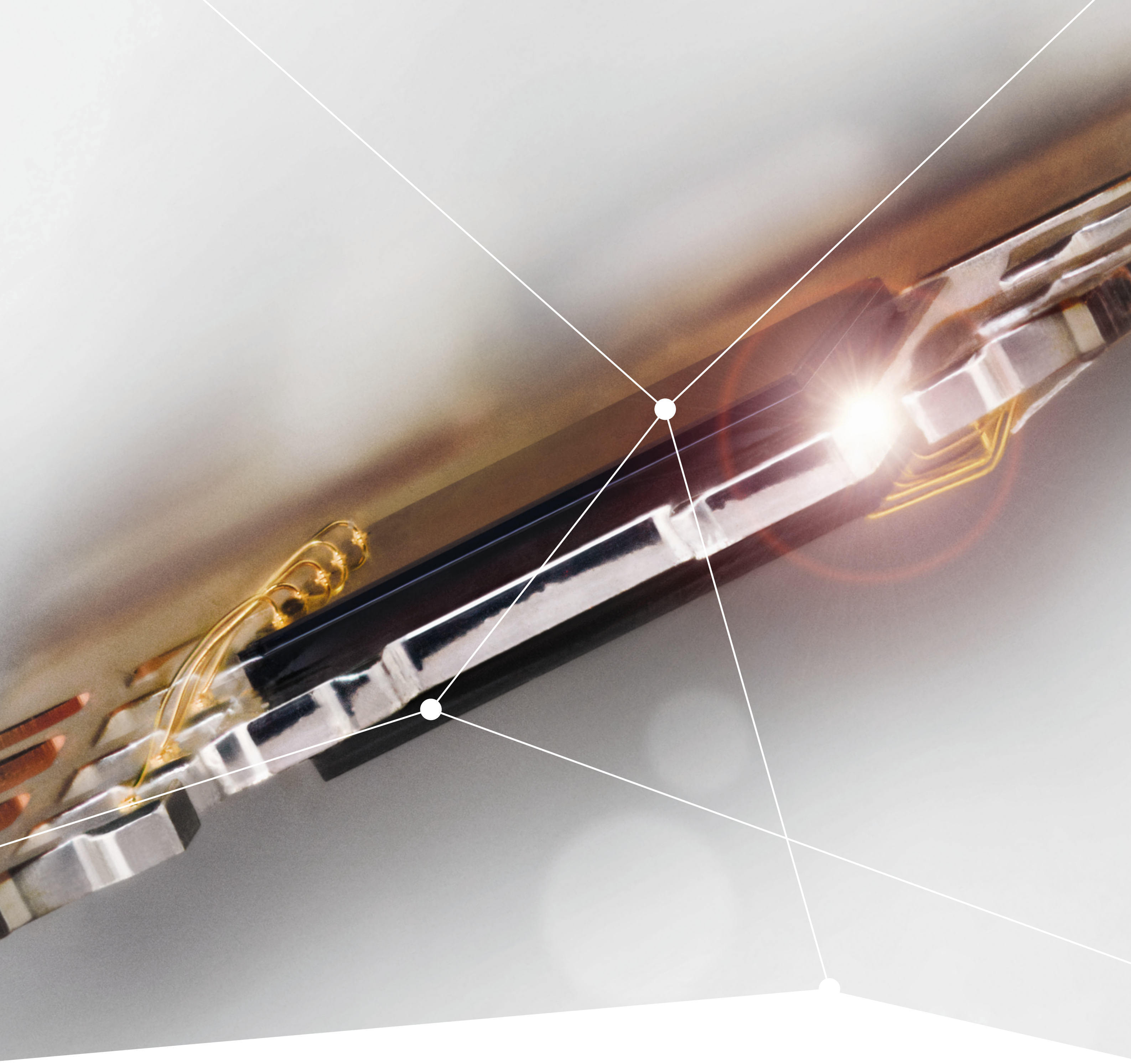

# Q1

Quarterly Financial Report December 31, 2015

Infineon Technologies AG

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# Content

# Selected Consolidated Financial Data

| | Three months ended, December 31, | |
|---|---|---|
| € in millions, except earnings per share, Segment Result Margin and Gross margin | **2015** | 2014 |
| **Selected Results of Operations Data** | | |
| Revenue | 1,556 | 1,128 |
| Gross margin | 35.9% | 37.9% |
| Segment Result | 220 | 169 |
| Segment Result Margin | 14.1% | 15.0% |
| Research and development expenses | 198 | 139 |
| Capital expenditure[1] | 167 | 141 |
| Depreciation and amortization | 211 | 141 |
| Income from continuing operations | 152 | 130 |
| Income from discontinued operations, net of income taxes | - | 6 |
| Net income | 152 | 136 |
| Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG | 0.14 | 0.12 |
| Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG | 0.14 | 0.12 |
| Adjusted earnings per share (in euro) - diluted | 0.17 | 0.13 |
| | | |
| **Selected Liquidity Data** | | |
| Net cash provided by (used in) operating activities from continuing operations | 175 | (39) |
| Net cash provided by (used in) investing activities from continuing operations | (178) | 513 |
| Therein: Purchases (-)/proceeds from sales (+) of financial investments, net | (3) | 645 |
| Net cash provided by (used in) financing activities from continuing operations | (9) | 2 |
| Free Cash Flow from continuing operations[2] | 0 | (171) |

| | As of | |
|---|---|---|
| € in millions, except numbers of employees | **December 31, 2015** | September 30, 2015 |
| **Selected Financial Condition Data** | | |
| Total assets | 8,751 | 8,741 |
| Total equity | 4,860 | 4,665 |
| Equity ratio | 55.5% | 53.4% |
| Gross cash position[3] | 1,994 | 2,013 |
| Total debt | 1,790 | 1,793 |
| Net cash position[3] | 204 | 220 |
| | | |
| **Market capitalization[4]** | 15,192 | 11,294 |
| | | |
| **Employees** | 35,565 | 35,424 |

[1] Capital expenditure: the total amount invested in property, plant and equipment and intangible assets, including capitalized research and development expenses.
[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.
[4] The calculation is based on unrounded figures. Own shares were not taken into consideration for calculation of market capitalization.

# Interim Group Management Report (Unaudited)

International Rectifier and strength of US dollar support Infineon's first-quarter performance:

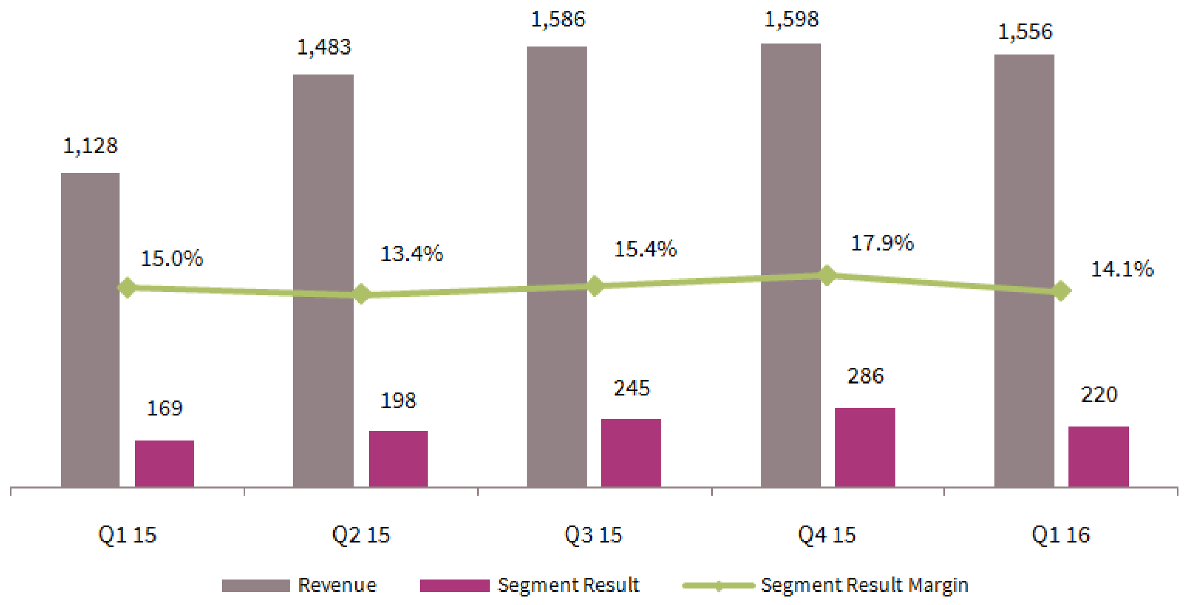
- Revenue and Segment Result for quarter well up year-on-year; quarter-on-quarter dip in revenue less pronounced than expected
- First-quarter net income and earnings per share up slightly over previous year, despite acquisition-related expenses – sharp improvement in adjusted earnings per share
- Growth forecast for full year confirmed despite difficult market environment

**“Our business performed better than expected in the past quarter. Infineon's broad diversification in terms of customers, markets and regions is paying off,” stated Dr. Reinhard Ploss, CEO of Infineon Technologies AG. “We are doing particularly well in the automotive business, where Infineon's leading expertise is prevailing. Our solutions for driver assistance systems continue to generate growth. Electromobility is gaining momentum as well.”**

## Operating segment performance in first quarter of the 2016 fiscal year[1]

The Industrial Power Control, Power Management & Multimarket and Chip Card & Security segments all reported quarter-on-quarter revenue decreases due to seasonal factors. Revenue generated by the Automotive segment was at a similar level to the previous quarter.

Compared to the corresponding quarter one year earlier, revenue was significantly higher in all four segments. The growth achieved by the Chip Card & Security segment reflects increased demand. Revenue performance for the Automotive, Industrial Power Control and Power Management & Multimarket segments also benefited from the additional impact of the inclusion of International Rectifier's business from January 13, 2015 onwards.

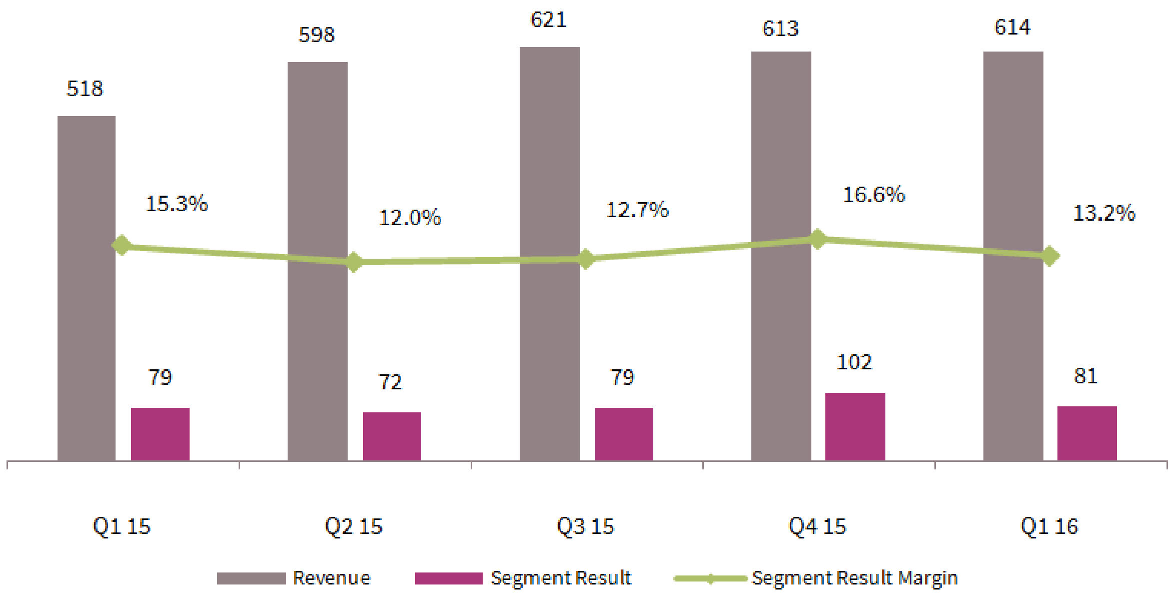



Effective October 1, 2015, business with XMC industrial microcontrollers – developed by Automotive and Chip Card & Security – was transferred to Power Management & Multimarket and Industrial Power Control. The previous year's figures have been adjusted accordingly.

[1] With effect from the quarterly financial report as of December 31, 2015, Infineon Technologies AG has adjusted its reporting on operating segments in order to provide uniform external reporting and improve the comparability and clarity of presentation.

## Automotive

| € in millions, except percentages | Three months ended<br>**December 31, 2015** | September 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Revenue | 614 | 613 | 518 |
| Share of Total Revenue | 40% | 39% | 47% |
| Segment Result | 81 | 102 | 79 |
| Share of Segment Result of Infineon | 37% | 36% | 47% |
| Segment Result Margin | 13.2% | 16.6% | 15.3% |

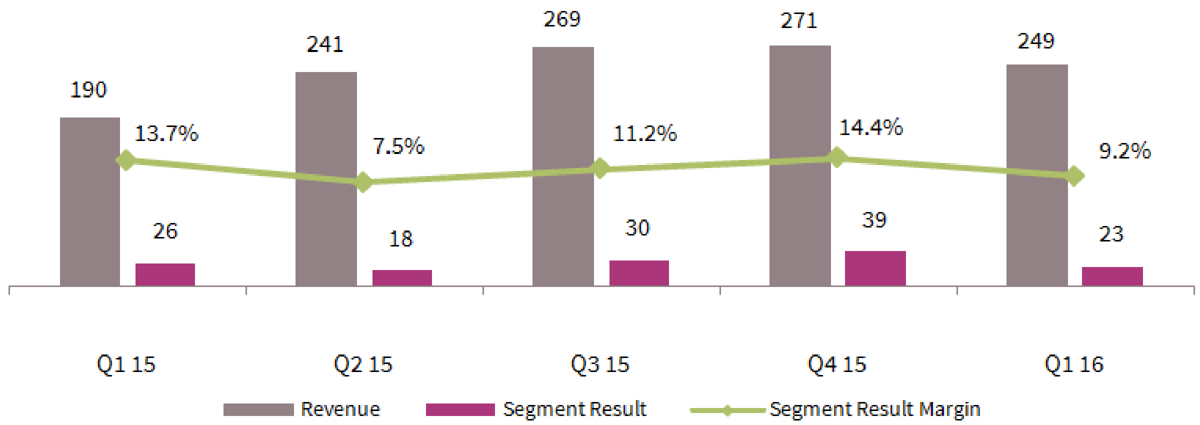



Contrary to the expected usual seasonal dip, at €614 million, Automotive segment revenue remained practically unchanged in the first quarter. Demand for vehicles in Europe and North America remained high, while markets in China saw a sharp rise. Demand for hybrid and electric vehicles in China was also buoyant in the first quarter, reflecting the fact that China is gradually becoming the world's largest market for electromobility. Segment Result decreased from €102 million in the fourth quarter of the previous fiscal year to €81 million in the first quarter of the current fiscal year. The Segment Result Margin of 13.2 percent was down compared with the previous quarter's 16.6 percent.

First-quarter Automotive segment revenue rose by 19 percent year-on-year from €518 million to €614 million. Segment Result amounted to €81 million, compared to €79 million in the first quarter of the preceding fiscal year. The Segment Result Margin for the three-month period fell from 15.3 percent to 13.2 percent.

## Industrial Power Control

| € in millions, except percentages | Three months ended December 31, 2015 | September 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Revenue | 249 | 271 | 190 |
| Share of Total Revenue | 16% | 17% | 17% |
| Segment Result | 23 | 39 | 26 |
| Share of Segment Result of Infineon | 10% | 14% | 15% |
| Segment Result Margin | 9.2% | 14.4% | 13.7% |

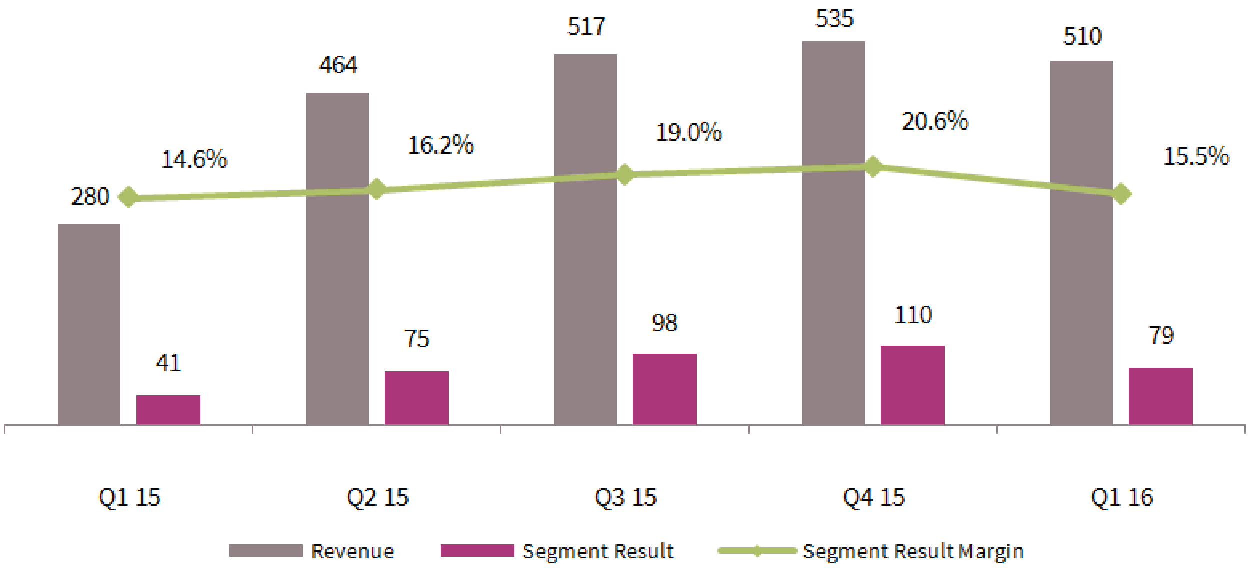



Industrial Power Control segment revenue declined by 8 percent from €271 million to €249 million quarter-on-quarter, in line with lower demand in all fields of application due to seasonal factors. Segment Result decreased from €39 million in the fourth quarter of the previous fiscal year to €23 million in the first quarter of the current fiscal year. The Segment Result Margin came in at 9.2 percent, compared to 14.4 percent one quarter earlier. Resolutions taken at the UN Climate Conference in Paris are expected to have a positive effect and should strengthen long-term growth prospects in the field of renewable energy as well as energy efficiency for industrial machines and consumer appliances.

First-quarter revenue for the Industrial Power Control segment increased by 31 percent year-on-year from €190 million to €249 million. The Segment Result for the corresponding three-month periods slipped from €26 million to €23 million, with the Segment Result Margin dropping from 13.7 percent to 9.2 percent.

## Power Management & Multimarket

| € in millions, except percentages | Three months ended<br>**December 31, 2015** | September 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Revenue | 510 | 535 | 280 |
| Share of Total Revenue | 33% | 33% | 25% |
| Segment Result | 79 | 110 | 41 |
| Share of Segment Result of Infineon | 36% | 38% | 24% |
| Segment Result Margin | 15.5% | 20.6% | 14.6% |

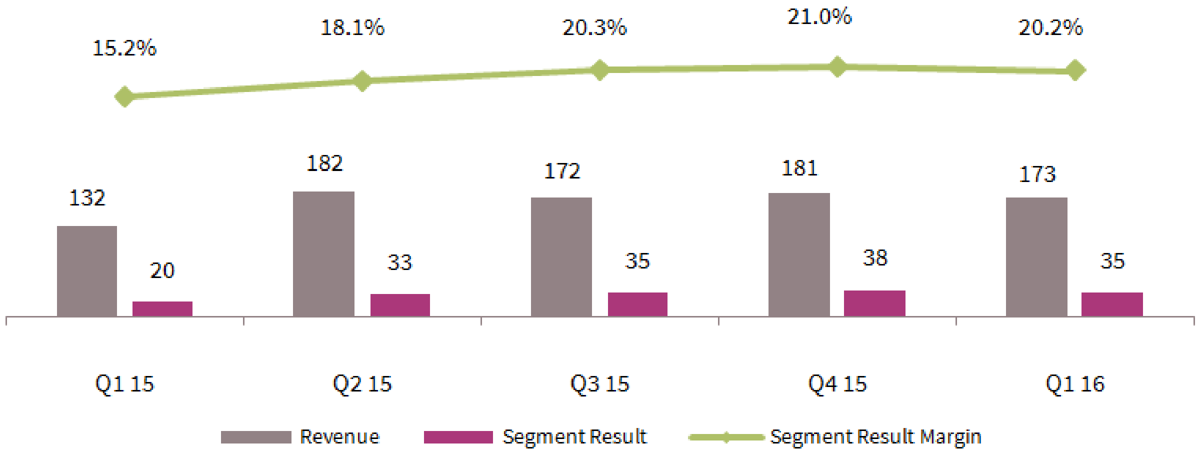



Seasonal factors also resulted in a quarter-on-quarter reduction in Power Management & Multimarket segment revenue from €535 million to €510 million. While revenue with mobile devices declined at a more pronounced rate than expected, revenue from power management products and in particular power amplifiers for base stations performed better than usual for this time of the year. Segment Result for the first quarter totaled €79 million, compared with €110 million in the preceding quarter, causing the Segment Result Margin to decline from 20.6 percent to 15.5 percent.

First-quarter revenue for the Power Management & Multimarket segment jumped from €280 million to €510 million, mainly due to the consolidation of International Rectifier's business. Segment Result increased year-on-year from €41 million to €79 million, with the Segment Result Margin improving from 14.6 percent to 15.5 percent.

## Chip Card & Security

| € in millions, except percentages | Three months ended December 31, 2015 | September 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Revenue | 173 | 181 | 132 |
| Share of Total Revenue | 11% | 11% | 12% |
| Segment Result | 35 | 38 | 20 |
| Share of Segment Result of Infineon | 16% | 13% | 12% |
| Segment Result Margin | 20.2% | 21.0% | 15.2% |




Chip Card & Security segment revenue decreased by only 4 percent quarter-on-quarter to €173 million, and thus at a less pronounced rate than the normal seasonal trend. Revenue one quarter earlier had amounted to €181 million. However compared to the previous year's first-quarter figure of €132 million, revenue was up by 31 percent. While payment, government ID and authentication recorded slight seasonal revenue declines, demand for SIM cards and security for mobile devices went up slightly. Segment Result decreased from €38 million in the fourth quarter to €35 million in the first quarter. The Segment Result Margin came in at 20.2 percent, compared to the previous quarter's 21.0 percent.

The Chip Card & Security segment continued to report strong organic growth and thus achieved a 31 percent increase in revenue from €132 million in the first quarter of the 2015 fiscal year to €173 million in the first quarter of the current fiscal year. Segment Result and Segment Result Margin, at €35 million and 20.2 percent respectively, were also well up on the previous year's figures of €20 million and 15.2 percent respectively.

# Notable events in the first quarter of the 2016 fiscal year

**October 2015**

## WUXI SITE EXPANDED

On October 8, 2015, Infineon announced the expansion of its backend site in Wuxi (China), where a second plant will be built adjacent to the existing facility to provide additional manufacturing capacity. The first chips are scheduled to be shipped from the new plant by the end of the 2016 calendar year. Components for all four Infineon segments will be assembled and packaged at this plant. The timing for announcing the expansion in Wuxi was no coincidence, as on that day Infineon had been operating in China for exactly 20 years.

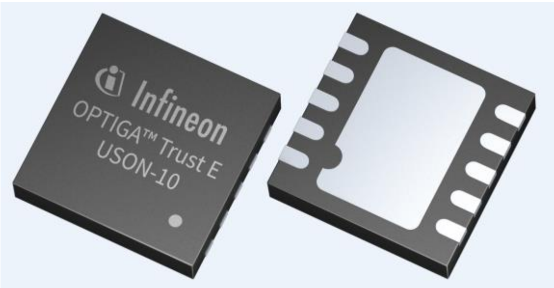
**October 2015**

## INDUSTRIAL INTERNET AT VILLACH PLANT

In October 2015, Infineon Technologies Austria AG opened a new building complex for research, development and manufacturing at its site in Villach (Austria). For Infineon, connecting the real with the digital world is an important topic and the main focus of the expansion is therefore being placed on designing the development and manufacturing environment according to the principles of Industrial Internet. The solutions being developed in Villach will then be available to the entire Infineon network, including its customers and suppliers.

**November 2015**

## INFINEON WINS PRESTIGIOUS SESAMES AWARDS




Infineon was presented with two awards at the “SESAMES Awards” prize-giving ceremony, which was held at the Cartes Secure Connexions 2015 trade show in Paris in November: first place in the “Best IT Security Solution” category for its OPTIGA Trust E security solution and – to mark the 20-year anniversary of the competition – the “Golden SESAMES” special award for the outstanding solution among this year's winners.

**November 2015**

## SECURITY CHIP IN THE SAMSUNG GEAR S2 SMARTWATCH

Samsung, world market leader for smartphones, has decided to install a security chip from Infineon in its new Gear S2 smartwatch. The SLE 97 eSE (embedded Secure Element) chip protects confidential user data and enables secure wireless data transmission over short distances via NFC (Near Field Communication) technology. Among other features, the chip provides security for transacting electronic payments with this type of watch.


**November 2015**

CDP
DRIVING SUSTAINABLE ECONOMIES

Since 2014, Infineon has published information on opportunities and risks for the company derived from climate change via the Carbon Disclosure Project (CDP). In this year’s CDP climate change report, Infineon has achieved a placing among the best companies in the “Information Technology” sector and the status of sector leader in the so-called DACH region (Germany, Austria and Switzerland).

**December 2015**

## SENSOR CHIP REAL3™ MEASURES THE ENVIRONMENT IN THREE DIMENSIONS

In future, mobile devices will be able to quickly and realistically sense their environments in three dimensions. That is what Infineon's REAL3™ 3D image sensor chip is capable of. When built into a pair of virtual reality glasses, it can generate highly realistic gaming experiences. Further applications include the measuring of spaces and objects, navigation within buildings and the implementation of special photo effects.
The new sensor chip was presented at the Consumer Electronics Show (CES) in Las Vegas in early January 2016.

# The Infineon Share

The Infineon share finished Xetra trading at €13.51 on December 30, 2015, 34 percent up on its closing price of €10.06 at the end of the preceding quarter.

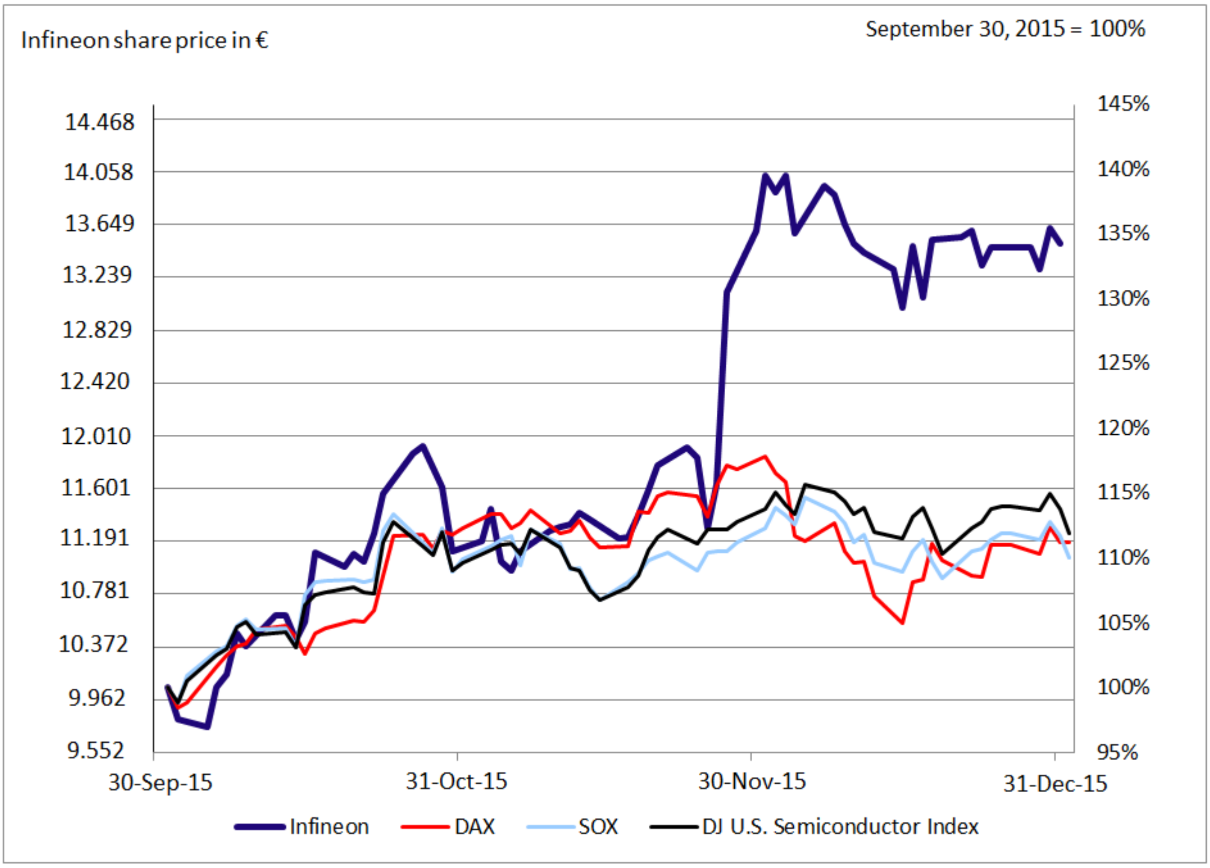
The share price climbed relatively steadily during the period from the start of the quarter through to the announcement of quarterly and annual figures on November 26, 2015. The share price jumped by 13 percent on the day figures were released, followed by a period of sideways movement through to the end of December. The low for the three-month period (€9.75) was recorded right at the beginning of the quarter and the high (€14.03) at the beginning of December.

As a result of the sharp jump in the share price following the announcement of the financial figures, the 34 percent gain recorded for the Infineon share during the October-to-December quarter was significantly higher than that achieved by the relevant benchmark indices. The Dow Jones US Semiconductor Index rose by 12 percent, the German stock index (DAX) by 11 percent and the Philadelphia Semiconductor Index (SOX) by 10 percent during the same period.

Following the increase from €0.12 to €0.18 for the 2014 fiscal year, at the Annual General Meeting to take place on February 18, 2016 Infineon's Management Board and Supervisory Board will propose that the dividend for the 2015 fiscal year be raised again to €0.20. During the first three months of the 2016 fiscal year, due to the exercising of stock options, the number of Infineon shares in issue increased by 1,676,852 shares to stand at 1,130,948,333 at the end of the reporting period. Six million of these shares continue to be held by Infineon Technologies AG. Subject to the approval of the dividend proposal at the Annual General Meeting, the total distribution to shareholders will amount to approximately €225 million.

Infineon's stated objective is to pursue a dividend policy that enables shareholders to participate appropriately in growing earnings or, in times of flat or declining earnings and/or with negative free cash flows, to keep the dividend at least at a constant level.

**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 2016 fiscal year (daily closing prices)**



## Review of Business Environment

The 2.5 percent growth rate recorded for the global economy in the 2015 calendar year again fell short of expectations. After picking up slightly during the first half of the year, the global growth rate slowed during the second six-month period, reflecting a number of factors, including financial market turbulence around mid-year, concerns about the economic situation in China and other emerging economies and a further escalation of the world's geopolitical crises. Economic experts from the International Monetary Fund (IMF) are currently forecasting a marginal growth rate increase to 2.7 percent in the 2016 calendar year. Back in October 2015, the forecast had still been predicting a growth rate of 3.0 percent. The overall economic environment remains tense, exacerbated by a sharp increase in geopolitical risk levels in recent months. The future performance of the Chinese economy also remains a major talking point, with international organizations such as the IMF and the World Bank not, however, predicting that it will come to a “hard landing” (IMF, January 2016; World Bank, January 2016).

The global semiconductor market also lost some momentum in the second half of 2015. At the same time, inventory levels rose and capacity utilization fell. The 2015 calendar year is therefore expected to close with a slight market contraction overall. The prospects for the 2016 calendar year are therefore also likely to be somewhat moderated for the market as a whole. According to the market research company IHS Inc. (IHS), however, above-average increases are still likely to be achieved in the automotive and industrial semiconductor markets as well as for smart card ICs in the 2016 calendar year. The automotive semiconductor market is forecasted to grow by 6.3 percent year-on-year. The industrial semiconductor market is set to grow by 7.5 percent in the 2016 calendar year, while the smart card IC market is predicted to grow by as much as 7.8 percent. For the semiconductor market as a whole, IHS is currently forecasting a slight decrease of 0.4 percent for the 2016 calendar year (IHS, August and December 2015).

## Review of Results of Operations

| € in millions, except earnings per share | Three months ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| Revenue | 1,556 | 1,128 |
| **Gross profit** | **558** | **427** |
| Research and development expenses | (198) | (139) |
| Selling, general and administrative expenses | (200) | (136) |
| Other operating income and expenses, net | 6 | 1 |
| **Operating income** | **166** | **153** |
| Net financial result (financial income and expenses, net) | (12) | 1 |
| Income tax | (2) | (24) |
| **Income from continuing operations** | **152** | **130** |
| Income from discontinued operations, net of income taxes | - | 6 |
| **Net income** | **152** | **136** |
| Basic earnings per share (in euro) | 0.14 | 0.12 |
| Diluted earnings per share (in euro) | 0.14 | 0.12 |
| Adjusted earnings per share (in euro) - diluted | 0.17 | 0.13 |

## Net income improved

Net income for the quarter under report improved by €16 million to €152 million. The contribution to revenue from International Rectifier, the generally positive trend in Infineon's business and the strong US dollar brought about a 38 percent increase in first-quarter revenue to €1,556 million. The earnings contribution from higher revenue and lower income tax expense (see note 4 to the Condensed Consolidated Interim Financial Statements "Income tax") was partially offset by higher expenses caused by the strong US dollar and by high acquisition-related depreciation and amortization and other expenses amounting to €56 million (in particular the earnings impact arising from the purchase price allocation for International Rectifier). In the previous fiscal year, the reduction in future expected rental payments for the Group's Campeon headquarters had a positive one-time impact of €14 million on pre-tax earnings.

## International Rectifier, positive business trend and strength of US dollar result in higher revenue

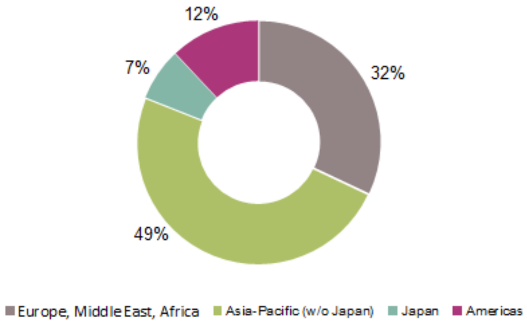
Revenue increased by €428 million to €1,556 million compared to the first quarter of the previous fiscal year (October - December 2014: €1,128 million). Thanks to the acquisition of International Rectifier (closed on January 13, 2015), increased market share through organic growth and the strength of the US dollar (exchange rate of US$ 1.09 to the euro compared to US$ 1.25 to the euro in the same quarter one year earlier), all four operating segments were able to increase first-quarter revenue year-on-year (see the chapter "Operating segment performance in first quarter of the 2016 fiscal year").

## Importance of Asia-Pacific and China continues to grow

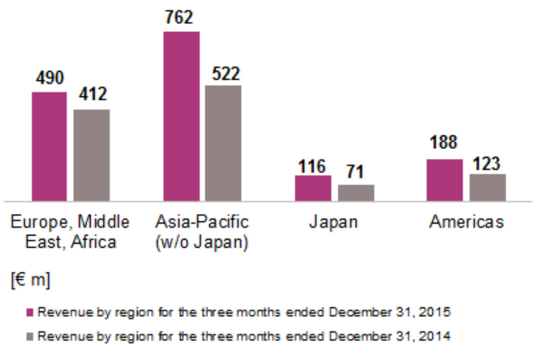
The acquisition of International Rectifier paved the way for better access to the Chinese and US markets, a fact reflected in above-average growth rates in these regions. Infineon also grew in all other regions.

Out of the total revenue increase of €428 million compared to the first quarter of the previous fiscal year, more than half (€240 million; 56 percent) related to the Asia-Pacific region (excluding Japan), followed by the Europe, Middle East and Africa region, where revenue rose by €78 million (18 percent of the total revenue increase).

The Asia-Pacific region (excluding Japan) had already become the largest region in the previous fiscal year, when it accounted for 46 percent of revenue, ahead of the Europe, Middle East and Africa region with 37 percent. The importance of the Asia-Pacific region (excluding Japan), continued to increase in the quarter under report, accounting for 49 percent of revenue (almost half of Infineon's worldwide revenue), compared to the 32 percent generated in the Europe, Middle East and Africa region. Within the Asia-Pacific region, China accounted for the largest share of worldwide revenue at individual country level, with revenue of €396 million or 25 percent.




Revenue by region for the three months ended December 31, 2015



| | Three months ended December 31, | | | |
|---|---|---|---|---|
| € in millions, except percentages | **2015** | | 2014 | |
| Europe, Middle East, Africa | 490 | 32% | 412 | 37% |
| Therein: Germany | 234 | 15% | 201 | 18% |
| Asia-Pacific (w/o Japan) | 762 | 49% | 522 | 46% |
| Therein: China | 396 | 25% | 254 | 23% |
| Japan | 116 | 7% | 71 | 6% |
| Americas | 188 | 12% | 123 | 11% |
| Therein: USA | 151 | 10% | 95 | 8% |
| **Total** | **1,556** | **100%** | **1,128** | **100%** |

## Reduction in gross margin

Gross profit (revenue less cost of goods sold) for the three-month period amounted to €558 million, an improvement of 31 percent against the previous year's figure of €427 million. The increase was therefore less pronounced than the 38 percent growth in revenue.

The gross margin fell accordingly from 37.9 percent to 35.9 percent for the comparable three-month periods. The drop compared to the first quarter of the previous fiscal year, which arose despite the revenue increase and the positive impact of the strong US dollar, was largely due to the earnings impact on the cost of goods sold arising in conjunction with the purchase price allocation and acquisition-related expenses for International Rectifier amounting to €27 million (in particular higher depreciation/amortization on intangible assets and property, plant and equipment, which were valued to their fair value as part of the purchase price allocation process).

| | Three months ended December 31, | |
|---|---|---|
| € in millions, except percentages | **2015** | 2014 |
| Cost of goods sold | 998 | 701 |
| Change year-on-year | 42% | |
| Percentage of revenue | 64.1% | 62.1% |
| Gross profit | 558 | 427 |
| Percentage of revenue (gross margin) | 35.9% | 37.9% |

## Acquisition-related expenses drive up operating expenses

Operating expenses (research and development expenses and selling, general and administrative expenses) increased by €123 million or 45 percent to €398 million in the first quarter of the 2016 fiscal year (October - December 2014: €275 million). In percentage terms, operating expenses corresponded to 25.6 percent of first-quarter revenue, compared with 24.4 percent one year earlier.

Research and development expenses went up by €59 million or 42 percent from €139 million in the previous fiscal year to €198 million in the first quarter of the 2016 fiscal year. The increase was primarily attributable to the inclusion of International Rectifier in the quarter under report compared to the previous year. In addition, research and development activities were intensified and additional staff recruited with the aim of broadening the basis for further growth. A total of 5,867 employees worked in research and development functions at the end of the reporting period (December 31, 2014: 4,978 employees). Expressed as a percentage of revenue, research and development expenses increased from 12.3 percent to 12.7 percent compared with the same quarter one year earlier.

| | Three months ended December 31, | |
|---|---|---|
| € in millions, except percentages | **2015** | 2014 |
| Research and development expenses | 198 | 139 |
| Change year-on-year | 42% | |
| Percentage of revenue | 12.7% | 12.3% |

Selling, general and administrative expenses amounted to 12.9 percent of revenue in the first quarter of the 2016 fiscal year (October - December 2014: 12.1 percent).

| | Three months ended December 31, | |
|---|---|---|
| € in millions, except percentages | **2015** | 2014 |
| Selling, general and administrative expenses | 200 | 136 |
| Change year-on-year | 47% | |
| Percentage of revenue | 12.9% | 12.1% |

### Increase in other operating income/expenses (net)

Other operating expenses include income of €13 million arising on the reversal of provisions and impairment losses on property, plant and equipment. A new tenant was found to take over the Techview site in Singapore, which had been acquired in conjunction with the acquisition of International Rectifier.

### Earnings per share improved

Net income for the first quarter of the 2016 fiscal year amounted to €152 million, and was therefore higher than the €136 million reported one year earlier.

The improvement in net income resulted in a corresponding increase in earnings per share. Compared with earnings per share of €0.12 (basic and diluted) for the first quarter of the 2015 fiscal year, the corresponding figures (basic and diluted) for the first quarter of the 2016 fiscal year both amounted to €0.14.

### Adjusted earnings per share improved

Earnings per share in accordance with IFRS are influenced by amounts relating to purchase price allocations for acquisitions (in particular International Rectifier) as well as by other exceptional items. To enable better comparability of operating performance over time, Infineon computes adjusted earnings per share (diluted) as follows:

| | Three months ended December 31, | |
|---|---|---|
| € in millions (unless otherwise stated) | **2015** | 2014 |
| **Earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted** | **153** | **130** |
| Plus/minus: | | |
| Impairments on assets including assets classified as held for sale, net of reversals | 4 | 2 |
| Impact on earnings of restructuring and closures, net | (9) | - |
| Share-based compensation expense | 2 | 2 |
| Acquisition-related depreciation/amortization and other expenses | 56 | 8 |
| Losses (gains) on sales of assets, businesses, or interests in subsidiaries, net | 1 | - |
| Other income and expense, net | - | 4 |
| | | |
| Tax effects on adjustments | (6) | (2) |
| | | |
| Revaluation of deferred tax assets resulting from the earnings forecast | (7) | - |
| | | |
| **Adjusted earnings from continuing operations attributable to shareholders of Infineon Technologies AG – diluted** | **194** | **144** |
| Weighted-average number of shares outstanding – diluted | 1,129 | 1,123 |
| Adjusted earnings per share (in euro) – diluted[1] | 0.17 | 0.13 |

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

Adjusted net income and adjusted earnings per share (diluted) should not be seen as a replacement or superior performance indicator, but rather as additional information to the net income and earnings per share (diluted) determined in accordance with IFRS.

## Review of Financial Condition

| € in millions, except percentages | **December 31, 2015** | September 30, 2015 | Change |
|---|---|---|---|
| Current assets | 4,135 | 4,115 | - |
| Non-current assets | 4,616 | 4,626 | - |
| **Total assets** | **8,751** | **8,741** | **-** |
| Current liabilities | 1,388 | 1,585 | (12%) |
| Non-current liabilities | 2,503 | 2,491 | - |
| **Total liabilities** | **3,891** | **4,076** | **(5%)** |
| **Total equity** | **4,860** | **4,665** | **4%** |

### Current assets almost unchanged

Current assets increased by €20 million to stand at €4,135 million at December 31, 2015, compared to €4,115 million at September 30, 2015. Within these figures, other current assets increased by €48 million, mainly as a result of increases in value added tax and other tax receivables. At the same time, trade receivables fell by €73 million as a result of the seasonal quarter-on-quarter decrease in revenue, whereas inventories increased by €61 million.

### Marginal decrease in non-current assets

Non-current assets went down marginally from €4,626 million at September 30, 2015 to €4,616 million at December 31, 2015. Investments in property, plant and equipment during the quarter totaling €138 were lower than the depreciation expense of €170 million. Capital expenditure related primarily to the manufacturing sites in Regensburg (Germany), Kulim (Malaysia), Villach (Austria) and Dresden (Germany). Intangible assets increased by €12 million.

### Bonus payments reduce payables

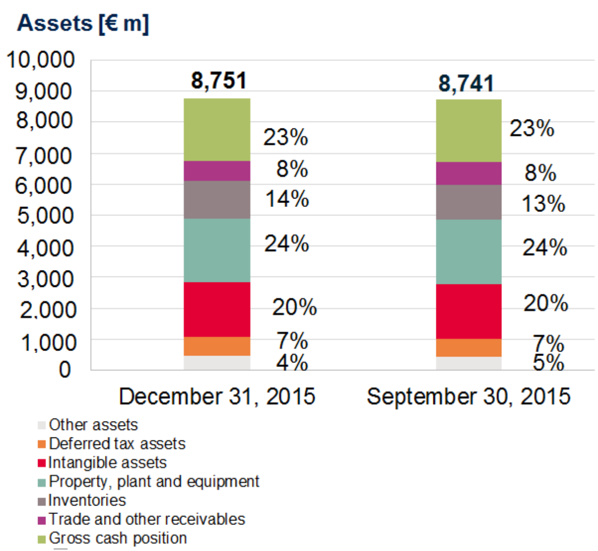
Current liabilities stood at €1,388 million at December 31, 2015, and hence €197 million (12 percent) lower than at September 30, 2015 (€1,585 million). The main reason for this development was the €135 million decrease in provisions and liabilities to employees, brought about by the fact that bonus payments for prior-year performance-related remuneration exceeded the amount allocated to the provision in the quarter under report. In addition, trade payables were €43 million lower than at the end of the previous fiscal year.

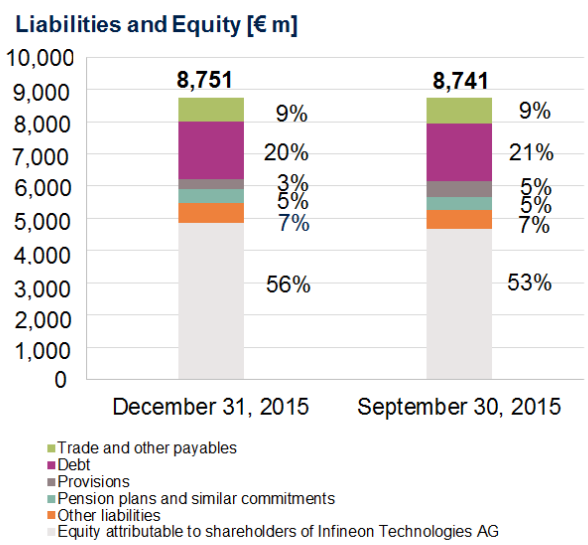
Non-current liabilities, at €2,503 million at December 31, 2015 were almost unchanged from the €2,491 million reported at September 30, 2015.

### Increase in equity primarily due to net income

Equity increased by €195 million (4 percent) to stand at €4,860 million at the end of the reporting period (September 30, 2015: €4,665 million). In addition to the net income of €152 million earned in the first quarter of the 2016 fiscal year, favorable currency translation effects also added €28 million to equity.

The equity ratio improved to 55.5 percent as of the end of the reporting period (September 30, 2015: 53.4 percent).



# Review of Liquidity

## Cash Flows

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| Net cash provided by (used in) operating activities from continuing operations | 175 | (39) |
| Net cash provided by (used in) investing activities from continuing operations | (178) | 513 |
| Net cash provided by (used in) financing activities from continuing operations | (9) | 2 |
| Net change in cash and cash equivalents from discontinued operations | (15) | (140) |
| **Net change in cash and cash equivalents** | **(27)** | **336** |
| Effect of foreign exchange rate changes on cash and cash equivalents | 5 | (1) |
| **Change in cash and cash equivalents** | **(22)** | **335** |

### Net cash provided by operating activities from continuing operations up significantly

Net cash provided by operating activities from continuing operations in the first quarter of the 2016 fiscal year amounted to €175 million, an improvement of €214 million compared to the net cash outflow reported in the previous year (€39 million). One of the reasons for the improvement was the €79 million increase in income from continuing operations before depreciation, amortization, interest and taxes totaling €377 million (October - December 2014: €298 million). In addition, the figure reported for the previous fiscal year includes a payment of €104 million to settle disputes relating to the continuation of the right to use Qimonda patents as well as a payment of €83 million to the EU Commission in connection with the fine imposed in conjunction with chip card anti-trust proceedings.

### Net cash used in investing activities from continuing operations mainly reflects investments in property, plant and equipment

Net cash used in investing activities from continuing operations totaled €178 million in the first quarter of the 2016 fiscal year, resulting primarily from investments in property, plant and equipment (€138 million) and in intangible and other assets (€29 million).

Net cash provided by investing activities from continuing operations in the first quarter of the previous fiscal year amounted to €513 million. The sale of financial investments gave rise to a net cash inflow of €645 million. Investments in property, plant and equipment and in intangible and other assets totaling €141 million worked in the opposite direction.

### Small amount reported as “net cash used in financing activities from continuing operations” due to the repayment of long-term debt

Net cash used in financing activities from continuing operations in the first quarter of the 2016 fiscal year amounted to €9 million, mainly reflecting the repayment of long-term debt.

### Change in cash and cash equivalents from discontinued operations negatively impacted by payments in conjunction with residual liability claims relating to Qimonda Dresden

Net cash used for discontinued operations during the first quarter of the 2016 fiscal year totaled €15 million, mainly due to payments to the Qimonda insolvency administrator (€14 million) relating to settlement agreements reached for residual liability claims pertaining to Qimonda Dresden employees.

Net cash used for discontinued operations during the first quarter of the previous fiscal year totaled €140 million and included payments of €135 million arising under the terms of the settlement with the Qimonda insolvency administrator.

## Free cash flow

Infineon reports the free cash flow figure, defined as net cash provided by and/or used in operating activities and net cash provided by and/or used in investing activities, both 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, as 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 item 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 | **2015** | 2014 |
| Net cash provided by (used in) operating activities from continuing operations | 175 | (39) |
| Net cash provided by (used in) investing activities from continuing operations | (178) | 513 |
| Purchases of (proceeds from sales of) financial investments, net | 3 | (645) |
| **Free cash flow** | **0** | **(171)** |

## Break-even free cash flow

Net cash provided by operating activities covered investments in the period under report.

Free cash flow in the first quarter of the previous 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 related to continuing operations, and the payment of the fine imposed in conjunction with chip card anti-trust proceedings, free cash flow in the previous year was also reduced by investments in intangible and other assets as well as in property, plant and equipment totaling €141 million.

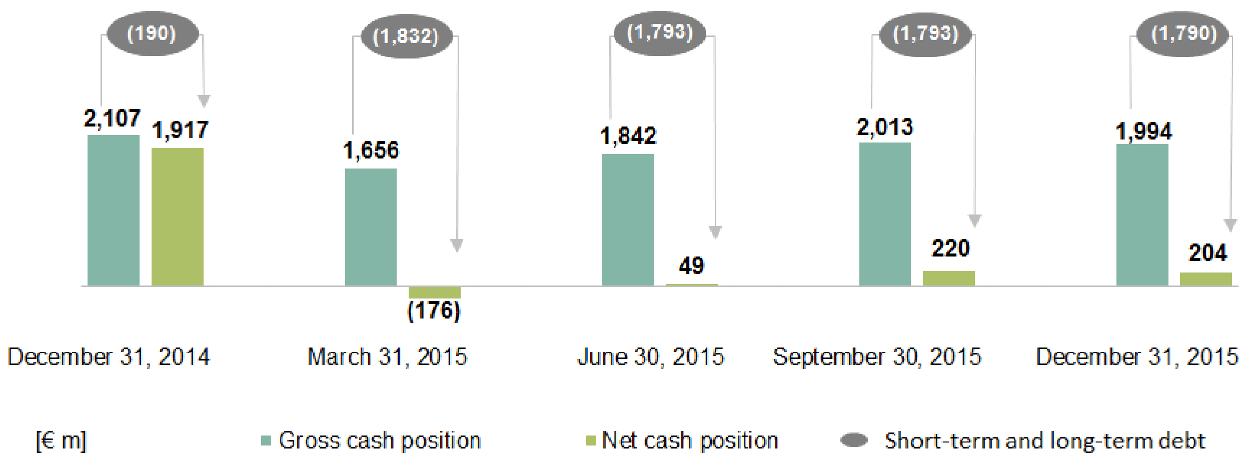
## Gross cash position and net cash position

The following table reconciles the gross cash position and the 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 its overall liquidity. The gross and net cash positions are determined as follows from the Consolidated Statement of Financial Position:

| € in millions | **December 31, 2015** | September 30, 2015 |
|---|---|---|
| Cash and cash equivalents | 651 | 673 |
| Financial investments | 1,343 | 1,340 |
| **Gross cash position** | **1,994** | **2,013** |
| Less: | | |
| Short-term debt and current maturities of long-term debt | 11 | 33 |
| Long-term debt | 1,779 | 1,760 |
| **Total debt** | **1,790** | **1,793** |
| **Net cash position** | **204** | **220** |

The gross cash position comprising cash and cash equivalents and financial investments amounted to €1,994 million at December 31, 2015 and was thus €19 million lower than the €2,013 million reported at September 30, 2015. With free cash flow breaking even, the principal reason for the decrease in the gross cash position during the three-month period was the €15 million cash outflow in conjunction with the Qimonda insolvency (reported as payments relating to discontinued operations).

The net cash position, which is defined as the gross cash position less short-term and long-term debt, decreased accordingly by €16 million to €204 million at the end of the reporting period (September 30, 2015: €220 million).




## Employees

The Infineon workforce remained practically unchanged during the first quarter of the 2016 fiscal year. The following table shows the composition of the Infineon workforce by region at the relevant reporting dates:

| | As of | | |
|---|---|---|---|
| | **December 31, 2015** | September 30, 2015 | Change |
| Region: | | | |
| Europe | 14,711 | 14,533 | 1% |
| Therein: Germany | 9,574 | 9,426 | 2% |
| Asia/Pacific (w/o Japan) | 17,006 | 17,035 | - |
| Therein: China | 2,004 | 1,986 | 1% |
| Japan | 173 | 174 | (1%) |
| Americas | 3,675 | 3,682 | - |
| Therein: USA | 2,135 | 2,136 | - |
| **Total** | **35,565** | **35,424** | **-** |

## Events after the end of the Reporting Period

No significant events have occurred between December 31, 2015 and the date on which the Interim Consolidated Financial Statements were approved by the Management Board on February 5, 2016 that are expected to have a material impact on Infineon's financial condition and/or results of operations.

# Outlook

### Outlook for the second quarter of the 2016 fiscal year

In the second quarter of the 2016 fiscal year, Infineon expects a quarter-on-quarter revenue increase of 3 percent (plus or minus 2 percentage points). This forecast is based on an assumed exchange rate of US$1.10 to the euro. At the mid-point of the revenue range, the Segment Result Margin is expected to come in at approximately 13 percent.

### Outlook for the 2016 fiscal year

Based on an assumed average exchange rate of US$1.10 to the euro, Infineon expects an unchanged year-on-year revenue growth of around 13 percent (plus or minus 2 percentage points) for the 2016 fiscal year and a Segment Result Margin of 16 percent at the mid-point of the range for the forecast revenue growth.

The Power Management & Multimarket segment is expected to grow faster than the Group average. Revenue growth in the Industrial Power Control segment is forecast to be roughly in line with the Group average. The Automotive and Chip Card & Security segments are both expected to report growth below the Group average. The forecast includes the financial figures of International Rectifier for the full fiscal year. The results of operations for the 2015 fiscal year included figures for International Rectifier with effect from the closing of the acquisition on January 13, 2015.

Investments in property, plant and equipment, intangible assets and capitalized development costs in the region of €850 million are planned for the 2016 fiscal year. The ratio for investments as a percentage of revenue (at the mid-point of the forecast range) is forecast at 13 percent. Depreciation and amortization are also expected to be in the region of €850 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 relevant risks and opportunities 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 materially 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 2015 fiscal year (pages 149 to 160).

During the first three months of the 2016 fiscal year, Infineon did not identify any material changes to the risks and opportunities described in the 2015 Annual Report and in note 8 to the Condensed Consolidated Interim Financial Statements for the three-month period to December 31, 2015.

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, 2015 and 2014

| € in millions | Note | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Revenue | | 1,556 | 1,128 |
| Cost of goods sold | | (998) | (701) |
| **Gross profit** | | **558** | **427** |
| Research and development expenses | | (198) | (139) |
| Selling, general and administrative expenses | | (200) | (136) |
| Other operating income | | 4 | 6 |
| Other operating expenses | | 2 | (5) |
| **Operating income** | | **166** | **153** |
| Financial income | | 1 | 6 |
| Financial expenses | | (13) | (5) |
| **Income from continuing operations before income taxes** | | **154** | **154** |
| Income tax | 4 | (2) | (24) |
| **Income from continuing operations** | | **152** | **130** |
| Income from discontinued operations, net of income taxes | | - | 6 |
| **Net income** | | **152** | **136** |
| Attributable to: | | | |
| Non-controlling interests | | (1) | - |
| Shareholders of Infineon Technologies AG | | 153 | 136 |
| Basic earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1] | | | |
| Basic earnings per share (in euro) from continuing operations | | 0.14 | 0.12 |
| Basic earnings per share (in euro) from discontinued operations | | - | - |
| **Basic earnings per share (in euro)** | | **0.14** | **0.12** |
| Diluted earnings per share (in euro) attributable to shareholders of Infineon Technologies AG:[1] | | | |
| Diluted earnings per share (in euro) from continuing operations | | 0.14 | 0.12 |
| Diluted earnings per share (in euro) from discontinued operations | | - | - |
| **Diluted earnings per share (in euro)** | | **0.14** | **0.12** |

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

# Consolidated Statement of Comprehensive Income

(Unaudited) for the three months ended December 31, 2015 and 2014

| € in millions | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| **Net income** | **152** | **136** |
| **Other comprehensive income** | | |
| Items that will not be reclassified to profit or loss: | | |
| Actuarial gains (losses) on pension plans and similar commitments | 1 | - |
| **Total items that will not be reclassified to profit or loss** | **1** | **-** |
| | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Currency translation effects | 28 | 7 |
| Net change in fair value of hedging instruments | (1) | 61 |
| Net change in fair value of available-for-sale financial assets | - | (3) |
| **Total items that may be reclassified subsequently to profit or loss** | **27** | **65** |
| **Other comprehensive income for the period, net of tax** | **28** | **65** |
| | | |
| **Total comprehensive income for the period, net of tax** | **180** | **201** |
| Attributable to: | | |
| Non-controlling interests | - | - |
| Shareholders of Infineon Technologies AG | 180 | 201 |

# Consolidated Statement of Financial Position

as of December 31, 2015 and 2014 (Unaudited) and September 30, 2015

| € in millions | Note | **December 31, 2015** | December 31, 2014 | September 30, 2015 |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash and cash equivalents | | 651 | 1,393 | 673 |
| Financial investments | | 1,343 | 714 | 1,340 |
| Trade receivables | | 669 | 486 | 742 |
| Inventories | | 1,190 | 755 | 1,129 |
| Income tax receivable | | 2 | 9 | 2 |
| Other current assets | | 277 | 337 | 229 |
| Assets classified as held for sale | | 3 | 21 | - |
| **Total current assets** | | **4,135** | **3,715** | **4,115** |
| Property, plant and equipment | | 2,063 | 1,653 | 2,093 |
| Goodwill and other intangible assets | | 1,750 | 277 | 1,738 |
| Investments accounted for using the equity method | | 33 | 35 | 33 |
| Non-current income tax receivable | | 3 | - | 3 |
| Deferred tax assets | | 610 | 378 | 604 |
| Other non-current assets | | 157 | 136 | 155 |
| **Total non-current assets** | | **4,616** | **2,479** | **4,626** |
| **Total assets** | | **8,751** | **6,194** | **8,741** |
| | | | | |
| **LIABILITIES AND EQUITY:** | | | | |
| Short-term debt and current maturities of long-term debt | | 11 | 35 | 33 |
| Trade payables | | 759 | 572 | 802 |
| Short-term provisions | | 220 | 259 | 402 |
| Income tax payable | | 124 | 68 | 123 |
| Other current liabilities | | 274 | 198 | 225 |
| **Total current liabilities** | | **1,388** | **1,132** | **1,585** |
| Long-term debt | | 1,779 | 155 | 1,760 |
| Pension plans and similar commitments | | 432 | 383 | 426 |
| Deferred tax liabilities | | 133 | 5 | 147 |
| Long-term provisions | | 73 | 69 | 72 |
| Other non-current liabilities | | 86 | 58 | 86 |
| **Total non-current liabilities** | | **2,503** | **670** | **2,491** |
| **Total liabilities** | | **3,891** | **1,802** | **4,076** |
| Shareholders' equity: | 5 | | | |
| Ordinary share capital | | 2,262 | 2,255 | 2,259 |
| Additional paid-in capital | | 5,225 | 5,415 | 5,213 |
| Accumulated deficit | | (2,743) | (3,366) | (2,897) |
| Other reserves | | 153 | 129 | 126 |
| Own shares | | (37) | (37) | (37) |
| Put options on own shares | | - | (9) | - |
| **Total equity attributable to shareholders of Infineon Technologies AG** | | **4,860** | **4,387** | **4,664** |
| Non-controlling interests | | - | 5 | 1 |
| **Total equity** | | **4,860** | **4,392** | **4,665** |
| **Total liabilities and equity** | | **8,751** | **6,194** | **8,741** |

# Consolidated Statement of Cash Flows

(Unaudited) for the three months ended December 31, 2015 and 2014

| € in millions | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| **Net income** | **152** | **136** |
| Minus: income from discontinued operations, net of income taxes | - | (6) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 211 | 141 |
| Income tax | 2 | 24 |
| Net interest result | 11 | 3 |
| Losses on disposals of property, plant and equipment | 1 | - |
| Impairment charges | 4 | 2 |
| Other non-cash result | 1 | (3) |
| Change in trade receivables | 77 | 92 |
| Change in inventories | (56) | (46) |
| Change in trade payables | (45) | (74) |
| Change in provisions | (182) | (191) |
| Change in other assets and liabilities | 26 | (95) |
| Interest received | 1 | 3 |
| Interest paid | (5) | (1) |
| Income tax paid | (23) | (24) |
| **Net cash provided by (used in) operating activities from continuing operations** | **175** | **(39)** |
| **Net cash used in operating activities from discontinued operations** | **(15)** | **(140)** |
| **Net cash provided by (used in) operating activities** | **160** | **(179)** |
| Purchases of financial investments | (894) | (135) |
| Proceeds from sales of financial investments | 891 | 780 |
| Purchases of other equity investments | - | (7) |
| Acquisitions of businesses, net of cash acquired | (8) | - |
| Purchases of intangible assets and other assets | (29) | (60) |
| Purchases of property, plant and equipment | (138) | (81) |
| Proceeds from sales of property, plant and equipment and other assets | - | 16 |
| **Net cash provided by (used in) investing activities from continuing operations** | **(178)** | **513** |
| **Net cash used in investing activities from discontinued operations** | **-** | **-** |
| **Net cash provided by (used in) investing activities** | **(178)** | **513** |
| Net change in short-term debt | (8) | (1) |
| Proceeds from issuance of long-term debt | 3 | 9 |
| Repayments of long-term debt | (16) | (5) |
| Change in cash deposited as collateral | - | (1) |
| Proceeds from issuance of ordinary shares | 12 | - |
| **Net cash provided by (used in) financing activities from continuing operations** | **(9)** | **2** |
| **Net cash used in financing activities from discontinued operations** | **-** | **-** |
| **Net cash provided by (used in) financing activities** | **(9)** | **2** |
| Net change in cash and cash equivalents | (27) | 336 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 5 | (1) |
| Cash and cash equivalents at beginning of period | 673 | 1,058 |
| **Cash and cash equivalents at end of period** | **651** | **1,393** |

# Consolidated Statement of Changes in Equity

(Unaudited) for the three months ended December 31, 2015 and 2014

| € in millions, except for number of shares | Note | Ordinary shares issued | | | | Other |
|---|---|---|---|---|---|---|
| | | Shares | Amount | Additional paid-in capital | Accumulated deficit | Foreign currency translation adjustment |
| | 5 | | | | | |
| **Balance as of October 1, 2014** | | **1,127,739,230** | **2,255** | **5,414** | **(3,502)** | **26** |
| Net income | | - | - | - | 136 | - |
| Other comprehensive income (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 | - | - | - | - |
| 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** |
| **Balance as of October 1, 2015** | | **1,129,271,481** | **2,259** | **5,213** | **(2,897)** | **126** |
| Net income | | - | - | - | 153 | - |
| Other comprehensive loss for the period, net of tax | | - | - | - | 1 | 28 |
| Total comprehensive income (loss) for the period, net of tax | | - | - | - | 154 | 28 |
| Issuance of ordinary shares: | | | | | | |
| Exercise of stock options | | 1,676,852 | 3 | 9 | - | - |
| Share-based compensation | | - | - | 2 | - | - |
| Other changes in equity | | - | - | 1 | - | - |
| **Balance as of December 31, 2015** | | **1,130,948,333** | **2,262** | **5,225** | **(2,743)** | **154** |

| reserves | | | | | | |
|---|---|---|---|---|---|---|
| Securities | Hedges | Own shares | Put options on own shares | Total equity attributable to shareholders of Infineon Technologies AG | Non-controlling interests | Total equity |
| | | | | | | |
| **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** |
| | | | | | | |
| **(1)** | **1** | **(37)** | **-** | **4,664** | **1** | **4,665** |
| - | - | - | - | 153 | (1) | 152 |
| - | (1) | - | - | 28 | - | 28 |
| - | (1) | - | - | 181 | (1) | 180 |
| | | | | | | |
| - | - | - | - | 12 | - | 12 |
| - | - | - | - | 2 | - | 2 |
| - | - | - | - | 1 | - | 1 |
| **(1)** | **-** | **(37)** | **-** | **4,860** | **-** | **4,860** |

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 BASIS OF PRESENTATION

The condensed Consolidated Interim Financial Statements of the Infineon Group ("Infineon") comprising Infineon Technologies AG (hereafter also "the Company") and its subsidiaries for the three months ended December 31, 2015 and 2014, 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 condensed Consolidated Interim Financial Statements have been prepared in compliance with IAS 34, "Interim Financial Reporting". Accordingly, certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted. Although the Consolidated Statement of Financial Position as of September 30, 2015 presented herein was derived from audited consolidated financial statements, not all related disclosures required by IFRS for these are included. The condensed Consolidated Interim 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 2015 fiscal year.

The accounting policies applied preparing the accompanying Consolidated Interim Financial Statements are consistent with those used for the 2015 fiscal year. An exemption to this principle is the application of new or revised standards and interpretations which are effective for fiscal years starting from January 1, 2015. The application of these new or revised standards does not have any material impact on Infineon`s financial position, results of operations and cash flows.

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

The preparation of the condensed Consolidated Interim 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 condensed Consolidated Interim 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 ACQUISITIONS

### International Rectifier Corporation

The acquisition of 100 percent of the shares and associated voting rights 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. There were no adjustments to the still provisional purchase price allocation during the three months ended December 31, 2015.

## 3 DIVESTITURES AND 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

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.

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| Qimonda's share of discontinued operations, net of income taxes | - | 6 |
| **Income (loss) from discontinued operations, net of income taxes** | **-** | **6** |

The risks and provisions relating to Qimonda's insolvency are described in detail in note 8 "Legal risks – Proceedings in relation to Qimonda".

## 4 INCOME TAX

In comparison to the three months to December 31, 2014, in the three months to December 31, 2015 the effective tax rate was primarily affected by income from deferred tax from the write-up of domestic and foreign deferred tax assets, as well as the release of deferred tax liabilities arising from the purchase price allocation in connection with the acquisition of International Rectifier.

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| Income from continuing operations before income taxes | 154 | 154 |
| Income tax expenses | (2) | (24) |
| Effective tax rate | 1% | 16% |

## 5 EQUITY

The ordinary share capital of Infineon Technologies AG stood at €2.261.896.666 as of December 31, 2015 divided into 1.130.948.333 no par value registered shares, each representing €2 of the Company's ordinary share capital. 1.676.852 new shares were issued in the first quarter of the 2016 fiscal year as a result of the exercise of stock options by employees as well as current and past members of the Management Board.

The Management Board and Supervisory Board will propose to the Annual General Meeting, which has been called for February 18, 2016, that a dividend of €0.20 for each share entitled to receive a dividend be paid out of the unappropriated profit reported by Infineon Technologies AG for the 2015 fiscal year. Taking into account the non-entitlement to a dividend of own shares as well as new shares issued following the exercise of stock options by employees as well as by current and past members of the Management Board, this would result in an expected distribution of approximately €225 million. Since payment of this dividend depends on approval by the shareholders at the Annual General Meeting, no liability has been recognized as of December 31, 2015 or September 30, 2015.

## 6 RELATED PARTIES

Infineon has transactions in the normal course of business with associated and other related companies (collectively, "related companies"). Related persons are persons in key management 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 arm's length.

Related companies receivables and payables consist exclusively of trade and other receivables and payables from and to associated and other related companies.

Related companies receivables and payables as of December 31, 2015 and September 30, 2015 consist of the following:

| | **December 31, 2015** | | September 30, 2015 | |
|---|---|---|---|---|
| € in millions | Associates | other related companies | Associates | other related companies |
| Trade and other receivables | 3 | - | 1 | 1 |
| Trade and other payables | 4 | 1 | 8 | 1 |
| Financial payables | - | 1 | - | 1 |

Sales and service charges to and products and services received from related companies as of December 31, 2015 and December 31, 2014 consist of the following:

| € in millions | Three months ended December 31, | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | Associates | other related companies | Associates | other related companies |
| Sales and service charges | 2 | 1 | 2 | - |
| Products and services received | 19 | 3 | 16 | 4 |

80,964 (virtual) performance shares each with a fair value of €7.07 were allocated to the Management Board on October 1, 2015.

In the three months ended December 31, 2015 and 2014 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.

## 7 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, 2015 and September 30, 2015:

| € in millions | Fair value | Fair value by category | | |
|---|---|---|---|---|
| **December 31, 2015** | | Level 1 | Level 2 | Level 3 |
| Current assets: | | | | |
| Financial investments | **232** | 171 | 61 | - |
| Other current assets | **1** | - | 1 | - |
| Non-current assets: | | | | |
| Other non-current assets | **33** | 20 | - | 13 |
| **Total** | **266** | **191** | **62** | **13** |
| Current liabilities: | | | | |
| Other current liabilities | **5** | - | 5 | **-** |
| **Total** | **5** | **-** | **5** | **-** |
| | | | | |
| **September 30, 2015** | | | | |
| Current assets: | | | | |
| Financial investments | **184** | 122 | 62 | - |
| Other current assets | **1** | - | 1 | - |
| Non-current assets: | | | | |
| Other non-current assets | **32** | 19 | - | 13 |
| **Total** | **217** | **141** | **63** | **13** |
| Current liabilities: | | | | |
| Other current liabilities | **9** | - | 9 | **-** |
| **Total** | **9** | **-** | **9** | **-** |

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).

In addition, other non-current assets include an option to sell shares in an equity holding for a fixed price. The option is recognized as a derivative financial instrument and is not designated as a hedging instrument. The fair value is determined using the Black-Scholes option pricing model (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, 2015 and are described in detail in the notes to the 2015 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 2015 consolidated financial statements in notes 30 and 31.

## 8 LEGAL RISKS

### Litigation and government inquiries

#### Smartcard 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 September 3, 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 brought an action against the decision to fine before the European Court of Justice in Luxembourg in mid-November 2014.

Two class actions for damages in connection with the EU Commission investigative proceedings have been filed in Canada: The first action was filed in the state of British Columbia in July 2013, and the second in the state of Quebec in September 2014. The actions followed the press reports on the investigation and subsequent 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) which was served upon the Company on April 20, 2015. In this lawsuit the plaintiff claims for damages in an amount still to be determined in connection with the allegations of the EU Commission.

Any further statements about these matters by the Company could therefore seriously compromise the Company's position in these proceedings.

#### 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. 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 insolvency administrator and Infineon.

On September 11, 2014 the Company and the insolvency administrator reached a partial settlement including the acquisition by Infineon of Qimonda's patent business which was closed on 9 October, 2014. On the closing day the Company paid €260 million to the insolvency administrator. With the partial settlement all claims made by the insolvency administrator have been settled, apart from those relating to the proceedings in connection with the alleged activation of a shell company and liability for impairment of capital as well as the residual liability of Qimonda Dresden.

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

The insolvency 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 insolvency administrator contended that the commencement of operating activities by Qimonda amounted to what is considered in case law to be the activation of a shell company (in German: "Wirtschaftliche Neugründung"), and that this activation of a shell company was not disclosed in the correct manner. On March 6, 2012, with respect to another matter, the German Federal High Court issued a ruling on principle that any liability resulting from the activation of a shell company only depends on the situation at the date of the activation of a shell company and not, as asserted by the insolvency administrator, on the situation at the date on which insolvency proceedings are opened.

In addition to the request for declaratory judgment against Infineon in an unspecified amount, on February 14, 2012 the insolvency administrator also lodged a request for payment based on an alternative claim (in German: "Hilfsantrag"), as well as making other additional claims. In conjunction with this alternative claim, the insolvency administrator has requested the payment of at least €1.71 billion plus interest in connection with the alleged activation of a shell company. On June 15, 2012 the insolvency administrator increased his request for payment of February 14, 2012 on the grounds of activation of a shell company to at least approximately €3.35 billion plus interest. Furthermore, the insolvency administrator continues to base a substantial part of his alleged payment claims, as already asserted out of court against Infineon in August 2011 for an unspecified amount, on so-called liability for impairment of capital (in German "Differenzhaftung"). This claim is based on the allegation that, from the very beginning, the carved-out memory products business had a negative billion euro value. The insolvency administrator therefore asserts that Infineon is obliged to make good the difference between this negative value and the lowest issue price (in German: "geringster Ausgabebetrag") of the subscribed stock. Additionally the insolvency administrator has asserted a claim for repayment of allegedly unjustly charged consultancy fees in an amount of €10 million in connection with the flotation of Qimonda.

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

The legal dispute has, in the meantime, focused on the claims asserted for alleged lack of value. On August 29, 2013 the court appointed an independent expert in order to clarify the valuation issues raised by the insolvency administrator.

The legal dispute is being pursued with great effort by both parties, and many extensive written submissions have already been exchanged between the parties. Both sides have engaged numerous specialists and experts who are supporting the respective parties with assessments and opinions.

Due to the highly complex nature of the issues to be decided and the level of the claims asserted, it is not clear at this stage if this legal dispute can be resolved with an out of court settlement, and, if this is not the case, when a first-instance court decision would be reached.

*Residual liability of Infineon 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 insolvency administrator acting in the name of the creditors concerned. In the meantime settlements have been concluded with many of the residual liability creditors, in particular with respect to the employee-related claims.

*Liabilities, provisions and contingent liabilities relating to Qimonda*

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

As described above, Infineon faces certain risks in connection with the insolvency proceedings relating to the assets of Qimonda and that entity's subsidiaries. As a result, Infineon recorded provisions and liabilities in connection with some of the above mentioned matters totaling €40 million and €55 million as of December 31, 2015 and September 30, 2015, respectively. Of the provisions and liabilities recorded as of December 31, 2015, €18 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 €17 million as of December 31, 2015. Remaining provisions in connection with the Qimonda insolvency total €5 million as of December 31, 2015. In October 2015 the Company paid €14 million to the insolvency administrator for selected settlement agreements for residual liability claims for former employees of Qimonda Dresden.

There can be no certainty that the provisions recorded for Qimonda 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 represent contingent liabilities that are not included in provisions. This applies in particular to the legal dispute for alleged activation of a shell company and liability for impairment of capital described above. Should the alleged claims prove to be valid, substantial financial obligations could arise for Infineon which could have a material adverse effect on its business and its financial condition, liquidity position and results of operations. Any further statements about these matters by the Company could seriously compromise the Company's position in these proceedings.

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 and contingent liabilities for legal proceedings and other uncertain legal issues**

Provisions relating to legal proceedings and other uncertain legal issues are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. To the extent that liabilities arising from legal disputes and other uncertain legal positions are not probable or cannot be reliably estimated, then they qualify as contingent liabilities.

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.

A settlement or adverse judicial decision in 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. 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 of these matters.

## 9 SEGMENT INFORMATION

### Identification 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. Since the sale of the wireline communications and the wireless mobile phone businesses, sales to Lantiq and Intel Mobile Communications under the corresponding production agreements, other than those assigned to discontinued operations, are included in this segment.

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

### Segment data

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| **Revenue:** | | |
| Automotive | 614 | 518 |
| Industrial Power Control | 249 | 190 |
| Power Management & Multimarket | 510 | 280 |
| Chip Card & Security | 173 | 132 |
| Other Operating Segments | 3 | 4 |
| Corporate and Eliminations | 7 | 4 |
| **Total** | **1,556** | **1,128** |

The business with XMC industrial microcontrollers developed by Automotive and Chip Card & Security was transferred to Power Management & Multimarket and Industrial Power Control with effect from October 1, 2015. The previous year's figures have been adjusted accordingly.

Revenue for the three-month period ended December 31, 2015 and 2014 does not contain any inter-segmental revenue.

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| **Segment Result:** | | |
| Automotive | 81 | 79 |
| Industrial Power Control | 23 | 26 |
| Power Management & Multimarket | 79 | 41 |
| Chip Card & Security | 35 | 20 |
| Other Operating Segments | - | 2 |
| Corporate and Eliminations | 2 | 1 |
| **Total** | **220** | **169** |

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

| | Three months ended December 31, | |
|---|---|---|
| € in millions | **2015** | 2014 |
| **Segment Result** | 220 | 169 |
| Plus/minus: | | |
| Impairments on assets including assets classified as held for sale, net of reversals | (4) | (2) |
| Impact on earnings of restructuring and closures, net | 9 | - |
| Share-based compensation expense | (2) | (2) |
| Acquisition-related depreciation/amortization and other expenses | (56) | (8) |
| Gains (losses) on sales of assets, businesses, or interests in subsidiaries, net | (1) | - |
| Other income and expense, net | - | (4) |
| **Operating income** | **166** | **153** |
| Financial income | 1 | 6 |
| Financial expenses | (13) | (5) |
| **Income from continuing operations before income taxes** | **154** | **154** |

Of the €56 million “acquisition-related depreciation/amortization and other expenses” incurred in the three months ended December 31, 2015, €27 million are attributable to cost of goods sold, €4 million to research and development expenses and €25 million to selling, general and administrative expenses.

Neubiberg, February 5, 2016

# 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 5, 2016

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 selected explanatory notes - together with the interim group management report of the Infineon Technologies AG, Neubiberg, for the period from October 1, 2015 to December 31, 2015 that are part of the quarterly financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the European Union (EU), and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Munich, February 5, 2016

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 2016** | February 18, 2016 | ICM – Internationales Congress Center Munich, Germany |

| **Fiscal Period** | **Period end date** | **Results press release (preliminary)** |
|---|---|---|
| Second Quarter | March 31, 2016 | May 3, 2016 |
| Third Quarter | June 30, 2016 | August 2, 2016 |
| Fourth Quarter and Fiscal Year 2016 | September 30, 2016 | November 30, 2016 |

**Publication date of the first quarter 2016 results: February 2, 2016**

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