

# Processes:

2001

Infineon cannot do much to influence the current slackening in demand and the price decline on the semiconductor market. However, we are taking advantage of the lower capacity utilization to make our developmental, manufacturing and logistics processes even quicker and more cost-effective. From the production side, this will provide the basis for being able to react even more flexibly in the future to changing market conditions and customer requirements.

Even before the launch of our fitness program “Impact”, we took steps to cut costs. Technologies designed to reduce the size of chips were developed and realized in the production process continuously, and as quickly as possible. At present, we are taking advantage of falling demand to accelerate cycle time and, therefore the processing of customer projects. Furthermore, we are currently able to apply more capacity towards moving development projects ahead as well as towards launching new products and technologies.

## Largest Wafers, Smallest Chips, Lowest Costs

In the 2001 fiscal year, Infineon succeeded in initiating pilot mass production in the world’s first 300mm manufacturing facility, located in Dresden. This will serve as the basis for Infineon to derive an approximately 30 percent cost reduction for dynamic memory chips (DRAMs) over a longer period. We will ramp up 300mm capacities in Germany as well as in Taiwan and expand them depending on the further market development. Infineon’s total costs for DRAMs are at a highly favorable level compared to our competitors. Also in the 2002 fiscal year, we aim to significantly reduce production costs. In October 2001, we already integrated 0.14 micron technology in the 200mm production process – giving us the smallest chip structures in the semiconductor industry. As soon as all DRAM production lines have been completely converted, the 0.14 micron technology will help us achieve an additional 30 percent cost reduction.

Moreover, in the 2002 fiscal year, we will convert our mass production of ICs for cellular phones to our innovative 0.18 micron copper technology and move ahead with the launch of the 0.13 micron generation. This will enable us to considerably reduce the production costs of these logic ICs. At the same time, we are increasing the efficiency of the chips and reducing their power consumption. These improvements once again underline Infineon’s technological and cost leadership in the development and production of state-of-the-art semiconductor solutions.

## Cycle Time, Speed and Flexibility Are Increased

During the downturn in the semiconductor market in the year 2001, we took a series of fundamental steps to further expand our market position when the next upswing takes place:

- For example, the learning synergies derived from Infineon’s integrated developmental and production facilities at different locations are leading to considerable cost savings and give us a competitive edge more quickly.



## FASTER, CHEAPER, MORE FLEXIBLE.

We have been able to achieve bottom-line advantages by increasing the flexibility of production capacities at all our locations, which makes it possible to manufacture more products of the same kind parallel to each other as well as to intensify our cooperation with leading contract manufacturing companies – which specialists like to call Silicon Foundries. These measures enable us to adjust logic IC capacities more quickly to changes in demand in the mobile communications, data networking, chip card and automotive sectors.

- A milestone in our strategy to increase flexibility is the decision to carry over the developmental results of our two-year cooperation with the Silicon Foundry firm UMC, in our joint venture UMCi. Together with UMC, we are building a 300mm wafer plant in Singapore, to which Infineon will also commit its manufacturing expertise.
- A decisive factor is the level of customer satisfaction, which we are further increasing by introducing a new, electronic logistics system to which our customers will also have access. This is one example of how we are optimizing the entire delivery process, from contract order to actual delivery – in order to be able to achieve maximal delivery power, delivery flexibility and delivery loyalty.

### Targeted Investments and Highly Motivated Employees

Planned capital expenditures of 900 million Euro in the 2002 fiscal year will be used to maintain our technological edge and cost leadership, both in regards to the 300mm production process and to copper-based logic ICs production.

In particular, our developmental teams, which developed completely new or improved production and assembly processes as well as the smallest of chip generations, have catapulted Infineon to an outstanding starting point from which the company can succeed during the next economic upswing. Furthermore, in the 2001 fiscal year, our employees submitted more than 22,000 suggestions for improvements – to make business processes faster or more cost-effective – which do not directly involve their own areas of responsibility. Almost 18,000 ideas, 13 percent more than the year before, were put in practice, resulting in an additional savings potential of 53 million Euro.



**Dr. Andreas von Zitzewitz**  
Member of the  
Management Board,  
Chief Operating Officer (COO)

- Born 1960.
- Married, 3 children.
- Studied electrical engineering.
- Doctorate in electrical engineering.

**TOTAL INVESTMENTS  
IN EURO MILLIONS**

