Q1

QUARTERLY FINANCIAL REPORT
December 31, 2014

Infineon Technologies AG

(This page has been intentionally left blank)

CONTENT

SELECTED CONSOLIDATED FINANCIAL DATA

€ in millions, except earnings per share, Segment Result Margin and Gross margin	Three months ended, December 31, 2014	2013
Selected Results of Operations Data		
Revenue	1,128	984
Gross margin	37.9%	36.7%
Segment Result	169	116
Segment Result Margin	15.0%	11.8%
Research and development expenses	139	133
Capital expenditure	141	129
Depreciation and amortization	141	120
Income from continuing operations	130	85
Income from discontinued operations, net of income taxes	6	2
Net income	136	87
Basic earnings per share (in euro) from continuing operations	0.12	0.08
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.12	0.08
Diluted earnings per share (in euro) from continuing operations	0.12	0.08
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG	0.12	0.08
Selected Liquidity Data		
Net cash provided by (used in) operating activities from continuing operations	(39)	158
Net cash provided by (used in) investing activities from continuing operations[1]	513	(176)
Net cash provided by (used in) financing activities from continuing operations	2	(36)
Net change in cash and cash equivalents from discontinued operations	(140)	1
Change in cash and cash equivalents	335	(55)
Free Cash Flow from continuing operations[2]	(171)	30

€ in millions, except numbers of employees	As of December 31, 2014	September 30, 2014
Selected Financial Condition Data		
Total assets	6,194	6,438
Total equity	4,392	4,158
Gross cash position[3]	2,107	2,418
Debt (short-term and long-term)	190	186
Net cash position[3]	1,917	2,232
Employees	30,493	29,807

[1] Thereof €645 million net proceeds from sales of and €48 million net purchases of financial investments in the three months ended December 31, 2014 and December 31, 2013, respectively.
[2] Free cash flow is defined as net cash provided by (used in) operating activities from continuing operations and net cash provided by (used in) investing activities from continuing operations after adjusting for cash flows related to the purchase and sale of financial investments.
[3] Gross cash position is defined as cash and cash equivalents and financial investments. Net cash position is defined as gross cash position less short-term and long-term debt.

INTERIM GROUP MANAGEMENT REPORT (UNAUDITED)

STRENGTH OF US DOLLAR AND POSITIVE GLOBAL ECONOMIC TREND SUPPORT INFINEON'S FIRST-QUARTER PERFORMANCE:

REVENUE SIGNIFICANTLY UP ON CORRESPONDING QUARTER IN PRECEDING YEAR

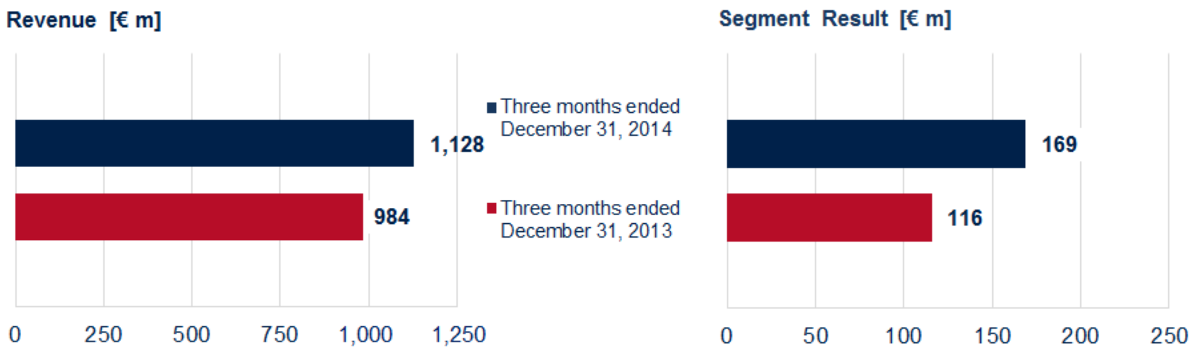
MARKED IMPROVEMENT IN SEGMENT RESULT MARGIN AND INCOME FROM CONTINUING OPERATIONS COMPARED WITH SAME QUARTER LAST YEAR

FREE CASH FLOW IMPACTED BY EXCEPTIONAL CASH OUTFLOWS TO QIMONDA INSOLVENCY ADMINISTRATOR AND EU COMMISSION

“We had a good start into the new fiscal year. Revenue and margin have developed better than expected during the three-month period, in particular due to the strength of the US dollar. Even adjusted for the tailwind from the dollar and one-time effects, reported figures would have been at the upper end of the forecasted range, reflecting Infineon's ability to perform well, even in times of uncertainty. Compared in each case to the equivalent quarter of the previous year, our business has now grown for seven quarters in succession”, stated Dr. Reinhard Ploss, CEO of Infineon Technologies AG. “Market conditions remain challenging. We are nevertheless confident that Infineon will continue to grow. The successful acquisition of International Rectifier will provide an additional boost.”

FIRST QUARTER OF 2015 FISCAL YEAR (OCTOBER 1 TO DECEMBER 31, 2014):

- Revenue up 15 percent on same quarter of previous fiscal year to €1,128 million
- Segment Result of €169 million – up €53 million on same quarter last year
- Segment Result Margin of 15.0 percent (October – December 2013: 11.8 percent)
- Net income of €136 million compared with €87 million in same quarter one year earlier



- Net cash position down by €315 million to €1,917 million at end of reporting period (September 30, 2014: €2,232 million); gross cash position of €2,107 million at end of reporting period (September 30, 2014: €2,418 million)
- Equity ratio improved from 64.6 percent at September 30, 2014 to 70.9 percent at end of reporting period
- Management and Supervisory Board propose dividend of €0.18 per dividend-entitled share at forthcoming Annual General Meeting

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF THE 2015 FISCAL YEAR

October 2014

30 YEARS OF MICROCHIPS FROM REGENSBURG

The foundation stone for the first building dedicated to the manufacture of one-megabit memory chips – the so-called MEGA factory at the Regensburg (Germany) site – was laid in 1984. The first samples were ready by October 1986, with volume production commencing in December 1987. Today in Regensburg sensors, power semiconductors, logic and radio-frequency (RF) components are manufactured instead of memory chips.

November 2014

INTERNATIONAL RECTIFIER'S SHAREHOLDERS APPROVE ACQUISITION

At an Extraordinary Meeting, International Rectifier's shareholders approved the planned acquisition by Infineon with a 99.50 percent shareholder vote. The transaction was closed on January 13, 2015.

IOR

November 2014

SUPERVISORY BOARD EXTENDS CONTRACT OF DR. REINHARD PLOSS AS CHIEF EXECUTIVE OFFICER UNTIL 2020

Infineon's Supervisory Board resolved to appoint Dr. Reinhard Ploss for a further five years as Chief Executive Officer. The existing contract would have expired on September 30, 2015 and has now been extended until 2020.

December 2014

INFINEON AND UMC SIGN MANUFACTURING AGREEMENT FOR AUTOMOTIVE APPLICATIONS

Infineon and United Microelectronics Corporation (UMC), Hsinchu (Taiwan), a leading global semiconductor foundry, agreed to extend the existing manufacturing partnership into the field of power semiconductors for automotive applications. Under the new agreement, Infineon will transfer an automotive-qualified manufacturing technology to UMC. Production start at UMC's 300-millimeter plant in Taiwan is planned for 2018.

UMC

December 2014

INFINEON NAMED "OUTSTANDING EMEA SEMICONDUCTOR COMPANY" BY GLOBAL SEMICONDUCTOR ALLIANCE (GSA)

GSA 2014 AWARDS WINNER

GSA presents this award to semiconductor companies headquartered in the Europe/Middle East/Africa region that have excelled in terms of their products, vision, leadership and success in the marketplace. GSA's members comprise companies from 30 countries with operations along the entire semiconductor value chain.

THE INFINEON SHARE

The Infineon share finished Xetra trading for the October – December quarter at €8.85, 8 percent up on its closing price of €8.19 at the end of the preceding quarter.

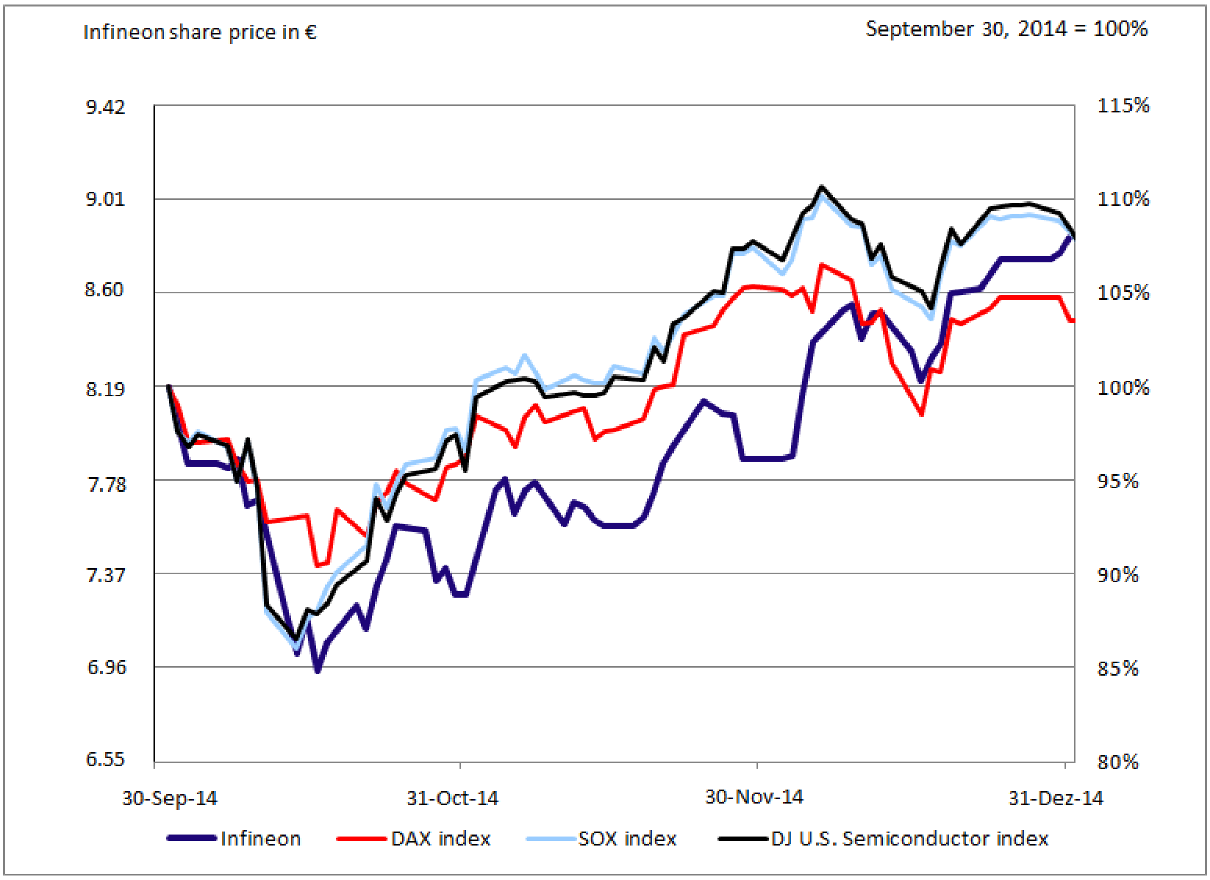
The downward trend in the share price that started at the beginning of September continued into the early part of the first quarter of the 2015 fiscal year, with the low for the quarter (€6.95) recorded in mid-October. After a steady upward trend thereafter through to the quarter end, the share closed at a high of €8.85 for the three-month period.

The dip in the German stock index (DAX) at the beginning of the quarter was less pronounced than that of the Infineon share. Conversely, the subsequent upward movement of the DAX was less dynamic than that of the Infineon share, with the outcome that the DAX rose by only 3 percent over the three-month period. Like the Infineon share, the US benchmark indices, the Philadelphia Stock Exchange Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index, each recorded a gain of 8 percent for the quarter.

Infineon expects a reduction in the level of capital intensity – defined as the ratio of investments to revenue – from previously 15 percent to 13 percent going forward. In view of the resulting sustainable improvement in free cash flow, the intention is to pay a significantly higher dividend for the 2014 fiscal year. It will therefore be proposed at the Annual General Meeting, which will take place in Munich on February 12, 2015, that the dividend be raised by 50 percent to €0.18 per share.

Overall, 1,127,739,230 Infineon shares were in issue at the end of the 2014 fiscal year. The exercise of 27,300 share options during the first quarter of the 2015 fiscal year brought the total number of shares in issue at December 31, 2014 to 1,127,766,530, of which 6 million continue to be held by Infineon Technologies AG.

Relative development of the Infineon share, the DAX Index, the Philadelphia Semiconductor Index (SOX) and the Dow Jones US Semiconductor Index during the first three months of the 2015 fiscal year (daily closing prices)



	Three months ended December 31,		
	2014	2013	+/- in %
Infineon closing prices in euro (Xetra)			
End of the previous period	8.19	7.40	11%
High	8.85	7.77	14%
Low	6.95	6.88	1%
End of the period	8.85	7.76	14%
Weighted-average number of shares traded per day	8,201,352	6,738,856	22%
Infineon closing prices in U.S. dollars (OTCQX)			
End of the previous period	10.30	9.98	3%
High	10.76	10.88	(1%)
Low	8.80	9.24	(5%)
End of the period	10.65	10.82	(2%)
Weighted-average number of ADSs traded per day	166,850	90,217	85%
Shares issued (as of December 31)	1,127,766,530	1,109,814,968	
Therein: own shares	6,000,000	6,000,000	

WORLD ECONOMY AND SEMICONDUCTOR INDUSTRY

The 2.6 percent growth rate recorded for the global economy in the 2014 calendar year fell short of expectations. Despite the prevalence of greater risks, the growth rate is nevertheless forecast to rise to 3.0 percent in the 2015 calendar year (IMF, January 2015). This acceleration is based primarily on the assumption that economic recovery in the USA will continue (3.6 percent), that the modest recovery in the euro region will be sustained (1.2 percent), and that China will maintain its above-average growth rate (6.8 percent), albeit at a lower level than in recent years. The IMF predicts economic growth of 1.3 percent for Germany in the 2015 calendar year.

The global semiconductor market proved remarkably robust in the 2014 calendar year, achieving year-on-year growth of approximately 9 percent (WSTS, November 2014). For the 2015 calendar year, analysts at IHS predict a year-on-year growth rate of 6 percent for the global semiconductor market, measured on a US dollar basis (IHS, December 2014). The German semiconductor market also grew strongly in the 2014 calendar year, finishing 7.2 percent up on the previous year, measured on a euro basis (Zentralverband Elektrotechnik- und Elektronikindustrie e.V. “ZVEI”, January 2015). Automotive and industrial electronics were and remain the two largest sales markets in Germany. The ZVEI predicts that the German semiconductor market will grow by approximately 5 percent in the 2015 calendar year.

REVIEW OF RESULTS OF OPERATIONS

€ in millions, except earnings per share	Three months ended December 31, 2014	2013
Revenue	1,128	984
Gross profit	**427**	**361**
Research and development expenses	(139)	(133)
Selling, general and administrative expenses	(136)	(114)
Other operating income and expenses, net	1	(6)
Operating income	**153**	**108**
Net financial result (financial income and expenses, net)	1	(7)
Income from investments accounted for using the equity method	-	1
Income tax	(24)	(17)
Income from continuing operations	**130**	**85**
Income (loss) from discontinued operations, net of income taxes	6	2
Net income	**136**	**87**
Basic earnings per share (in euro)	0.12	0.08
Diluted earnings per share (in euro)	0.12	0.08

REVENUE INCREASE AND STRENGTH OF US DOLLAR CONTRIBUTE TO SIGNIFICANT IMPROVEMENT IN NET INCOME

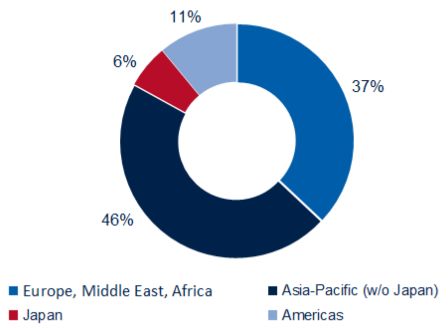
Net income for the quarter under report improved sharply by €49 million to €136 million, primarily on the back of a 15 percent year-on-year increase in quarterly revenue. The strong US dollar also contributed to this performance. In addition, the reduction of the expected future rental payments for the Group's Campeon headquarters led to a positive one-time effect of €14 million due to the reduction of the liability which was recognized in connection with the linearization of the rental expenses.

POSITIVE BUSINESS TREND AND STRENGTH OF US DOLLAR RESULT IN HIGHER REVENUE

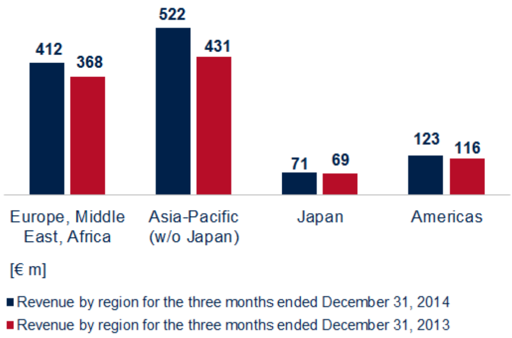
Revenue increased quarter-on-quarter by €144 million to €1,128 million (October – December 2013: €984 million). All four operating segments benefited from the positive global economic trend and reported higher revenue than in the first three months of the previous fiscal year (see chapter “Performance of the Operating Segments”). The strength of the US dollar against the euro contributed to the rise in revenue. The change in the US dollar exchange rate had a positive impact of €43 million on first-quarter revenue based on a euro/US dollar exchange rate of 1.25 (October – December 2013: 1.36). The foreign currency impact stated above is measured by applying the average exchange rate for the preceding year's first quarter to revenue recognized in the first quarter of the 2015 fiscal year.

IMPORTANCE OF ASIA-PACIFIC AND CHINA CONTINUES TO GROW

Infineon's first-quarter revenue grew by €144 million across all regions. Almost two thirds of this increase (€91 million or 63 percent) came from Asia-Pacific, clearly showing the growing importance of this region for Infineon. Revenue generated in Asia-Pacific in the first quarter of the 2015 fiscal year accounted for the largest share of Infineon's revenue (46 percent). With a share of 23 percent of Infineon's worldwide revenue, China accounted for the largest share of Infineon's revenue within the Asia-Pacific region.



Revenue by region for the three months ended December 31, 2014



€ in millions, except percentages	Three months ended December 31, 2014		2013	
Europe, Middle East, Africa	412	37%	368	37%
Therein: Germany	201	18%	190	19%
Asia-Pacific (w/o Japan)	522	46%	431	44%
Therein: China	254	23%	213	22%
Japan	71	6%	69	7%
Americas	123	11%	116	12%
Total	**1,128**	**100%**	**984**	**100%**

INCREASE IN GROSS MARGIN

Gross profit (revenue less cost of goods sold) for the three-month period amounted to €427 million, an improvement of 18 percent over the €361 million recorded one year earlier. Infineon manufactures a large percentage of its products in-house and therefore has a relatively high level of fixed costs. For this reason, many elements of the cost of goods sold do not react in proportion to rises and falls in revenue. Accordingly, higher business volumes in the first quarter resulted in the gross profit improving at a slightly faster rate than the 15 percent increase in revenue.

A part of the cost of goods sold is incurred in US dollars. To some extent, the effects of exchange rates on the cost of goods sold offset a similar impact on revenue. Nevertheless, the appreciation in the rate of the US dollar had a positive impact of approximately €27 million on gross profit compared to the same quarter last year.

The gross margin in the first quarter of the 2015 fiscal year came in at 37.9 percent, up from the 36.7 percent recorded one year earlier.

	Three months ended December 31,	
€ in millions, except percentages	**2014**	2013
Cost of goods sold	701	623
Change year-on-year	13%	
Percentage of revenue	62.1%	63.3%
Gross profit	427	361
Percentage of revenue (gross margin)	37.9%	36.7%

OPERATING EXPENSES RISE AT SLOWER RATE THAN REVENUE

Operating expenses (research and development expenses and selling, general and administrative expenses) increased by €28 million or 11 percent to €275 million in the first quarter of the 2015 fiscal year (October – December 2013: €247 million). In percentage terms, operating expenses corresponded to 24.4 percent of first-quarter revenue, compared with 25.1 percent one year earlier. The largest share of the one-time impact resulting from the adjustment of expected future rental payments for the Group's Campeon headquarters (referred to above) was recorded as a reduction of operating expenses in the quarter under report.

Research and development expenses increased by €6 million or 5 percent from €133 million in the previous fiscal year to €139 million in the first quarter of the 2015 fiscal year. Additional staff was taken on with the aim of creating the basis for further growth. A total of 4,978 employees worked in research and development functions at the end of the reporting period (December 31, 2013: 4,543 employees). Expressed as a percentage of revenue, research and development expenses decreased from 13.5 percent to 12.3 percent compared with the same quarter one year earlier.

	Three months ended December 31,	
€ in millions, except percentages	**2014**	2013
Research and development expenses	139	133
Change year-on-year	5%	
Percentage of revenue	12.3%	13.5%

Selling, general and administrative expenses amounted to 12.1 percent of revenue in the first quarter of the 2015 fiscal year (October – December 2013: 11.6 percent).

	Three months ended December 31,	
€ in millions, except percentages	**2014**	2013
Selling, general and administrative expenses	136	114
Change year-on-year	19%	
Percentage of revenue	12.1%	11.6%

NET FINANCIAL RESULT ALMOST AT BREAK-EVEN

The net financial result (financial income less financial expenses) for the first quarter of the 2015 fiscal year was almost break-even at €1 million, compared with the negative figure of €7 million reported one year earlier.

FIRST-QUARTER EFFECTIVE TAX RATE OF 16 PERCENT

As in the corresponding period last year, the tax expense for the first quarter of the 2015 fiscal year was influenced by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets.

Based on income from continuing operations of €154 million and a tax expense of €24 million, the effective tax rate for the three months ended December 31, 2014 was 16 percent (October – December 2013: 17 percent based on income from continuing operations of €102 million and a tax expense of €17 million).

MARGINALLY POSITIVE RESULT FROM DISCONTINUED OPERATIONS

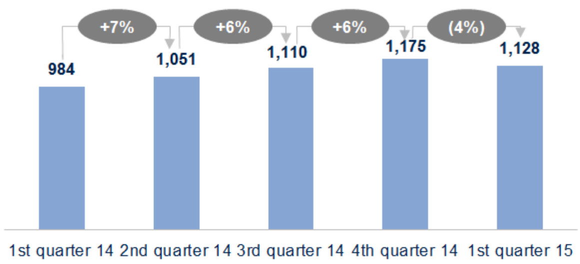
Income from discontinued operations, net of income taxes for the first quarter of the 2015 fiscal year amounted to €6 million, compared with a loss of €2 million one year earlier. Income of €6 million was recognized during the quarter under report as a result of a partial reversal of provisions previously recorded in connection with risks relating to the Qimonda insolvency. Information on risks relating to the Qimonda insolvency is provided in note 20 “Commitments and contingencies”.

EARNINGS PER SHARE IMPROVED

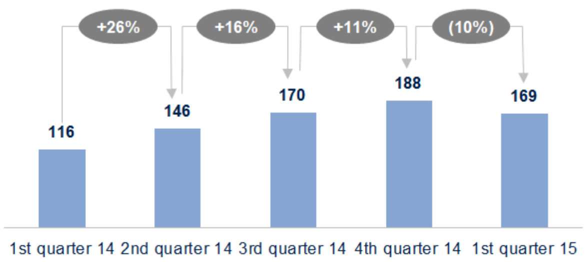
Net income for the first quarter of the 2015 fiscal year totaled €136 million, well up on the €87 million recorded in the same quarter last year.

The improvement in net income resulted in a corresponding increase in earnings per share. Compared with earnings per share of €0.08 (basic and diluted) for the first quarter of the 2014 fiscal year, the corresponding figures for the first quarter of the 2015 fiscal year, for both, amounted to €0.12.

PERFORMANCE OF THE OPERATING SEGMENTS



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



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

First-quarter Segment Result Margin of 15.0 percent

Infineon recorded revenue totaling €1,128 million in the first quarter of the 2015 fiscal year, compared with €984 million one year earlier. Some €66 million or approximately 46 percent of the total increase of €144 million (compared to one year earlier) related to the Automotive segment. The Power Management & Multimarket and Chip Card & Security segments also reported meaningful increases.

As a result of higher revenue, the positive currency effect of the strong US dollar and the one-time benefit arising from the reduction in future rental payments for the Group's Campeon headquarters, all operating segments reported an improved Segment Result compared with the same quarter last year. In total, first-quarter Segment Result rose by €53 million from €116 million to €169 million. Power Management & Multimarket recorded the biggest increase with an improvement of €19 million (36 percent of the total increase) followed by the Automotive segment with an improvement of €17 million (32 percent of the total increase).

The first-quarter Segment Result Margin came in at 15.0 percent, compared with 11.8 percent one year earlier.

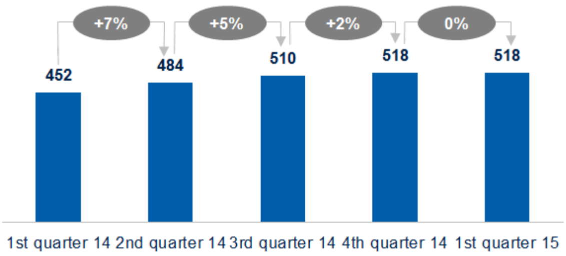
AUTOMOTIVE

	Three months ended December 31,	
€ in millions, except percentages	**2014**	2013
Revenue	518	452
Share of Total Revenue	46%	46%
Segment Result	72	55
Share of Segment Result of Infineon	43%	47%
Segment Result Margin	13.9%	12.2%

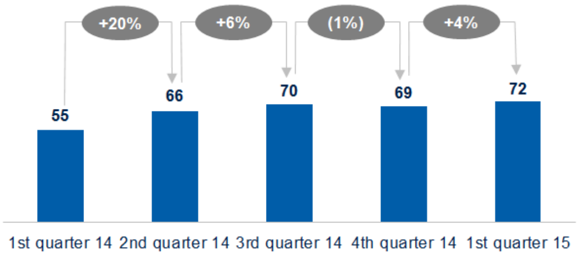
The Automotive segment recorded first-quarter revenue of €518 million, up by €66 million or 15 percent compared with the €452 million recorded in the same quarter last year.

This excellent performance was attributable primarily to the continued buoyancy of car sales worldwide with North America in particular reporting a surge in demand in the period under consideration. The European automobile market remains on a moderate growth path. By contrast, the growth rate in China has decelerated, particularly in comparison with the strong growth recorded in the first half of the 2014 calendar year. The Automotive segment continued to profit from the double-digit growth achieved by German premium car manufacturers.

Overall, the Automotive segment achieved a Segment Result of €72 million in the first quarter of the 2015 fiscal year, which represented a €17 million or 31 percent increase on the same quarter last year. The Segment Result Margin came in at 13.9 percent, compared with 12.2 percent one year earlier, with higher revenue as main reason for the improvement.



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 2015 fiscal year:

- Infineon's Automotive LED Drivers sustained their streak of success, with various prestigious automotive suppliers choosing to integrate these components into their products. The key to success is the ease with which these components can be integrated, thus enabling lighting systems to be simplified, whilst at the same time increasing the reliability of the LED luminaires. Furthermore, market acceptance of the other already well regarded power LED drivers has further increased. These components will be in great demand for applications which require high levels of performance such as headlights. The new brand LITIX™ will soon be introduced in the market for this entire product family.
- Infineon was also able to improve its strong position in the field of electric power steering systems. One leading automotive supplier placed orders in the high double-digit million euro range for various magnetic sensors which – based on the Hall and GMR (giant magnetoresistance) effect – are used to meassure torque, angle and position and which already comply with future safety standards.
- In addition, the AURIX™ microcontroller family picked up a further design win for use in the braking and camera systems of a leading automotive supplier. As a result, Infineon has further strengthened its position in the field of safety applications such as emergency braking and driver assistance systems.

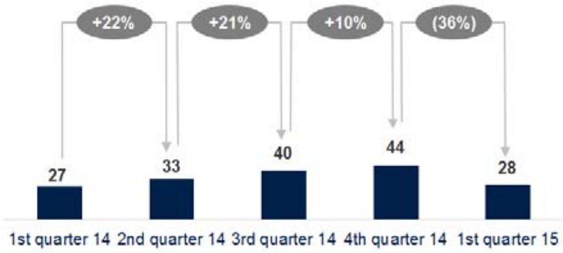
INDUSTRIAL POWER CONTROL

€ in millions, except percentages	Three months ended December 31, 2014	2013
Revenue	190	179
Share of Total Revenue	17%	18%
Segment Result	28	27
Share of Segment Result of Infineon	17%	23%
Segment Result Margin	14.7%	15.1%

The Industrial Power Control segment recorded first-quarter revenue amounting to €190 million, up €11 million on the same quarter last year. The first quarter of the 2015 fiscal year was affected in general by seasonal fluctuations and inventory adjustments made by major direct customers and distributors. Overall, revenue was 6 percent higher than one year earlier. In addition to the positive impact resulting from the strong US dollar, the increase was primarily attributable to the consolidation of the Korean subsidiary, LS Power Semitech Co., Ltd.

Segment Result improved slightly to €28 million, corresponding to a Segment Result Margin of 14.7 percent, compared with equivalent figures of €27 million and 15.1 percent one year earlier. Improved earnings from higher revenue, combined with beneficial currency factors (in particular the euro/US dollar exchange rate) had a positive impact on Segment Result. By contrast, higher operating expenses had a negative impact on earnings compared with the same quarter last year.

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



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

Major events and developments in the Industrial Power Control segment in the first quarter of the 2015 fiscal year:

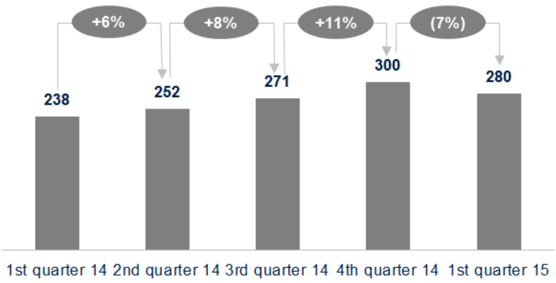
- Renewable energy is and will remain an important aspect of China's need to generate sufficient energy to cope with continued industrial growth. Despite the expected first-quarter seasonal dip in demand for renewable energy-related products, Infineon registered stable business levels for photovoltaic applications and only marginally lower demand for wind power applications.
- In the area of compact IGBT modules in the low-power range, otherwise known as IPMs (Intelligent Power Modules), via its Korean subsidiary, LS Power Semitech Co., Ltd., Infineon is currently benefiting from the growing demand for particularly energy-efficient home appliances. Several leading manufacturers of home appliances have already decided to switch to ultra-efficient variable-speed drives in their new generation of washing machines, dryers, refrigerators and dishwashers.
- The longstanding relationship and collaboration with Midea, a leading Chinese manufacturer of home appliances, was acknowledged by conferment of the "Supplier Gold Award". Infineon, which conducts joint development activities with Midea, was the only semiconductor company to receive the award out of a total of 520 suppliers.

POWER MANAGEMENT & MULTIMARKET

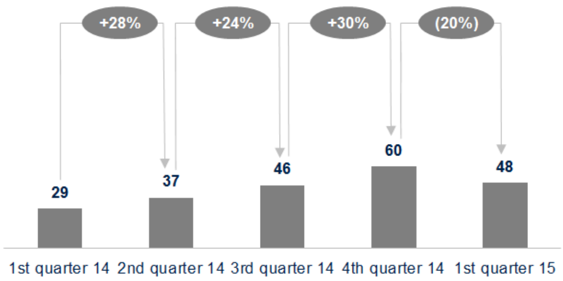
	Three months ended December 31,	
€ in millions, except percentages	**2014**	2013
Revenue	280	238
Share of Total Revenue	25%	24%
Segment Result	48	29
Share of Segment Result of Infineon	28%	25%
Segment Result Margin	17.1%	12.2%

First-quarter revenue totaled €280 million and was thus €42 million or 18 percent higher than one year earlier. Revenue growth came primarily from increased demand for radio-frequency (RF) components and silicon microphones for mobile end devices.

With a first-quarter Segment Result of €48 million, the Power Management & Multimarket segment's contribution to earnings was €19 million or 66 percent up on the previous year's Segment Result of €29 million. The Segment Result Margin for the quarter was 17.1 percent, compared with 12.2 percent one year earlier. Improved earnings from higher revenue, combined with beneficial currency factors (in particular the euro/US dollar exchange rate) had a positive impact on Segment Result. By contrast, higher operating expenses had a negative impact on earnings.



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



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

Major events and developments in the Power Management & Multimarket segment in the first quarter of the 2015 fiscal year:

- Favorable market conditions in the mobile communication sector, driven by the worldwide expansion of LTE technology, ensured that demand for semiconductors for mobile devices and cellular network infrastructure remained brisk. The market research company ABI Research predicts continued market growth in the 2015 and 2016 calendar years for RF components used in cellular network infrastructure applications, while Strategy Analytics, another market research company, confirmed the strong market growth prospects for mobile devices. Infineon reinforced its excellent market position by being awarded various projects with major smartphone manufacturers on the one hand and cellular network infrastructure manufacturers on the other.

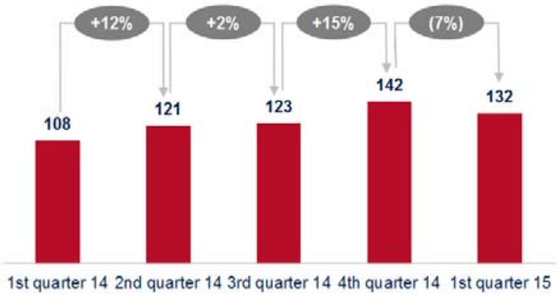
- The introduction of a new IC for digital signal conversion in silicon microphones has strengthened Infineon’s position in the digital microphone market. Several major customers have confirmed that the new product has excellent low-noise reduction qualities and an extremely low distortion factor, thus allowing superior audio quality.

CHIP CARD & SECURITY

€ in millions, except percentages	Three months ended December 31, 2014	2013
Revenue	132	108
Share of Total Revenue	12%	11%
Segment Result	18	6
Share of Segment Result of Infineon	11%	5%
Segment Result Margin	13.6%	5.6%

First-quarter revenue rose sharply to €132 million, primarily reflecting a significant increase in revenue from security controllers for electronic payment cards and governmental applications and a slight drop in revenue from SIM card business.

The first-quarter Segment Result amounted to €18 million, compared with €6 million one year earlier. Gross profit improved significantly on the back of positive revenue and productivity factors. Whereas research and development expenses as well as administrative expenses were practically unchanged, higher selling expenses reflected increased selling efforts. The overall outcome was that operating expenses rose only moderately compared with the first quarter of the previous fiscal year. The Chip Card & Security segment achieved a Segment Result Margin of 13.6 percent (October – December 2013: 5.6 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 2015 fiscal year:

- Infineon's business within payment continues to strive worldwide. The shift from magnetic stripe to chip-based payment cards is generating strong growth in the USA. Infineon is also gathering momentum in the key market of China – in terms of both incoming orders and product approvals.
- During the period under report, Infineon won several new projects in Europe and South America relating to governmental documents. Following the inclusion of flash memory technology in the Indian SCOSTA security standard, the path is now clear for Infineon's SOLID FLASH™ products to be incorporated in governmental documents in India, such as electronic passports, driving licenses, vehicle registration papers, healthcare insurance cards, etc.
- At CARTES 2014 in Paris (France), the sector's leading trade fair, and at the National IT Summit 2014 in Hamburg (Germany), Infineon displayed and launched several of its market leading technologies. At CARTES 2014, Infineon launched the CIPURSE 4move for smart cards, CIPURSE move for limited use tickets and CIPURSE SAM for ticket validators. In the emerging smart wearables market, Beijing Watchdata launched its new smart watch and wristband based on Infineon's boosted NFC Secure Element, the perfect solution for smart wearable devices offering security and smart card functionality at 80 percent less PCB (printed circuit board) footprint than conventional solutions. At the National IT Summit 2014, Infineon and Deutsche Telekom AG presented a security solution for the protection of networked production ("Industrie 4.0"). The solution is especially targeted at small and mid-sized businesses e.g. from the machine building industry or automotive suppliers.

REVIEW OF FINANCIAL CONDITION

€ in millions, except percentages	As of December 31, 2014	September 30, 2014	Change
Current assets	3,715	3,934	(6%)
Non-current assets	2,479	2,504	(1%)
Total assets	**6,194**	**6,438**	**(4%)**
Current liabilities	1,132	1,603	(29%)
Non-current liabilities	670	677	(1%)
Total liabilities	**1,802**	**2,280**	**(21%)**
Total equity	**4,392**	**4,158**	**6%**

REDUCTION IN CURRENT ASSETS REFLECTS LOWER GROSS CASH POSITION

Current assets went down by 6 percent from €3,934 million as of September 30, 2014 to €3,715 million as of December 31, 2014. Infineon's gross cash position (sum total of cash and cash equivalents and financial investments) decreased by €311 million (see "Gross cash position and net cash position" in the chapter "Review of Liquidity"). Trade receivables fell by €95 million as a result of the seasonal quarter-on-quarter decrease in revenue, whereas inventories and tax receivables (the latter reported within other current assets) increased by €48 million and €51 million respectively. The change in the fair value of a deal-related EUR/USD forward foreign currency contract (Deal Contingent Forward) with a nominal amount of US$1.5 billion – entered into to hedge part of the exchange rate risks relating to the purchase price liability for the acquisition of International Rectifier – had the effect of increasing current assets. The positive fair value of the contract (reported within other current assets) increased during the quarter by €57 million to stand at €96 million at December 31, 2014. The patents acquired from Qimonda in October 2014 in conjunction with the settlement recently reached with the insolvency administrator (see note 20 "Commitments and Contingencies") are presented as "available for sale" within current assets at a carrying amount of €21 million.

SLIGHT DECREASE IN NON-CURRENT ASSETS

Non-current assets decreased slightly from €2,504 million as of September 30, 2014 to €2,479 million as of December 31, 2014. Investments in property, plant and equipment during the quarter totaled €81 million, significantly lower than the depreciation and amortization expense of €131 million. Capital expenditure related primarily to the production sites in Malacca (Malaysia), Villach (Austria) and Dresden (Germany). Intangible assets increased by €27 million, of which €26 million relates to capitalized development costs.

LIABILITIES REDUCED BY PAYMENTS FOR PARTIAL QIMONDA SETTLEMENT, BONUSES AND FINE

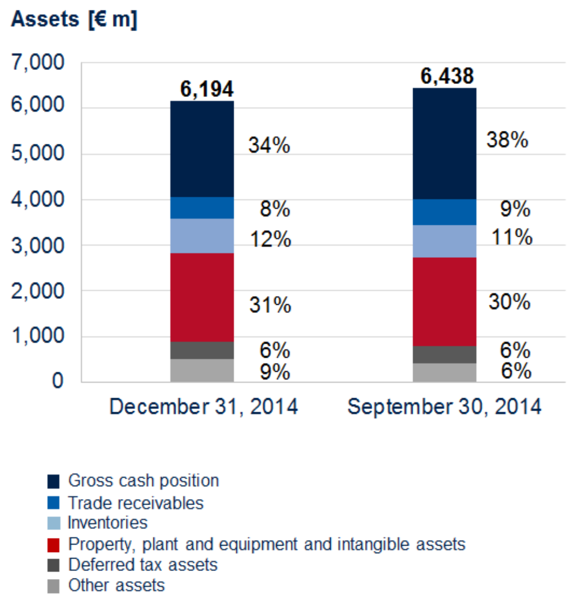
Current liabilities stood at €1,132 million as of December 31, 2014, €471 million or 29 percent lower than at September 30, 2014 (€1,603 million). Current provisions decreased by €331 million. Provisions relating to Qimonda went down by €241 million, primarily due to payments made in conjunction with the partial settlement reached with Qimonda's insolvency administrator (see note 20 "Commitments and Contingencies"). Provisions for bonus payments to employees also decreased by €87 million. Alongside current provisions, trade payables were €76 million lower at the end of the period. Other current liabilities also decreased by €63 million, mainly reflecting the payment of €83 million in conjunction with the fine imposed by the European Commission ("EU Commission") – against which Infineon has filed an appeal (see note 20 "Commitments and Contingencies").

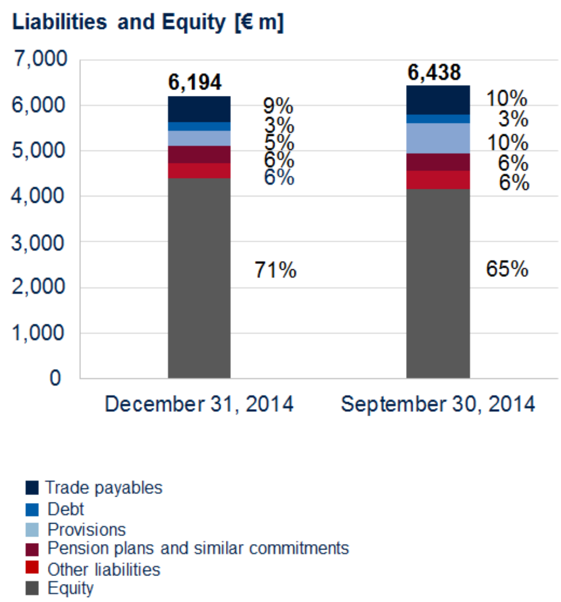
Non-current liabilities stood at €670 million as of December 31, 2014 and were therefore practically unchanged from the level reported as of September 30, 2014 (€677 million).

EQUITY UP DUE TO NET INCOME AND DEAL CONTINGENT FORWARD

Equity increased by €234 million (6 percent) to stand at €4,392 million at the end of the reporting period (September 30, 2014: €4,158 million). The main reason for the improvement was the first-quarter net income of €136 million. The cash flow hedge recognized in conjunction with the Deal Contingent Forward described above increased equity by €57 million. In addition, the expiry of put options added €31 million to equity.

The equity ratio improved to 70.9 percent as of the end of the reporting period (September 30, 2014: 64.6 percent).





REVIEW OF LIQUIDITY

CASH FLOWS

	Three months ended December 31,	
€ in millions	**2014**	2013
Net cash provided by (used in) operating activities from continuing operations	(39)	158
Net cash provided by (used in) investing activities from continuing operations	513	(176)
Net cash provided by (used in) financing activities from continuing operations	2	(36)
Net change in cash and cash equivalents from discontinued operations	(140)	1
Net decrease in cash and cash equivalents	**336**	**(53)**
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(2)
Change in cash and cash equivalents	**335**	**(55)**

Net cash used in operating activities from continuing operations reported primarily as a result of payments to the Qimonda insolvency administrator and the EU Commission

The first quarter of the 2015 fiscal year gave rise to net cash outflow of €39 million, which is reported as net cash used in operating activities from continuing operations. For the same quarter one year earlier, Infineon reported net cash provided by operating activities from continuing operations of €158 million. The figure reported for the first quarter of the 2015 fiscal year includes the payment of €104 million to settle disputes relating to the continuation of the right to use Qimonda patents as well as the payment of €83 million to the EU Commission in connection with the fine imposed in conjunction with chip card anti-trust proceedings. Taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€298 million), the principal items negatively impacting on cash flows from continuing operations during the period under report – alongside the two major outflows described above – were reductions in provisions not relating to Qimonda (€87 million in total, mostly relating to bonus payments to employees) and trade payables (€74 million).

In the same quarter one year earlier, taking income from continuing operations before depreciation and amortization, interest and taxes as the starting point (€229 million), the principal items affecting cash flows from continuing operations were reductions in trade payables and provisions (€121 million in total) and an increase in inventories (€45 million). The decrease in trade receivables (€64 million) and the change in other assets and liabilities (€47 million in total) worked in the opposite direction.

Net cash provided by investing activities from continuing operations dominated by sale of financial investments

Net cash provided by investing activities from continuing operations in the first quarter of 2015 fiscal year totaled €513 million, of which €645 million related to the sale of financial investments. Financial investments mainly comprise money deposits with a term of between three and six months and do not have any impact on Infineon's gross cash position, since the latter includes financial investments as well as cash and cash equivalents. In order to ensure that the necessary cash is available on completion of the International Rectifier acquisition, funds were shifted out of financial investments into cash. Investments in property, plant and equipment (€81 million) as well as in intangible assets and other assets (€60 million) reduced the amount reported as net cash provided by investing activities from continuing operations. Investments in other assets include an amount of €21 million paid to acquire the Qimonda patents. A further €7 million related to the acquisition of a 9.4 percent investment in Schweizer Electronic AG, Schramberg (Germany).

Net cash used in investing activities from continuing operations in the first quarter of the previous fiscal year amounted to €176 million, of which €110 million related to investments in property, plant and equipment. The purchase of financial investments gave rise to a net cash outflow of €48 million.

Small amount reported as net cash provided by financing activities from continuing operations due to increase in long-term debt

Net cash provided by financing activities from continuing operations in the first quarter of the 2015 fiscal year amounted to €2 million. Financing arrangements entered into in conjunction with the acquisition of International Rectifier for a total of approximately €1.6 billion were successfully syndicated during the first quarter of the 2015 fiscal year and relate to two senior, unsecured credit lines amounting to €800 million and US$934 million respectively (see note 15 "Debt"). These credit lines, which were not being utilized at December 31, 2014, were drawn down on the acquisition's closing date of January 13, 2015 (see note 3 "Acquisitions").

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

Change in cash and cash equivalents from discontinued operations negatively impacted by payments in conjunction with the Qimonda partial settlement

Net cash used for discontinued operations during the first quarter of the 2015 fiscal year totaled €140 million and related to the Qimonda insolvency. The amount reported included payments of €135 million arising under the terms of the settlement with the Qimonda insolvency administrator. These payments were made as part of an amicable agreement reached to terminate the proceedings relating to claims pertaining to intragroup payments (which had been contested under insolvency law) as well as the settlement of other extra-judicial claims. The payments were also deemed to settle all other claims of the insolvency administrator, to the extent that they do not pertain to the alleged activation of a shell company and the liability for impairment of capital, as well as the residual liability of Qimonda Dresden.

FREE CASH FLOW

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

	Three months ended December 31,	
€ in millions	**2014**	2013
Net cash provided by (used in) operating activities from continuing operations	(39)	158
Net cash provided by (used in) investing activities from continuing operations	513	(176)
Purchases of (proceeds from sales of) financial investments, net	(645)	48
Free cash flow	**(171)**	**30**

Payments relating to Qimonda partial settlement and for fine in conjunction with chip card anti-trust proceedings have negative impact on free cash flow

Free cash flow in the first quarter of the 2015 fiscal year was a negative amount of €171 million. In addition to the payments made in conjunction with the Qimonda partial settlement, some of which – as described above – related to continuing operations, and the payment of the fine imposed in conjunction with chip card anti-trust proceedings, free cash flow was also reduced by investments in intangible assets, other assets and property, plant and equipment totaling €141 million.

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

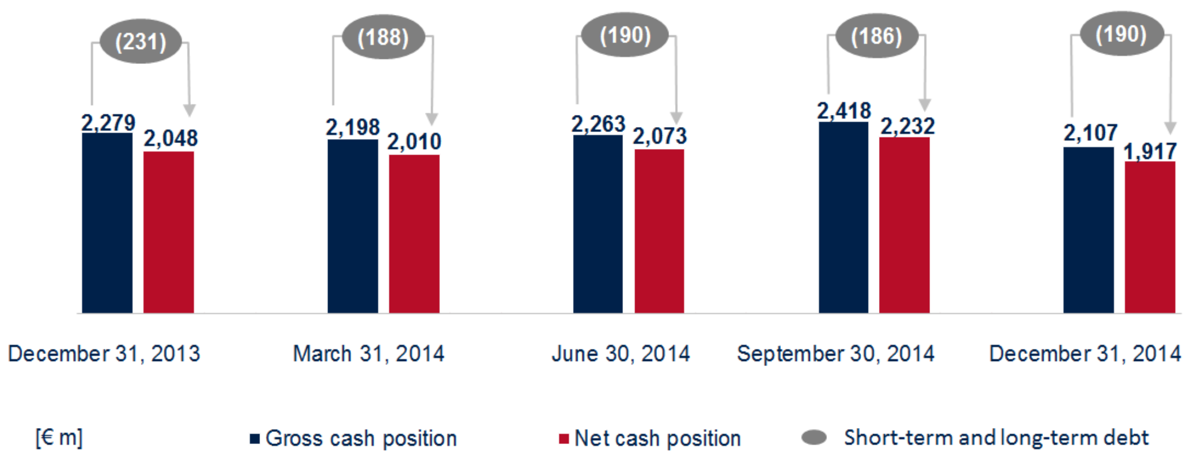
GROSS CASH POSITION AND NET CASH POSITION

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

€ in millions	**December 31, 2014**	September 30, 2014
Cash and cash equivalents	1,393	1,058
Financial investments	714	1,360
Gross cash position	**2,107**	**2,418**
Less:		
Short-term debt and current maturities of long-term debt	35	35
Long-term debt	155	151
Total debt	**190**	**186**
Net cash position	**1,917**	**2,232**

The gross cash position comprising cash and cash equivalents and financial investments amounted to €2,107 million as of December 31, 2014 and was thus €311 million lower than the €2,418 million reported as of September 30, 2014. In addition to the negative free cash flow, the gross cash position was also reduced by payments totaling €140 million relating to the Qimonda insolvency and reported as net cash used for discontinued operations.

The net cash position, which is defined as the gross cash position less short-term and long-term debt, decreased accordingly by €315 million to €1,917 million at December 31, 2014 (September 30, 2014: €2,232 million).



EMPLOYEES

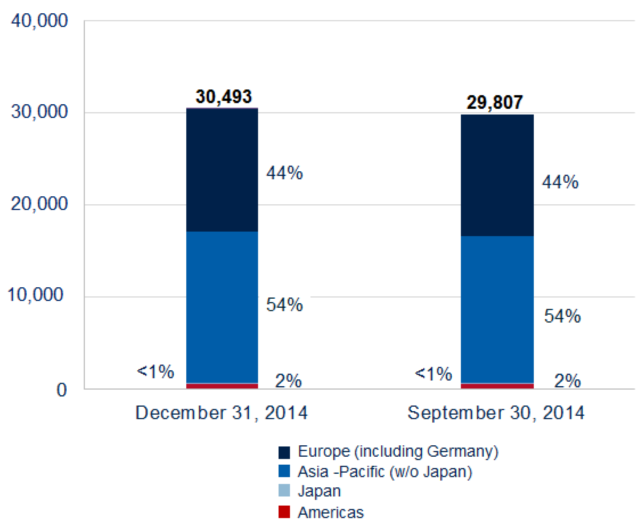
The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

	As of		
	December 31, 2014	September 30, 2014	Change
Region:			
Europe	13,467	13,179	2%
Therein: Germany	9,063	8,888	2%
Asia/Pacific (w/o Japan)	16,332	15,936	2%
Therein: China	1,802	1,748	3%
Japan	140	136	3%
Americas	554	556	0%
Total	**30,493**	**29,807**	**2%**

The Infineon workforce grew by 2 percent during the first quarter of the 2015 fiscal year, with most of the increase taking place in the Asia-Pacific region (particularly Malaysia) and in manufacturing and R&D functions.

Approximately 30 percent of the entire Infineon workforce was employed at Infineon sites in Germany at both December 31, 2014 and 2013.

Employees by region



EVENTS AFTER THE END OF THE REPORTING PERIOD

Infineon's acquisition of International Rectifier Corporation (“International Rectifier”), based in El Segundo, California (USA), announced on August 20, 2014, was closed on January 13, 2015. See note 3 “Acquisitions” for further information.

OUTLOOK

OUTLOOK FOR THE SECOND QUARTER OF THE 2015 FISCAL YEAR

(excluding International rectifier)

Based on an assumed exchange rate of US$ 1.20 to the euro, Infineon expects quarter-on-quarter revenue growth of between 5 and 9 percent in the second quarter of the 2015 fiscal year. All segments are forecast to contribute to the expected revenue growth. A Segment Result Margin of between 12 and 13 percent is forecast.

OUTLOOK FOR THE 2015 FISCAL YEAR

(excluding International rectifier)

Based on an assumed exchange rate of US$ 1.20 (previously US$ 1.30) to the euro, Infineon forecasts a year-on-year growth in revenue of 12 percent, plus or minus 2 percentage points. So far, Infineon had expected sales growth of 8 percent, plus or minus 2 percentage points. At the mid-point of the planned range for revenue growth, the Segment Result Margin is expected to come in at between 14 and 15 percent. Previously, Infineon had predicted a Segment Result Margin of about 14 percent. The Power Management & Multimarket and Chip Card & Security segments are expected to record faster revenue growth than the average for the Group as a whole. The growth rate for the Automotive segment should be roughly in line with the Group average. Revenue growth in the Industrial Power Control segment is likely to be below the Group average.

Expected investments for the 2015 fiscal year are around €750 million containing an amount of about 13 to 14 percent of sales for investments for equipment within our operating facilities and for intangibles as one part. In addition between €60–70 million will be spent for readying the second shell in Kulim (Malaysia) for volume production and payments of €21 million are included for the purchase of Qimonda patents in conjunction with the settlement reached with the insolvency administrator of Qimonda AG. Depreciation and amortization is expected to amount to approximately €600 million.

RISKS AND OPPORTUNITIES

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

Specific risks which could have a material adverse effect on Infineon's financial condition, liquidity position and results of operations, specific opportunities and the concept behind Infineon's risk management system are described in the Group Management Report for the 2014 fiscal year (pages 137 to 148).

During the first three months of the 2015 fiscal year, Infineon has not identified any material changes to the opportunities and risks described in the 2014 Annual Report and in note 20 to the Interim Consolidated Financial Statements for the three-month period under report.

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

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

€ in millions	Note	**December 31, 2014**	December 31, 2013
Revenue		1,128	984
Cost of goods sold		(701)	(623)
Gross profit		**427**	**361**
Research and development expenses		(139)	(133)
Selling, general and administrative expenses		(136)	(114)
Other operating income		6	5
Other operating expenses		(5)	(11)
Operating income		**153**	**108**
Financial income	4	6	2
Financial expenses	5	(5)	(9)
Gain from investments accounted for using the equity method		-	1
Income from continuing operations before income taxes		**154**	**102**
Income tax	6	(24)	(17)
Income from continuing operations		**130**	**85**
Income from discontinued operations, net of income taxes		6	2
Net income		**136**	**87**
Attributable to:			
Non-controlling interests		-	-
Shareholders of Infineon Technologies AG		136	87
Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:			
Basic earnings per share (in euro) from continuing operations	7	0.12	0.08
Basic earnings per share (in euro) from discontinued operations	7	-	-
Basic earnings per share (in euro)	7	**0.12**	**0.08**
Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:			
Diluted earnings per share (in euro) from continuing operations	7	0.12	0.08
Diluted earnings per share (in euro) from discontinued operations	7	-	-
Diluted earnings per share (in euro)	7	**0.12**	**0.08**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

€ in millions	**December 31, 2014**	December 31, 2013
Net income	**136**	**87**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation effects	7	(2)
Net change in fair value of hedging instruments	61	(1)
Net change in fair value of available-for-sale financial assets	(3)	-
Total items that may be reclassified subsequently to profit or loss	**65**	**(3)**
Other comprehensive income for the period, net of tax	**65**	**(3)**
Total comprehensive income for the period, net of tax	**201**	**84**
Attributable to:		
Non-controlling interests	-	-
Shareholders of Infineon Technologies AG	201	84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014 AND 2013 (UNAUDITED) AND SEPTEMBER 30, 2014

€ in millions	Note	December 31, 2014	December 31, 2013	September 30, 2014
ASSETS:				
Cash and cash equivalents		1,393	472	1,058
Financial investments		714	1,807	1,360
Trade receivables	8	486	452	581
Inventories	9	755	654	707
Income tax receivable		9	5	7
Other current assets	10	337	183	221
Assets classified as held for sale		21	-	-
Total current assets		**3,715**	**3,573**	**3,934**
Property, plant and equipment		1,653	1,596	1,700
Goodwill and other intangible assets		277	182	250
Investments accounted for using the equity method		35	34	35
Deferred tax assets		378	323	378
Other non-current assets	11	136	151	141
Total non-current assets		**2,479**	**2,286**	**2,504**
Total assets		**6,194**	**5,859**	**6,438**
LIABILITIES AND EQUITY:				
Short-term debt and current maturities of long-term debt	15	35	64	35
Trade payables	12	572	515	648
Current provisions	14	259	603	590
Income tax payable		68	57	69
Other current liabilities	13	198	211	261
Total current liabilities		**1,132**	**1,450**	**1,603**
Long-term debt	15	155	167	151
Pension plans and similar commitments		383	248	379
Deferred tax liabilities		5	4	5
Long-term provisions	14	69	56	70
Other non-current liabilities		58	67	72
Total non-current liabilities		**670**	**542**	**677**
Total liabilities		**1,802**	**1,992**	**2,280**
Shareholders' equity:	16			
Ordinary share capital		2,255	2,220	2,255
Additional paid-in capital		5,415	5,534	5,414
Accumulated deficit		(3,366)	(3,820)	(3,502)
Other reserves		129	6	64
Own shares		(37)	(37)	(37)
Put options on own shares		(9)	(36)	(40)
Total equity attributable to shareholders of Infineon Technologies AG		**4,387**	**3,867**	**4,154**
Non-controlling interests		5	-	4
Total equity		**4,392**	**3,867**	**4,158**
Total liabilities and equity		**6,194**	**5,859**	**6,438**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

€ in millions	December 31, 2014	December 31, 2013
Net income	**136**	**87**
Minus: income from discontinued operations, net of income taxes	(6)	(2)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	141	120
Income tax	24	18
Net interest result	3	6
Impairment charges	2	-
Other non-cash result	(3)	-
Change in trade receivables	92	64
Change in inventories	(46)	(45)
Change in trade payables	(74)	(54)
Change in provisions	(191)	(67)
Change in other assets and liabilities	(95)	47
Interest received	3	2
Interest paid	(1)	(5)
Income tax paid	(24)	(13)
Net cash provided by (used in) operating activities from continuing operations	**(39)**	**158**
Net cash provided by (used in) operating activities from discontinued operations	**(140)**	**2**
Net cash provided by (used in) operating activities	**(179)**	**160**
Purchases of financial investments	(135)	(273)
Proceeds from sales of financial investments	780	225
Purchases of other equity investments	(7)	-
Purchases of intangible assets and other assets	(60)	(19)
Purchases of property, plant and equipment	(81)	(110)
Proceeds from sales of property, plant and equipment and other assets	16	1
Net cash provided by (used in) investing activities from continuing operations	**513**	**(176)**
Net cash used in investing activities from discontinued operations	**-**	**(1)**
Net cash provided by (used in) investing activities	**513**	**(177)**
Net change in short-term debt	(1)	-
Proceeds from issuance of long-term debt	9	1
Repayments of long-term debt	(5)	(3)
Repurchase of convertible subordinated bonds	-	(35)
Change in cash deposited as collateral	(1)	-
Proceeds from the issuance of put options on own shares	-	1
Net cash provided by (used in) financing activities from continuing operations	**2**	**(36)**
Net cash used in financing activities from discontinued operations	**-**	**-**
Net cash provided by (used in) financing activities	**2**	**(36)**
Net increase (decrease) in cash and cash equivalents	336	(53)
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(2)
Cash and cash equivalents at beginning of period	1,058	527
Cash and cash equivalents at end of period	**1,393**	**472**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

€ in millions, except for number of shares	Note	Ordinary shares issued				Other
		Shares	Amount	Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment
	16					
Balance as of October 1, 2013		**1,081,083,034**	**2,162**	**5,549**	**(3,907)**	**14**
Net income		-	-	-	87	-
Other comprehensive loss for the period, net of tax		-	-	-	-	(2)
Total comprehensive income (loss) for the period, net of tax		-	-	-	87	(2)
Issuance of ordinary shares:						
Exercise of stock options		110,729	1	-	-	-
Exercise of conversion rights		28,621,205	57	4	-	-
Share-based compensation		-	-	1	-	-
Put options on own shares		-	-	1	-	-
Other changes in equity		-	-	(21)	-	-
Balance as of December 31, 2013		**1,109,814,968**	**2,220**	**5,534**	**(3,820)**	**12**
Balance as of October 1, 2014		**1,127,739,230**	**2,255**	**5,414**	**(3,502)**	**26**
Net income		-	-	-	136	-
Other comprehensive loss for the period, net of tax		-	-	-	-	7
Total comprehensive income (loss) for the period, net of tax		-	-	-	136	7
Issuance of ordinary shares:						
Exercise of stock options		27,300	-	-	-	-
Exercise of conversion rights		-	-	-	-	-
Share-based compensation		-	-	1	-	-
Put options on own shares		-	-	-	-	-
Other changes in equity		-	-	-	-	-
Balance as of December 31, 2014		**1,127,766,530**	**2,255**	**5,415**	**(3,366)**	**33**

reserves						
Unrealized gains (losses) on securities	Unrealized gains (losses) on cash flow hedges	Own shares	Put options on own shares	Total equity attributable to shareholders of Infineon Technologies AG	Non-controlling interests	Total equity
3	**(8)**	**(37)**	**-**	**3,776**	**-**	**3,776**
-	-	-	-	87	-	87
-	(1)	-	-	(3)	-	(3)
-	(1)	-	-	84	-	84
-	-	-	-	1	-	1
-	-	-	-	61	-	61
-	-	-	-	1	-	1
-	-	-	(36)	(35)	-	(35)
-	-	-	-	(21)	-	(21)
3	**(9)**	**(37)**	**(36)**	**3,867**	**-**	**3,867**
3	**35**	**(37)**	**(40)**	**4,154**	**4**	**4,158**
-	-	-	-	136	-	136
(3)	61	-	-	65	-	65
(3)	61	-	-	201	-	201
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1	-	1
-	-	-	31	31	-	31
-	-	-	-	-	1	1
-	**96**	**(37)**	**(9)**	**4,387**	**5**	**4,392**

CONDENSED NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

1 BASIS OF PRESENTATION

The condensed Interim Consolidated Financial Statements of Infineon for the three months ended December 31, 2014 and 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The Interim Consolidated Financial Statements have been prepared in compliance with IAS 34, "Interim Financial Reporting". Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of September 30, 2014 presented herein was derived from audited financial statements, not all related disclosures required by IFRS for these are included. The Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with IFRS, as adopted by the EU, for the 2014 fiscal year. With the exception of the changes described in note 2 due to standards adopted for the first time, the accounting policies applied preparing the accompanying Interim Consolidated Financial Statements are consistent with those used for the 2014 fiscal year.

In the opinion of management, the Interim Consolidated Financial Statements contain all necessary adjustments and present a true and fair view of the financial position, results of operations and cash flows. All such adjustments are of a normal recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full fiscal year.

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

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

Deviations in amounts presented may occur due to rounding.

2 ACCOUNTING POLICIES

FINANCIAL REPORTING RULES APPLIED FOR THE FIRST TIME

The following standards have been applied for the first time in the first quarter of the 2015 fiscal year:

- **Amendment to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"** (effective date: January 1, 2014). The application of this revised standard has no significant impact on the Consolidated Financial Statements.
- **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"** (effective date: January 1, 2014). IFRS 10 contains a new and broader definition of "control". A potential parent company has control when it has the decision making power over the potential subsidiary based on voting rights or other rights, participates in positive as well as negative variable returns of the potential subsidiary and has the ability to use its decision making power to affect the amount of the returns. IFRS 11 differentiates between Joint Operations and Joint Ventures. The disclosures of interests in other entities are the subject of IFRS 12. The application of IFRS 10, IFRS 11 and IFRS 12 has no significant impact on the Consolidated Financial Statements.
- **Changes to the transitional provisions of IFRS 10, IFRS 11 and IFRS 12** (effective date: January 1, 2014). These changes have no significant impact on the Consolidated Financial Statements.
- **IAS 28 "Investments in associates and joint ventures"** (effective date: January 1, 2014). This standard has no significant impact on the Consolidated Financial Statements.
- **Change to IAS 36 "Disclosure of recoverable amount for non-financial assets"** (effective date: January 1, 2014). This change has no significant impact on the Consolidated Financial Statements.

3 ACQUISITIONS

The acquisition of International Rectifier Corporation ("International Rectifier") based in El Segundo California (USA) announced on August 20, 2014 was closed by Infineon on January 13, 2015.

With this acquisition Infineon improves its competitive position. The Company benefits from the combination with a larger product portfolio and a broader regional presence, in particular with small and medium sized companies in the USA and Asia. Through the integration, Infineon increases its power semiconductor and packaging technology expertise on the one hand, and on the other hand obtains additional system know-how in the field of power supply to electrical devices and motors. Additionally, knowledge of compound semiconductors, in particular Gallium Nitride, is pooled through the acquisition. Economies of scale arising in research and development as well as production strengthen the competitiveness of the company.

The preliminary calculated purchase price of the acquired company amounts to US$ 3,030 million. The purchase price allocation in accordance with IFRS 3 is currently being determined. Due to the size of the acquisition and the proximity of the closing date of the transaction to the date of this report, the outcome in this regard is not yet available. For the purchase price allocation based on the fair value of the assets, liabilities and contingent liabilities, in addition to the estimate of intangible assets such as technologies, customer relationships and brands, an estimate of goodwill can also be expected.

4 DIVESTITURES AND DISCONTINUED OPERATIONS

QIMONDA — DISCONTINUED OPERATIONS

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

A detailed description of the risks relating to the Qimonda insolvency is provided in note 20 (“Commitments and Contingencies – Proceedings in relation to Qimonda”).

As a result of recent developments, adjustments to individual provisions in connection with the insolvency of Qimonda were required in the three months to December 31, 2014 which resulted in a gain after tax of €6 million. The partial settlement agreed with the Qimonda administrator on September 11, 2014 and effected on October 9, 2014 (see note 20 “Commitments and Contingencies”) had no effect on profit in the quarter just ended.

The patents acquired under the partial settlement with the intention of resale are disclosed in the Consolidated Statement of Financial Position under “assets classified as held for sale” with a value of €21 million as determined according to IFRS 13 as of December 31, 2014.

The payment to the Qimonda administrator of €260 million in connection with the concluded partial settlement is disclosed in the Consolidated Statement of Cash Flows as follows for the three months to December 31, 2014:

- €104 million in “Net cash provided by (used in) operating activities from continuing operations” for the settlement of the dispute over the continuation of useage rights of the Qimonda patents,
- €21 million in “Net cash provided by (used in) investing activities from continuing operations” for the acquisition of the Qimonda patents, and
- €135 million in “Net cash provided by (used in) operating activities from discontinued operations” for the termination by mutual consent of the proceedings contesting certain payments under insolvency law, the settlement of further out of court claims, as well as all other claims made by the administrator to the extent that these do not relate to the proceedings in connection with the alleged activation of a shell company and the liability for impairment of capital, as well as the residual liability of Qimonda Dresden.

SALE OF THE WIRELESS MOBILE PHONE BUSINESS — DISCONTINUED OPERATIONS

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

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

INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES

The results of Qimonda and the Wireless mobile phone business, presented in the Consolidated Statement of Operations as “income from discontinued operations, net of income taxes” in the three months ended December 31, 2014 and 2013, consist of the following:

	Three months ended December 31,	
€ in millions	**2014**	2013
Qimonda's share of discontinued operations, net of income taxes	6	-
Wireless mobile phone business' share of discontinued operations, net of income taxes	-	2
Income (loss) from discontinued operations, net of income taxes	**6**	**2**

5 FINANCIAL INCOME AND EXPENSES

Financial income for the three months ended December 31, 2014 and 2013 comprises the following:

	Three months ended December 31,	
€ in millions	**2014**	2013
Valuation changes and gains on sales of financial investments	5	-
Interest income	1	2
Total	**6**	**2**

Financial expenses for the three months ended December 31, 2014 and 2013 comprise the following:

	Three months ended December 31,	
€ in millions	**2014**	2013
Interest expenses	4	8
Other financial expenses	1	1
Total	**5**	**9**

6 INCOME TAX

Income from continuing operations before income taxes and income tax expenses for the three months ended December 31, 2014 and 2013, respectively, is as follows:

	Three months ended December 31,	
€ in millions	**2014**	2013
Income from continuing operations before income taxes	154	102
Income tax expenses	(24)	(17)
Effective tax rate	16%	17%

In the three months ended December 31, 2014 and 2013, Infineon's tax expenses is affected by lower foreign tax rates, tax credits and changes in the valuation allowance on deferred tax assets.

7 EARNINGS PER SHARE

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

Basic and diluted earnings per share are calculated as follows:

	Three months ended December 31,	
€ in millions (unless otherwise stated)	**2014**	2013
Earnings attributable to shareholders of Infineon Technologies AG – basic	**136**	**87**
Adjustment for interest expenses on convertible bond	-	3
Earnings attributable to shareholders of Infineon Technologies AG – diluted	**136**	**90**
Weighted-average number of shares outstanding (in millions):		
- Ordinary share capital	1,127.7	1,089.1
- Adjustment for own shares	(6.0)	(6.0)
Weighted-average number of shares outstanding – basic	**1,121.7**	**1,083.1**
Adjustments for:		
- Effect of potential conversion of convertible bond	-	41.6
- Effect of stock options and performance shares	0.9	1.3
Weighted-average number of shares outstanding – diluted	**1,122.6**	**1,126.0**
Basic and diluted earnings per share[1] (in euro):		
Earnings per share (in euro) from continuing operations	0.12	0.08
Earnings (loss) per share (in euro) from discontinued operations, net of income taxes	-	-
Earnings per share – basic and diluted	**0.12**	**0.08**

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

The average number of potentially dilutive instruments that did not have a dilutive impact and were not taken into account in the calculation of diluted earnings per share included:

- In the three months ended December 31, 2014 and 2013 12.8 million and 11.9 million, respectively, stock options and performance shares issued to members of the Management Board and employees were not taken into account either because their exercise price was higher than the average share price during the reporting period, or the performance hurdle was not reached.
- In the three months ended December 31, 2014 and 2013 3.8 million and 1.5 million, respectively, put options written on own shares were not taken into account since their exercise price was lower than the average share price during the reporting period.

8 TRADE RECEIVABLES

Trade receivables consist of the following:

€ in millions	December 31, 2014	September 30, 2014
Third party – trade	494	584
Related parties – trade	2	4
Trade accounts receivable, gross	**496**	**588**
Allowance for doubtful accounts	(10)	(7)
Trade accounts receivable, net	**486**	**581**

9 INVENTORIES

Inventories consist of the following:

€ in millions	December 31, 2014	September 30, 2014
Raw materials and supplies	79	76
Work in progress	437	414
Finished and purchased goods	239	217
Total Inventories	**755**	**707**

Inventories at December 31, 2014 and September 30, 2014 are stated net of write-downs of €89 million and €79 million, respectively.

10 OTHER CURRENT ASSETS

Other current assets consist of the following:

€ in millions	December 31, 2014	September 30, 2014
VAT and other receivables from tax authorities	101	50
Derivative financial instruments	96	41
Prepaid expenses	57	45
Grants receivables	28	34
Third party – financial and other receivables	12	9
Employee receivables	1	-
Related party – financial and other receivables	-	1
Other	42	41
Total	**337**	**221**

11 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

€ in millions	**December 31, 2014**	September 30, 2014
Restricted cash	76	75
Prepaid expenses	25	23
Other equity investments	12	5
Grants receivables	5	5
Long-term receivables	5	5
Securities	-	16
Other	13	12
Total	**136**	**141**

"Restricted cash" as of December 31, 2014 and September 30, 2014 mainly consists of a rental deposit in connection with the Campeon head office of €75 million.

12 TRADE PAYABLES

Trade payables consist of the following:

€ in millions	**December 31, 2014**	September 30, 2014
Third party – trade	566	636
Related parties – trade	6	12
Trade payables	**572**	**648**

13 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

€ in million	December 31, 2014	September 30, 2014
Payroll obligations to employees	105	73
VAT and other taxes payables	21	9
Advanced payments	18	18
Deferred income	12	13
Obligation to acquire own shares	9	40
Deferred government grants	8	11
Derivative financial instruments with negative fair values	4	3
Related parties – other payables	1	1
Fine from the chip card antitrust proceedings	-	83
Other	20	10
Total	**198**	**261**

The obligation to acquire own shares in connection with Infineon’s capital returns program amounts to €9 million as of December 31, 2014 and €40 million as of September 30, 2014 and corresponds to the discounted exercise value at issue date plus interest up to the end of the reporting period, of outstanding put options on Infineon Technologies AG shares (see note 16).

14 PROVISIONS

Short-term and long-term provisions at December 31, 2014 and September 30, 2014 consist of the following:

€ in millions	December 31, 2014	September 30, 2014
Personnel costs	149	232
Warranties	67	75
Provisions related to Qimonda	71	312
Other	41	41
Total	**328**	**660**
Thereof short-term	259	590
Thereof long-term	69	70

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

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

Provisions relating to Qimonda are described in detail in note 20.

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

15 DEBT

Debt consists of the following:

€ in millions	December 31, 2014	September 30, 2014
Current maturities of long-term debt	35	35
Total short-term debt and current maturities of long-term debt	**35**	**35**
Loans payable to banks:		
Unsecured loans, average interest rate 1.14% (previous year: 1.18%), due 2016 – 2023	155	151
Total long-term debt	**155**	**151**
Total	**190**	**186**

Loans payable to banks primarily consist of project financing at Infineon Technologies Austria AG. In addition, Infineon has established several independent financing arrangements in the form of both short- and long-term credit facilities, in order to finance operating business requirements.

In connection with the acquisition of International Rectifier a financing agreement of around €1.6 billion was concluded with several domestic and international banks. The financing consists of two senior unsecured tranches: a credit facility for €800 million with a term of one year and two extension options for Infineon each of six months, and a credit facility for US$934 million with a term of five years. Neither of these facilities was used as of December 31, 2014. Upon closing of the acquisition on January 13, 2015 (see note 3) the facilities were drawn.

16 EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2,255,533,060 as of December 31, 2014 divided into 1,127,766,530 no par value registered shares, each representing €2 of the Company's ordinary share capital. As of September 30, 2014 it stood at €2,255,478,460 divided into 1,127,739,230 no par value registered shares. 27,300 new shares were issued in the first quarter of the 2015 fiscal year as a result of the exercise of employee stock options.

Each share grants the holder one vote and an equal portion of the profits in the form of a dividend as resolved by the Annual General Meeting. As of December 31, 2014, of the above mentioned total number of issued shares, the Company held 6 million own shares (September 30, 2014 6 million). Own shares held by the Company as at the date of the Annual General Meeting carry no voting rights and are not entitled to dividend.

The Management Board and Supervisory Board will propose to the Annual General Meeting, which has been called for February 12, 2015, that a dividend of €0.18 for each share entitled to receive a dividend be paid out of the unappropriated profit reported by Infineon Technologies AG for the 2014 fiscal year. Taking into account the non-entitlement to a dividend of own shares as well as newly issued shares issued following the exercise of employee stock options, this would result in an expected distribution of approximately €202 million. Since payment of the dividend depends on approval by the shareholders at the Annual General Meeting, no liability has been recognized as of December 31, 2014 or September 30, 2014.

In November 2013 the Company resolved upon a new capital returns program of up to €300 million until September 30, 2015. The capital returns program, making use of the authorization to acquire own shares given at the Annual General Meeting on February 28, 2013, may be effected either through the use of put options, or the direct repurchase of shares through Xetra trading on the Frankfurt Stock Exchange. Any shares repurchased will either be cancelled, thereby reducing the share capital, used to service convertible bonds, or distributed to employees, board members of affiliated companies, or members of the Management Board. Moreover the share repurchase will be carried out in accordance with the requirements of sections 14 (2) and 20a (3) of the German Securities Trading Act in line with the provisions of Commission Regulation (EC) No. 2273/2003 of December 22, 2003.

The capital returns program may be suspended and resumed at any time within the time frame defined in the resolution of the Annual General Meeting and taking into consideration other legal requirements. More information and the current status of the program is regularly published in the internet at www.infineon.com/cms/de/corporate/investor/capital-returns/program-2013.

Up to December 31, 2014 the Company has issued put options on own shares with an exercise amount of €85 million, of which put options with a value of €9 million remained outstanding as of December 31, 2014. Put options with a value of €76 million have expired. The outstanding put options with an original maximum term of twelve months correspond to a total of 1.5 million shares. Premiums received for the issued put options amounted to €3 million and resulted in a corresponding increase of additional paid-in capital.

The following table contains an overview of the issued, expired and exercised put options on own shares during the 2015 and 2014 fiscal years:

In each case stated in millions	Exercise value in €	Underlying number of shares
Outstanding put options as of October 1, 2013	**-**	**-**
Put options issued during the 2014 fiscal year	85	14
Less: put options expired in the 2014 fiscal year	(45)	(8)
Less: put options exercised in the 2014 fiscal year	-	-
Outstanding put options as of September 30, 2014	**40**	**6**
Put options issued during the 2015 fiscal year	-	-
Less: put options expired so far in the 2015 fiscal year	(31)	(4)
Less: put options exercised so far in the 2015 fiscal year	-	-
Outstanding put options as of December 31, 2014	**9**	**2**

17 SHARE-BASED COMPENSATION

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

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

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

As at October 1, 2014 100,702 and 1,047,084, (virtual) performance shares were allocated and accepted by the Management Board and employees respectively. The expenses associated with the performance shares issued on October 1, 2014 are deferred pro rata over the service period of four years for employees and two years for members of the Management Board.

There are no significant changes to the stock option plans and performance share plan presented in the Consolidated Financial Statements as at September 30, 2014.

The costs incurred for share-based compensation were minimal in the periods ending December 31, 2014 and 2013 (see note 21).

18 RELATED PARTIES

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

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

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

Related companies receivables and payables as of December 31, 2014 and September 30, 2014 consist of the following:

€ in millions	**December 31, 2014**		September 30, 2014	
	at-equity companies	other related companies	at-equity companies	other related companies
Trade and other receivables	2	-	3	1
Financial receivables	-	-	-	1
Trade and other payables	4	2	10	2
Financial payables	-	1	-	1

Sales and service charges to and purchases from related companies as of December 31, 2014 and December 31, 2013 consist of the following:

€ in millions	Three months ended December 31,			
	2014		2013	
	at-equity companies	other related companies	at-equity companies	other related companies
Sales and service charges	2	-	4	1
Purchases	16	4	20	6

In the three months ended December 31, 2014 and 2013 there were no transactions between Infineon and related persons which fall outside the scope of the existing employment, service or appointment terms, or the contractual arrangements for their remuneration.

19 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are allocated to the following measurement levels in accordance with IFRS 13. The allocation to the different levels is based on the market proximity of the valuation parameters used in the determination of the fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities,
- Level 2: valuation parameters whose prices are not the ones considered in Level 1, but which can be observed either directly or indirectly for the assets or liabilities,
- Level 3: valuation parameters for assets and liabilities which are not based on observable market data.

The following table shows the allocation of financial instruments measured at fair value to each measurement level as of December 31, 2014:

€ in millions	Total	Fair value		
2015 fiscal year		Level 1	Level 2	Level 3
Financial assets				
Current assets:				
Financial investments	**63**	-	63	-
Other current assets	**96**	-	96	-
Non-current assets:	-	-	-	-
Other non-current assets	**12**	7	-	5
Total	**171**	**7**	**159**	**5**
Financial liabilities				
Current liabilities:				
Other current liabilities	**4**	-	4	**-**
Total	**4**	**-**	**4**	**-**

For the securities included in financial investments no active market exists. The fair values are calculated as the present value of future expected cash flows, taking into account valuation parameters which can be observed in the market (Level 2).

Other current assets or liabilities include derivative financial instruments (including cash flow hedges). Their fair value is determined according to the discounted cash flow method. Where possible valuation parameters are based on market data (such as currency rates or commodity prices) observable on the reporting date and taken from reliable external sources (Level 2).

Other non-current assets include financial investments. Insofar as the holdings are traded on an active market, the fair value is determined based on the actual quoted price (Level 1). For financial investments which are not quoted on an active market, the fair value is determined by considering existing contractual arrangements based on the externally observable dividend policy (Level 3).

No reclassification within the fair value hierarchy was carried out.

The allocation to classes of financial instruments, the valuation methods, and major assumptions are unchanged compared to September 30, 2014 and are described in detail in the notes to the 2014 Consolidated Financial Statements in note 2. A detailed overview of Infineon's financial instruments, the financial risk factors, and the management of financial risks is included in the notes to the 2014 Consolidated Financial Statements in notes 31 and 32.

20 COMMITMENTS AND CONTINGENCIES

LITIGATION AND GOVERNMENT INQUIRIES

ANTITRUST LITIGATION

In October 2008 the EU Commission initiated an investigation into the Company and other manufacturers of chips for smartcards for alleged violations of antitrust laws. On 3 September, 2014 the EU Commission imposed a fine of €83 million on Infineon which was paid in October 2014. Infineon rejects the allegations as unfounded. Moreover Infineon believes its procedural rights to have been violated by the EU Commission and has brought an action against this decision before the European Court of Justice in Luxembourg in mid-November 2014.

Two class actions have been filed in Canada class actions for civil damages in connection with these allegations: The first action was filed in the province of British Columbia in July 2013, and the second in the province of Quebec in September 2014. The actions followed the press reports on the investigation and the respective decision of the EU Commission. No dates have been set for court proceedings.

In December 2014 an indirect customer filed a lawsuit against Infineon and Renesas in London (Great Britain). The lawsuit has not been served yet and is presumably related to the EU cartel case against manufacturers of chips for smartcards.

In June 2010, the Brazilian Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation related to alleged anticompetitive activities within the DRAM industry. In December 2014 the company agreed on a settlement with the Brazilian authorities to close the investigation.

PROCEEDINGS IN RELATION TO QIMONDA

All significant assets, liabilities and business activities attributable to the memory business (Memory Products) were carved out from Infineon and transferred to Qimonda in the form of a non-cash contribution with economic effect from May 1, 2006. Various service agreements were concluded with Qimonda in addition to the demerger and contribution agreement of April/May, 2006 as part of the establishment of Qimonda as a separate legal entity. Qimonda filed an application at the Munich Local Court to commence insolvency proceedings on January 23, 2009. On April 1, 2009, the insolvency proceedings formally opened. The insolvency of Qimonda has given rise to various disputes between the administrator and Infineon.

Partial Settlement on September 11, 2014

On September 11, 2014 the Company and the administrator reached a partial settlement which was closed on 9 October, 2014. On the closing day the Company paid €260 million as partial settlement to the administrator.

The partial settlement includes the acquisition by Infineon of Qimonda's patent business including the entire patent portfolio. On the closing day, the administrator transferred the patent business including the ownership of the patents to Infineon. The payment on the closing day by mutual consent ends the action with respect to the continuing use of the Qimonda patents and Infineon's position as license holder.

With the partial settlement the insolvency law proceedings contesting intercompany payments were also amicably brought to a close.

Additionally, further out-of-court claims of right to contest under insolvency law, as well as all other claims made by the administrator are settled, apart from those relating to the proceedings in connection with the alleged activation of a shell company and the liability for impairment of capital, as well as the residual liability of Qimonda Dresden. Further information on the proceedings covered by the partial settlement can be found in Note 33 to the Consolidated Financial Statements for the 2014 fiscal year.

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

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

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

The alleged impairment of capital runs contrary to two valuations produced as part of the preparation for the capital increase by independent auditing companies, one of which had been engaged by Infineon and the other was acting in the capacity of a court-appointed auditor of non-cash contributions and post-formation acquisitions. The auditing company engaged by Infineon concluded in its valuation that the business area contributed had a value of several times the lowest issue price of the shares issued, while the court-appointed auditor of non-cash contributions and post-formation acquisitions confirmed to the court that the lowest issue price of the shares issued was covered – as legally required – by the value of the non-cash contributions. Additionally, in the course of its defense against the claims asserted by the administrator, Infineon has commissioned several expert opinions all of which arrive at the same conclusion, that the objections raised by the administrator against the valuation of the non-cash contribution are not valid.

As part of these proceedings the parties have exchanged comprehensive written submissions as well as expert reports. On August 29, 2013 the court appointed an independent expert in order to clarify specifically the valuation issues raised by the administrator.

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

Infineon was a shareholder with personal liability of Qimonda Dresden until the carve-out of the memory business, as a result certain long-standing creditors have residual liability claims against Infineon. These claims, which include the potential repayment of public subsidies, trade tax demands, receivables of service providers and suppliers and employee-related claims such as salaries and social security contributions, can only be exercised by the administrator acting in the name of the creditors concerned. Settlements have already been concluded with some of the residual liability creditors.

Provisions relating to Qimonda

Infineon recognizes provisions and liabilities for such obligations and risks which it assesses at the end of each reporting period could probably result in a payment – that is where, from Infineon's perspective at the end of each reporting period, the probability of having to settle an obligation or risk is greater than the probability of not having to – and the obligation or risk can be estimated with reasonable accuracy at the time of assessment.

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions in connection with some of the abovementioned matters totaling €71 million as of December 31, 2014 (September 30, 2014: €312 million). Of the provisions recorded as of December 31, 2014, €43 million has been provided in connection with the residual liability as former shareholder of Qimonda Dresden. For the defense of the proceedings still pending for the alleged activation of a shell company and liability for impairment of capital, the Company has recorded a provision of €24 million as of December 31, 2014. Remaining provisions in connection with the Qimonda insolvency total €4 million as of December 31, 2014. In addition €3 million (CAD 4.5 million) was recognized as a liability as of December 31, 2014 for the settlement of the Canadian DRAM lawsuit.

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

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

OTHER

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

PROVISIONS FOR LEGAL PROCEEDINGS AND OTHER UNCERTAIN LEGAL POSITIONS

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 lies within a range of amounts and all amounts within the range are equally probable, the provision recorded is equal to the mid-point of the range.

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

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

CONTINGENT LIABILITIES ARISING FROM LEGAL DISPUTES AND OTHER UNCERTAIN LEGAL POSITIONS

To the extent that liabilities arising from legal disputes and other uncertain legal positions (see section “Litigation and government enquiries”) are not probable or cannot be reliably estimated, then they qualify as contingent liabilities. Management is of the opinion that, according to the current assessment, with the exception of possible claims that could arise from the action brought by the Qimonda administrator in connection with the alleged activation of a shell company and the liability for impairment of capital, as well as the residual liability of Qimonda Dresden, and claims that could arise as a consequence of the EU Commission’s decision on September 3, 2014 on a fine, the existing contingent liabilities have no material effect on Infineon’s financial condition, liquidity position and results of operations.

OTHER CONTINGENCIES

In total, Infineon has guarantees outstanding to external parties as of December 31, 2014 amounting to €104 million.

In the course of its investing activities, Infineon receives government subsidies in the form of grants and allowances related to the construction and financing of certain of its production facilities. Grants are also received for selected research and development projects. These amounts are recognized upon the achievement of specified criteria. Certain of these grants have been received contingent upon Infineon complying with certain project-related requirements, such as creating a specified number of jobs over a defined period of time. Infineon is committed to fulfilling these requirements. Nevertheless, should such requirements not be met, as of December 31, 2014, a maximum of €57 million of subsidies received could be refundable. From today's perspective, Infineon expects to be able to comply with these requirements. This amount does not include any potential liabilities for Qimonda-related subsidies.

Infineon, through certain of its sales and other contracts 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 cannot be reliably estimated, since the potential obligation is contingent on events that may or may not occur in future, and depends on specific facts and circumstances related to each agreement. Historically, payments made under these types of agreements have not had a material effect on Infineon's financial condition, liquidity position and results of operations.

21 SEGMENT INFORMATION

PRESENTATION OF SEGMENTS

Infineon's business is structured into the four operating segments Automotive, Industrial Power Control, Power Management & Multimarket and Chip Card & Security.

Other Operating Segments comprises the remaining activities of divested businesses and other business activities, other than those assigned to discontinued operations. Since the sale of the Wireline Communications business, the supply of products and the provision of services to Lantiq under the corresponding production and service level agreements are included in this segment. Also included are services provided to IMC under the corresponding service level agreements following the sale of the Wireless mobile phone business.

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

SEGMENT DATA

	Three months ended December 31,	
€ in millions	**2014**	2013
Revenue:		
Automotive	518	452
Industrial Power Control	190	179
Power Management & Multimarket	280	238
Chip Card & Security	132	108
Other Operating Segments	4	6
Corporate and Eliminations	4	1
Total	**1,128**	**984**

Revenue for the three-month period ended December 31, 2014 and 2013 does not contain any inter-segmental revenue.

	Three months ended December 31,	
€ in millions	**2014**	2013
Segment Result:		
Automotive	72	55
Industrial Power Control	28	27
Power Management & Multimarket	48	29
Chip Card & Security	18	6
Other Operating Segments	2	-
Corporate and Eliminations	1	(1)
Total	**169**	**116**

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

	Three months ended December 31,	
€ in millions	**2014**	2013
Segment Result	169	116
Plus/minus:		
Impairments on assets including assets classified as held for sale, net of reversals	(2)	-
Impact on earnings of restructuring measures and closures, net	-	(4)
Share-based compensation expenses	(2)	(2)
Acquisition-related depreciation/amortization and other expenses	(8)	-
Other income and expenses, net	(4)	(2)
Operating income	**153**	**108**
Financial income	6	2
Financial expenses	(5)	(9)
Gain from investment accounted for using the equity method, net	-	1
Income from continuing operations before income taxes	**154**	**102**

Neubiberg, February 3, 2015

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

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

Neubiberg, February 3, 2015

Dr. Reinhard Ploss	Dominik Asam	Arunjai Mittal

REVIEW REPORT

To the Supervisory Board of Infineon Technologies AG, Neubiberg

We have reviewed the condensed interim consolidated financial statements of the Infineon Technologies AG, Neubiberg – comprising statement of operations, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and condensed notes to the interim consolidated financial statements – together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from October 1, 2014 to December 31, 2014 that are part of the quarterly financial report according to § 37 x Abs. 3 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the European Union (EU), and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Munich, February 3, 2015

KPMG AG

Wirtschaftsprüfungsgesellschaft

Braun	Wolper
Wirtschaftsprüfer	Wirtschaftsprüfer

SUPPLEMENTARY INFORMATION (UNAUDITED)

FORWARD-LOOKING STATEMENTS

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

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

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

FINANCIAL CALENDAR

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

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

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

CONTACT INFORMATION

Infineon Technologies AG

Investor Relations

Am Campeon 1-12

85579 Neubiberg/Munich, Germany

Phone: +49 89 234-26655

Fax: +49 89 234-9552987

E-Mail: investor.relations@infineon.com

Visit http://www.infineon.com/investor for an electronic version of this report and other information.

PUBLISHED BY INFINEON TECHNOLOGIES AG

Am Campeon 1–12, 85579 Neubiberg/Munich (Germany)
Quarterly Financial Report of 1st Quarter 2015