

Connections:

Our success in the Wireline Communications Business Group largely depends on our ability to meet the current requirements of our customers while simultaneously staying a step ahead and anticipating their constantly changing needs. Our aim is to offer just the right product at the right time.

The Wireline Communications Business Group develops semiconductor and fiber optic components integrated into local and global networks for the intermediation and transmission of voice, data and video signals. In the 2001 fiscal year, the business group managed to increase its revenues by almost 16 percent to 768 million Euro. The main reason was the increase in sales of traditional telecommunications products used in voice networks with analog and digital (ISDN) subscriber lines. The market launch of modules designed for high-speed optical fiber networks also proceeded successfully. EBIT decreased to a loss of 95 million Euro in the 2001 fiscal year, following a positive EBIT of 47 million Euro the year before. These results include a total of 126 million Euro for amortization and impairment charges due to acquisition-related expenses as well as additional costs of carrying unused capacity.

Success in New Markets

In the 2001 fiscal year, demand continued to rise for our semiconductor products used by the telecommunications industry in connection with ISDN and analog fixed lines – above all in emerging markets such as China, India and Brazil. We were able to penetrate the local markets in the Asia-Pacific region and Japan with our new 10BaseS and VDSL products. In the market for optical networking components, leading providers of data networks, such as Alcatel and Cisco, have displayed extensive interest in our fiber-to-the-home technology featuring bi-directional modules. Moreover, Infineon was successful in the future-oriented 3G market, forming a new strategic partnership with Ericsson to develop and supply semiconductors for UMTS mobile communications base stations.



Convergence of Communications Technologies

The demands placed on semiconductors for future-oriented wireline networking technologies are steadily increasing. This technological development is being driven, among other factors, by a substantial overall rise in data traffic, the increasing convergence of voice and data services in a single networking infrastructure, the rising level of competition among telecommunications companies and the growing integration of different home-based applications into a single set-top-box.

FASTER THAN THE MARKET.

The consequence is that increasingly large amounts of data will have to be transmitted over long distances – but will need to be safeguarded against unauthorized access. Moreover, information with varying data rates (voice and video) and quality requirements (voice and data) is now being transmitted simultaneously over one and the same network. This “convergence of demands” requires an even greater “intelligence” of networks.

Strategic Focus on Tomorrow's Markets

We are meeting the challenges posed by technological development by continuing to focus on our core competencies. They encompass optical fiber components and components for high-speed data transmission up to 40-Gigabits/second, as well as mixed signal integrated circuits and network processors for intelligent network nodes. For this reason, we are investing in future-oriented high-growth segments such as enabling speedier Internet access via DSL, Ethernet via telephone lines, optical and electrical components for 10-Gigabit and 40-Gigabit network nodes along with complete systems solutions to provide optical network access for users – namely the fiber-to-the-home technology.

For this reason, we continued to restructure the Wireline Communications Business Group in the 2001 fiscal year. This included the divestiture of our Infrared Components business and the Image and Video business. In April 2001, we also acquired Ardent Technologies. The company has gained expertise as the basis to enter the growing market for integrated circuits used in local area networks (LAN). We purchased Catamaran Communications in July 2001 as a means of boosting our know-how in the field of optical networking. Catamaran is the recognized leader in developing Framer ICs for the high-growth 10-Gigabit/second segment as well as for the next generation of 40-Gigabit/second components.

When one considers the VDSL technology we acquired in the year 2000 when we purchased the Israeli company Savan Communications, one arrives at the conclusion that Infineon is in an outstanding position. VDSL allows for broadband data transmission covering the “last mile” in wide area networks and local area networks to be implemented using existing telephone lines. We are well-prepared to fulfill the future-oriented requirements of our customers.



Gerhard Geiger

Chief Executive Officer,
Wireline Communications
Business Group

- Born 1947.
- Married, 2 children.
- Studied electrical engineering.
- Certified engineer (Technical University).

WIRELINE COMMUNICATIONS
IN EURO MILLIONS

