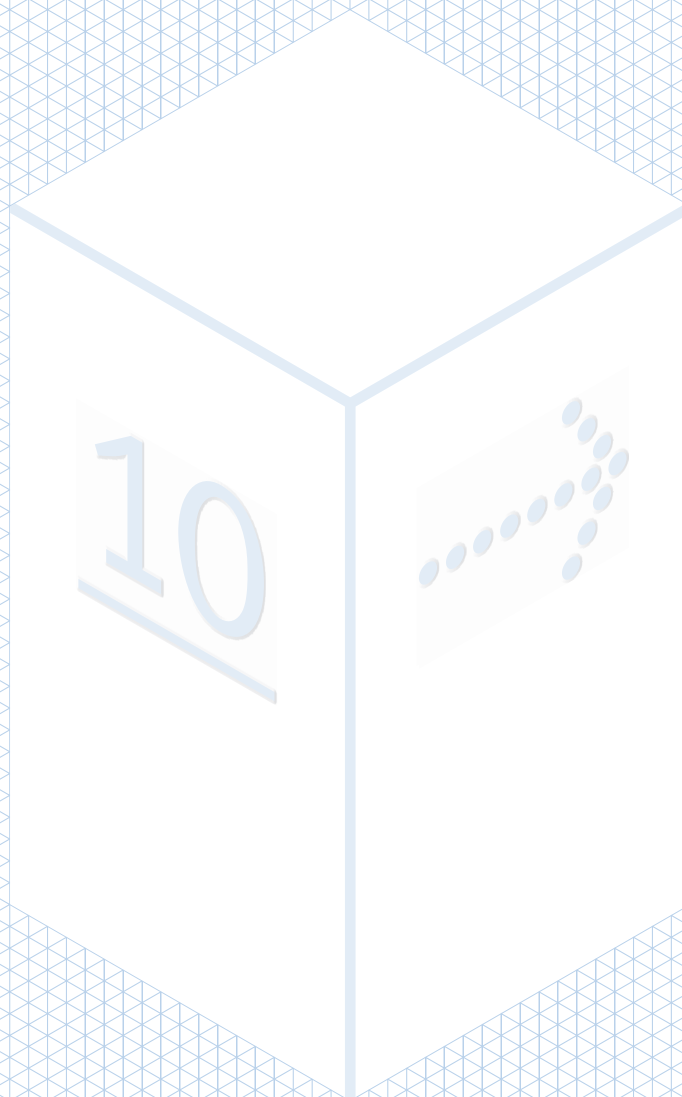
QUARTERLY REPORT OF INFINEON TECHNOLOGIES AG MARCH 31, 2010

Infineon Technologies AG



INFINEON TECHNOLOGIES AG

QUARTERLY REPORT
FOR THE THREE AND SIX MONTHS ENDED
MARCH 31, 2010

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Interim Group Management Report (Unaudited)

This interim group management report should be read in conjunction with our unaudited condensed consolidated financial statements and other financial information included elsewhere in this report.

This interim group management report contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.

On November 6, 2009, we closed the sale of the Wireline Communications business to Lantiq, affiliates of Golden Gate Private Equity Inc. ("Lantiq"). All assets and liabilities of the Wireline Communications business to be sold are presented as "Assets classified as held for sale" and "Liabilities classified as held for sale" in our condensed consolidated statements of financial position as of September 30, 2009 and March 31, 2010; the results of the Wireline Communications business and the gain on the sale are both presented as "Income (loss) from discontinued operations, net of income taxes" in our condensed consolidated statements of operations for all periods presented.

The following were key developments in our business during the three and six months ended March 31, 2010:

Financial Results

- For the three months ended March 31, 2010, we reported revenues of €1,035 million, an increase of 55 percent compared to revenues of €669 million for the three months ended March 31, 2009, reflecting increased demand as a result of the overall economic recovery, only partially offset by less favorable foreign currency rates, in particular between the U.S. dollar and the Euro. All of our operating segments benefited from the general economic recovery and improved demand in the supply chain as well as at end customers, in particular the Automotive and the Industrial & Multimarket segments. Revenues for the three months ended March 31, 2010 represented a 10 percent increase over revenues of €941 million in the three months ended December 31, 2009, also mainly driven by the Automotive and the Industrial & Multimarket segments, while the Wireless Solutions segment was only slightly impacted by normal negative seasonality.
- Our revenues increased by 40 percent from €1,411 million in the six months ended March 31, 2009 to €1,976 million in the six months ended March 31, 2010, mostly driven by the general economic recovery and improved demand in the supply chain as well as at end customers. The Automotive, the Industrial & Multimarket and the Wireless Solutions segments contributed most significantly to the increase in revenues. Given the revenues in the first half of the 2010 fiscal year and the current visibility, we are now expecting revenue growth in the 2010 fiscal year in a high 30's percentage compared with the 2009 fiscal year.
- The Segment Result[1] of all our operating segments significantly improved in the three and six months ended March 31, 2010 compared to the three and six months ended March 31, 2009. The improvements in Segment Result primarily reflect the increases in revenues. Our production facilities are currently almost fully loaded, reflecting the ongoing demand. This resulted in a significant decrease in idle capacity cost during the three and six months ended March 31, 2010, compared to the three and six months ended March 31, 2009. Furthermore, we continued our strong cost discipline in the three and six months ended March 31, 2010.
    - Segment Results for the three months ended March 31, 2010 were as follows: Automotive Segment Result was positive €51 million (three months ended March 31, 2009: negative €65 million), Industrial & Multimarket Segment Result was positive €59 million (three months ended March 31, 2009: negative €7 million), Chip Card & Security Segment Result was positive €3 million (three months ended March 31, 2009: negative €8 million), and Wireless Solutions Segment Result was positive €9 million (three months ended March 31, 2009: negative

[1] We define Segment Result as operating income (loss) excluding asset impairments, net, restructuring charges and other related closure costs, net, share-based compensation expense, acquisition-related amortization and gains (losses), gains (losses) on disposals of assets, businesses, or interests in subsidiaries, and other income (expense), including litigation settlement costs.

€29 million). The Other Operating Segment Result was negative €8 million and Corporate and Elimination Segment Result was negative €4 million for the three months ended March 31, 2010, compared to negative €6 million and positive €2 million, respectively, for the three months ended March 31, 2009. Compared to the three months ended December 31, 2009, Automotive Segment Result increased by €14 million, Industrial & Multimarket Segment Result increased by €15 million, and Chip Card & Security Segment Result increased by €2 million, while Wireless Solutions Segment Result decreased by €8 million.

  - Segment Results for the six months ended March 31, 2010 were as follows: Automotive Segment Result was positive €88 million (six months ended March 31, 2009: negative €121 million), Industrial & Multimarket Segment Result was positive €103 million (six months ended March 31, 2009: negative €5 million), Chip Card & Security Segment Result was positive €4 million (six months ended March 31, 2009: negative €9 million), and Wireless Solutions Segment Result was positive €26 million (six months ended March 31, 2009: negative €73 million). The Other Operating Segment Result was negative €13 million and Corporate and Elimination Segment Result was negative €10 million for the six months ended March 31, 2010, compared to negative €8 million and negative €3 million, respectively, for the six months ended March 31, 2009.
  - Given the Segment Results in the first half of the 2010 fiscal year and the current visibility, we are now expecting combined Segment Result margin to be more than 10 percent for the full 2010 fiscal year, while at the end of the 2009 fiscal year we anticipated a 2010 combined Segment Result margin in the mid single-digits.

- Our income from continuing operations before income taxes was €88 million in the three months ended March 31, 2010, an improvement of €243 million from a loss of €155 million in the three months ended March 31, 2009. This improvement primarily reflects the increased Segment Result of our operating segments described above. For the six months ended March 31, 2010 our income from continuing operations before income taxes was €50 million and improved from a loss of €270 million in the six months ended March 31, 2009. This was besides the negative impact of €73 million as a result of the deconsolidation of ALTIS Semiconductor S.N.C, Essonnes, France ("ALTIS") as a subsidiary, as described below, and a lower financial result (financial income net of financial expense).
- Loss from discontinued operations, net of income taxes, for the three months ended March 31, 2010 was €2 million, while we realized income from discontinued operations, net of income taxes, for the six months ended March 31, 2010 of €110 million, primarily reflecting the after-tax gain of €106 million realized on the sale of our Wireline Communications business to Lantiq described below during the three months ended December 31, 2009. In the three and six months ended March 31, 2009, we recognized a loss from discontinued operations, net of income taxes, of €106 million and €391 million, respectively, primarily reflecting charges in connection with Qimonda as further described below.
- Primarily as a result of the developments described above, we realized net income of €79 million and €145 million for the three and six months ended March 31, 2010, respectively, compared to net loss of €258 million and €662 million for the three and six months ended March 31, 2009, respectively.
- Our net cash provided by operating activities from continuing operations was €329 million in the six months ended March 31, 2010, compared to net cash used in operating activities from continuing operations of €83 million in the six months ended March 31, 2009. This improvement primarily reflects the increase of our results from continuing operations excluding non-cash charges for depreciation and amortization and losses resulting from the deconsolidation of ALTIS and continued tight working capital management. Accordingly, free cash flow from continuing operations, defined as net cash from operating and investing activities from continuing operations excluding purchases or sales of available-for-sale financial assets, for the six months ended March 31, 2010 was positive €155 million, compared with negative €73 million in the six months ended March 31, 2009, notwithstanding the deconsolidation of the cash of the ALTIS joint venture in the amount of €88 million during the later period.
- As of March 31, 2010, our gross cash position, defined as cash and cash equivalents and available-for-sale financial assets, was €1,667 million, compared with €1,507 million as of September 30, 2009. The increase of €160 million included cash inflow of €223 million in connection with the sale of the Wireline Communications business to Lantiq, partially offset by the deconsolidation of the cash

of the ALTIS joint venture in the amount of €88 million. During the six months ended March 31, 2010, we also repurchased notional amounts of €190 million of our convertible subordinated notes due June 2010 and repaid other debt in a net amount of €14 million. Overall, our net cash position, defined as gross cash position less short-term debt and long-term debt, increased to €995 million as of March 31, 2010, compared to €657 million as of September 30, 2009.

Corporate Activities

- In July 2009, we entered into a purchase agreement with Lantiq, pursuant to which we agreed to sell the Wireline Communications business, one of our segments. The majority of the purchase price was paid at closing in November 2009, in the amount of €223 million, with up to an additional €20 million of the purchase price being payable nine months after the closing date. We recognized an after-tax gain of €106 million at the closing of the sale. Certain current assets in the manufacturing supply chain at the date of closing could not yet be transferred to Lantiq and are presented as assets held for sale in the condensed consolidated statement of financial position as of March 31, 2010. Prepayments in relation to those assets were recognized and are presented within liabilities classified as held for sale.

- In late December 2009 we deconsolidated ALTIS, our joint venture with IBM, following the waiver of our option to acquire further voting shares in ALTIS from our joint venture partner. The assets and liabilities of ALTIS as well as the non-controlling interests in this previously consolidated subsidiary were derecognized, and we recognized our interest in ALTIS as an investment in an associated company at its fair value of zero. We subsequently account for ALTIS using the equity method. Furthermore, in the 2009 calendar year we entered into several amendments to our agreements with IBM in respect of ALTIS, which changed the output and cost allocation of ALTIS and certain rights of the shareholders. Additionally, the product purchase agreement with ALTIS was extended through May 2010. Upon deconsolidation, cash and cash equivalents decreased by €88 million and non-controlling interests by €61 million. The total operating loss recognized in connection with the deconsolidation originally amounted to €81 million in the three months ended December 31, 2009, which was adjusted in the three months ended March 31, 2010 to €73 million; this is presented within other operating expense.

- In November 2009, we and the Korean company LS Industrial Systems ("LSIS") established the joint venture LS Power Semitech Co., Ltd. ("LS"), which will focus on the development, production and marketing of molded power modules for white goods applications. LSIS holds 54 percent and we hold 46 percent of the joint venture, which has its headquarters at the LSIS site in Cheonan, South Korea. We contributed licenses of intellectual property as well as technology and process know-how for our power module family CIPOS™ (Control Integrated Power System), and existing CIPOStm back-end manufacturing equipment. We realized a gain of €3 million before tax from our contribution to the joint venture, which is recognized in other operating income in the six months ended March 31, 2010. The investment in the joint venture is accounted for using the equity method.

- During the three and six months ended March 31, 2010, we repurchased notional amounts of €142 million and €190 million of our convertible subordinated notes due June 2010 for cash of €143 million and €191 million, respectively. We realized losses of €3 million and €5 million before income taxes, which was recognized as interest expense within financial expense during the three and six months ended March 31, 2010, respectively. The outstanding nominal amount and carrying amount of our convertible subordinated notes due June 2010 was €258 million and €254 million, respectively, as of March 31, 2010. In addition, convertible subordinated notes due 2014 in a nominal amount of €196 million with a carrying amount of €149 million were outstanding as of March 31, 2010.

- During the six months ended March 31, 2010, we made investments in property, plant and equipment and intangible assets of €111 million, compared to €89 million in the six months ended March 31, 2009. In particular, we invested €18 million in copper capacity at our production site in Dresden and continued to ramp up our factory in Kulim, Malaysia. At the Kulim site, 40 percent of the available clean room space is currently in use, while equipment is being fully used. By the end of this fiscal year, we will extend the capacity to 50 percent of the available clean room space. Since the end of December 2009, production in front-end and back-end is running at full capacity. Current utilization rates generally range between 90 and 100 percent. In the three months ended March 31, 2010, we reached almost the maximum of our existing production capacity, forcing us partly to push

out new orders. In light of the dynamic revenue growth, fully loaded production facilities and planned development milestones, we currently plan investments in property, plant and equipment and intangible assets in our 2010 fiscal year to total more than €300 million, compared to €154 million in the 2009 fiscal year.

Business Highlights

- We settled a patent infringement lawsuit with Fairchild Semiconductor International, Inc. ("Fairchild") in the three months ended December 31, 2009. We initiated the lawsuit in November 2008 in the U.S. District Court for the District of Delaware. The patents in the suit and counter suit related to super-junction power transistors, trench power MOSFETs and IGBT power transistors. The lawsuit has been settled through a broad patent cross license relating to semiconductor technology. As part of the agreement, Fairchild made payments to Infineon.

Energy Efficiency

- Our Automotive Segment entered into a strategic partnership with a leading European Tier 1 company and won a significant Engine Control and Transmission platform with our next generation 32-bit TriCore microcontroller family. We have also won the next generation of Hybrid and Electric Vehicle platforms at a large North American OEM with our latest IGBTs and driver ICs.
- With a series of recent design wins at Body and Safety suppliers we are successfully rolling out our latest 130 nanometer based Smart Power Technology (SPT9), a technology that offers monolithic integration of power devices, microcontroller, and non-volatile memory functionality.
- We reported a significant design win for magnetic sensors in an engine management application at an industry leading Tier 1 company.
- We launched an OptiMOS 25V device family that is optimized for voltage regulation in power supplies for computer servers and telecommunications/data communications switches. The new power MOSFETs are also integrated into the IC TDA21220 which is compliant with the industry DrMOS specification. With significant reductions in three critical Figures of Merit (FoM), important for overall efficiency, the new devices reduce MOSFET power losses up to 20 percent and deliver optimized performance across all load conditions, thus improving the energy efficiency of computing and telecommunications applications considerably.
- We introduced a specific off-line driver IC for high-efficiency LED bulbs with dimming for residential lighting. With a flexible architecture, the ICL8001G supports very cost-effective 40W/60W/100W incandescent bulb replacement for typical consumer lighting applications. The ICL8001G sets a new benchmark with respect to integration, performance, features, and total system cost. It enables up to 90 percent efficiency, supports a broad variety of already installed wall dimmers, and is the only primary controlled off-line LED drive solution with integrated Power Factor Correction (PFC). With an increasing number of countries banning incandescent lamps in favor of energy saving alternatives, LED lamps are expected to emerge as a favored replacement.

Security

- The US market research company Frost & Sullivan named us as the top supplier in the Smart5 Card IC market for the twelfth consecutive year, confirming that we were the number one supplier of chip card semiconductors in 2008, with sales representing about one fourth of the segment's global revenue. Our market share was 25.5 percent of the overall chip card IC (integrated circuit) market in 2008, which totaled about $2.4 billion.
- Confirming our continued innovation in contactless excellence, we introduced the new SLE 78CL (CL for contactless) family at the "Cartes & Identification" Trade Show. This high-security dual-interface microcontroller family provides digital security features previously unknown in contactless chips. It incorporates our award-winning "Integrity Guard" hardware security technology, which has been recognized by the chip card industry as a "Best Hardware Innovation". With the SLE 78CL family we address next-generation government identification (ID) and payment applications in the smart card form factor and beyond.
- We secured a new strategic partnership and agreed on a Strategic Architectural License Agreement for Advanced Security Applications with ARM Ltd. ("ARM"). This agreement includes a long-

term strategic collaboration in the field of security controllers for chip card and security applications. Infineon will receive an ARMv6M and ARMv7M architecture license. With our own specialized ARM® architecture-compliant CPU cores, we will address the current and future needs of security markets in terms of hardware-based security, combined with the advantages of the industry's most widely licensed 32-bit CPU technology.

Communications

- The recently introduced flagship-models of several renowned Smartphone OEMs are powered by our new HSUPA-Basebands and RF-Transceivers.
- At the beginning of the 2010 fiscal year we successfully taped-out our 'next generation' HSPA+ platform XMM 6260 and achieved a Design Win with a Tier 1 customer.
- We successfully started the volume-ramp of our X-GOLD™ 110, the third generation of our highly-integrated and very cost effective one-chip solution for GSM/GPRS ultra low-cost phones.
- Fulfilling requirements of the growing mobile GPS market for higher sensitivity, higher immunity against interference of cellular signals and low power consumption, we introduced the next generation of the world's smallest GPS Receiver Front-End Module. The new BGM781N11 further boosts GPS sensitivity to enable, for example, E911 emergency call requirements for mobile phones, personal navigation devices and other handheld systems, and GPS applications in vehicles. Including all key components to amplify a GPS signal and filter out interference, the module measures just 2.5 millimeters x 2.5 millimeters x 0.7 millimeters in size, which is more than 60 percent smaller than the closest competitive product offering a similar integration level.

Revenue by Segment

	Three months ended March 31,		Six months ended March 31,	
	2009	**2010**	**2009**	**2010**
		(€ in millions)		
Automotive	189	316	395	595
Industrial & Multimarket	193	315	427	588
Chip Card & Security	80	99	171	182
Wireless Solutions[1]	204	267	401	537
Other Operating Segments	2	40	10	73
Corporate and Eliminations[2]	1	(2)	7	1
Total	669	1,035	1,411	1,976

(1) Includes revenues of €1 million for the six months ended March 31, 2009 from sales of wireless communication applications to Qimonda.

(2) Includes the elimination of revenues of €1 million for the six months ended March 31, 2009 since these sales were not part of the Qimonda disposal plan.

Revenues for the three and six months ended March 31, 2009, were characterized by the worldwide economic and financial crisis, which affected all our operating segments. Due to the fast and general recovery of the economy in recent months, we have seen a recovery of the revenues of all our operating segments.

- *Automotive* — In the three months ended March 31, 2010, segment revenues were €316 million, an increase of €127 million or 67 percent compared to €189 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, segment revenues increased by €200 million or 51 percent to €595 million, compared to €395 million in the six months ended March 31, 2009. These increases were mainly driven by increased car production worldwide, together with supply chain replenishment worldwide.
- *Industrial & Multimarket* — In the three months ended March 31, 2010, segment revenues were €315 million, an increase of €122 million or 63 percent compared to €193 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, segment revenues increased by €161 million or 38 percent to €588 million, compared to €427 million in the six months ended March 31, 2009. These increases primarily resulted from higher demand for infrastructure products and higher end customer demand for computing, communications and industrial products.

- *Chip Card & Security* — In the three months ended March 31, 2010, segment revenues were €99 million, an increase of €19 million or 24 percent compared to €80 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, segment revenues increased by €11 million or 6 percent to €182 million, compared to €171 million in the six months ended March 31, 2009. These increases were mainly driven by higher revenues from payment and mobile communication applications. The absolute and relative increase in revenues for the six-month period is lower than for the three-month period due to a positive one-time effect in the six months ended March 31, 2009 following the cancelation of a customer project.
- *Wireless Solutions* — In the three months ended March 31, 2010, segment revenues were €267 million, an increase of €63 million or 31 percent compared to €204 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, segment revenues increased by €136 million or 34 percent to €537 million, compared to €401 million in the six months ended March 31, 2009. These increases primarily reflect increased demand from most major mobile phone platform customers. Our innovative Ultra Low Cost, Entry Phone, UMTS and HSPA solutions were positively received and had strong market momentum.
- *Other Operating Segments* — Revenues of other operating segments increased by €38 million from €2 million in three months ended March 31, 2009, to €40 million in the three months ended March 31, 2010, and by €63 million from €10 million in the six months ended March 31, 2009, to €73 million in the six months ended March 31, 2010, primarily reflecting revenues from product supply agreements with Lantiq after the closing of the sale of our Wireline Communications business.

Revenue by Region

	Three months ended March 31,				Six months ended March 31,			
	2009		2010		2009		2010	
	(€ in millions, except percentages)							
Germany	133	20%	216	21%	278	20%	398	20%
Other Europe	130	19%	181	18%	261	18%	330	17%
North America	62	10%	169	16%	153	11%	366	18%
Asia/Pacific	311	46%	408	39%	635	45%	767	39%
Japan	26	4%	50	5%	70	5%	93	5%
Other	7	1%	11	1%	14	1%	22	1%
Total	669	100%	1,035	100%	1,411	100%	1,976	100%

The regional distribution of revenues in the three and six months ended March 31, 2010 was largely unchanged compared to the three and six months ended March 31, 2009, other than a shift between Asia/Pacific and North America, which primarily reflects changes in the distribution channels of one major customer.

Cost of Goods Sold and Gross Profit

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Cost of goods sold	581	682	1,200	1,309
Percentage of revenue	87%	66%	85%	66%
Gross profit	88	353	211	667
Percentage of revenue (gross margin)	13%	34%	15%	34%

Cost of goods sold increased in the three months ended March 31, 2010 by 17 percent, or €101 million, to €682 million, compared to €581 million in the three months ended March 31, 2009, and by 9 percent to €1,309 million in the six months ended March 31, 2010, compared to €1,200 million in the six months ended March 31, 2009. Our gross profit increased from €88 million in the three months ended March 31, 2009, to €353 million in the three months ended March 31, 2010, or as a percentage of revenue from 13 percent to 34 percent, respectively. For the six months ended March 31, 2010, our gross profit was €667 million (representing 34 percent of revenues) an increase of €456 million compared to €211 million

(representing 15 percent of revenues) for the six months ended March 31, 2009. These improvements primarily reflect higher sales revenues, the corresponding positive effects of higher factory loading resulting in lower idle capacity cost and the improved product mix portfolio. All operating segments showed improved gross margin in the three and six months ended March 31, 2010, compared to the three and six months ended March 31, 2009.

Research and Development Expenses

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Research and development expenses	110	136	242	266
Percentage of revenue	16%	13%	17%	13%

Research and development expenses totaled €136 million and €266 million in the three and six months ended March 31, 2010, respectively, a moderate increase of €26 million and €24 million compared to €110 million and €242 million in the three and six months ended March 31, 2009, respectively, reflecting higher research and development activities throughout all our operating segments and lower capitalized development cost. As a percentage of revenues, research and development expenses in the three and six months ended March 31, 2010 were 13 percent, compared to 16 percent and 17 percent for the three and six months ended March 31, 2009, respectively, reflecting the disproportionately high increase in revenues. As a percentage of revenues, research and development expenses decreased in the three and six months ended March 31, 2010, compared to the three and six months ended March 31, 2009, throughout all our operating segments.

Selling, General and Administrative Expense

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Selling, general and administrative expense	100	115	203	221
Percentage of revenue	15%	11%	14%	11%

In absolute terms selling, general and administrative expenses increased by €15 million and €18 million, to €115 million and €221 million, in the three and six months ended March 31, 2010, respectively, compared to €100 million and €203 million in the three and six months ended March 31, 2009, respectively, primarily resulting from higher sales volumes. The increase in selling, general and administrative expenses, however, was lower than the increase in revenues, and therefore as a percentage of revenues, selling, general and administrative expenses decreased in the three and six months ended March 31, 2010 to 11 percent, compared to 15 percent and 14 percent for the three and six months ended March 31, 2009, respectively.

Other Operating Income and Other Operating Expense

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Other operating income	15	3	18	9
Percentage of revenue	2%	—%	1%	—%
Other operating expense	(39)	4	(50)	(92)
Percentage of revenue	(6)%	—%	(4)%	(5)%

Other operating income for the three months ended March 31, 2010 decreased by €12 million from €15 million in the three months ended March 31, 2009 to €3 million, and by €9 million from €18 million in the six months ended March 31, 2009 to €9 million in the six months ended March 31, 2010. Other operating income for the three and six months ended March 31, 2009 included €10 million from claims associated with the insolvency of BenQ. Included in other operating income for the six months ended March 31, 2010 is a gain of €3 million from the contribution of licenses and back-end equipment to our LS joint venture with LSIS.

Other operating expense for the three and six months ended March 31, 2010 are primarily impacted by the deconsolidation of ALTIS, described above, while other operating expense for the three and six months ended March 31, 2009 included a loss of €16 million we realized on the sale of the business of Infineon Technologies SensoNor AS ("SensoNor").

Operating Income (Loss)

In the three and six months ended March 31, 2010 our operating income was €109 million and €97 million, respectively, and improved significantly compared to operating loss of €146 million and €266 million for the three and six months ended March 31, 2009, respectively, primarily reflecting improved results of our operating segments, and in spite of the negative impact on our operating results of the deconsolidation of ALTIS of €73 million in the six months ended March 31, 2010.

Segment Result

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Automotive	(65)	51	(121)	88
Industrial & Multimarket	(7)	59	(5)	103
Chip Card & Security	(8)	3	(9)	4
Wireless Solutions	(29)	9	(73)	26
Other Operating Segments	(6)	(8)	(8)	(13)
Corporate and Eliminations	2	(4)	(3)	(10)
Total	(113)	110	(219)	198

Segment Result development for our reporting segments was as follows:

- *Automotive* — Segment Result of the Automotive segment was €51 million in the three months ended March 31, 2010, a significant increase of €116 million from negative €65 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, Segment Result increased by €209 million to €88 million, compared to negative €121 million in the six months ended March 31, 2009. These increases reflect primarily improved gross margin resulting from higher revenues and the corresponding positive effects of higher factory loading resulting in lower idle capacity cost, partially offset by higher R&D spending in connection with our 65-nanometer TriCore microcontroller and integrated power-logic-products.

- *Industrial & Multimarket* — Segment Result of the Industrial & Multimarket segment was €59 million in the three months ended March 31, 2010, an increase of €66 million from negative €7 million for the three months ended March 31, 2009. In the six months ended March 31, 2010, Segment Result increased by €108 million to €103 million, compared to negative €5 million in the six months ended March 31, 2009. These increases reflect primarily improved gross margin resulting from higher revenues and the corresponding positive effects of higher factory loading resulting in lower idle capacity cost and further slight improvement in the segment's product mix. In addition, Segment Result for the six months ended March 31, 2010 benefited from the settlement of a patent infringement lawsuit with Fairchild.

- *Chip Card & Security* — Segment Result of the Chip Card & Security segment was positive €3 million in the three months ended March 31, 2010, an increase of €11 million from negative €8 million for the three months ended March 31, 2009. In the six months ended March 31, 2010, Segment Result increased by €13 million to €4 million, compared to negative €9 million in the six months ended March 31, 2009. These increases reflect primarily improved gross margin resulting from higher revenues and the corresponding positive effects of higher factory loading resulting in lower idle capacity cost. Furthermore, a continued shift in product mix towards higher margin business contributed to the increases in Segment Result.

- *Wireless Solutions* — Segment Result of the Wireless Solutions segment was €9 million in the three months ended March 31, 2010, an increase of €38 million from negative €29 million in the three months ended March 31, 2009. In the six months ended March 31, 2010, Segment Result increased by €99 million to €26 million, compared to negative €73 million in the six months ended March 31,

2009. These increases are mainly driven by higher revenues, further productivity gains and increased capacity utilization resulting in lower idle capacity cost.

- *Other Operating Segments* — Segment Result of Other Operating Segments was negative €8 million and negative €13 million in the three and six months ended March 31, 2010, respectively, compared to negative €6 million and negative €8 million in the three and six months ended March 31, 2009, respectively. This deterioration primarily reflects those costs that remain with us after the sale of the Wireline Communications business, and which were previously allocated to the Wireline Communications segment.

- *Corporate and Eliminations* — Segment Result in the three and six months ended March 31, 2010 was negative €4 million and negative €10 million, respectively, compared to positive €2 million and negative €3 million in the three and six months ended March 31, 2009, respectively. Previous year amounts were positively impacted by the release of provisions as a result of the termination of an employee service anniversary payment scheme.

The following table provides a reconciliation of Segment Result to our operating loss:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Total Segment Result	(113)	110	(219)	198
Adjusted:				
Asset impairments, net	(1)	—	(1)	(4)
Restructuring charges, and other related closure cost, net	(3)	—	(6)	—
Share-based compensation expense	(1)	—	(1)	—
Acquisition-related amortization and gains (losses)	(5)	(5)	(11)	(11)
Gains (losses) on disposal of assets, businesses, or interests in subsidiaries, net	(16)	(1)	(16)	2
Losses in connection with the deconsolidation of ALTIS	—	8	—	(73)
Other expense, net	(7)	(3)	(12)	(15)
Operating income (loss)	(146)	109	(266)	97

Financial Income and Financial Expense

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Financial income	20	8	80	19
Percentage of revenue	3%	1%	6%	1%
Financial expense	(31)	(30)	(87)	(68)
Percentage of revenue	(5)%	(3)%	(6)%	(3)%

In the three and six months ended March 31, 2010, financial income was €8 million and €19 million, respectively, representing a decrease of €12 million and €61 million compared to €20 million and €80 million in the three and six months ended March 31, 2009, respectively. Included in financial income for the three and six months ended March 31, 2009 are gains of €12 million and €48 million, respectively, from the repurchases of our exchangeable subordinated notes due August 2010 (which were fully redeemed in the fourth quarter of the 2009 fiscal year) and our convertible subordinated notes due June 2010. In addition, gains of €3 million and €15 million from the valuation of interest rate swaps are included in financial income in the three and six months ended March 31, 2009, respectively, while such gains are insignificant in the three and six months ended March 31, 2010.

In the three months ended March 31, 2010, financial expense in the amount of €30 million was almost unchanged compared to €31 million the three months ended March 31, 2009. In the six months ended March 31, 2010, financial expense amounted to €68 million, a decrease of €19 million compared to €87 million in the six months ended March 31, 2009. Losses on valuation changes and sales of available-

for-sale financial assets as a result of the financial crisis impacted financial expense by €24 million in the six months ended March 31, 2009, but had no effect in the six months ended March 31, 2010. The decrease in losses on valuation changes and sales of available-for-sale financial assets was partially offset by a loss of €5 million on the repurchase of subordinated convertible notes due June 2010 with notional amounts of €190 million in the six months ended March 31, 2010.

Income from Investments Accounted for Using the Equity Method

Income from investments accounted for using the equity method for the three and six months ended March 31, 2010 were €1 million and €2 million, respectively, a decrease from €2 million and €3 million for the three and six months ended March 31, 2009, respectively. This income consisted of our share in the net income of Infineon Technologies Bipolar GmbH & Co. KG ("Bipolar"), our equity method investment together with Siemens AG, and our share in the net income of our in November 2009 newly established joint venture LS with LSIS.

Income (Loss) from Discontinued Operations, Net of Income Taxes

The results of Qimonda and of the Wireline Communications business are presented in the condensed consolidated statements of operations as discontinued operations for the three months and six months ended March 31, 2009 and 2010, and consist of the following components:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Qimonda[1]				
Revenue	—	—	314	—
Costs and expenses	—	—	(779)	—
Reversal of measurement to fair value less costs to sell	—	—	460	—
Expenses resulting from Qimonda's application to open insolvency proceedings	(8)	(1)	(203)	(1)
Losses resulting from the realization of accumulated losses related to unrecognized currency translation effects (primarily upon deconsolidation and Qimonda's sale of Inotera)	(100)	—	(188)	—
Loss before income taxes	(108)	(1)	(396)	(1)
Income tax expense	—	—	—	—
Qimonda's share of discontinued operations, net of income taxes	(108)	(1)	(396)	(1)
Wireline Communications Business				
Revenue	79	(1)	167	31
Costs and expenses	(77)	—	(161)	(26)
Pre-tax income (loss)	2	(1)	6	5
Income tax expense	—	—	(1)	—
Income (loss) from operations	2	(1)	5	5
Pre-tax gain recognized on the sale of the Wireline Communications business	—	—	—	110
Income tax expense on gain	—	—	—	(4)
Gain on the sale of the Wireline Communications business, net of income taxes	—	—	—	106
Wireline Communications' share of discontinued operations, net of income taxes	2	(1)	5	111
Income (Loss) from discontinued operations, net of income taxes	(106)	(2)	(391)	110

(1) No further information concerning Qimonda's condensed consolidated statements of operations is available for the period from January 1, 2009 to January 23, 2009, the date of the application by Qimonda to commence insolvency proceedings. Due to the write down of Qimonda's net assets to zero as of September 30, 2008, the operating losses of Qimonda for the period from October 1, 2008 to January 23, 2009 did not affect the consolidated net income of the Company, but instead were eliminated via an offsetting partial reversal of previously recorded impairments. Therefore, while the amounts of revenue and costs and expenses in the table above exclude amounts for the period from January 1, 2009 to January 23, 2009, Qimonda's share of the loss from discontinued operations, net of income taxes of €396 million, is unaffected.

Qimonda

In the three and six months ended March 31, 2010, Qimonda had no significant impact on our results. Certain adjustments to individual provisions for contingent liabilities in connection with the insolvency of Qimonda were necessary to reflect current developments in these matters. However, the net impact of these adjustments on our condensed consolidated statements of operations was only negative €1 million.

During the six months ended March 31, 2009, Qimonda-related amounts of €396 million included in loss from discontinued operations, net of income taxes, which consisted principally of the realization of accumulated foreign currency translation losses of €188 million and charges for provisions and allowances of €203 million in connection with Qimonda's insolvency. The realization of accumulated currency translation effects, which were previously recorded in equity, resulted mainly from Qimonda's sale of its interest in Inotera Memories Inc. ("Inotera") to Micron Technology, Inc. ("Micron") in the three months ended December 31, 2008, as well as the deconsolidation of Qimonda in the three months ended March 31, 2009. We recorded additional provisions and allowances of €195 million as of December 31, 2008 in connection with Qimonda's insolvency. In the three months ended March 31, 2009, we adjusted our initial recorded provisions and allowances by an additional €8 million. As a result of the commencement of insolvency proceedings by Qimonda we are exposed to certain potential liabilities in connection with the Qimonda business which are described in more detail in note 3 to our condensed consolidated financial statements for the three and six months ended March 31, 2009 and 2010. The operating losses of Qimonda, exclusive of depreciation, amortization and impairment of long-lived assets, in the first quarter of the 2009 fiscal year were offset by a €460 million partial reversal of the write downs recorded in the 2008 fiscal year to reduce the net assets of Qimonda to fair value less cost to sell of zero.

Wireline Communications Business

In July 2009 we entered into a purchase agreement with Lantiq, pursuant to which we agreed to sell our Wireline Communications business, one of our segments. The majority of the purchase price was paid at closing in November 2009, in the amount of €223 million, with up to an additional €20 million of the purchase price being payable nine months after the closing date. We recognized an after-tax gain of €106 million at the closing of the sale. Certain current assets in the manufacturing supply chain at the date of closing could not yet be transferred to Lantiq and are presented as assets held for sale in the condensed consolidated statement of financial position at March 31, 2010. Prepayments in relation to those assets were recognized and are presented within liabilities classified as held for sale. We report the results of the Wireline Communications business, as well as the gain on the sale, as discontinued operations, net of income taxes, in our condensed consolidated statements of operations for all periods presented.

Financial Condition

	As of		
	September 30, 2009	March 31, 2010	Change
	(€ in millions, except percentages)		
Current assets	2,744	2,919	6%
therein: assets held for sale	112	21	(81)%
Non-current assets	1,862	1,754	(6)%
Total assets	4,606	4,673	1%
Current liabilities	1,658	1,682	1%
Non-current liabilities	615	567	(8)%
Total liabilities	2,273	2,249	(1)%
Non-controlling interests	60	—	(100)%
Total equity attributable to shareholders of Infineon Technologies AG	2,273	2,424	7%
Total equity	2,333	2,424	4%

As of March 31, 2010, our current assets increased by €175 million compared with September 30, 2009. This reflects primarily an increase of €160 million in our gross cash position, consisting of cash and cash equivalents and available-for-sale financial assets. Despite continued working capital management, inventories increased by €44 million, primarily driven by the ramp up of certain products at major mobile phone customers, and trade and other receivables increased by €43 million, primarily driven by the increase in revenues. These increases were partly offset by a decrease in assets classified as held for sale of €91 million. Our gross cash position in the six months ended March 31, 2010 increased from the net cash provided by operating activities as well as from €223 million of cash received from the sale of the Wireline Communications business. This was partly offset by the deconsolidation of the cash and cash equivalents of ALTIS of €88 million and repurchases of €190 million of notional amounts of our convertible subordinated notes due June 2010 and the repayment of €22 million — partly offset by €8 million of

additional drawdowns — in other debt in the six months ended March 31, 2010. The decrease in assets classified as held for sale reflects the closing of the sale of our Wireline Communications business and transfer of the assets to Lantiq.

Non-current assets decreased by €108 million as of March 31, 2010 compared to September 30, 2009. This decrease primarily results from a €124 million decrease in property, plant and equipment, as capital expenditures during the first half of the 2010 fiscal year were lower than depreciation. Furthermore, the deconsolidation of ALTIS contributed to the decrease in property, plant and equipment. This decrease was partly offset by an increase in intangible assets due to capitalized development costs and investments accounted for using the equity method in connection with the formation of LS.

Total liabilities as of March 31, 2010 remained almost unchanged and amounted to €2,249 million compared to €2,273 million as of September 30, 2009. Current liabilities increased slightly by €24 million, while non-current liabilities decreased slightly by €48 million. The changes in current liabilities relate primarily to increases in trade and other payables by €97 million and in current provisions by €87 million, offset by decreases in short-term debt and current maturities of long-term debt of €143 million. The increase in trade and other payables results primarily from higher purchases of materials in light of higher production levels as a result of higher demand. Current provisions increased among others as a result of increases in provisions for warranties and increases in personnel provisions as well as provisions in connection with ALTIS. The decrease in short-term debt and current maturities of long-term debt is the result of repurchases of notional amounts of €190 million of our convertible subordinated notes due June 2010 and additional debt repayments of €22 million, partly offset by transfers of €38 million from long-term debt to short-term debt and the additional drawdown of €8 million in short-term debt. Other changes in current liabilities include the payment of the last installment of our settlement with the U.S Department of Justice ("DOJ"). The decrease in non-current liabilities as of March 31, 2010, compared to September 30, 2009 reflects, among other things, transfers of €38 million from long-term debt to short term debt.

Total equity as of March 31, 2010 increased by €91 million to €2,424 million compared to €2,333 million as of September 30, 2009. This increase reflects net income of €144 million and other comprehensive income of €7 million attributable to the shareholders of Infineon Technologies AG in the six months ended March 31, 2010, partly offset by the decrease in non-controlling interests of €60 million, primarily resulting from the deconsolidation of ALTIS with €61 million, offset by €1 million of net income attributable to non-controlling interests.

Liquidity

Our condensed consolidated statements of cash flows show the sources and uses of cash and cash equivalents during the reported periods. They are of key importance for the evaluation of our financial position.

Cash Flow

	Six months ended March 31,	
	2009	2010
	(€ in millions)	
Net cash provided by (used in) operating activities from continuing operations	(83)	329
Net cash provided by (used in) investing activities from continuing operations	20	(522)
Net cash used in financing activities from continuing operations	(180)	(205)
Net increase (decrease) in cash and cash equivalents from discontinued operations	(388)	211
Net decrease in cash and cash equivalents	(631)	(187)

Net cash provided by (used in) operating activities from continuing operations

Net cash provided by operating activities from continuing operations was €329 million for the six months ended March 31, 2010, and reflected mainly income from continuing operations of €35 million, excluding non-cash charges for depreciation and amortization of €203 million and total losses from the deconsolidation of ALTIS of €73 million recognized during the six months ended March 31, 2010. Net cash provided by operating activities from continuing operations in the six months ended March 31, 2010 was

also positively impacted by changes in operating assets and liabilities of €58 million due to continued tight working capital management, and negatively impacted by income taxes paid and interest paid, net in the total amount of €34 million.

Net cash provided by (used in) investing activities from continuing operations

Net cash used in investing activities from continuing operations was €522 million for the six months ended March 31, 2010, and primarily relates to the purchases of €375 million of available-for-sale financial assets and cash used for the purchases of property, plant and equipment, intangible assets and other assets in the total amount of €111 million, as well as decreases in cash and cash equivalents of €88 million as a result of the deconsolidation of ALTIS. This was partly offset by proceeds from sales of available-for-sale financial assets of €27 million.

Net cash used in financing activities from continuing operations

Net cash used in financing activities from continuing operations was €205 million and primarily relates to the repurchase of notional amounts of €190 million of our convertible subordinated notes due June 2010 and loan repayments in the net amount of €14 million in the six months ended March 31, 2010.

Change in cash and cash equivalents from discontinued operations

Net cash provided by discontinued operations amounted to €211 million for the six months ended March 31, 2010, primarily reflecting net cash provided by investing activities from discontinued operations of €220 million, which primarily relates to the cash received at the closing of the sale of our Wireline Communications business of €223 million in November 2009. Cash flow provided by operating activities from discontinued operations from the Wireline Communications business amounted to €33 million in the six months ended March 31, 2010 before the closing of the sale and subsequent net pay-outs of current liabilities, and was offset by payments made of €42 million with respect to potential liabilities in connection with the insolvency of Qimonda, including the last installment of the settlement with the DOJ during the first quarter of the 2010 fiscal year.

Free Cash Flow

We define free cash flow as cash flow from operating and investing activities from continuing operations excluding purchases or sales of available-for-sale financial assets. Since we hold a portion of our available monetary resources in the form of readily available-for-sale financial assets, and operate in a capital intensive industry, we report free cash flow to provide investors with a measure that can be used to evaluate changes in liquidity after taking capital expenditures into account. Free cash flow is not intended to represent the residual cash flow available for discretionary expenditures, since debt service requirements or other non-discretionary expenditures are not deducted.

Free cash flow includes only amounts from continuing operations and is determined as follows from the condensed consolidated statements of cash flows:

	Six months ended March 31,	
	2009	2010
	(€ in millions)	
Net cash provided by (used in) operating activities from continuing operations	(83)	329
Net cash provided by (used in) investing activities from continuing operations	20	(522)
Purchases (sales) of available-for-sale financial assets, net	(10)	348
Free cash flow	(73)	155

Free cash flow was positive €155 million for the six months ended March 31, 2010, compared to negative €73 million for the six months ended March 31, 2009, an improvement of €228 million. Free cash flow during the six months ended March 31, 2010 reflects primarily the improved net cash provided by operating activities of positive €329 million compared to negative €83 million for the same period in the prior year, which was partly offset by the decrease in cash and cash equivalents of €88 million from the deconsolidation of ALTIS and higher net cash used in investing activities for investments in property, plant and equipment and intangible assets of €111 million compared to €89 million in the same period last year. The net cash used in investing activities for the six months ended March 31, 2010 also reflects net

purchases of €348 million of available-for-sale financial assets, which are excluded from the free cash flow determination.

Net Cash Position

The following table presents our gross and net cash positions. Since we hold a portion of our available monetary resources in the form of readily available-for-sale financial assets, which for IFRS purposes are not considered to be "cash", we report our gross and net cash positions to provide investors with an understanding of our overall liquidity. The gross and net cash position is determined as follows from the condensed consolidated statements of financial position, without adjustment to the IFRS amounts presented:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Cash and cash equivalents	1,414	1,228
Available-for-sale financial assets	93	439
Gross cash position	1,507	1,667
Less: Short-term debt and current maturities of long-term debt	521	378
Long-term debt	329	294
Net cash position	657	995

Our gross cash position as of March 31, 2010, representing cash and cash equivalents and available-for-sale financial assets, was €1,667 million, an increase from €1,507 million as of September 30, 2009. The increase of €160 million primarily reflects the positive cash flow from operating activities from continuing operations of €329 million and the cash received of €223 million from the sale of our Wireline Communications business, partly offset by a €88 million reduction in cash and cash equivalents resulting from the deconsolidation of ALTIS and investments in property, plant and equipment and intangible assets of €111 million. During the six months ended March 31, 2010, we also repurchased notional amounts of €190 million of our convertible subordinated notes due June 2010 and repaid other debt in a net amount of €14 million.

Our net cash position as of March 31, 2010, defined as gross cash position less short-term debt and current maturities of long-term debt, and long-term debt, increased to €995 million, compared to €657 million as of September 30, 2009, primarily reflecting the increase in free cash flow and proceeds from the sale of the Wireline Communications business described above.

Overall statement of the Management Board with respect to Our Financial Condition as of the Date of this Report

With a combined Segment Result margin of 10.6 percent for the three months ended March 31, 2010, we have begun to meet the targets we set with our IFX10+ cost reduction and efficiency program back in the 2008 fiscal year. We will now make sure that we build on that foundation as we seek to reach similar or higher margins going forward.

As of March 31, 2010, our debt to equity ratio is 28 percent and our net cash position amounts to €995 million compared to a debt to equity ratio of 36 percent and a net cash position of €657 million as of September 30, 2009. This also demonstrates the progress we made in the six months ended March 31, 2010 and should give us a strong foundation to meet future obligations and achieve our strategic objectives.

Employees

The following table indicates the composition of our workforce by function and region at the dates shown:

	As of		
	September 30, 2009	March 31, 2010	Change
Function:			
Production	17,338	16,794	(3)%
Research & Development	5,971	5,510	(8)%
Sales & Marketing	1,681	1,506	(10)%
Administrative	1,474	1,406	(5)%
Total	26,464	25,216	(5)%
Region:			
Germany	9,160	8,730	(5)%
Europe	4,676	3,333	(29)%
North America	687	628	(9)%
Asia/Pacific	11,803	12,400	5%
Japan	138	125	(9)%
Total	26,464	25,216	(5)%

During the first half of the 2010 fiscal year, Infineon's workforce decreased as a result of the sale of our Wireline Communications business and the deconsolidation of ALTIS. This decrease was partially offset by increases in employees as a result of higher capacity utilization in our factories, in particular in Asia/ Pacific.

Outlook

Industry Environment

The world economy continued to recover in the first quarter of the 2010 calendar year. It is expected that global economic growth in the 2010 calendar year will be above 3 percent, after a contraction of almost 2 percent in the 2009 calendar year.

The global economic recovery also positively affected the global semiconductor market in the first quarter of the 2010 calendar year. Overall, for the 2010 calendar year, market experts expect a strong increase in revenues and have repeatedly revised their revenue growth expectations upwards for the global semiconductor market. For the 2010 calendar year, iSuppli Corporation currently projects growth of 23 percent in worldwide semiconductor revenues. The latest forecasts of reputable market research firms range between plus 20 percent (Gartner, Inc.) and plus 28 percent (IC Insights, Inc.). In 2011, market research firms generally expect revenues will further rise in line with a growing world economy.

Outlook for the third quarter of the 2010 fiscal year and updated outlook for the 2010 fiscal year

Outlook for the third quarter of the 2010 fiscal year

Assuming a U.S. dollar/Euro exchange rate of 1.40, we expect revenues for the third quarter of the 2010 fiscal year to increase by a high single-digit percentage sequentially. Third quarter combined Segment Result margin is anticipated to increase by between two and four percentage points compared to the second quarter.

The sequential increase in revenues is anticipated to be driven by the Wireless Solutions and Industrial & Multimarket segments, while revenues in the Automotive and Chip Card & Security segments are likely to stay at the same level as in the second quarter.

Updated outlook for the 2010 fiscal year

Given the results of the first half of the 2010 fiscal year and current visibility, we are again raising our guidance for the 2010 fiscal year as a whole.

We now expect full year revenues to grow by a high 30's percentage compared with the 2009 fiscal year, at an assumed U.S. dollar/Euro exchange rate of 1.40 for the second half of the 2010 fiscal year. We anticipate that the year-over-year increase will be generated by increases in revenues in all of the company's operating segments, mostly in the Automotive, Industrial & Multimarket, and Wireless Solutions segments, with lower revenue growth anticipated in the Chip Card & Security segment. Revenues in Other Operating Segments, mainly from product supply agreements with Lantiq, are still anticipated to total a low triple-digit million Euro amount.

We expect combined Segment Result in the 2010 fiscal year to improve considerably from the 2009 fiscal year, with combined Segment Result margin now anticipated to be more than ten percent.

In light of the dynamic revenue growth, fully loaded production facilities and planned development milestones, we anticipate that capital expenditures, including capitalized intangible assets, will now exceed €300 million for the 2010 fiscal year, compared to the previous 2010 guidance of up to €250 million and reported capital expenditures, including capitalized intangible assets, of €154 million in the 2009 fiscal year. As previously announced, depreciation and amortization is expected to decrease to approximately €400 million in the 2010 fiscal year compared to €513 million in the 2009 fiscal year.

Risks and Opportunities

We are exposed to a number of risks as a result of the high volatility of the semiconductor business, its international orientation and its wide product range. Such risks include, but are not limited to, broader economic developments, including the sustainability of recent improvements in the market environment; trends in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products, such as automobiles and consumer electronics, that incorporate our products; the success of our development efforts, both alone and with partners; the success of our efforts to introduce new production processes at our facilities; the actions of competitors; the continued availability of adequate funds; the outcome of antitrust investigations and litigation matters; the effects of currency fluctuations, primarily between the U.S. dollar and the Euro; the outcome of Qimonda's insolvency proceedings, including potential liabilities related to the Qimonda insolvency, including pending antitrust and related securities law claims, the potential repayment of governmental subsidies received, employee-related contingencies and other matters; as well as the other factors mentioned herein and those described in our Annual Report on Form 20-F for the fiscal year 2009.

To minimize the negative impact of these risks, we continuously optimize our company-wide risk and opportunity management system. For more detailed information on risks and opportunities and their potential effect on our business, financial condition or results of operations, please refer to our Annual Report on Form 20-F for the fiscal year 2009.

In February 2009, the *Deutsche Prüfstelle für Rechnungslegung e. V.* ("DPR"), a German government-appointed private institution, began a routine review of Infineon's IFRS financial statements for the year ended September 30, 2008 (our first year of reporting under IFRS). In the course of this review, we have responded to the DPR's comments on a number of accounting issues with respect to our financial statements. In this regard, the only remaining concern raised by the DPR relates to our accounting for certain deferred tax assets as of September 30, 2008, particularly with respect to tax strategies and the forecasting period for the utilization of tax credits that formed the basis for a material portion of our deferred tax assets. We continue to maintain that our accounting for deferred tax assets is and was correct, and intend to maintain our position in our further discussions with the DPR. In the event that we are unable to reach an agreement with the DPR in this regard, the review in this matter would be continued by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "BaFin"). If the BaFin were to determine that our accounting for certain deferred tax assets should be changed, we may be required to adjust our opening accumulated deficit, to reflect a partial reduction of the deferred tax assets recorded. Such adjustment would reduce our total assets and shareholder's equity, but would have no impact on our statement of operations or available tax loss carry-forwards and tax effected credit carry-forwards, would require no cash expenditure, and would not result in a breach of any financial covenants under our outstanding lending facilities or bonds. Moreover, we believe that, in light of our anticipated future operating results, we will be able to utilize a significant portion of our unrecognized deferred tax assets in future periods. Consequently, we believe that the ultimate resolution of this matter will not have a material adverse impact on our operating results or cash position.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the three months ended March 31, 2009 and 2010
(in millions, except for per share data)

	March 31, 2009	March 31, 2010	March 31, 2010
	(€ millions)	(€ millions)	($ millions)
Revenue	669	1,035	1,400
Cost of goods sold	(581)	(682)	(923)
Gross profit	88	353	477
Research and development expenses	(110)	(136)	(184)
Selling, general and administrative expenses	(100)	(115)	(155)
Other operating income	15	3	4
Other operating expense	(39)	4	5
Operating income (loss)	(146)	109	147
Financial income	20	8	11
Financial expense	(31)	(30)	(40)
Income from investments accounted for using the equity method	2	1	1
Income (loss) from continuing operations before income taxes	(155)	88	119
Income tax benefit (expense)	3	(7)	(9)
Income (loss) from continuing operations	(152)	81	110
Loss from discontinued operations, net of income taxes	(106)	(2)	(3)
Net income (loss)	(258)	79	107
Attributable to:			
Non-controlling interests	(19)	—	—
Shareholders of Infineon Technologies AG	(239)	79	107
Basic and diluted earnings (loss) per share attributable to shareholders of Infineon Technologies AG (in Euro):			
Basic and diluted earnings (loss) per share from continuing operations	(0.19)	0.07	0.09
Basic and diluted earnings (loss) per share from discontinued operations	(0.10)	—	—
Basic and diluted earnings (loss) per share	(0.29)	0.07	0.09

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the six months ended March 31, 2009 and 2010
(in millions, except for per share data)

	March 31, 2009	March 31, 2010	March 31, 2010
	(€ millions)	(€ millions)	($ millions)
Revenue	1,411	1,976	2,673
Cost of goods sold	(1,200)	(1,309)	(1,771)
Gross profit	211	667	902
Research and development expenses	(242)	(266)	(360)
Selling, general and administrative expenses	(203)	(221)	(299)
Other operating income	18	9	12
Other operating expense	(50)	(92)	(124)
Operating income (loss)	(266)	97	131
Financial income	80	19	26
Financial expense	(87)	(68)	(92)
Income from investments accounted for using the equity method	3	2	3
Income (loss) from continuing operations before income taxes	(270)	50	68
Income tax expense	(1)	(15)	(21)
Income (loss) from continuing operations	(271)	35	47
Income (loss) from discontinued operations, net of income taxes	(391)	110	149
Net income (loss)	(662)	145	196
Attributable to:			
Non-controlling interests	(49)	1	1
Shareholders of Infineon Technologies AG	(613)	144	195
Basic and diluted earnings (loss) per share attributable to shareholders of Infineon Technologies AG (in Euro):			
Basic and diluted earnings (loss) per share from continuing operations	(0.33)	0.03	0.04
Basic and diluted earnings (loss) per share from discontinued operations	(0.42)	0.10	0.14
Basic and diluted earnings (loss) per share	(0.75)	0.13	0.18

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Financial Position (Unaudited)
September 30, 2009 and March 31, 2010

	September 30, 2009	March 31, 2010	March 31, 2010
	(€ millions)	(€ millions)	($ millions)
Assets:			
Current assets:			
Cash and cash equivalents	1,414	1,228	1,661
Available-for-sale financial assets	93	439	594
Trade and other receivables	514	557	753
Inventories	460	504	682
Income tax receivable	11	18	24
Other current financial assets	26	26	35
Other current assets	114	126	171
Assets classified as held for sale	112	21	28
Total current assets	2,744	2,919	3,948
Property, plant and equipment	928	804	1,088
Goodwill and other intangible assets	369	375	507
Investments accounted for using the equity method	27	36	49
Deferred tax assets	396	400	541
Other financial assets	124	121	164
Other assets	18	18	24
Total assets	4,606	4,673	6,321
Liabilities and equity:			
Current liabilities:			
Short-term debt and current maturities of long-term debt	521	378	511
Trade and other payables	393	490	663
Current provisions	436	523	707
Income tax payable	102	113	153
Other current financial liabilities	50	38	51
Other current liabilities	147	124	168
Liabilities classified as held for sale	9	16	22
Total current liabilities	1,658	1,682	2,275
Long-term debt	329	294	398
Pension plans and similar commitments	94	99	134
Deferred tax liabilities	13	6	8
Long-term provisions	89	58	79
Other financial liabilities	5	4	5
Other liabilities	85	106	143
Total liabilities	2,273	2,249	3,042
Equity:			
Shareholders' equity:			
Ordinary share capital	2,173	2,173	2,939
Additional paid-in capital	6,048	6,048	8,181
Accumulated deficit	(5,940)	(5,796)	(7,840)
Other components of equity	(8)	(1)	(1)
Total equity attributable to shareholders of Infineon Technologies AG	2,273	2,424	3,279
Non-controlling interests	60	—	—
Total equity	2,333	2,424	3,279
Total liabilities and equity	4,606	4,673	6,321

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
For the six months ended March 31, 2009 and 2010

	March 31, 2009	March 31, 2010	March 31, 2010
	(€ millions)	(€ millions)	($ millions)
Net income (loss)	(662)	145	196
Other comprehensive income			
Currency translation effects	196	11	15
Net change in fair value of available-for-sale financial assets	2	1	1
Net change in fair value of cash flow hedges	10	(5)	(7)
Other comprehensive income	208	7	9
Total comprehensive income (loss)	(454)	152	205
Attributable to:			
Non-controlling interests	(10)	1	1
Shareholders of Infineon Technologies AG	(444)	151	204

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the six months ended March 31, 2009 and 2010

	March 31, 2009	March 31, 2010	March 31 2010
	(€ millions)	(€ millions)	($ millions)
Net income (loss)	(662)	145	196
Less: net loss (income) from discontinued operations	391	(110)	(149)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	271	203	275
Provision for (recovery of) doubtful accounts	(1)	1	1
Losses (gains) on sales of available-for-sale financial assets	—	(2)	(3)
Losses (gains) on sales of businesses and interests in subsidiaries	16	(3)	(4)
Losses in connection with the deconsolidation of ALTIS	—	73	99
Losses (gains) on disposals of property, plant, and equipment, and other assets	—	(2)	(3)
Income from investments accounted for using the equity method	(3)	(2)	(3)
Impairment charges	1	7	9
Share-based compensation	1	—	—
Deferred income taxes	(1)	(5)	(7)
Changes in operating assets and liabilities:			
Trade and other receivables	150	(67)	(91)
Inventories	109	(51)	(69)
Other current assets	(18)	(22)	(30)
Trade and other payables	(190)	100	135
Provisions	(105)	36	49
Other current liabilities	(62)	18	24
Other assets and liabilities	(3)	44	60
Interest received	15	5	7
Interest paid	(11)	(18)	(24)
Income tax received (paid)	19	(21)	(28)
Net cash provided by (used in) operating activities from continuing operations	(83)	329	444
Net cash provided by (used in) operating activities from discontinued operations	(380)	(9)	(12)
Net cash provided by (used in) operating activities	(463)	320	432
Cash flows from investing activities:			
Purchases of available-for-sale financial assets	—	(375)	(507)
Proceeds from sales of available-for-sale financial assets	10	27	37
Proceeds from sales of businesses and interests in subsidiaries	4	1	1
Cash decrease from the deconsolidation of ALTIS	—	(88)	(119)
Purchases of intangible assets, and other assets	(21)	(35)	(47)
Purchases of property, plant and equipment	(68)	(76)	(103)
Proceeds from sales of property, plant and equipment, and other assets	95	24	32
Net cash provided by (used in) investing activities from continuing operations	20	(522)	(706)
Net cash provided by (used in) investing activities from discontinued operations	32	220	298
Net cash provided by (used in) investing activities	52	(302)	(408)
Cash flows from financing activities:			
Net change in short-term debt	13	8	11
Net change in related party financial receivables and payables	(1)	(1)	(1)
Proceeds from issuance of long-term debt	1	—	—
Principal repayments of long-term debt	(182)	(213)	(288)
Change in restricted cash	—	1	1
Dividend payments to minority interests	(6)	—	—
Capital contribution	(5)	—	—
Net cash provided by (used in) financing activities from continuing operations	(180)	(205)	(277)
Net cash provided by (used in) financing activities from discontinued operations	(40)	—	—
Net cash provided by (used in) financing activities	(220)	(205)	(277)
Net increase (decrease) in cash and cash equivalents	(631)	(187)	(253)
Effect of foreign exchange rate changes on cash and cash equivalents	(7)	1	1
Cash and cash equivalents at beginning of period	1,170	1,414	1,913
Total cash and cash equivalents at end of period	532	1,228	1,661
Less: Cash and cash equivalents at end of period classified as held for sale	—	—	—
Cash and cash equivalents at end of period	532	1,228	1,661

See accompanying notes to the unaudited condensed consolidated financial statements.

Infineon Technologies AG and Subsidiaries
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the six months ended March 31, 2009 and 2010
(in millions of euro, except for share data)

	Issued Ordinary shares		Additional paid-in capital	Accumulated deficit	Foreign currency translation adjustment	Unrealized gain (loss) on securities	Unrealized gain (loss) on cash flow hedge	Total equity attributable to shareholders of Infineon AG	Non-controlling interests	Total equity
	Shares	Amount								
Balance as of October 1, 2008	749,742,085	1,499	6,008	(5,252)	(142)	(3)	(19)	2,091	70	2,161
Net loss	—	—	—	(613)	—	—	—	(613)	(49)	(662)
Other comprehensive income	—	—	—	—	157	2	10	169	39	208
Total comprehensive income for the period	—	—	—	(613)	157	2	10	(444)	(10)	(454)
Share-based compensation	—	—	2	—	—	—	—	2	—	2
Other changes in equity	—	—	(1)	—	—	—	—	(1)	(5)	(6)
Balance as of March 31, 2009	749,742,085	1,499	6,009	(5,865)	15	(1)	(9)	1,648	55	1,703
Balance as of October 1, 2009	1,086,742,085	2,173	6,048	(5,940)	3	1	(12)	2,273	60	2,333
Net income	—	—	—	144	—	—	—	144	1	145
Other comprehensive income	—	—	—	—	11	1	(5)	7	—	7
Total comprehensive income for the period	—	—	—	144	11	1	(5)	151	1	152
Deconsolidation of ALTIS	—	—	—	—	—	—	—	—	(61)	(61)
Balance as of March 31, 2010	1,086,742,085	2,173	6,048	(5,796)	14	2	(17)	2,424	—	2,424

1. Basis of Presentation

The accompanying condensed consolidated financial statements of Infineon Technologies AG and its subsidiaries ("Infineon" or the "Company") as of and for the three and six months ended March 31, 2009 and 2010, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations issued by the International Accounting Standards Board ("IASB"), and as adopted by the European Union ("EU"). The accompanying condensed consolidated financial statements also comply with IFRS as issued by the IASB and have been prepared in compliance with IAS 34, "*Interim Financial Reporting*". Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. In addition, although the condensed consolidated statement of financial position as of September 30, 2009 was derived from audited financial statements, it does not include all disclosures required by IFRS. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements prepared in accordance with IFRS, as adopted by the EU, as of and for the period ended September 30, 2009. The accounting policies applied in preparing the accompanying condensed consolidated financial statements are consistent with those for the year ended September 30, 2009.

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

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

All amounts herein are shown in Euro (or "€") except where otherwise stated. Negative amounts are presented in parentheses. The accompanying condensed consolidated statement of financial position as of March 31, 2010, and the condensed consolidated statements of operations, comprehensive income and cash flows for the three and six months then ended are also presented in U.S. dollars ("$"), solely for the convenience of the reader, at the rate of €1 = $1.3526, the Federal Reserve noon buying rate on March 31, 2010. The U.S. dollar convenience translation amounts have not been audited.

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

2. Accounting Policies

Standards and Interpretations adopted as of October 1, 2009

In September 2007, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements*". The revision is aimed at improving users' ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The Company adopted the amendment as of October 1, 2009. As a consequence the Company renamed the balance sheet "Statement of Financial Position" and introduced the new "Statement of Comprehensive Income", which presents all changes in comprehensive income including other comprehensive income and replaces the "Statement of Income and Expense recognized in Equity". Changes in equity are shown in a separate "Statement of Changes in Equity".

In January 2008, the IASB published the amended standards IFRS 3, "*Business Combinations"* ("IFRS 3 (2008)"), and IAS 27, "*Consolidated and Separate Financial Statements*" ("IAS 27 (2008)"). The standards have been endorsed by the EU.

Both standards have been applied since October 1, 2009.

IFRS 3 (2008) reconsiders the application of acquisition accounting for business combinations. Major changes relate to the measurement of non-controlling interests, the accounting for business combinations achieved in stages as well as the treatment of contingent consideration and acquisition-related costs.

Based on the new standard, non-controlling interests may be measured at their fair value (full-goodwill methodology) or at the proportional fair value of assets acquired and liabilities assumed. In business combinations achieved in stages, any previously held equity interest in the acquiree is remeasured to its acquisition date fair value. Any changes to contingent consideration classified as a liability at the acquisition date are recognized in profit and loss. Acquisition-related costs are expensed in the period incurred.

Major changes in relation to IAS 27 (2008) relate to the accounting for transactions which do not result in a change of control as well as for those leading to a loss of control. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value. Based on the amended standard, non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

Standards and Interpretations Issued but Not Yet Adopted

In March 2009, the IASB issued "*Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*" which enhances disclosures about fair value measurements of financial instruments and liquidity risk. The amendment will be effective for the Company in its annual financial statements for the fiscal year ending September 30, 2010. The Company is evaluating the impact of the amended IFRS 7 on its financial statements. The EU endorsed the amendment to IFRS 7 in December 2009.

In June 2009, the IASB amended IFRS 2, "*Share-based Payment*", to clarify its scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendment will be effective for fiscal years beginning on or after January 1, 2010. Therefore, for the Company, the amendment will be effective for its fiscal year beginning on October 1, 2010. The EU endorsed the amendment in March 2010. The new guidance is not expected to have a material impact on the Company's financial statements.

In November 2009 the IASB issued IFRS 9, "*Financial Instruments*", which prescribes the classification and measurement of financial assets and completes the first phase of the project to replace IAS 39, "*Financial Instruments: Recognition and Measurement*". The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. IFRS 9 will be effective for fiscal years beginning on or after January 1, 2013 with earlier application permitted. Therefore, for the Company, the new standard will be effective for its fiscal year beginning on October 1, 2013. The EU has not yet endorsed the new standard. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

3. Divestitures and Discontinued Operations

Sale of Molded Module Assets and formation of the joint venture LS Power Semitech Co., Ltd.

During the quarter ended June 30, 2009, the Company entered into a joint venture agreement with LS Industrial Systems ("LSIS"), which closed on November 27, 2009, to establish the joint venture LS Power Semitech Co., Ltd. ("LS"). The joint venture is expected to operate in Korea and elsewhere in Asia, and will focus on the development, production and marketing of molded power modules for white goods applications. LSIS holds 54 percent and the Company holds 46 percent of LS. The Company contributed licenses of intellectual property as well as technology and process know-how for the Company's power module family CIPOS™ (Control Integrated Power System), and contributed existing CIPOS™ back-end manufacturing equipment to LS. The Company realized a gain of €3 million before tax from the contributions to LS which was recognized in other operating income in the three months ended December 31, 2009. The investment in the joint venture is accounted for using the equity method.

ALTIS

ALTIS Semiconductor S.N.C., Essonnes, France ("ALTIS") is a joint venture between the Company and International Business Machines Corporation, New York, USA ("IBM"), with each having equal voting representation. The Company fully consolidated ALTIS in accordance with IAS 27, "*Consolidated and Separate Financial Statements*" until December 2009.

Following the waiver of its option to acquire further voting shares in ALTIS from IBM (potential voting rights), the Company deconsolidated ALTIS in late December 2009. The assets and liabilities of ALTIS as well as the non-controlling interests in this previously consolidated subsidiary were derecognized, and the Company recorded its interest in ALTIS as an investment in an associated company at its fair value of zero. The investment in ALTIS is subsequently accounted for using the equity method.

Furthermore, in the 2009 calendar year the Company entered into several amendments to its agreements with IBM in respect of ALTIS, which modified the output and cost allocation of ALTIS and certain rights of the shareholders. Additionally, the product purchase agreement with ALTIS was extended through May 2010.

Upon deconsolidation, cash and cash equivalents decreased by €88 million and non-controlling interests by €61 million. The total operating loss initially recognized in connection with the deconsolidation amounted to €81 million, which was recognized in the three months ended December 31, 2009. In the three months ended March 31, 2010 the total operating loss recognized was reduced by €8 million as a result of adjustments to provisions, which results in total operating loss recognized in connection with the deconsolidation of ALTIS of €73 million, which is presented within other operating expense.

Qimonda — discontinued operations

On January 23, 2009, Qimonda AG ("Qimonda") and its wholly owned subsidiary Qimonda Dresden GmbH & Co. oHG ("Qimonda Dresden") filed an application at the Munich Local Court to commence insolvency proceedings. As a result of this application, the Company deconsolidated Qimonda and Qimonda's subsidiaries in accordance with IAS 27, "*Consolidated and Separate Financial Statements",* during the second quarter of the 2009 fiscal year. On April 1, 2009, the insolvency proceedings formally opened. Formal insolvency proceedings have also been commenced by several additional subsidiaries of Qimonda in various jurisdictions. The final resolution of the insolvency proceedings, including the final disposition of the remaining assets and liabilities of Qimonda, cannot be predicted at this time. The Company faces certain contingent liabilities, and has made certain related provisions, in connection with the commencement of insolvency proceedings by Qimonda (see below).

During the six months ended March 31, 2009, Qimonda-related amounts of €396 million included in loss from discontinued operations, net of income taxes consisted principally of the realization of accumulated foreign currency translation losses of €188 million and charges for provisions and allowances of €203 million in connection with Qimonda's insolvency (see below). The realization of accumulated currency translation effects, which were previously recorded in equity, resulted mainly from Qimonda's sale of its interest in Inotera Memories Inc. ("Inotera") to Micron Technology, Inc. ("Micron") in the three months ended December 31, 2008 as well as the deconsolidation of Qimonda in the three months ended March 31, 2009. The Company recorded additional provisions and allowances of €195 million as of December 31, 2008 in connection with Qimonda's insolvency. In the three months ended March 31, 2009, the Company adjusted its initial recorded provisions and allowances by an additional €8 million. In the three and six months ended March 31, 2010, certain adjustments to individual provisions for contingent liabilities were necessary to reflect current developments in these matters, However, the net impact of these adjustments on the Company's condensed consolidated statements of operations was only negative €1 million in the three and six months ended March 31, 2010.

As a result of the commencement of insolvency proceedings by Qimonda, the Company is exposed to potential liabilities arising in connection with the Qimonda business, which include, among others, the following:

- The Company is a named defendant in certain pending antitrust and securities law claims. Qimonda is required to indemnify Infineon, in whole or in part, for such claims, including any related expenses. As a result of Qimonda's insolvency, however, the Company expects that Qimonda will

not be able to indemnify it for these claims. For more information on these pending antitrust and securities law claims and their potential impact on the Company, see note 15 *("Commitments and Contingencies — Litigation and Government Inquiries — Antitrust Litigation", "— Other Government Inquiries" and, "— Securities Litigation").*

- The Company is the named defendant in a lawsuit in Delaware in which the plaintiffs are seeking to hold the Company liable for the payment of severance and other benefits allegedly due from Qimonda's North American subsidiaries in connection with the termination of employment related to Qimonda's insolvency. For more information on this suit, see note 15 *("Commitments and Contingencies — Litigation and Government Inquiries — Qimonda Employment Litigation").*

- The Company faces potential liabilities arising from its former participation in Qimonda Dresden. Before the carve-out of the Qimonda business, the Company was a general partner of Qimonda Dresden, and as such may in certain circumstances, as a matter of law, be held liable for certain liabilities of Qimonda Dresden that originated prior to the carve-out. These include, among others, the potential repayment of governmental subsidies as well as employee-related claims, including salaries and social security contributions. The Company is in negotiations with the Free State of Saxony and the Qimonda insolvency administrator regarding these matters. The Company has recorded a provision in connection with these matters, but disclosure of the amount of the provision could seriously prejudice the Company's negotiations regarding these matters.

- The Company and its subsidiary Infineon Technologies Dresden GmbH ("Infineon Dresden") are subject to lawsuits by approximately 60 former Infineon employees who were transferred to Qimonda or Qimonda Dresden as part of the carve-out and who seek to be re-employed by the Company. No court decision adverse to Infineon or Infineon Dresden has been issued to date.

- The Qimonda insolvency administrator has made a damage claim against the Company asserting that Infineon, in its capacity as a shareholder of Qimonda, indirectly influenced Qimonda's decision to sell its stake in Inotera and to enter into a cross license agreement with the purchaser of the Inotera stake. The claim does not state any specific facts. The Company is examining the assertions made.

In addition to the matters described above, the Company may be subject to claims by the insolvency administrator under German insolvency laws for repayment of certain amounts received by the Company from Qimonda, such as payments for intra-group services and supplies, during defined periods prior to the commencement of insolvency proceedings. Depending on future developments in Qimonda's former operations in Portugal (Qimonda Portugal S.A., now operating as Nanium S.A.), there is a risk that claims could be made against the Company in connection with governmental subsidies received by Qimonda Portugal S.A. prior to the carve-out. No such claims have been made to date, and no reasonable estimated amount can be attributed at this time to the potential outcome of any such claims. The Company is in advanced negotiations with the government of Portugal and Nanium S.A. on a tripartite agreement to mitigate the risk. The insolvency of Qimonda may also subject the Company to other claims arising in connection with the contracts, offers, uncompleted transactions, continuing obligations, risks, encumbrances and other liabilities contributed to Qimonda in connection with the carve-out of the Qimonda business, as the Company expects that Qimonda will not be able to fulfill its obligation to indemnify Infineon against any such liabilities.

Moreover, the Company may lose rights and licenses (including its right to sublicense) to Qimonda's intellectual property to which it is entitled to under the contribution agreement in connection with the carve-out of the Qimonda business due to the fact that the insolvency administrator has declared non-performance of this agreement. The Company is evaluating the scope of any potentially affected intellectual property, and is in negotiations with Qimonda's insolvency administrator regarding a potential settlement of this matter. At this time the Company is unable to provide any reasonable estimate of any potential costs in this regard.

During the six months ended March 31, 2010, the Company made total payments of €42 million in connection with certain of the matters described above. This amount included, among others, the final installment of €17 million in connection with the U.S. Department of Justice ("DoJ") antitrust settlement, certain payments in connection with employee-related matters, and the settlement with the last of the

U.S. DRAM purchasers who had chosen to opt out of the class action settlement (see note 15). Discussions are continuing with respect to certain additional employee-related matters.

As of September 30, 2009 and March 31, 2010, the Company recorded aggregate liabilities of €21 million and €7 million, respectively, and provisions of €163 million and €136 million, respectively, in connection with these matters. The recorded provisions are primarily reflected within "Current provisions", and the remainder is recorded within "Long-term provisions". The recorded provisions reflect the amount of those liabilities that management believes are probable and can be estimated with reasonable accuracy at that time. There can be no assurance that such provisions recorded will be sufficient to cover all liabilities that may ultimately be incurred in relation to these matters. Disclosure of individual amounts with respect to these matters could seriously prejudice the Company's legal or negotiating position, and therefore have been omitted. No reasonable estimate can be made at this time related to those potential liabilities that may be incurred, but that are currently not viewed to be probable.

Sale of Wireline Communications Business — discontinued operations

On July 7, 2009, the Company entered into a purchase agreement with Lantiq, affiliates of Golden Gate Private Equity Inc. ("Lantiq"), pursuant to which it agreed to sell the Wireline Communications business, one of the Company's segments. The majority of the purchase price was paid at closing on November 6, 2009, in the amount of €223 million, with up to an additional €20 million of the purchase price being payable nine months after the closing date. The Company recognized an after-tax gain of €106 million at the closing of the sale. Certain current assets in the manufacturing supply chain at the date of closing could not yet be transferred to Lantiq and are presented as assets held for sale in the condensed consolidated statement of financial position at March 31, 2010. Prepayments in relation to those assets were recognized and are presented within liabilities classified as held for sale.

As a result of the decision to dispose of the Wireline Communications business, the Company reclassified those assets and liabilities of its Wireline Communications business to be transferred to Lantiq as assets held for sale in the consolidated statement of financial position as of September 30, 2009, pursuant to IFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations*". The results of the Wireline Communications business as well as the gain on the sale are reported as discontinued operations, net of income taxes, in the Company's condensed consolidated statements of operations for all periods presented.

Assets and liabilities classified as held for sale

Assets and liabilities held for sale as of September 30, 2009 and March 31, 2010 are primarily composed of the book values of assets and liabilities to be transferred to Lantiq in connection with the sale of the Wireline Communications business. At September 30, 2009 and March 31, 2010, the carrying amounts of the major classes of assets and liabilities classified as held for sale were as follows:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Inventories	43	19
Other current assets	2	—
Property, plant and equipment, net	9	2
Goodwill and other intangibles	58	—
Total assets classified as held for sale	112	21
Current provisions	6	—
Other current liabilities	2	16
Pension plans and similar commitments	1	—
Total liabilities held for sale	9	16

Income (loss) from discontinued operations, net of income taxes

The results of Qimonda and of the Wireline Communication business presented in the condensed consolidated statements of operations as discontinued operations for the three and six months ended March 31, 2009 and 2010 consist of the following components:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Qimonda[1]				
Revenue	—	—	314	—
Costs and expenses	—	—	(779)	—
Reversal of measurement to fair value less costs to sell	—	—	460	—
Expenses resulting from Qimonda's application to open insolvency proceedings	(8)	(1)	(203)	(1)
Losses resulting from the realization of accumulated losses related to unrecognized currency translation effects (primarily upon deconsolidation and Qimonda's sale of Inotera)	(100)	—	(188)	—
Loss before income taxes	(108)	(1)	(396)	(1)
Income tax expense	—	—	—	—
Qimonda's share of discontinued operations, net of income taxes	(108)	(1)	(396)	(1)
Wireline Communications Business				
Revenue	79	(1)	167	31
Costs and expenses	(77)	—	(161)	(26)
Pre-tax income (loss)	2	(1)	6	5
Income tax expense	—	—	(1)	—
Income (loss) from operations	2	(1)	5	5
Pre-tax gain recognized on the sale of the Wireline Communications business	—	—	—	110
Income tax expense on gain	—	—	—	(4)
Gain on the sale of the Wireline Communications business, net of income taxes	—	—	—	106
Wireline Communications' share of discontinued operations, net of income taxes	2	(1)	5	111
Income (loss) from discontinued operations, net of income taxes	(106)	(2)	(391)	110

(1) No further information concerning Qimonda's condensed consolidated statements of operations is available for the period from January 1, 2009 to January 23, 2009, the date of the application by Qimonda to commence insolvency proceedings. Due to the write down of Qimonda's net assets to zero as of September 30, 2008, the operating losses of Qimonda for the period from October 1, 2008 to January 23, 2009 did not affect the consolidated net income of the Company, but instead were eliminated via an offsetting partial reversal of previously recorded impairments. Therefore, while the amounts of revenue and costs and expenses in the table above exclude amounts for the period from January 1, 2009 to January 23, 2009, Qimonda's share of the loss from discontinued operations, net of income taxes, of €396 million, is unaffected.

4. Financial Income

The amount of financial income is as follows for the three and six months ended March 31, 2009 and 2010, respectively:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Interest income	17	4	66	8
Valuation changes and gains on sales	—	—	—	6
Other financial income	3	4	14	5
Total	20	8	80	19

Interest income for the three and six months ended March 31, 2009 includes gains before tax of €12 million and €48 million, respectively, as a result of the repurchase of convertible subordinated notes due in June 2010 and subordinated exchangeable notes due in August 2010. The latter were fully redeemed during the 2009 fiscal year.

5. Financial Expense

The amount of financial expense is as follows for the three and six months ended March 31, 2009 and 2010, respectively:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Interest expense	28	29	63	59
Valuation changes and losses on sales	3	—	24	—
Other financial expense	—	1	—	9
Total	31	30	87	68

Interest expense for the three and six months ended March 31, 2010 includes losses before tax of €3 million and €5 million, respectively, as a result of the repurchase of convertible subordinated notes due in June 2010.

6. Income Taxes

Income (loss) from continuing operations before income taxes and income tax expense are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions, except percentages)			
Income (loss) from continuing operations before income taxes	(155)	88	(270)	50
Income tax expense	3	(7)	(1)	(15)
Effective tax rate	2%	9%	0%	30%

In the three and six months ended March 31, 2009 and 2010, the tax expense of the Company is affected by lower foreign tax rates, tax credits and the need for valuation allowances on deferred tax assets in certain jurisdictions.

7. Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") are calculated by dividing net income (loss) by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing net income by the sum of the weighted average number of ordinary shares outstanding plus all additional

ordinary shares that would have been outstanding if potentially dilutive instruments or ordinary share equivalents had been issued.

The computation of basic and diluted EPS is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
Numerator (€ in millions):				
Income (loss) from continuing operations attributable to shareholders of Infineon Technologies AG	(152)	81	(270)	34
Income (loss) from continuing operations attributable to non-controlling interests	—	—	(1)	1
Income (loss) from continuing operations	(152)	81	(271)	35
Income (loss) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(87)	(2)	(343)	110
Income (loss) from discontinued operations, net of income taxes attributable to non-controlling interests	(19)	—	(48)	—
Income (loss) from discontinued operations, net of income taxes	(106)	(2)	(391)	110
Net income (loss) attributable to shareholders of Infineon Technologies AG	(239)	79	(613)	144
Denominator (shares in millions):				
Weighted-average shares outstanding — basic[1]	813	1,087	813	1,087
Weighted-average shares outstanding — diluted[1]	813	1,171	813	1,087
Basic and diluted earnings (losses) per share (in €)[2]:				
Earnings (losses) from continuing operations attributable to shareholders of Infineon Technologies AG	(0.19)	0.07	(0.33)	0.03
Earnings (losses) from discontinued operations, net of income taxes attributable to shareholders of Infineon Technologies AG	(0.10)	—	(0.42)	0.10
Earnings (losses) attributable to shareholders of Infineon Technologies AG	(0.29)	0.07	(0.75)	0.13

[1] Weighted-average shares outstanding — basic and diluted — for all periods have been adjusted in accordance with IAS 33.27 as a result of the capital increase completed in August 2009.

[2] Quarterly earnings (loss) per share may not add up to year-to-date earnings (loss) per share due to rounding.

The weighted average of potentially dilutive instruments that were excluded from the diluted earnings (loss) per share computations, because the exercise price was greater than the average market price of the ordinary shares during the period or would have otherwise been anti-dilutive, includes 25.9 million and 16.1 million shares underlying employee stock options for the three months ended March 31, 2009 and 2010, respectively, and 28.4 million and 16.2 million shares underlying employee stock options for the six months ended March 31, 2009 and 2010, respectively. Additionally, 56.5 million and 40.6 million ordinary shares issuable upon conversion of outstanding convertible subordinated notes during the three months ended March 31, 2009 and 2010, respectively, and 57.4 million and 127.7 million ordinary shares issuable upon conversion of outstanding convertible subordinated notes during the six months ended March 31, 2009 and 2010, respectively, were not included in the computation of diluted earnings (loss) per share as their impact would have been anti-dilutive.

8. Trade and Other Receivables

Trade and other receivables consist of the following:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Third party — trade	488	526
Related parties — trade	3	3
Trade accounts receivable, gross	491	529
Allowance for doubtful accounts	(42)	(45)
Trade accounts receivable, net	449	484
Grants receivable	30	34
License fees receivable	7	4
Third party — financial and other receivables	18	31
Receivables from German banks' deposit protection fund	1	—
Employee receivables	6	2
Other receivables	3	2
Total	514	557

9. Inventories

Inventories consist of the following:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Raw materials and supplies	47	55
Work-in-process	259	315
Finished goods	154	134
Total inventories	460	504

10. Trade and Other Payables

Trade and other payables consist of the following:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Third party — trade	373	456
Related parties — trade	11	28
Trade payables	384	484
Related parties — financial and other payables	4	3
Other payables	5	3
Total	393	490

11. Provisions

Provisions consist of the following:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Personnel costs	187	207
Warranties and licenses	72	105
Qimonda related	163	136
Other	103	133
Total	525	581

The total amounts of provisions are reflected in the condensed consolidated statements of financial position as of September 30, 2009 and March 31, 2010, respectively, as follows:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Current	436	523
Non-current	89	58
Total	525	581

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

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

Qimonda related provisions comprise provisions for potential liabilities in connection with the insolvency proceedings of Qimonda (see note 3).

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

12. Debt

Debt consists of the following:

	September 30, 2009	March 31, 2010
	(€ in millions)	
Short-term debt and current maturities of long-term debt:		
Loans payable to banks, weighted average rate 1.6%	51	60
Convertible subordinated notes, 5.0%, due 2010	425	254
Notes payable to governmental entity, due 2010	—	23
Current portion of long-term debt	45	41
Total short-term debt and current maturities	521	378
Long-term debt:		
Convertible subordinated notes, 7.5%, due 2014	145	149
Unsecured term loans, weighted average rate 2.13%, due 2011-2013	164	145
Notes payable to governmental entity, due 2010	20	—
Total long-term debt	329	294

Short-term loans payable to banks consist primarily of borrowings under the terms of short-term borrowing arrangements.

During the three and six months ended March 31, 2010, the Company made cash repurchases of notional amounts of €142 million and €190 million, respectively, of its convertible subordinated notes due June 2010 which resulted in losses of €3 million and €5 million, respectively, before tax which was recognized in interest expense. At March 31, 2010, the outstanding notional amount of these convertible subordinated notes was €258 million.

The Company has established independent financing arrangements with several financial institutions, in the form of both short- and long-term credit facilities, which are available for various funding purposes.

Term	Nature of Financial Institution Commitment	Purpose/ intended use	As of March 31, 2010		
			Aggregate facility	Drawn	Available
				(€ in millions)	
Short-term	firm commitment	general corporate purposes, working capital, guarantees	135	83	52
Short-term	no firm commitment	working capital, cash management	124	—	124
Long-term[1]	firm commitment	project finance	230	187	43
Total			489	270	219

[1] Including current maturities.

13. Related Parties

The Company has transactions in the normal course of business with equity method investees and related companies (collectively, "Related Parties"). The Company has also transactions with members of key management personnel, such as Management and Supervisory Board members, solely related to compensation in connection with their employment.

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

Related Party receivables consist primarily of trade, financial, and other receivables from equity method investments and related companies, and totaled €3 million as of each of September 30, 2009 and March 31, 2010.

Related Party payables consist primarily of trade, financial, and other payables from equity method investments and related companies, and totaled €15 million and €31 million as of September 30, 2009 and March 31, 2010, respectively.

Related Party receivables and payables as of September 30, 2009 and March 31, 2010, have been segregated first between amounts owed by or to companies in which the Company has an ownership interest, and second based on the underlying nature of the transactions. Trade receivables and payables include amounts for the purchase and sale of products and services. Financial and other receivables and payables represent amounts owed relating to loans and advances and accrued interest at interbank rates.

In the three months ended March 31, 2009 and 2010, sales to Related Parties totaled €1 million and €9 million, respectively, while purchases from Related Parties totaled €19 million and €80 million, respectively. In the six months ended March 31, 2009 and 2010, sales to Related Parties totaled €2 million and €15 million, respectively, while purchases from Related Parties totaled €59 million and €119 million, respectively.

14. Pension Plans

Information with respect to the Company's pension plans is presented for German ("Domestic") plans and non-German ("Foreign") plans.

The components of net periodic pension cost are as follows:

	Three months ended March 31, 2009		Three months ended March 31, 2010	
	Domestic plans	Foreign plans	Domestic plans	Foreign plans
	(€ in millions)			
Service cost	(3)	(1)	(2)	(1)
Interest cost	(4)	(1)	(4)	(1)
Expected return on plan assets	5	—	4	1
Curtailment gain recognized	1	—	—	—
Amortization of past service cost	—	—	(3)	—
Net periodic pension cost	(1)	(2)	(5)	(1)

	Six months ended March 31, 2009		Six months ended March 31, 2010	
	Domestic plans	Foreign plans	Domestic plans	Foreign plans
	(€ in millions)			
Service cost	(5)	(2)	(5)	(1)
Interest cost	(9)	(2)	(9)	(2)
Expected return on plan assets	10	—	9	1
Curtailment gain recognized	2	1	—	—
Amortization of past service cost	—	—	(3)	—
Net periodic pension cost	(2)	(3)	(8)	(2)

15. Commitments and Contingencies

Litigation and Government Inquiries

U.S. Department of Justice Matter

In September 2004, the Company entered into a plea agreement with the Antitrust Division of the U.S. Department of Justice ("DOJ") in connection with its investigation into alleged antitrust violations in the DRAM industry. Pursuant to this plea agreement, the Company agreed to plead guilty to a single count of conspiring with other unspecified DRAM manufacturers to fix the prices of DRAM products during certain periods of time between July 1, 1999 and June 15, 2002, and to pay a fine of $160 million (plus interest) in annual installments through 2009. The final installment of $25 million plus interest (approximately €17 million) was paid in October 2009. The Company has agreed to continue cooperating with the DOJ in its ongoing investigation of other participants in the DRAM industry. The price-fixing charges related to DRAM sales to six Original Equipment Manufacturer ("OEM") customers that manufacture computers and servers. The Company has settled with the OEM customers. In addition to those OEM customers, the Company has settled with eight direct customers and six "opt out" plaintiffs described below.

Antitrust Litigation

Subsequent to the commencement of the DOJ investigation, a number of putative class action lawsuits were filed in U.S. federal courts against the Company, its U.S. subsidiary Infineon Technologies North America Corp. ("IF North America") and other DRAM suppliers by direct purchasers, indirect purchasers and various U.S. state attorneys general. The lawsuits allege price-fixing in violation of the Sherman Act and seek treble damages in unspecified amounts, costs, attorneys' fees, and an injunction against the allegedly unlawful conduct. In September 2002, these federal cases were transferred to the

U.S. District Court for the Northern District of California for coordinated or consolidated pre-trial proceedings as part of a Multi District Litigation ("MDL").

In September 2005, the Company and IF North America entered into a definitive settlement agreement with counsel for the class of direct U.S. purchasers of DRAM (granting an opportunity for individual class members to opt out of the settlement). In November 2006, the court approved the settlement agreement, entered final judgment and dismissed the claims with prejudice. Six entities chose to opt out of the class action settlement and pursue individual lawsuits against the Company and IF North America. The Company and IF North America have settled with all six plaintiffs.

Approximately sixty additional cases were filed through October 2005 in numerous federal and state courts throughout the U.S. These state and federal cases purport to be on behalf of a class of individuals and entities who indirectly purchased DRAM products in the U.S. during specified time periods commencing in or after 1999. The complaints variously allege violations of the Sherman Act, California's Cartwright Act, various other state laws, unfair competition law, and unjust enrichment and seek treble damages in generally unspecified amounts, restitution, costs, attorneys' fees and injunctions against the allegedly unlawful conduct.

Twenty-three of the state and federal court cases were subsequently ordered transferred to the U.S. District Court for the Northern District of California for coordinated and consolidated pretrial proceedings as part of the MDL proceeding described above. Nineteen of the twenty-three transferred cases are currently pending in the MDL litigation. The pending California state cases were coordinated and transferred to San Francisco County Superior Court for pre-trial proceedings. The plaintiffs in the indirect purchaser cases outside California agreed to stay proceedings in those cases in favor of proceedings on the indirect purchaser cases pending as part of the MDL pre-trial proceedings.

In January 2008, the district court in the MDL indirect purchaser proceedings granted in part and denied in part the defendants' motion for judgment on the pleadings directed at several of the claims. In June 2008, the Ninth Circuit Court of Appeals agreed to hear an appeal by the plaintiffs. Plaintiffs have agreed to a stay of further proceedings in the MDL indirect purchaser cases until the appeal is complete.

Plaintiffs in various state court indirect purchaser actions outside of the MDL have moved to lift the stays that were previously in place. In March 2009, the judge in the Arizona state court action issued an order denying plaintiffs' motion to lift the stay. In December 2009, the judge in the Minnesota state court action issued an order denying plaintiffs' motion to lift the stay. In September 2009, the court in the Arkansas state action issued an order directing the parties to submit to mediation within ninety days, and granting plaintiffs' motion to lift the stay after the ninety day period. The parties subsequently conducted a mediation on December 7, 2009, but the case did not settle. In July 2009, the court in the Wisconsin state court indirect purchaser action issued an order lifting the stay in the Wisconsin state case. In October 2009, the court in the West Virginia state court indirect purchaser action issued an order lifting the stay in the West Virginia state case.

The state attorneys general of forty-one U.S. states and territories have filed various suits against the Company, IF North America and several other DRAM manufacturers on behalf of governmental entities and consumers in each of those states who purchased products containing DRAM beginning in 1998. The plaintiffs allege violations of state and federal antitrust laws arising out of the same allegations of DRAM price-fixing and artificial price inflation practices discussed above, and seek recovery of actual and treble damages in unspecified amounts, penalties, costs (including attorneys' fees) and injunctive and other equitable relief. The various suits filed by these attorneys general have been made part of the MDL proceeding described above. Between June 2007 and December 2008, the state attorneys general of eight states filed requests for dismissal of their claims.

In October 2008, approximately ninety-five California schools, political subdivisions and public agencies that were previously putative class members of the multistate attorneys general complaint described above filed suit in California Superior Court against the Company, IF North America, and several other DRAM manufacturers alleging DRAM price-fixing and artificial price inflation in violation of California state antitrust and consumer protection laws arising out of the alleged practices described above. The plaintiffs seek recovery of actual and treble damages in unspecified amounts, restitution, costs (including attorneys' fees) and injunctive and other equitable relief. This suit is ongoing.

Infineon and the other defendants have reached a settlement agreement in principle with the indirect purchaser class plaintiffs, which may also cover the claims by some or all of the state attorneys general. The settlement is subject to documentation, agreement on certain terms, including allocation of any payments among various plaintiffs and state attorneys general, court approval, and other contingencies. The contemplated settlement amounts remain confidential at this stage due to mediation and settlement confidentiality.

Between December 2004 and February 2005, two putative class proceedings were filed in the Canadian province of Quebec, and one was filed in each of Ontario and British Columbia against the Company, IF North America and other DRAM manufacturers on behalf of all direct and indirect purchasers resident in Canada who purchased DRAM or products containing DRAM between July 1999 and June 2002, seeking damages, investigation and administration costs, as well as interest and legal costs. Plaintiffs primarily allege conspiracy to unduly restrain competition and to illegally fix the price of DRAM. No reasonable estimated amount can be attributed at this time to the potential outcome of the putative class proceedings.

Other Government Inquiries

In April 2003, the Company received a request for information from the European Commission (the "Commission") regarding certain competitive practices of which the Commission has become aware in the European market for DRAM products. The Commission opened formal proceedings in February 2009. The Company is cooperating with the Commission in its investigation. Any disclosure of the Company's estimate of potential outcome could seriously prejudice the position of the Company in this investigation.

In May 2004, the Canadian Competition Bureau advised IF North America that it, its affiliates and present and past directors, officers and employees are among the targets of a formal inquiry into an alleged conspiracy to prevent or lessen competition unduly in the production, manufacture, sale or supply of DRAM, contrary to the Canadian Competition Act. No formal steps (such as subpoenas) have been taken by the Competition Bureau to date. The Company is cooperating with the Competition Bureau in its inquiry. No reasonable estimated amount can be attributed at this time to the potential outcome of this inquiry.

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

Securities Litigation

Between September and November 2004, seven securities class action complaints were filed against the Company and current or former officers in U.S. federal district courts, later consolidated in the Northern District of California, on behalf of a putative class of investors that purchased the Company's publicly-traded securities from March 2000 to July 2004. The consolidated amended complaint alleges violations of the U.S. securities laws and asserts that the defendants made materially false and misleading public statements about the Company's historical and projected financial results and competitive position because they did not disclose the Company's alleged participation in DRAM price-fixing activities. The complaint also alleges that, by fixing the price of DRAM, defendants manipulated the price of the Company's securities, thereby injuring its shareholders. The plaintiffs seek unspecified compensatory damages, interest, costs and attorneys' fees. In January 2008, the court denied a motion to dismiss with respect to plaintiffs' claims under sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934 and dismissed the claim under section 20A of the act with prejudice. In March 2009, the court granted plaintiffs' motion to certify a class of persons who acquired the Company's securities between March 2000 and July 2004, including foreign purchasers who sold their securities after June 2002. In April 2009, the Ninth Circuit Court of Appeals granted the Company's petition to immediately appeal the court's March 2009 order granting class certification. In May 2009, the court issued an order staying the case pending resolution of

the Company's appeal by the Ninth Circuit. No specified amount of damages has been asserted by the plaintiffs. These matters are currently subject to mediation.

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

Patent Litigation

In October 2007, CIF Licensing LLC ("CIF"), a member of the General Electric Group, filed suit in the Civil Court of Düsseldorf, Germany against Deutsche Telekom AG alleging infringement of four European patents in Germany by certain CPE-modems and ADSL-systems (the "CIF Suit"). Deutsche Telecom has notified its suppliers, which include customers of the Company, that a declaratory judgment of patent infringement would be legally binding on the suppliers. In January 2008, the Company joined the suit on the side of Deutsche Telecom. CIF then filed suit against the Company alleging indirect infringement of one of the four European patents. The Company is part of a joint defense group consisting of Deutsche Telecom, most of its suppliers and most of their respective suppliers. The Company is contractually obligated to indemnify and/or to pay damages to its customers under certain circumstances pursuant to its customer contracts. In July 2008, Deutsche Telecom, the Company and the other defendants filed actions contesting the validity of the four patents before the Federal Patent Court in Munich. In October 2008, CIF also filed suit in the Civil Court of Düsseldorf against Arcor GmbH &Co KG, Hansenet Telekommunikation GmbH and United Internet AG (all three, the "New Defendants") alleging infringement of the same four European patents. The New Defendants have notified their suppliers of the suit. The proceedings at the Civil Court in Düsseldorf have been stayed and the Company expects that they will only continue after resolution of the pending Federal Patent Court actions. No specified amount of damages has been asserted by CIF in these suits. The Federal Patent Court has scheduled court hearings for two of the four validity actions (June 30, 2010 and December 15, 2010). Any disclosure of the Company's estimate of potential outcomes, if such amounts could reasonably be estimated at this time, could seriously prejudice the position of the Company in these suits.

In November 2008, Volterra Semiconductor Corporation ("Volterra") filed suit against Primarion, Inc., the Company and IF North America (the "Defendants") in the U.S District Court for the Northern District of California for alleged infringement of five U.S. patents ("Patents") by certain products offered by Primarion. The Defendants denied any infringement and filed a counterclaim against Volterra alleging certain antitrust violations, fraud on the U.S. Patent and Trademark Office ("U.S. PTO") and that the Patents are invalid. The U.S. PTO granted the requested reexamination of all Patents. In June 2009, the court ordered a stay in the case regarding two of the Patents pending the completion of the reexamination proceedings. In July 2009, Volterra filed motions for a preliminary injunction and for partial summary judgment of infringement. In September 2009, the court initially issued a minute order granting Volterra's motion for a preliminary injunction and denying the motion for partial summary judgment without prejudice. On November 17, 2009, however, after another hearing, the court finally dismissed Volterra's motion for a preliminary injunction. The decision with reasons has not been published yet. A trial date has not been set yet. No specified amount of damages has been asserted by Volterra and no reasonable estimated amount can be attributed at this time to the potential outcome of the Volterra claim.

The patent dispute filed in November 2008 by the Company, Infineon Technologies Austria AG and IF North America in the U.S. District Court for the District of Delaware against Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corporation was settled as of December 23, 2009. The Company and Fairchild have entered into a patent cross license agreement. As part of the agreement, Fairchild made a payment of $6 million and will pay royalties to Infineon.

In May 2009, Gregory Bender filed suit in the U.S. District Court for the Northern District of California, against four companies, including IF North America, alleging infringement of one U.S. patent by certain electronic products having a buffered amplifier. No specified amount of damages has been asserted by the plaintiff and no reasonable estimated amount can be attributed at this time to the potential outcome of this claim.

On February 22, 2010, Infineon brought actions against Elpida Memory Inc. ("Elpida") and several of its customers before the U.S. International Trade Commission (ITC), arguing that Elpida's DRAM products infringe four of Infineon's U.S. patents relating to general processing technology. The ITC formally opened the proceeding on March 23, 2010 (see note 17).

Qimonda Employment Litigation

In April 2009, former employees of Qimonda's subsidiaries in the U.S. filed a complaint in the U.S. Federal District Court in Delaware against the Company, IF North America and Qimonda AG, individually and on behalf of several putative classes of plaintiffs. The suit relates to the termination of the plaintiffs' employment in connection with Qimonda's insolvency and the payment of severance and other benefits allegedly due by Qimonda. The complaint seeks to "pierce the corporate veil" and to impose liability on the Company and IF North America under several theories. No specified amount of damages has been asserted by the plaintiffs and no reasonable estimated amount can be attributed at this time to the potential outcome of the claim.

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

Provisions and the Potential Effect of these Matters

Provisions related to legal proceedings are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. Where the estimated amount of loss is within a range of amounts and no amount within the range is a better estimate than any other amount, the mid-point of the range is accrued. As of March 31, 2010, provisions were recorded by the Company in connection with the European antitrust investigation, the securities class action complaints, and the direct and indirect purchaser litigation described above.

As additional information becomes available, the potential liability related to these matters will be reassessed and the estimates revised, if necessary. Provisions with respect to these matters would be subject to change in the future based on new developments in each matter, or changes in circumstances, which could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

An adverse final resolution of any of the investigations or lawsuits described above could result in significant financial liability to, and other adverse effects on, the Company, which would have a material adverse effect on its results of operations, financial condition and cash flows. In each of these matters, the Company is continuously evaluating the merits of the respective claims and defending itself vigorously or seeking to arrive at alternative resolutions in the best interest of the Company, as it deems appropriate. Irrespective of the validity or the successful assertion of the claims described above, the Company could incur significant costs with respect to defending against or settling such claims, which could have a material adverse effect on its results of operations, financial condition and cash flows.

The Company is subject to various other lawsuits, legal actions, claims and proceedings related to products, patents, environmental matters, and other matters incidental to its businesses. The Company has accrued a liability for the estimated costs of adjudication of various asserted and unasserted claims existing as of the date of the statement of financial position. Based upon information presently known to management, the Company does not believe that the ultimate resolution of such other pending matters will have a material adverse effect on the Company's financial position, although the final resolution of such matters could have a material adverse effect on the Company's results of operations or cash flows in the period of settlement.

Qimonda Matters

The Company faces certain contingent liabilities, and has made certain related provisions, in connection with the commencement of insolvency proceedings by Qimonda. As of September 30, 2009 and March 31, 2010, the Company recorded aggregate liabilities of €21 million and €7 million,

respectively, and provisions of €163 million and €136 million, respectively, in connection with these matters. The recorded provisions are primarily reflected within "Current provisions", and the remainder is recorded within "Long-term provisions". The recorded provisions reflect the amount of those liabilities that management believes are probable and can be estimated with reasonable accuracy at that time. There can be no assurance that such provisions recorded will be sufficient to cover all liabilities that may ultimately be incurred in relation to these matters. For detailed information on these matters see note 3.

Other Contingencies

On a group-wide basis the Company has guarantees outstanding to external parties of €85 million as of March 31, 2010. In addition, the Company, as parent company, has in certain customary circumstances guaranteed the settlement of certain of its consolidated subsidiaries' obligations to third parties. Such third party obligations are or will be reflected as liabilities in the consolidated financial statements by virtue of consolidation. As of March 31, 2010, such guarantees, principally relating to certain consolidated subsidiaries' third-party debt, aggregated €716 million, of which €454 million relates to convertible notes issued.

The Company has received government grants and subsidies related to the construction and financing of certain of its production facilities. These amounts are recognized upon the attainment of specified criteria. Certain of these grants have been received contingent upon the Company maintaining compliance with certain project-related requirements for a specified period after receipt. The Company is committed to maintaining these requirements. Nevertheless, should such requirements not be met, as of March 31, 2010, a maximum of €23 million of these subsidies could be refundable. Such amount does not include any potential liabilities for Qimonda related subsidies (see note 3).

16. Operating Segment and Geographic Information

The Company reports its operating segment and geographic information in accordance with IFRS 8, "*Operating Segments*". The Company uses "Segment Result" as its performance measure in accordance with IFRS 8. See the consolidated financial statements for the year ended September 30, 2009 for the detailed definition of Segment Result.

The Company's core business is organized in four operating segments: Automotive, Industrial & Multimarket, Chip Card & Security, and Wireless Solutions:

Automotive

The Automotive segment designs, develops, manufactures and markets semiconductors for use in automotive applications. Together with its product portfolio, it offers corresponding system know-how and support to its customers.

Industrial & Multimarket

The Industrial & Multimarket segment designs, develops, manufactures and markets semiconductors and complete system solutions primarily for use in industrial applications and in applications with customer-specific product requirements.

Chip Card & Security

The Chip Card & Security segment designs, develops, manufactures and markets a wide range of security controllers and security memories for chip card and security applications.

Wireless Solutions

The Wireless Solutions segment designs, develops, manufactures and markets a wide range of ICs, other semiconductors and complete system solutions for wireless communication applications.

In July 2009, the Company entered into an asset purchase agreement to sell its Wireline Communications business, which closed in November 2009 (see note 3). Segment results for all periods

presented have been recast to be consistent with the current reporting structure and presentation, as well as to facilitate analysis of operating segment information.

The following table presents selected segment data:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Revenue:				
Automotive	189	316	395	595
Industrial & Multimarket	193	315	427	588
Chip Card & Security	80	99	171	182
Wireless Solutions[1]	204	267	401	537
Other Operating Segments	2	40	10	73
Corporate and Eliminations[2]	1	(2)	7	1
Total	669	1,035	1,411	1,976

[1] Includes revenue of €1 million for the six months ended March 31, 2009 from sales of wireless communication applications to Qimonda.

[2] Includes the elimination of revenue of €1 million for the six months ended March 31, 2009 since these revenues were not part of the Qimonda disposal plan.

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Segment Result:				
Automotive	(65)	51	(121)	88
Industrial & Multimarket	(7)	59	(5)	103
Chip Card & Security	(8)	3	(9)	4
Wireless Solutions	(29)	9	(73)	26
Other Operating Segments	(6)	(8)	(8)	(13)
Corporate and Eliminations	2	(4)	(3)	(10)
Total	(113)	110	(219)	198

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

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Total Segment Result	(113)	110	(219)	198
Adjusted:				
Asset impairments, net	(1)	—	(1)	(4)
Restructuring charges, and other related closure cost, net	(3)	—	(6)	—
Share-based compensation expense	(1)	—	(1)	—
Acquisition-related amortization and losses	(5)	(5)	(11)	(11)
Gains on disposal of assets, businesses, or interests in subsidiaries, net	(16)	(1)	(16)	2
Losses in connection with the deconsolidation of ALTIS	—	8	—	(73)
Other expense, net	(7)	(3)	(12)	(15)
Operating income (loss)	(146)	109	(266)	97
Financial income	20	8	80	19
Financial expense	(31)	(30)	(87)	(68)
Income from investment accounted for using the equity method, net	2	1	3	2
Income (loss) from continuing operations before income taxes	(155)	88	(270)	50

The following is a summary of revenue by geographic area:

	Three months ended March 31,		Six months ended March 31,	
	2009	2010	2009	2010
	(€ in millions)			
Revenue:				
Germany	133	216	278	398
Other Europe	130	181	261	330
North America	62	169	153	366
Asia/Pacific	311	408	635	767
Japan	26	50	70	93
Other	7	11	14	22
Total	669	1,035	1,411	1,976

Revenues from external customers are based on the customers' billing location.

17. Subsequent Event

On April 2, 2010, in response to the actions brought by Infineon before the U.S. International Trade Commission (see note 15), Elpida filed two patent infringement suits against the Company and IF North America in the U.S. District Court for the Eastern District of Virginia. Infineon has not yet received service of process in such suits.

On or around April 14, 2010, the Canadian Competition Bureau advised the Company that it is discontinuing its inquiry into the allegations of anti-competitive activities in the DRAM industry (see note 15).

Responsibility Statement by the Management Board

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

Neubiberg, May 5, 2010

Peter Bauer	Prof. Dr. Hermann Eul
Dr. Reinhard Ploss	Dr. Marco Schröter

REVIEW REPORT

To the Supervisory Board of Infineon Technologies AG, Neubiberg:

We have reviewed the condensed interim consolidated financial statements — comprising the statement of financial position, the statement of operations, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and selected explanatory notes — together with the interim group management report of Infineon Technologies AG, for the period from October 1, 2009 to March 31, 2010 that are part of the semi annual financial report according to § 37 w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the European Union (EU) and as issued by the International Accounting Standards Board (IASB), 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) under additional consideration of International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and as issued by the IASB, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Munich, May 3, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Kozikowski	Kempf
Wirtschaftsprüfer	Wirtschaftsprüfer

Supplementary Information (Unaudited)

Backlog

Most standard products are not ordered on a long-term, fixed-price contract basis due to changing market conditions. It is common industry practice to permit major customers to change the date on which products are delivered or to cancel existing orders. For these reasons, the Company believes that the backlog at any time of standard products is not a reliable indicator of future sales. Orders for customized products vary depending on customer needs and industry conditions, capacity and demand, while many customers request logistics agreements based on rolling forecasts. As a result, the Company does not place too much reliance on backlog to manage its business and does not use it to evaluate performance. Due to possible changes in customer delivery schedules, cancellation of orders and potential delays in product shipments, the Company's backlog as of any particular date may not be indicative of actual sales for any later period.

Dividends

The Company has not declared or paid any dividend during the three months ended March 31, 2009 or 2010.

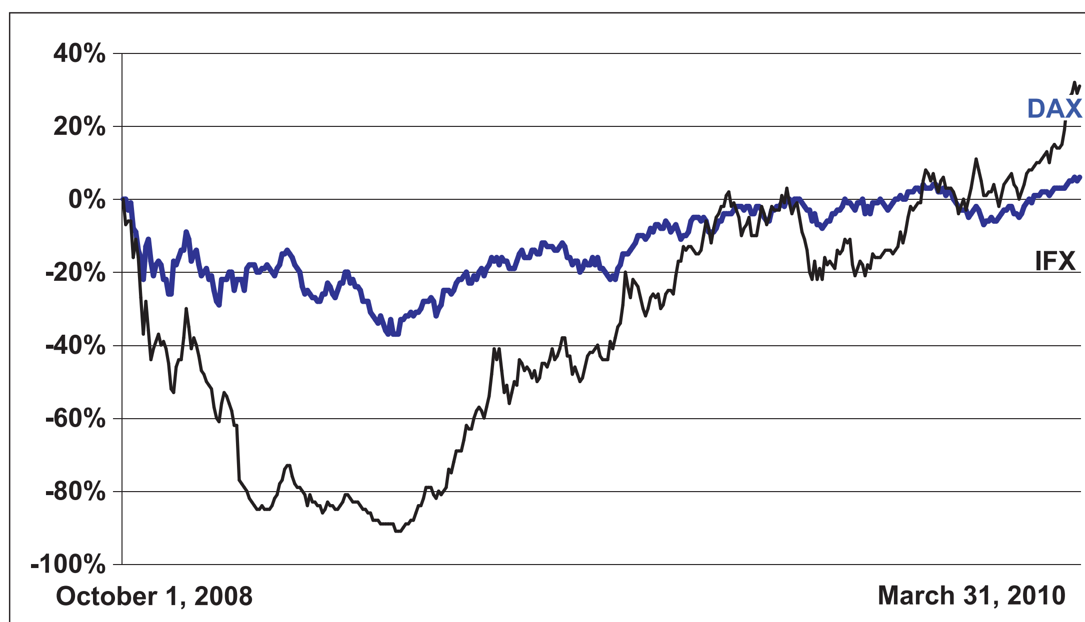
Employees

As of March 31, 2010, the Company had 25,216 employees worldwide, including 5,510 engaged in research and development.

Market for Ordinary Shares

The Company's ordinary shares are listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange (FSE) under the symbol "IFX". On April 24, 2009, the Company voluntarily delisted from the New York Stock Exchange (NYSE). The Company's American Depositary Shares currently trade over-the-counter on the OTCQX International market under the symbol "IFNNY".

Infineon's share price performance and key data were as follows[1]:



	Three months ended March 31,			Six months ended March 31,		
	2009	2010	+/− in %	2009	2010	+/− in %
IFX closing prices in Euro (Xetra)						
Beginning of the period	0.90	4.10	357%	3.62	3.76	4%
High	1.07	5.17	386%	3.68	5.17	41%
Low	0.35	3.77	979%	0.35	3.05	772%
End of the period	0.78	5.14	561%	0.78	5.14	561%
IFX closing prices in U.S. dollars (NYSE/OTCQX)						
Beginning of the period	1.31	5.88	348%	5.31	5.22	(2)%
High	1.49	6.95	367%	5.31	6.95	31%
Low	0.43	5.15	1111%	0.43	4.38	930%
End of the period	1.04	6.94	564%	1.04	6.94	564%

[1] On July 20, 2009, our shares began trading ex-rights, which rights related to the right to subscribe for shares in the rights offering we commenced on such date. The closing sales prices presented in this table are adjusted to reflect the price of our shares ex-rights.

Financial Calendar

Fiscal Period	Period end date	Results press release (preliminary)
Third Quarter	June 30, 2010	July 28, 2010
Fiscal Year 2010	September 30, 2010	November 16, 2010

Publication date of the second quarterly report for the 2009/2010 fiscal year: May 5, 2010

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

Risk Factors

We face numerous risks incidental to our business, including both risks that are inherent to companies in the semiconductor industry, and operational, financial and regulatory risks that are unique to us. Risks relating to the semiconductor industry include the cyclical nature of the market, which suffers from periodic downturns and industry overcapacity. Our production-related risks include the need to match our production capacity with demand, and to avoid interruptions in manufacturing and supplies. We may be exposed to claims from others that we infringe their intellectual property rights or that we are liable for damages under warranties. We are the subject of governmental antitrust investigations and civil claims related to those antitrust investigations, including civil securities law claims. Financial risks include our need to have access to sufficient capital and governmental subsidies, and risks related to the resolution of Qimonda's insolvency proceedings and the liabilities we may face as a result of Qimonda's insolvency. Our regulatory risks include potential claims for environmental remediation. We face numerous risks due to the international nature of our business, including volatility in foreign countries and exchange rate fluctuations.

Following Qimonda's application to commence insolvency proceedings, the Company may be exposed to a number of significant liabilities relating to the Qimonda business, including pending antitrust and securities law claims, potential claims for repayment of governmental subsidies received, and employee-related contingencies.

These and other material risks that we face are described under the heading "Risks and Opportunities" in this unaudited Interim Group Management Report and in further detail in the "Risk Factors" section of our Annual Report on Form 20-F, which we have filed with the U.S. Securities and Exchange Commission. A copy of our most recent Form 20-F is available at the Investor Relations section of our website http://ww.infineon.com/investor, as well as on the SEC's website, http://www.sec.gov.

We encourage you to read the detailed description of the risks that we face in this unaudited Interim Group Management Report and in our Form 20-F. The occurrence of one or more of the events described could have a material adverse effect on our Company and our results of operations, which could result in a drop in our share price.

Forward-looking Statements

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

These forward-looking statements are subject to a number of uncertainties, including broader economic developments, including the sustainability of recent improvements in the market environment; trends in demand and prices for semiconductors generally and for our products in particular, as well as for the end-products, such as automobiles and consumer electronics, that incorporate our products; the success of our development efforts, both alone and with partners; the success of our efforts to introduce new production processes at our facilities; the actions of competitors; the continued availability of adequate funds; the outcome of antitrust investigations and litigation matters; and the outcome of Qimonda's insolvency proceedings; as well as the other factors mentioned herein, including under the heading "Risks and Opportunities" in the unaudited Interim Group Management Report, and those described in the "Risk Factors" section of the Annual Report on Form 20-F, which we filed with the U.S. Securities and Exchange Commission on December 8, 2009.

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

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