investments	1,945	1,685
Trade and other receivables	554	593
Inventories	539	507
Income tax receivable	20	30
Other current financial assets	5	2
Other current assets	133	142
Assets classified as held for sale	15	5
Total current assets	**3,603**	**3,971**
Property, plant and equipment	1,509	1,343
Goodwill and other intangible assets	122	111
Investments accounted for using the equity method	34	34
Deferred tax assets	262	262
Other financial assets	118	124
Other assets	45	28
Total non-current assets	**2,090**	**1,902**
Total assets	**5,693**	**5,873**
Liabilities and equity:		
Current liabilities:		
Short-term debt and current maturities of long-term debt	65	68
Trade and other payables	608	735
Current provisions	736	810
Income tax payable	69	59
Other current financial liabilities	135	159
Other current liabilities	164	174
Total current liabilities	**1,777**	**2,005**
Long-term debt	204	237
Pension plans and similar commitments	170	168
Deferred tax liabilities	7	7
Long-term provisions	27	26
Other financial liabilities	6	4
Other liabilities	66	71
Total non-current liabilities	**480**	**513**
Total liabilities	**2,257**	**2,518**
Shareholders' equity:		
Ordinary share capital	2,173	2,173
Additional paid-in capital	5,832	5,854
Accumulated deficit	(4,418)	(4,514)
Other reserves	16	10
Own shares	(46)	(26)
Put options on own shares	(121)	(142)
Equity attributable to shareholders of Infineon Technologies AG	**3,436**	**3,355**
Total liabilities and equity	**5,693**	**5,873**

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

€ in millions	**December 31, 2011**	December 31, 2010
Net income	**96**	**232**
Plus/less: income from discontinued operations, net of income taxes	8	(83)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97	83
Income tax expense	20	8
Net interest result	6	12
Income from investments accounted for using the equity method	(1)	-
Impairment charges	-	(2)
Change in trade and other receivables	37	(9)
Change in inventories	(34)	(50)
Change in other current assets	5	(19)
Change in trade and other payables	(107)	44
Change in provisions	(67)	(52)
Change in other current liabilities	22	13
Change in other assets and liabilities	(20)	(9)
Interest received	7	4
Interest paid	(7)	(10)
Income tax paid	(3)	(28)
Net cash provided by operating activities from continuing operations	**59**	**134**
Net cash (used in) provided by operating activities from discontinued operations	**(27)**	**76**
Net cash provided by operating activities	**32**	**210**
Purchases of financial investments	(569)	-
Proceeds from sales of financial investments	311	-
Purchases of intangible assets and other assets	(16)	(9)
Purchases of property, plant and equipment	(278)	(122)
Proceeds from sales of property, plant and equipment and other assets	1	1
Net cash used in investing activities from continuing operations	**(551)**	**(130)**
Net cash used in investing activities from discontinued operations	**(8)**	**(55)**
Net cash used in investing activities	**(559)**	**(185)**
Proceeds from issuance of long-term debt	2	27
Repayments of long-term debt	(25)	(27)
Repurchase of convertible subordinated bonds	(50)	(80)
Purchase of own shares	(20)	-
Proceeds from issuance of put options on own shares	3	-
Net cash used in financing activities from continuing operations	**(90)**	**(80)**
Net cash used in financing activities from discontinued operations	**-**	**(4)**
Net cash used in financing activities	**(90)**	**(84)**
Net decrease in cash and cash equivalents	(617)	(59)
Effect of foreign exchange rate changes on cash and cash equivalents	2	2
Cash and cash equivalents at beginning of period	1,007	1,667
Cash and cash equivalents at end of period	**392**	**1,610**

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

€ in millions, except for number of shares	Ordinary shares issued				Other
	Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
Balance as of October 1, 2010	**1,086,742,085**	**2,173**	**6,048**	**(5,613)**	**16**
Net income	-	-	-	232	-
Other comprehensive income for the period, net of tax	-	-	-	-	3
Total comprehensive income for the period, net of tax	-	-	-	232	3
Other changes in equity	-	-	(44)	-	-
Balance as of December 31, 2010	**1,086,742,085**	**2,173**	**6,004**	**(5,381)**	**19**
Balance as of October 1, 2011	**1,086,745,835**	**2,173**	**5,854**	**(4,514)**	**16**
Net income	-	-	-	96	-
Other comprehensive income for the period, net of tax	-	-	-	-	6
Total comprehensive income for the period, net of tax	-	-	-	96	6
Share-based compensation	-	-	1	-	-
Other changes in equity	-	-	(26)	-	-
Purchase of own shares	-	-	-	-	-
Put options on own shares	-	-	3	-	-
Balance as of December 31, 2011	**1,086,745,835**	**2,173**	**5,832**	**(4,418)**	**22**

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
3	**(2)**	**-**	**-**	**2,625**	**-**	**2,625**
-	-	-	-	232	-	232
-	(8)	-	-	(5)	-	(5)
-	(8)	-	-	227	-	227
-	-	-	-	(44)	-	(44)
3	**(10)**	**-**	**-**	**2,808**	**-**	**2,808**
3	**(9)**	**(26)**	**(142)**	**3,355**	**-**	**3,355**
-	-	-	-	96	-	96
(1)	1	-	-	6	-	6
(1)	1	-	-	102	-	102
-	-	-	-	1	-	1
-	-	-	-	(26)	-	(26)
-	-	(20)	-	(20)	-	(20)
-	-	-	21	24	-	24
2	**(8)**	**(46)**	**(121)**	**3,436**	**-**	**3,436**

CONDENSED NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Infineon Technologies AG and its subsidiaries (collectively, “Infineon” or the “Company”) design, develop, manufacture and market a broad range of semiconductors and systems solutions. The focus of activities is on automotive electronics, industrial electronics and chip-card based security. The Company’s products are also used in a wide variety of microelectronic applications, for example in computer systems, telecommunications systems and consumer goods. The Company’s product range comprises standard commodity 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 the Company’s revenue is generated with semiconductors, the remainder with embedded control products (microcontroller designs adapted to the specific requirements of the application) and other product categories. The Company’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 the ultimate parent company of the Infineon Group. The principal office of the Company is Am Campeon 1 – 12, 85579 Neubiberg, Federal Republic of 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 accompanying condensed Interim Consolidated Financial Statements of the Company as of, and for the three months ended, December 31, 2011 and 2010, have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and as adopted by the European Union (EU). The accompanying consolidated financial statements have been prepared in compliance with IAS 34, “Interim Financial Reporting”. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. In addition, although the Consolidated Statement of Financial Position as of September 30, 2011 presented herein was derived from audited financial statements, it does not include all disclosures required by IFRS. The accompanying 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, as of and for the fiscal year ended September 30, 2011. The accounting policies applied preparing the accompanying Interim Consolidated Financial Statements are consistent with those for the 2011 fiscal year.

In the opinion of management, the accompanying 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 accompanying 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 amounts and 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 herein are shown in Euro (€) except where otherwise stated. Negative amounts are presented in parentheses.

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

Deviations in amounts presented in the Interim Consolidated Financial Statements may occur due to rounding.

2 / ACCOUNTING POLICIES

FINANCIAL REPORTING RULES APPLIED FOR THE FIRST TIME

The following standards have been applied for the first time in the first quarter of fiscal year 2012:

- **Amendment to IAS 24 "Related Party Disclosures"**. The amendment clarifies the definition of related parties and does not have any significant impact on the Interim Consolidated Financial Statements.
- **"Improvements to IFRS (2010)"**. The Standard combines numerous smaller changes to existing standards in conjunction with an annual program of improvements to IFRS. These amendments do not have any significant impact on the Interim Consolidated Financial Statements.

3 / DIVESTITURES AND DISCONTINUED OPERATIONS

QIMONDA — DISCONTINUED OPERATIONS

On January 23, 2009, Qimonda AG ("Qimonda"), a majority-owned company filed an application at the Munich Local Court to commence insolvency proceedings. On April 1, 2009, the insolvency proceedings 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 Qimonda are reported as discontinued operations in the Consolidated Statement of Operations and Consolidated Statement of Cash flows for all periods presented.

Provisions relating to Qimonda's insolvency were required to be adjusted in the three months ended December 31, 2012 and 2011 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 WIRELINE COMMUNICATIONS BUSINESS — DISCONTINUED OPERATIONS

On November 6, 2009, the Wireline Communications business was sold to various companies affiliated to Golden Gate Private Equity Inc ("Lantiq"). The earnings impact of transactions arising after the sale of the Wireline Communications business is reported as "Income from discontinued operations, net of income taxes", in the Company's Consolidated Statement of Operations for all periods presented.

SALE OF THE WIRELESS MOBILE PHONE BUSINESS — DISCONTINUED OPERATIONS

On August 30, 2010, the Company 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 basestations are the only areas of the Wireless Solutions segment that remained with the Company. 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. The business is being continued by the purchaser under the name "Intel Mobile Communications" (IMC).

The pre-tax gain recorded in the 2011 fiscal year on the sale of the Wireless mobile phone business amounted to €507 million. The pre-tax gain on the sale was adjusted upwards by €2 million during the first quarter of the 2012 fiscal year. In total - taking account of all items with a profit or loss impact that have arisen since the contract was concluded in August 2010 and including transaction costs and the US dollar hedge of the purchase price - the pre-tax gain amounted to €528 million.

The tax expense recorded in the 2011 fiscal year on the sale of Wireless mobile phone business amounted to €155 million. A change in the administrative guidelines of the German tax authorities which is generally relevant to a transaction in connection with the sale of the Wireless mobile phone business resulted in the first quarter of the 2012 fiscal year in a tax expense of €8 million as an adjustment of tax provisions.

The results of the Wireless mobile phone business up to completion of the sale were recognized in the Consolidated Statement of Operations as part of "Income from discontinued operations, net of income taxes". Expenses that were previously allocated to the Wireless mobile phone business -- and which continue to be incurred after the sale -- are not affected by this classification and continue to be reported under "Income from continuing operations" in the Consolidated Statement of Operations.

Following the sale, the Company continues to sell products and to render services to IMC. The results of these activities are reported in income from discontinued operations to the extent that these activities are being performed for a limited time period of a few months and serve to ensure the transfer of the Wireless mobile phone business to IMC. These activities include the performance of procurement-related services on behalf of IMC, for which the Company received in the 2011 fiscal year upfront payments amounting to €32 million. This amount was repaid to IMC during the first quarter of the 2012 fiscal year. By contrast, sales of products and services to IMC which are not covered by the activities described above are reported as continuing operations in the Consolidated Statement of Operations and within "Other Operating Segments" for segment reporting purposes.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the 2011 fiscal year, the Company acquired property and manufacturing facilities from the insolvency administrator of Qimonda Dresden GmbH & Co. OHG ("Qimonda Dresden") for a total sum of €101 million. The property acquired is adjacent to the existing Infineon premises in Dresden. The purchase comprised cleanrooms, cleanroom equipment and manufacturing facilities for 300-millimeter production. Assets reported as held for sale at December 31, 2011 and at September 30, 2011 amounting to €15 million and €5 million, respectively, relate to property, plant and equipment acquired from Qimonda Dresden which the Company intends to sell.

INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES

The results of Qimonda, the Wireline Communication business, and the Wireless mobile phone business – presented in the Consolidated Statement of Operations as discontinued operations in the three months ended December 31, 2011 and 2010 – consist of the following components:

	Three months ended December 31,	
€ in millions	**2011**	2010
Qimonda		
Expenses resulting from Qimonda's insolvency	(2)	(1)
Loss before tax	**(2)**	**(1)**
Income tax benefits	-	-
Qimonda's share of discontinued operations, net of income taxes	**(2)**	**(1)**
Wireline Communications business		
Revenue	-	-
Costs and expenses	-	(1)
Profit before tax	**-**	**(1)**
Income tax expense	-	-
Wireline Communication's share of discontinued operations, net of income taxes	**-**	**(1)**
Wireless mobile phone business		
Revenue	1	457
Costs and expenses	(1)	(327)
Profit before tax	**-**	**130**
Income tax benefit (expense)	-	(11)
Profit after tax	**-**	**119**
Pre-tax gain on the sale of the Wireless mobile phone business	2	(34)
Income tax expense on gain	(8)	-
Post-tax gain on the sale of the Wireless mobile phone business	(6)	(34)
Wireless mobile phone business' share of discontinued operations, net of income taxes	**(6)**	**85**
Losses (income) from discontinued operations, net of income taxes	**(8)**	**83**

4 / FINANCIAL INCOME

Financial income for the three months ended December 31, 2011 and 2010 comprises interest income only of €12 million and €6 million, respectively.

5 / FINANCIAL EXPENSE

Financial expense for the three months ended December 31, 2011 and 2010 comprises interest expense only of €18 million in each period. Interest expense for the three months ended December 31, 2011 and December 31, 2010 includes losses before tax of €5 million and €9 million, respectively, as a result of the repurchase of convertible subordinated bonds due 2014 (see note 12).

6 / INCOME TAX

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

	Three months ended December 31,	
€ in millions	**2011**	2010
Income from continuing operations before income taxes	124	157
Income tax expense	(20)	(8)
Effective tax rate	16%	5%

In the three months ended December 31, 2011 and 2010, the tax expense of the Company is affected by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets. The tax expense for the three months ended December 31, 2010 was reduced by the reversal of tax provisions for prior years.

7 / EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing group 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 converted 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:

	Three months ended December 31,	
	2011	2010
Earnings per share - basic:		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	104	149
Loss / earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(8)	83
Earnings attributable to shareholders of Infineon Technologies AG	**96**	**232**
Weighted-average number of shares outstanding (in millions):		
- Ordinary share capital	1,086.7	1,086.7
- Adjustment for own shares	(5.2)	-
Weighted-average number of shares outstanding - basic	1,081.5	1,086.7
Basic earnings per share (in €):		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.10	0.14
Loss / earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(0.01)	0.07
Earnings per share attributable to shareholders of Infineon Technologies AG - basic	**0.09**	**0.21**

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 a charge on earnings from these instruments, such as interest expense, on the other. The convertible bond due 2014 is a potentially dilutive instrument. Share 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:

	Three months ended December 31,	
	2011	2010
Earnings per share - diluted:		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	104	149
Adjustment for interest expense on convertible bond	4	5
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG - diluted	108	154
Loss / earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(8)	83
Earnings attributable to shareholders of Infineon Technologies AG - diluted	**100**	**237**
Weighted-average number of shares outstanding - basic (in millions):	1,081.5	1,086.7
Adjustments for:		
- Effect of potential conversion of convertible bond	57.0	78.7
- Effect of stock options	1.2	1.2
- Effect of put options on own shares	0.5	-
Weighted-average number of shares outstanding - diluted	1,140.2	1,166.6
Diluted earnings per share (in €):		
Earnings from continuing operations attributable to shareholders of Infineon Technologies AG	0.10	0.13
Loss / earnings from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(0.01)	0.07
Earnings per share attributable to shareholders of Infineon Technologies AG - diluted	**0.09**	**0.20**

The weighted-average number of potentially dilutive shares which did not have a dilutive impact were not included for the purpose of calculating diluted earnings per share. For the three months ended December 31, 2011 and 2010, this relates to 10.3 million and 14.1 million respectively of stock options issued to employees, since their exercise price was higher than the average share price during the reporting period. Similarly 14.7 million of put options on own shares issued since May 2011 were not taken into account in the calculation for the three months ended December 31, 2011 since their exercise price was lower than the average share price during the reporting period.

8 / TRADE AND OTHER RECEIVABLES

Trade accounts and other receivables consist of the following:

€ in millions	**December 31, 2011**	September 30, 2011
Third party - trade	477	527
Related parties - trade	5	5
Trade accounts receivable, gross	**482**	**532**
Allowance for doubtful accounts	(22)	(22)
Trade accounts receivable, net	**460**	**510**
Grants receivable	56	57
License fees receivable	1	2
Third party - financial and other receivables	26	20
Related parties - financial and other receivables	8	-
Employee receivables	1	3
Other receivables	2	1
Total	**554**	**593**

9 / INVENTORIES

Inventories consist of the following:

€ in millions	**December 31, 2011**	September 30, 2011
Raw materials and supplies	76	70
Work-in-process	272	262
Finished goods	191	175
Total Inventories	**539**	**507**

Inventories at December 31, 2011 and September 30, 2011 are stated net of write-downs of €67 million and €68 million, respectively.

10 / TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

€ in millions	**December 31, 2011**	September 30, 2011
Third party - trade	581	705
Related parties - trade	10	15
Trade payables	**591**	**720**
Related parties - other payables	10	11
Other	7	4
Total	**608**	**735**

11 / PROVISIONS

Provisions consist of the following:

€ in millions	**December 31, 2011**	September 30, 2011
Personnel costs	200	278
Warranties and licenses	124	119
Provisions related to Qimonda	305	300
Other	134	139
Total	**763**	**836**

Provisions for personnel costs relate to employee-related obligations and include, among others, costs of incentive and bonus payments, holiday and vacation payments, termination benefits, early retirement, service anniversary awards, other personnel costs and related social insurance obligations.

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

Provisions related to Qimonda are further described in note 16.

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

The total amounts of provisions are reflected in the Consolidated Statement of Financial Position as of December 31, 2011 and September 30, 2011, respectively, as follows:

€ in millions	**December 31, 2011**	September 30, 2011
Current	736	810
Non-current	27	26
Total	**763**	**836**

12 / DEBT

Debt consists of the following:

€ in millions	**December 31, 2011**	September 30, 2011
Current portion of long-term debt	65	68
Total short-term debt and current maturities of long-term debt	**65**	**68**
Convertible subordinated bonds, 7.5%, due 2014	100	114
Loans payable to banks:		
Unsecured term loans, weighted average rate 2.14% (prior year 2.27%), due 2013-2017	104	123
Total long-term debt	**204**	**237**
Total	**269**	**305**

In conjunction with its capital return program (see note 13), the Company repurchased subordinated convertible bonds due 2014 with a nominal amount of €19 million for approximately €50 million during the three months ended December 31, 2011. The repurchases resulted in a pre-tax accounting loss of €5 million which is reported as an interest expense within financial expense. Additional paid-in capital was reduced by €26 million (net of tax), reflecting the repurchase of the conversion rights attached to the bonds repurchased. In the 2011 fiscal year, bonds with a nominal value of €59 million had already been purchased for €173 million partially as a part of the capital return program. The remainder of the bonds outstanding with a nominal value of €118 million can be converted into up to 51 million shares on the basis of the currently applicable conversion ratio.

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. In June 2009 and September 2010, local financial institutions granted working capital and project loan facilities to Infineon Technologies (Wuxi) Co. Ltd. amounting to a total of US$176 million (€129 million). These multi-year facilities are available for general corporate purposes and the expansion of manufacturing facilities in Wuxi, China, including intra-group asset transfers. In case of utilization the credit lines are secured by an asset pledge and a corporate guarantee. As of December 31, 2011, they remained unutilized.

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

€ in millions			As of December 31, 2011		
Term	Nature of financial institution commitment	Purpose / intended use	Aggregate facility	Drawn	Available
Short-term	firm commitment	general corporate purposes, working capital, guarantees	64	-	64
Short-term	no firm commitment	working capital, cash management	117	-	117
Long-term[1]	firm commitment	project finance	240	169	71
Total			**421**	**169**	**252**

[1] Including current maturities.

13 / EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,173,491,670 as of December 31, 2011 and September 30, 2011. It was sub-divided into 1,086,745,835 no par value registered shares, each representing €2.00 of the Company's ordinary share capital. No new shares were issued in the 2012 fiscal year.

Management Board and Supervisory Board will propose to the Annual General Meeting, which is set to take place on March 8, 2012, 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 2011 fiscal year. Taking into account the fact that own shares are not entitled to receive a dividend, this would result in an expected distribution of approximately €130 million. Since payment of the dividend depends on approval by the shareholders at the Annual General Meeting a liability for the dividend has not been recognized in the Consolidated Financial Statements as of September 30, 2011 or in the Interim Consolidated Financial Statements as of December 31, 2011.

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. In the period through March 2013, the Company intends to use up to €300 million for measures aimed at returning capital to shareholders. The capital return may be effected through writing put options on Infineon shares, outright repurchases of Infineon shares using the Frankfurt Stock Exchange's Xetra trading system or through repurchases of further portions of Infineon's outstanding convertible bonds (see note 12). Any shares bought back will be cancelled to reduce the Company's share capital.

The planned capital return program may be suspended and resumed at any time within the time limits stipulated by the Annual General Meeting and in compliance with other statutory provisions.

During the period since the beginning of the program (May 10, 2011) and up to December 31, 2011, the Company had issued put options on Infineon shares (i.e. own shares) with a maximum term of nine months for a nominal amount of €213 million. As of December 31, 2011 put options with a nominal value of €123 million remain outstanding. The put options outstanding as of December 31, 2011 correspond to a total of 24 million shares with various fixed exercise prices and require physical delivery of the shares. Options for 3 million shares were exercised during the three months ended December 31, 2011, leaving a total of 7 million own shares on hand as of December 31, 2011, measured at their repurchase cost of €46 million.

The following table contains a reconciliation of the number of put options issued during the 2012 and 2011 fiscal years and the number of put options outstanding as of December 31, 2011:

In each case stated in millions	in €	Underlying number of shares
Put options issued during the 2011 fiscal year	182	32
Less: put options expired in the 2011 fiscal year	(12)	(2)
Less: put options exercised in the 2011 fiscal year	(26)	(4)
Outstanding put options as of September 30, 2011	**144**	**26**
Put options issued during the 2012 fiscal year	31	7
Less: put options expired in the 2012 fiscal year	(32)	(6)
Less: put options exercised in the 2012 fiscal year	(20)	(3)
Outstanding put options as of December 31, 2011	**123**	**24**

Premiums received for the put options issued in the three months ended December 31, 2011 amounted to €3 million and resulted in a corresponding increase of additional paid-in capital.

The obligation to acquire own shares recognized as of December 31, 2011 measured at the present value of the amount expected to settle the outstanding put options of €121 million 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 unwound 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 within equity, is reclassified from “Put options on own shares” to “Own shares”. If the options are not exercised, the relevant liability is derecognized and equity increased accordingly.

14 / SHARE-BASED COMPENSATION

On December 15, 2011, the Company granted 3,120,000 options to eligible employees and 555,429 options to the Management Board under the Share Option Plan 2010 (SOP 2010). The expected vesting period of these options is approximately 5 years and the contractual term of the options is 7 years. The expenses of this second tranche under the SOP 2010 granted on December 15, 2011, 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 share 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 as of September 30, 2011. A total of 2.5 million options expired during the three months ended December 31, 2011. Expenses for share-based compensation were not significant for the three months ended December 31, 2011 and 2010.

15 / RELATED PARTIES

The Company has transactions in the normal course of business also 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.

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

Related Party receivables consist primarily of trade, financial, and other receivables from equity method investees and related companies, and totaled €13 million and €5 million as of December 31, 2011 and September 30, 2011.

Related Party payables consist primarily of trade, financial, and other payables to equity method investees and related companies, and totaled €20 million and €26 million as of December 31, 2011 and September 30, 2011, respectively.

In the three months ended December 31, 2011 and 2010, sales to Related Parties totaled €8 million and €6 million, respectively, while purchases from Related Parties totaled €28 million and €40 million, respectively.

16 / COMMITMENTS AND CONTINGENCIES

LITIGATION AND GOVERNMENT INQUIRIES

ANTITRUST LITIGATION

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

The Company has executed a settlement agreement resolving these various lawsuits, subject to certain conditions. As part of the settlement, the Company agreed to pay approximately US$29 million, which the Company has deposited into an escrow fund. After final court approval, the Company will be released from claims by the state attorneys general and by any class members who do not elect to opt out of the settlement. Prior to the time of final court approval of the settlement, there is a risk that class members may 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 litigations encompass provisions for legal expenses and those liabilities and risks that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at this time. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these proceedings.

GOVERNMENT INQUIRIES

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

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, and focuses on the period from July 1998 to June 2002. The SDE's Notice of Investigation is based on the investigations carried out in the United States and in Europe. The provisions recorded encompass provisions for legal expenses and those liabilities and risks that the Company believes are likely to materialize and that can be estimated with reasonable accuracy at this time. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these proceedings.

PATENT LITIGATION

In November 2008, Volterra Semiconductor Corporation ("Volterra") filed suit against Primarion, Inc. (an affiliated 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 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. Trial on the topics of damages and willfulness is currently scheduled for November 2012. Suit will not commence with respect to the two remaining patents before damages have been adjudicated with respect to the former two patents. Any disclosure of the Company's estimate of potential outcomes could seriously prejudice the position of the Company in these suits. There can be no assurance that the provisions recorded will be sufficient to cover all of the liabilities that could ultimately be incurred in relation to this litigation. 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.

In April 2011, the Company sued Atmel Corporation for infringement of eleven of its patents in the District of Delaware. In July 2011, Atmel responded, denying liability and countersuing the Company, alleging infringement of 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. Any disclosure of the Company's estimate of potential outcomes, if such amounts could reasonably be estimated at this time, could seriously prejudice the position of the Company in these suits.

QIMONDA MATTERS

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out and transferred to Qimonda AG ("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. The insolvency proceedings formally opened on April 1, 2009. Qimonda was joined in declaring insolvency by a number of German and international subsidiaries of Qimonda, notably including Qimonda Dresden GmbH & Co. OHG ("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

The administrator filed suit against Infineon at Regional Court Munich I in November 2010 requesting 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 Neugruendung"), that this activation of a shell company was not disclosed in the correct manner and that as a consequence of this failure to provide correct disclosure, the party activating the company – Infineon – is liable for the deficit balance at the time the insolvency proceedings began. The suit aims to establish a payment obligation in principle on the part of Infineon, as the administrator believes it is not currently in a position to state its claim in precise terms. The first oral hearing took place on January 19, 2012. A second oral hearing has been set for November 15, 2012.

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. An initial oral hearing took place in November 2011. The court has scheduled February 9, 2012 for delivering its ruling of first instance.

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 licenses in insolvency pursuant to Section 365(n) of the US Bankruptcy Code applies only to US insolvency proceedings and not to insolvency proceedings in other countries (in this case Germany). Infineon and other semiconductor manufacturers have filed objections to this application.

The US Bankruptcy Court upheld the administrator's claim in November 2009, but 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 Section 365(n) of the US Bankruptcy Code applies with respect to Qimonda's US patents, thus the licenses under these patents remain valid. On November 11, 2011, the administrator appealed against the decision of the U.S. Bankruptcy Court.

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 it may also pursue corporate liability claims against Infineon in connection with the sale of the Inotera stake. The administrator has yet to substantiate the purported claims against Infineon in these letters.

Valuation of the non-cash contribution

In a letter of August 2011, the administrator announced claims of indeterminate value against Infineon stemming from the capital increase agreed at Qimonda in April 2006, which saw Qimonda's share capital increased by a total of €600 million against the contribution of the memory business. The administrator asserts that the non-cash contribution in the context of the capital increase was overvalued and that hence the equivalent value (lowest issue price) of the subscribed stock was 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.

Other claims made by the administrator

The administrator has also aired further claims against the Company, for the first time in writing in the final quarter of the 2011 fiscal year.

It 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. It also asserts that Infineon, in its capacity as the controlling company, caused Qimonda to enter into disadvantageous legal transactions without compensating it accordingly and 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.

The administrator is furthermore contesting certain payments from Qimonda to Infineon under insolvency law on the basis that the 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.

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 administrator's purported claims omit in most cases to mention any specific figures and often amount to no more than general assertions without any supporting detail. Based on Infineon's understanding of the matters involved, the claims made to date have been rejected in writing. The assessment of the situation and legal position is highly complex and has yet to be completed. Findings to date indicate that the Company has good arguments with which to mount a successful defense against many of the purported claims should they come before the court. Risks and uncertainties of a not inconsiderable magnitude remain, however, not least because several of the combinations of factors involved are not covered by case law from the highest instance.

Claims asserted orally by the administrator

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

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.

Claims of third parties involved in the Qimonda insolvency

The Company is a named defendant in multiple pending antitrust and securities law claims. Qimonda is required to indemnify the Company, in whole or in part, for claims (including any related expenses) associated with these antitrust and securities law claims. Owing to Qimonda's insolvency, however, it is assumed that Qimonda will not be able to indemnify the Company as stipulated. For further information on these claims and their potential impact on the Company see above "Antitrust Litigation".

Claims have been filed against the Company and its subsidiary Infineon Technologies Dresden GmbH (Infineon Dresden) by former Infineon employees, who were transferred to Qimonda or Qimonda Dresden as part of the carve-out of Qimonda and who seek to be re-employed by Infineon. All court decisions have been in favor of the Company or Infineon Dresden. The most recent claims were resolved in January 2012 by way of settlement in conjunction with appeal proceedings before the German Federal Labor Court.

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. The Company expects that Qimonda will not be able to fulfill its obligation to indemnify Infineon against any such liabilities.

PROVISIONS

The Company recognizes provisions and payables for obligations and risks which the Company assesses at the end of each reporting period are more likely than not to be incurred (i.e. where, from the Company'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, the Company faces certain risks in connection with the insolvency proceedings of Qimonda and that entity's subsidiaries. Certain of these matters led the Company to record provisions of €305 million and €300 million as of December 31, 2011 and September 30, 2011, respectively. Presenting details of further actual amounts included in provisions for specific liabilities and risks associated with the insolvency of Qimonda could seriously prejudice the Company's legal or negotiating position, so no such disclosures are made.

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 not possible at this time to estimate amounts for or present comments on liabilities and risks that could materialize but are currently considered to be unlikely to do so, and accordingly such matters are not included in provisions.

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

OTHER

The Company is also involved in various other legal disputes and proceedings in connection with its business activities. These relate to products, services, patents, environmental protection issues and other matters. Based on its current knowledge, the Company does not believe that the ultimate resolution of these other pending legal disputes and proceedings will have a material adverse effect on its 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 material adverse effect on financial condition, liquidity position and results of operations, particularly in the period of when a re-assessment is made. In conjunction with its business operations, the Company is also exposed to numerous legal risks which have not yet resulted in legal disputes or litigation. This includes risks related to product liability, environment, capital market, anti-corruption, competition and antitrust legislation as well as other compliance regulations. Claims could also be made against the Company 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 the Company'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 the Company 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. The Company evaluates the merits of the various claims in each of these matters continuously, defends itself vigorously and seeks to find alternative solutions in the best interest of the Company as it deems appropriate. Irrespective of the validity of the allegations and the success of the aforementioned claims and other matters described above, the Company could incur significant costs in defending against or settling such allegations and this too could have a material adverse effect on its financial condition, liquidity position and results of operations.

OTHER CONTINGENCIES

In total, the Company has guarantees outstanding to external parties as of December 31, 2011 amounting to €108 million.

In conjunction with its investing activities, the Company 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 the Company complying with certain project-related requirements, such as creating a specified number of jobs over a defined period of time. The Company is committed to maintaining these requirements. Nevertheless, should such requirements not be met, as of December 31, 2011, a maximum of €28 million of these subsidies could be refundable. From today's perspective, the Company expects to be able to comply with the conditions attached to the grants. Such amount does not include any potential liabilities for Qimonda-related subsidies.

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

17 / OPERATING SEGMENT INFORMATION

SEGMENT REPORTING

The Company's business is structured on the basis of its three operating segments, namely Automotive, Industrial & Multimarket and Chip Card & Security.

The remaining activities of disposed business operations are aggregated within Other Operating Segments. Since the sale of the Wireless mobile phone business, revenue from the sale of products and rendering of services to IMC subsequent to the transfer phase are reported as a part of Other Operating Segments. Sales to Lantiq subsequent to the sale of the Wireline Communication business are also included in this segment.

Corporate and Eliminations reflect the elimination of intragroup revenue and profits/losses as well as specified corporate functions not allocated to the operating segments.

SEGMENT DATA

	Three months ended December 31,	
€ in millions	**2011**	2010
Revenue:		
Automotive	391	354
Industrial & Multimarket	418	423
Chip Card & Security	97	98
Other Operating Segments	43	41
Corporate and Eliminations	(3)	6
Total	**946**	**922**

There was no intersegment revenue during the three months ended December 31, 2011 and 2010.

€ in millions	Three months ended December 31, 2011	2010
Segment Result:		
Automotive	55	59
Industrial & Multimarket	79	107
Chip Card & Security	6	10
Other Operating Segments	4	2
Corporate and Eliminations	(3)	(1)
Total	**141**	**177**

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

€ in millions	Three months ended December 31, 2011	2010
Total Segment Result	141	177
plus / minus:		
Asset impairment reversals / asset impairments, net	-	2
Impact on earnings of restructuring measures and closures, net	-	-
Share-based compensation expense	(1)	-
Acquisition-related depreciation/amortization and losses	(1)	(1)
Gains on sales of assets, businesses, or interests in subsidiaries	-	-
Other expenses	(10)	(9)
Operating income	**129**	**169**
Financial income	12	6
Financial expense	(18)	(18)
Income from investment accounted for using the equity method, net	1	-
Income from continuing operations before income tax	**124**	**157**

SUPPLEMENTARY INFORMATION (UNAUDITED)

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements and assumptions about Infineon's future business, the sector in which the Company operates and about its expectations regarding future earnings. These forward-looking statements and assumptions include assertions relating to the economic environment, future developments on the global semiconductor market, Infineon's ability to manage its costs and achieve its cost cutting and growth targets, the outcome of the Qimonda insolvency proceedings and the liabilities expected to arise as a result thereof, the benefits to be derived from research and development cooperation arrangements and activities, planned investments, the introduction of new technologies at Infineon's plants and assumptions about its ability to be able to continue to provide market-compatible products. These forward-looking statements are subject to a multitude of uncertainties. These include general economic developments, changes in selling prices, demand for semiconductor products in general and for our own products as well as for end-user products which contain products of Infineon. The success of its own development activities and joint development activities with partners, the success of efforts to introduce new production processes in plants, the activities of competitors, the availability of financial funds, the outcome of antitrust inquiries and legal disputes and the impact of the Qimonda insolvency proceedings as well as other factors reported on in this quarterly report and in previous quarterly and annual reports are also all subject to uncertainty. As a consequence, actual results achieved may differ materially from forward-looking statements of the Company. Users are therefore cautioned not to place inappropriate reliance on such forward-looking statements. Infineon does not undertake any obligation to update publicly such forward-looking statements or to make any adjustment for any developments other than those expected at the time when this report was drawn up.

FINANCIAL CALENDAR

Annual General Meeting 2012	March 8, 2012	ICM – International Congress Center Munich, Germany

Fiscal Period	**Period end date**	**Results press release (preliminary)**
Second Quarter	March 31, 2012	May 3, 2012
Third Quarter	June 30, 2012	July 31, 2012
Fiscal Year 2012	September 30, 2012	November 13, 2012

Publication date of the first quarterly report for the 2012 fiscal year: February 6, 2012

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PUBLISHED BY INFINEON TECHNOLOGIES AG

Am Campeon 1–12, D-85579 Neubiberg
Quarterly Report of 1st Quarter 2012
Printed in Germany