ST's Globalization Strategy For Continuous Innovation

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Corporate VP & President – Japan
STMicroelectronics

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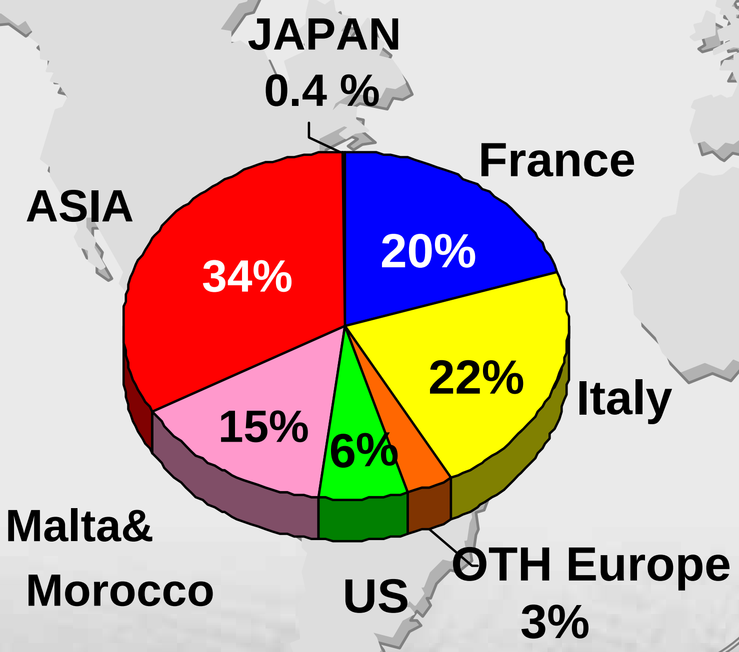
STMicroelectronics N.V. : At a Glance

- **Established in 1987 by the merger with *Thomson-Semicoducteurs* (French) and *SGS Microelettronica* (Italian)**
- **Head Quarters : Netherlands, Amsterdam**
- **Head Office : Geneva**
- **1987 YT Sales : $863 Million (W/W Ranking #14)**
  2004 YT Sales : $ 8.76 Billion (W/W Ranking #6)
- **Net Profit 1987 : ($203M) 2004 : $601M**
- **Close to 50,000 Employees**

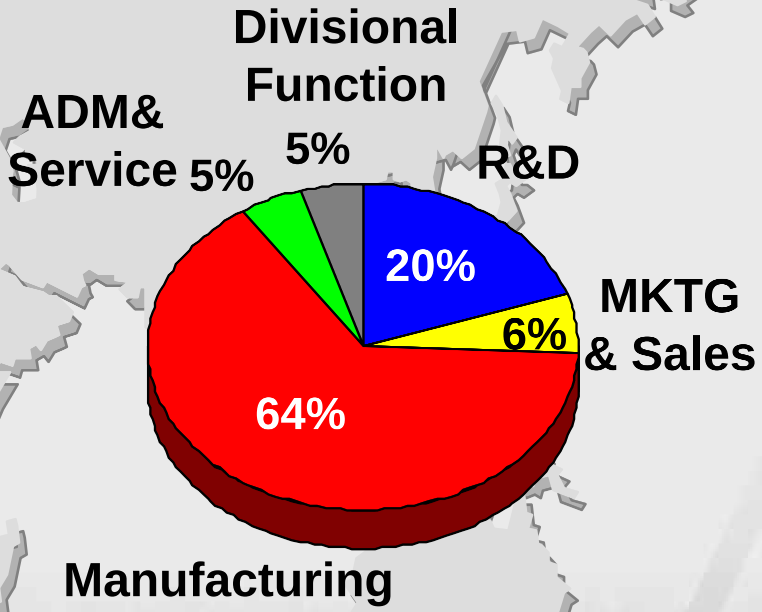
A Global Semiconductor Company

Employee Structure

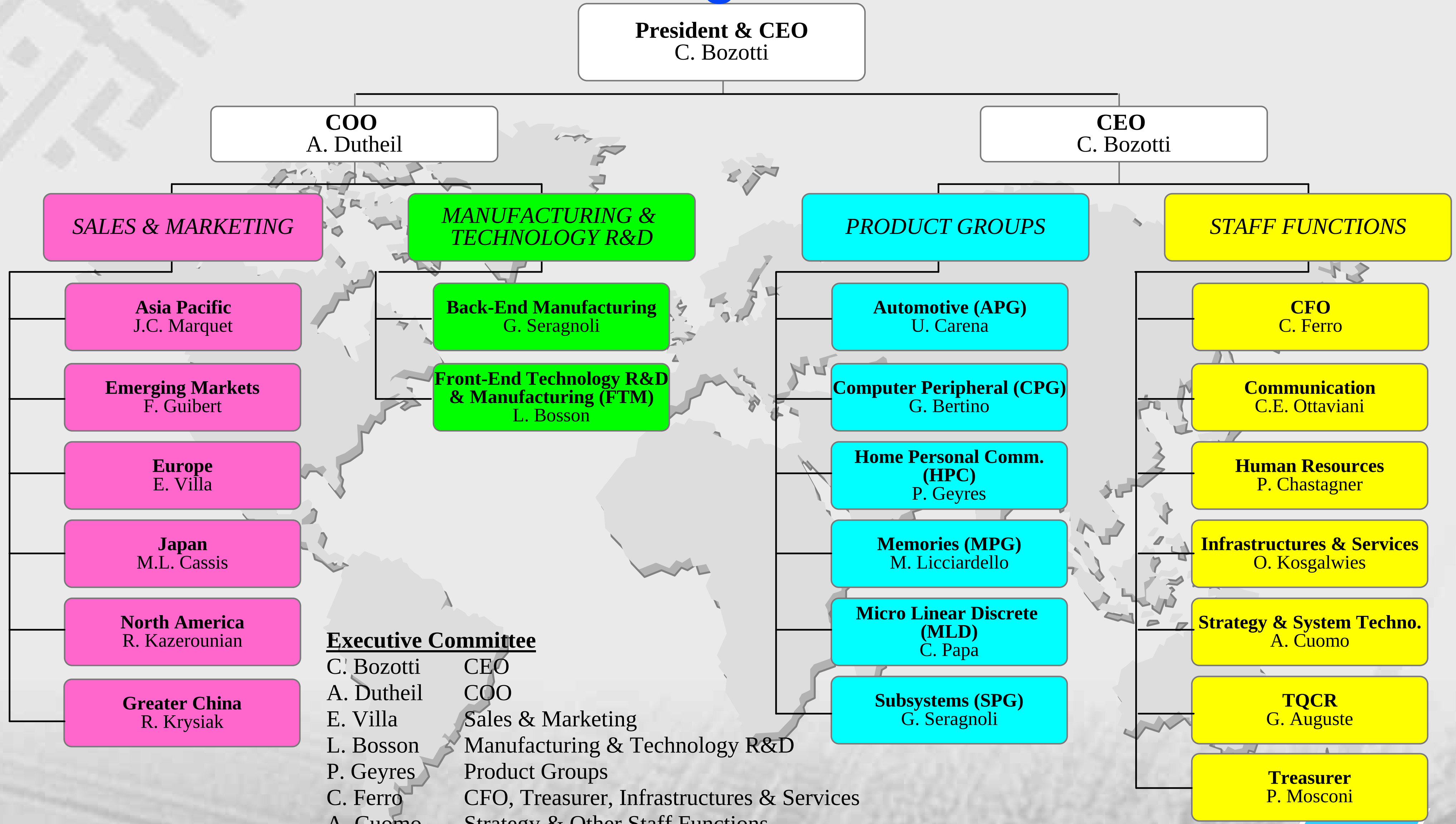
Employee by Geographic Area



Employee by Activity



The Organization



- **President & CEO** C. Bozotti
  - **COO** A. Dutheil
    - *SALES & MARKETING*
      - **Asia Pacific** J.C. Marquet
      - **Emerging Markets** F. Guibert
      - **Europe** E. Villa
      - **Japan** M.L. Cassis
      - **North America** R. Kazerounian
      - **Greater China** R. Krysiak
    - *MANUFACTURING & TECHNOLOGY R&D*
      - **Back-End Manufacturing** G. Seragnoli
      - **Front-End Technology R&D & Manufacturing (FTM)** L. Bosson
  - **CEO** C. Bozotti
    - *PRODUCT GROUPS*
      - **Automotive (APG)** U. Carena
      - **Computer Peripheral (CPG)** G. Bertino
      - **Home Personal Comm. (HPC)** P. Geyres
      - **Memories (MPG)** M. Licciardello
      - **Micro Linear Discrete (MLD)** C. Papa
      - **Subsystems (SPG)** G. Seragnoli
    - *STAFF FUNCTIONS*
      - **CFO** C. Ferro
      - **Communication** C.E. Ottaviani
      - **Human Resources** P. Chastagner
      - **Infrastructures & Services** O. Kosgalwies
      - **Strategy & System Techno.** A. Cuomo
      - **TQCR** G. Auguste
      - **Treasurer** P. Mosconi

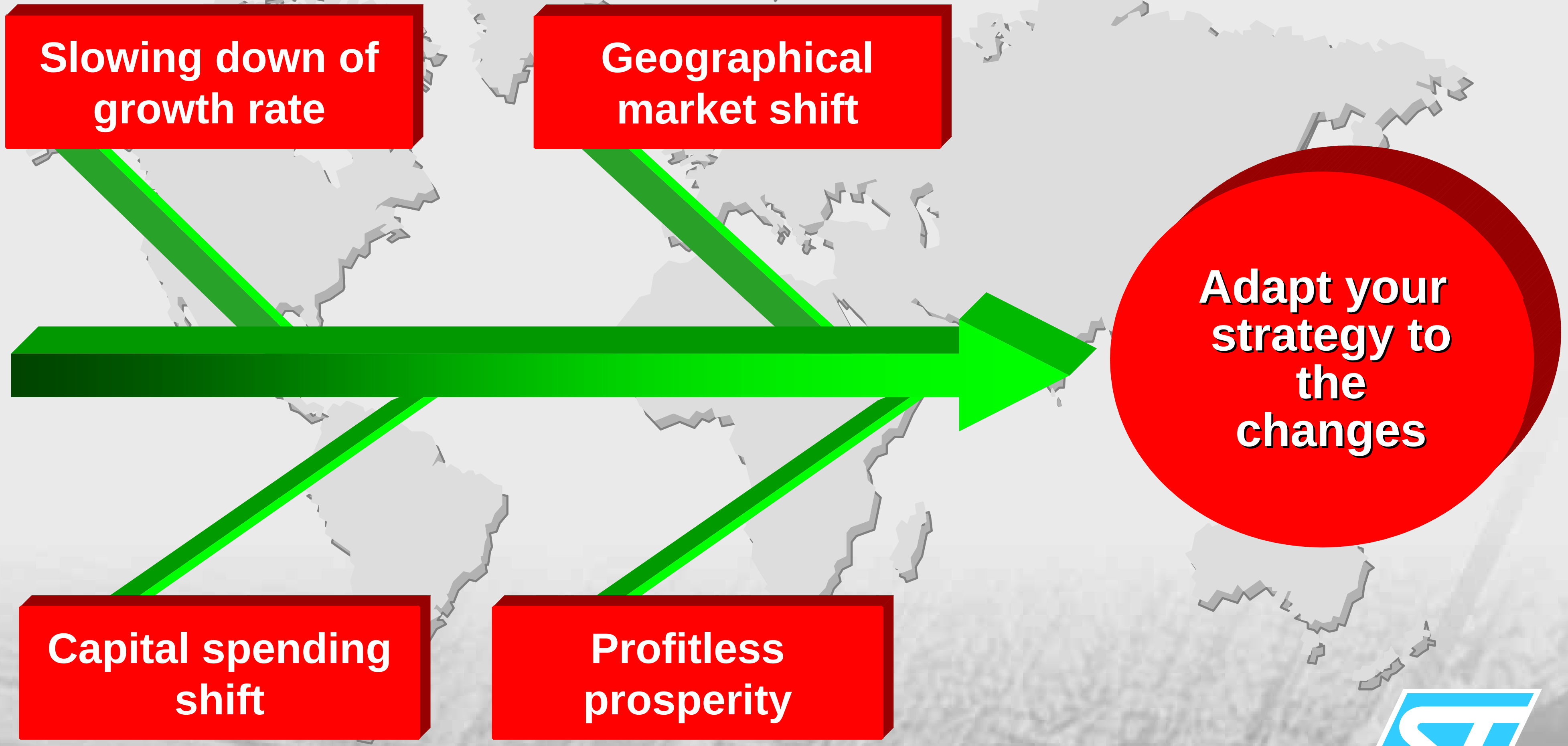
Executive Committee

C. Bozotti	CEO
A. Dutheil	COO
E. Villa	Sales & Marketing
L. Bosson	Manufacturing & Technology R&D
P. Geyres	Product Groups
C. Ferro	CFO, Treasurer, Infrastructures & Services
A. Cuomo	Strategy & Other Staff Functions

***India, Russia, Africa, Latin America, Middle East**

Strategic guidelines for the next coming upturn

Lessons from the past



Slowing down of growth rate

Geographical market shift

Capital spending shift

Profitless prosperity

Adapt your strategy to the changes

ST’s Globalization Structure

Global Sales & Marketing
with Sensitive Antenna

Time-to-Market
Global R&D Structure

Cost Effective
Global Manufacturing

Global Alliance/Partnership

Global
Sales & Marketing
Structure

Global Sales & Marketing Office

Canada
U.S.A.
Mexico

Brazil

Belgium
Czech rep.
Finland
France
Germany
Hungary
Italy
Netherlands
Poland
Russia
Spain
Sweden
Switzerland
Turkey
U.K.

Egypt
Israel
Morocco
South Africa

Australia
China
India
Korea
Malaysia
Pakistan
Philippines
Singapore
Taiwan
Thailand

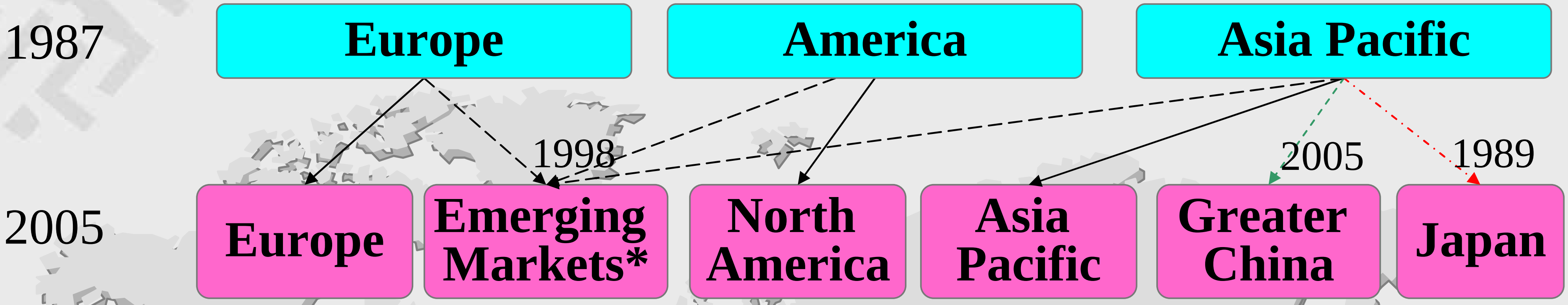
Japan

50,000 employees

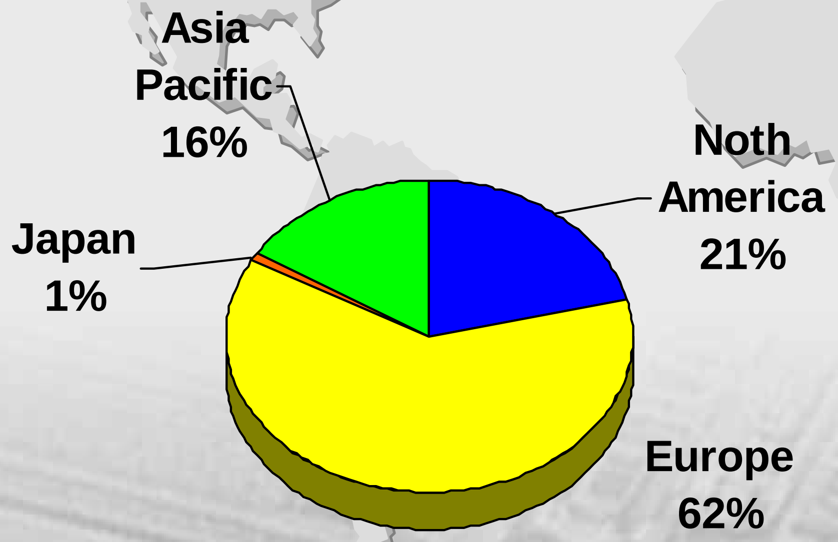
78 Sales/Marketing offices in **36** countries

39 Design and Application centers

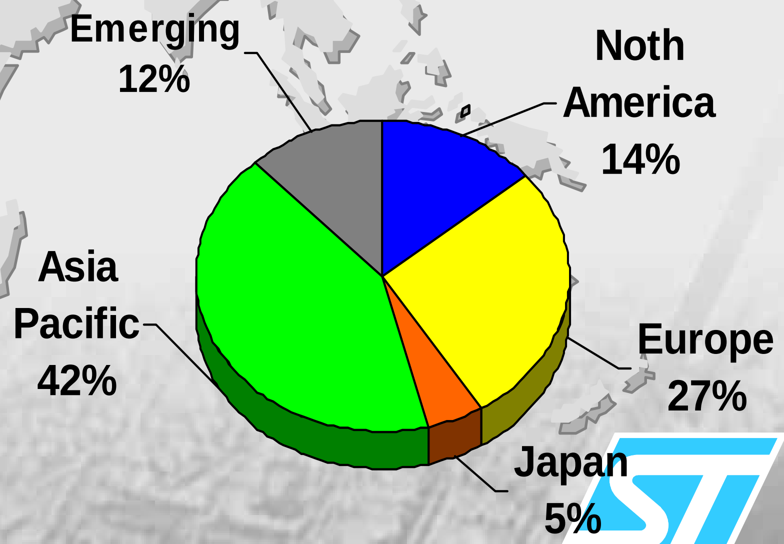
ST : The Sales & Marketing Organization



*India, Russia, Africa, Latin America, Middle East



1987 Sales $850M



2004 Sales $8.76B

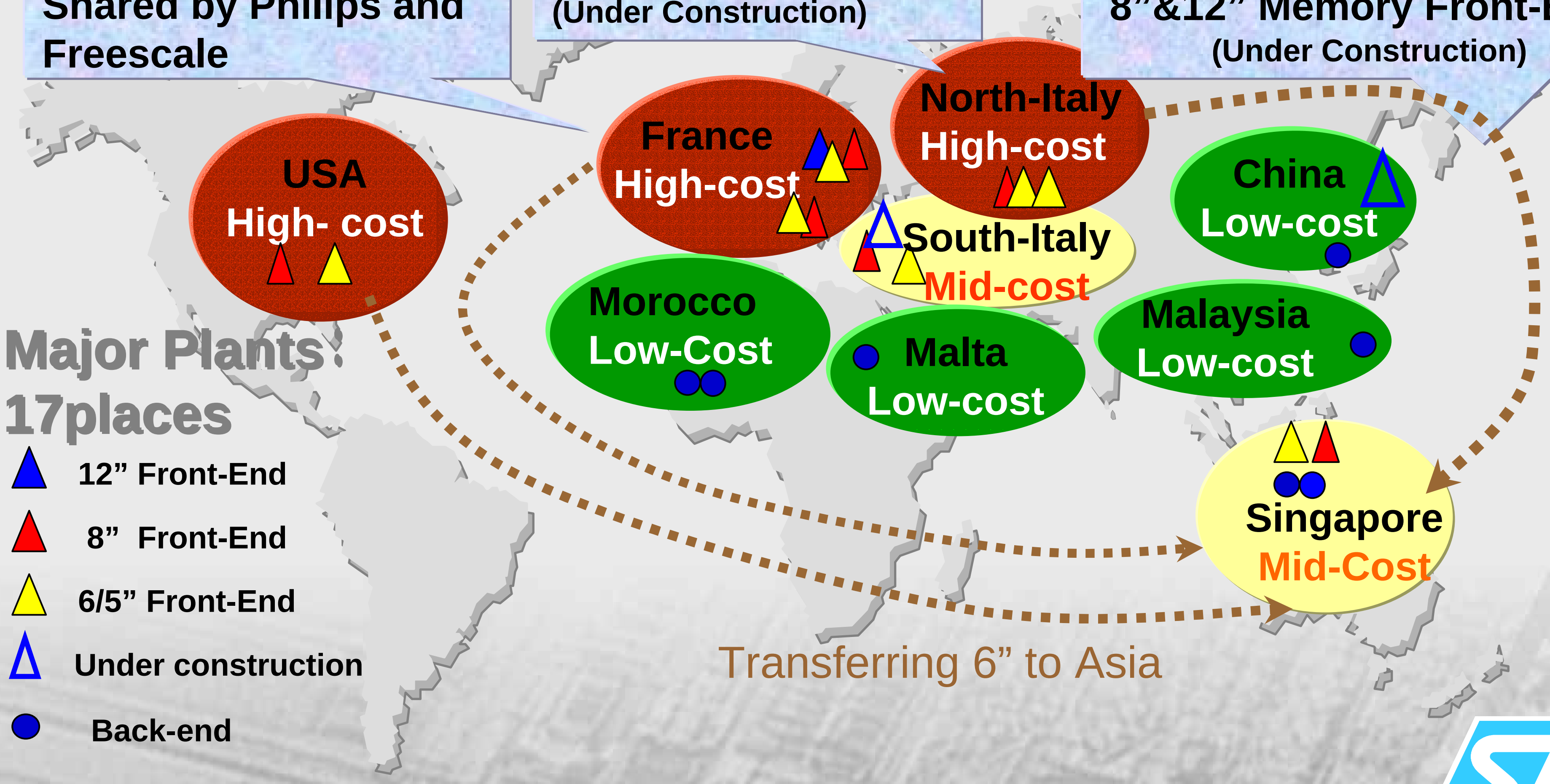
Cost Effective Global Manufacturing Structure

Global Manufacturing Structure
Increasing Cost competitiveness

France, Crolles 2
12” Front-End (Operating)
Shared by Philips and Freescale

Italy (Catania)
12” Front-End
(Under Construction)

China, Wuxi City, Jiangsu
Joint plant with
Hynix Semiconductor
8”&12” Memory Front-End
(Under Construction)



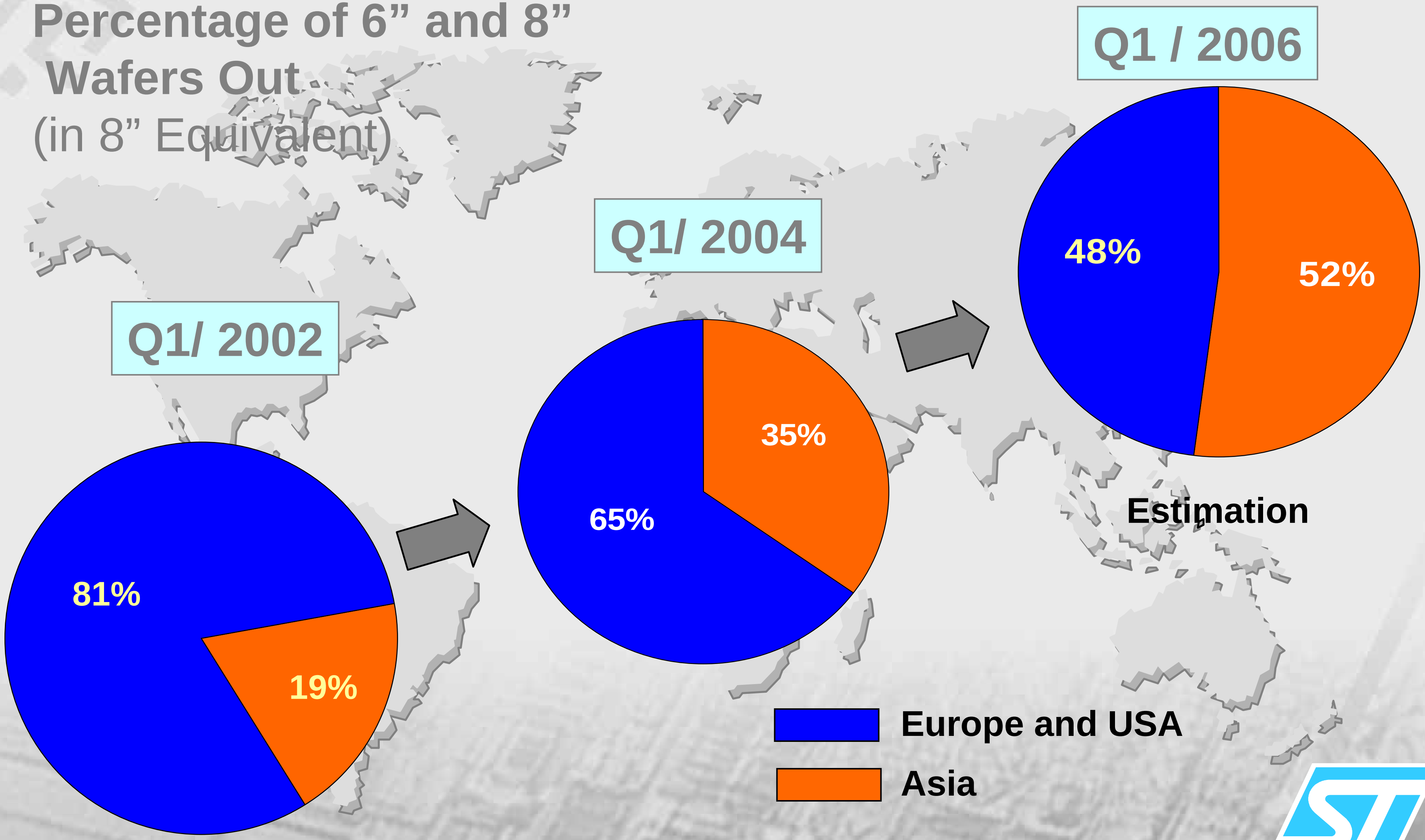
Transferring 6” to Asia

Major Plants : 17places

- ▲ 12” Front-End
- ▲ 8” Front-End
- ▲ 6/5” Front-End
- △ Under construction
- ● Back-end

Shift 6” Manufacturing to Asia

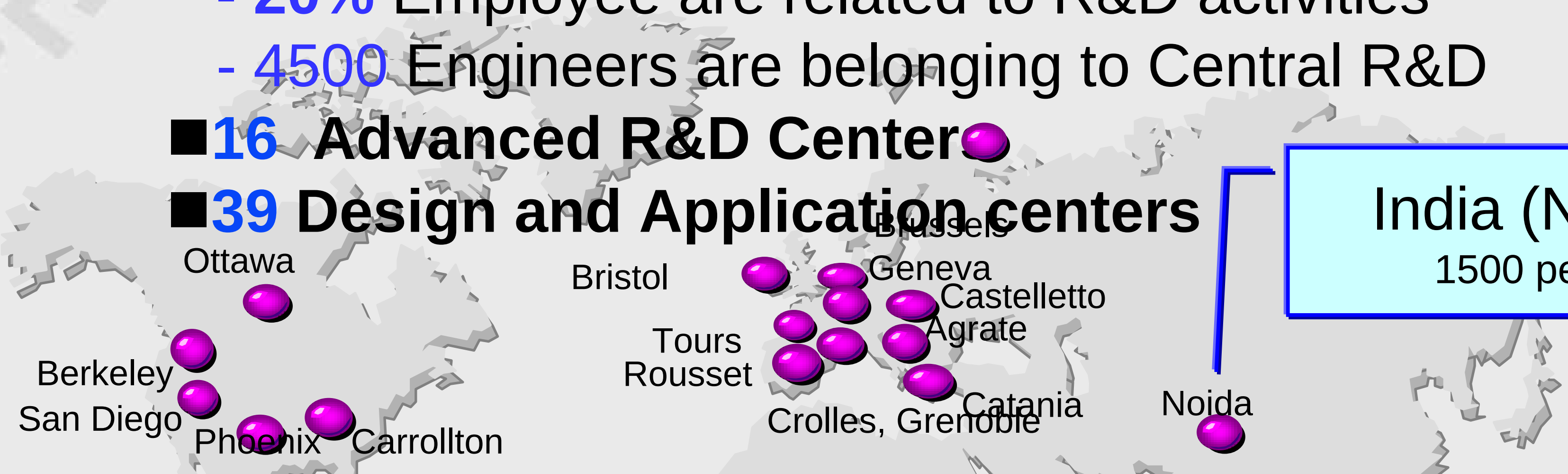
Percentage of 6” and 8” Wafers Out
(in 8” Equivalent)



Global R&D Structure for Time-to-Market

Global R&D Structure for Time-to-Market

- **Out of 50,000 employees**;
  - **20%** Employee are related to R&D activities
  - 4500 Engineers are belonging to Central R&D
- **16 Advanced R&D Center** ●
- **39 Design and Application centers**



India (Noida)
1500 people

Central Function located in the world

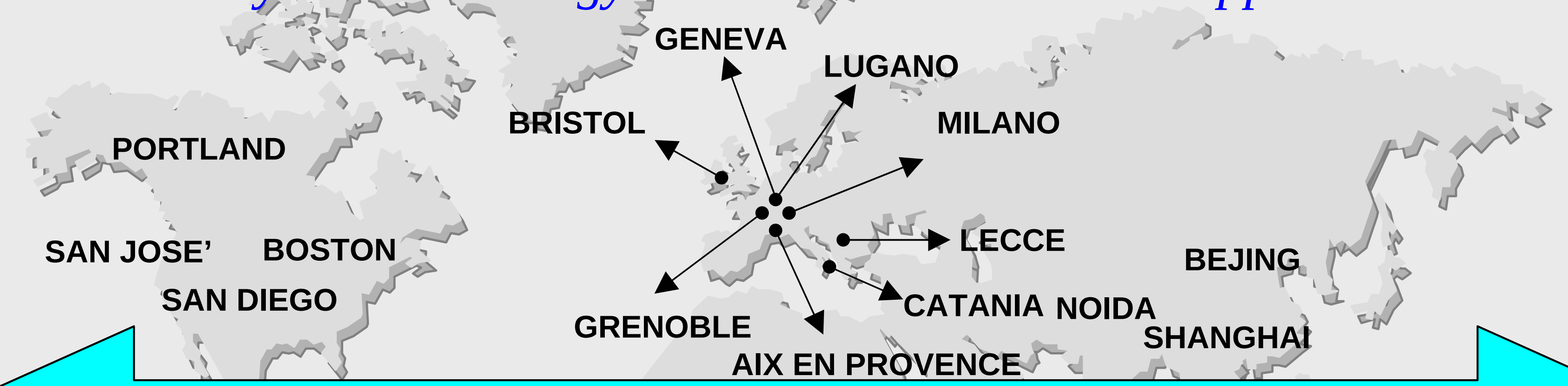
Process Technology	**Design Tool/ Methodology**	**New Sector**
Packaging Technology	**Materials**	**System Technology**

Divisional or Regional function

Device Design	**Application Support**	**S/W Develop.**

Advanced System Technology
A Global Organization

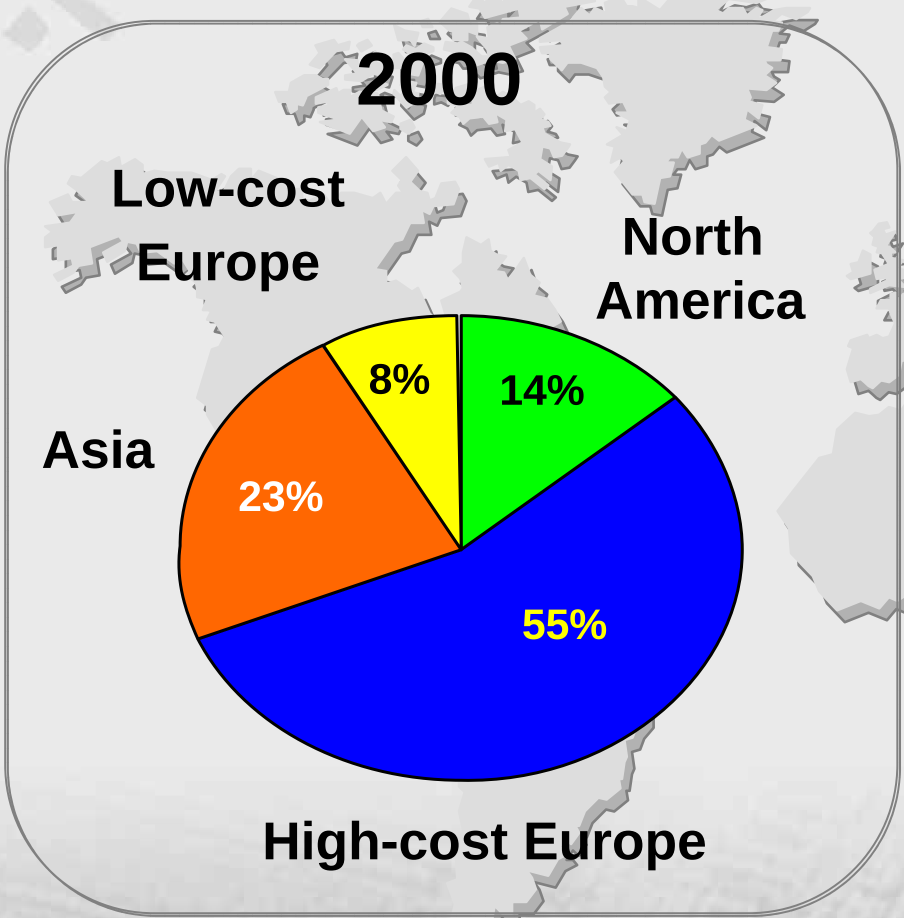
Mission : *To provide the Company with early access to leading edge critical system technology and to innovative market opportunities.*

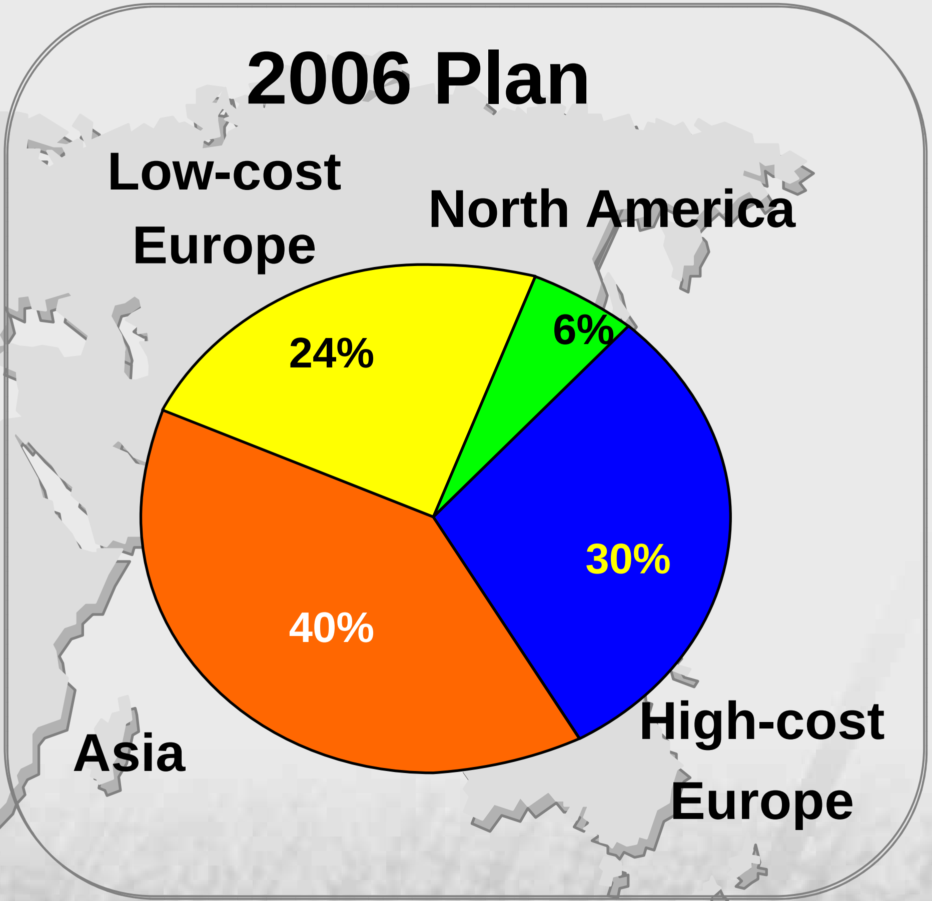


Academic Network

- INPG
- Bologna
- UCLA
- Milano
- CNRS
- Ancona
- IRISA
- SISSA
- Politecnico di Torino
- Berkeley
- UBO
- Carnegie Mellon
- UCSD
- UC Davis
- Palermo
- ENSSAT
- MIT
- CNR
- Catania
- IMEC
- Pavia
- Lecce
- IMSC
- Pisa
- INRIA
- Politecnico di Milano
- Stanford
- UNC
- ENST
- EPFL
- ESA
- Washington
- CNET
- Eurecom
- ENS
- LETI
- USI
- USC

Regional Structure of Engineers By Region



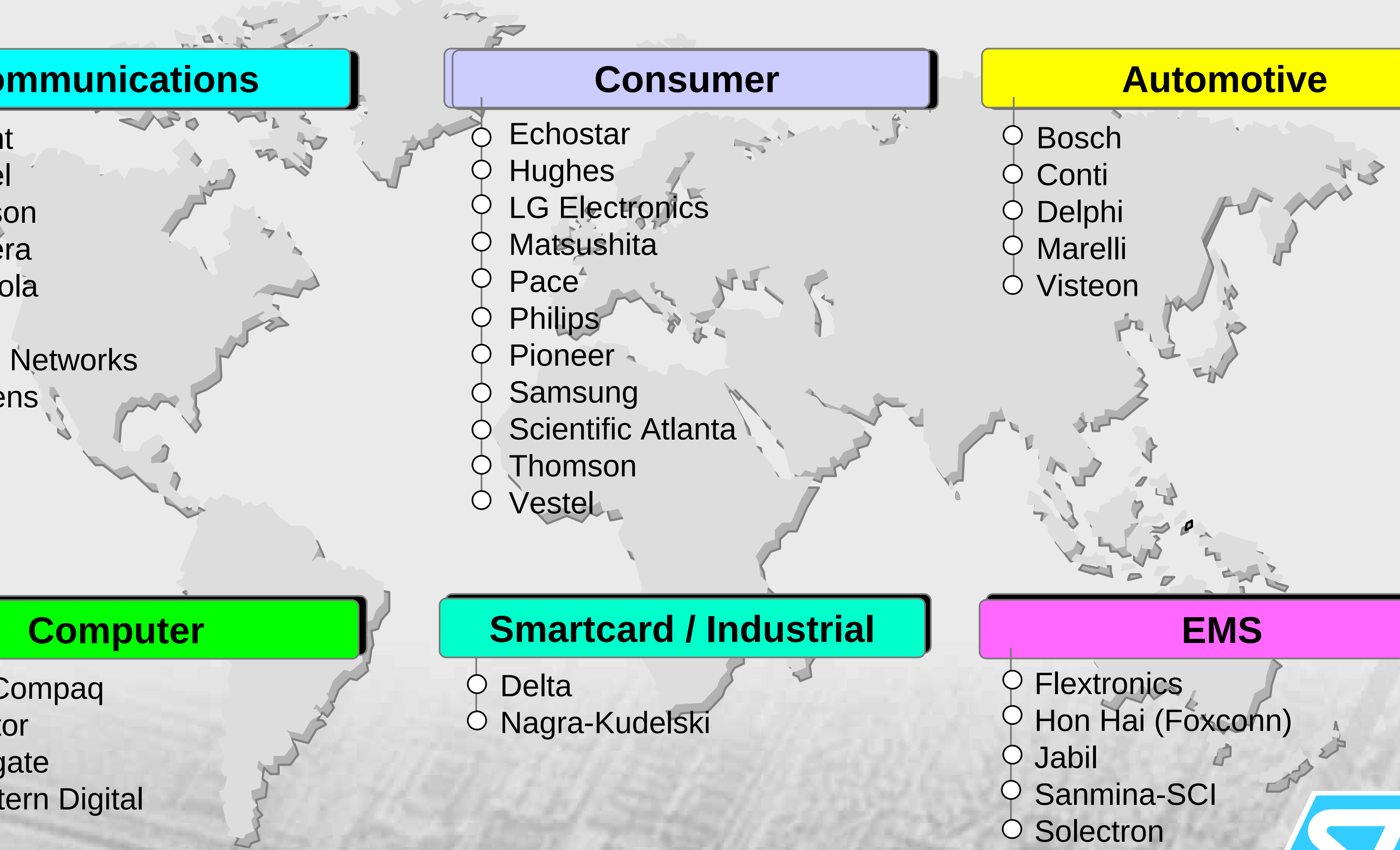


*Including Mediterranean

Global
Alliance & Partnership

Global Customer Base

2004 Top 30* OEM and Top EMS Customers



Communications

- Agilent
- Alcatel
- Ericsson
- Kyocera
- Motorola
- Nokia
- Nortel Networks
- Siemens

Consumer

- Echostar
- Hughes
- LG Electronics
- Matsushita
- Pace
- Philips
- Pioneer
- Samsung
- Scientific Atlanta
- Thomson
- Vestel

Automotive

- Bosch
- Conti
- Delphi
- Marelli
- Visteon

Computer

- HP-Compaq
- Maxtor
- Seagate
- Western Digital

Smartcard / Industrial

- Delta
- Nagra-Kudelski

EMS

- Flextronics
- Hon Hai (Foxconn)
- Jabil
- Sanmina-SCI
- Solectron

**** Alphabetically listed by main application sector***

Global Strategic Alliances are Driving Revenue Growth

Strategic Partners* : 39.5% of 2004 total revenues

: 43.6% of Q1 2005 total revenues

ALCATEL

NOKIA
CONNECTING PEOPLE

NORTEL NETWORKS

Seagate

SIEMENS VDO
Automotive

PIONEER®

Western Digital

MAGNETI MARELLI

BOSCH

THOMSON

HEWLETT® PACKARD

*Total of 12 partners, 11 being disclosed

R&D Partnership
- An Example -

Crolles2 Alliance

ST

Philips

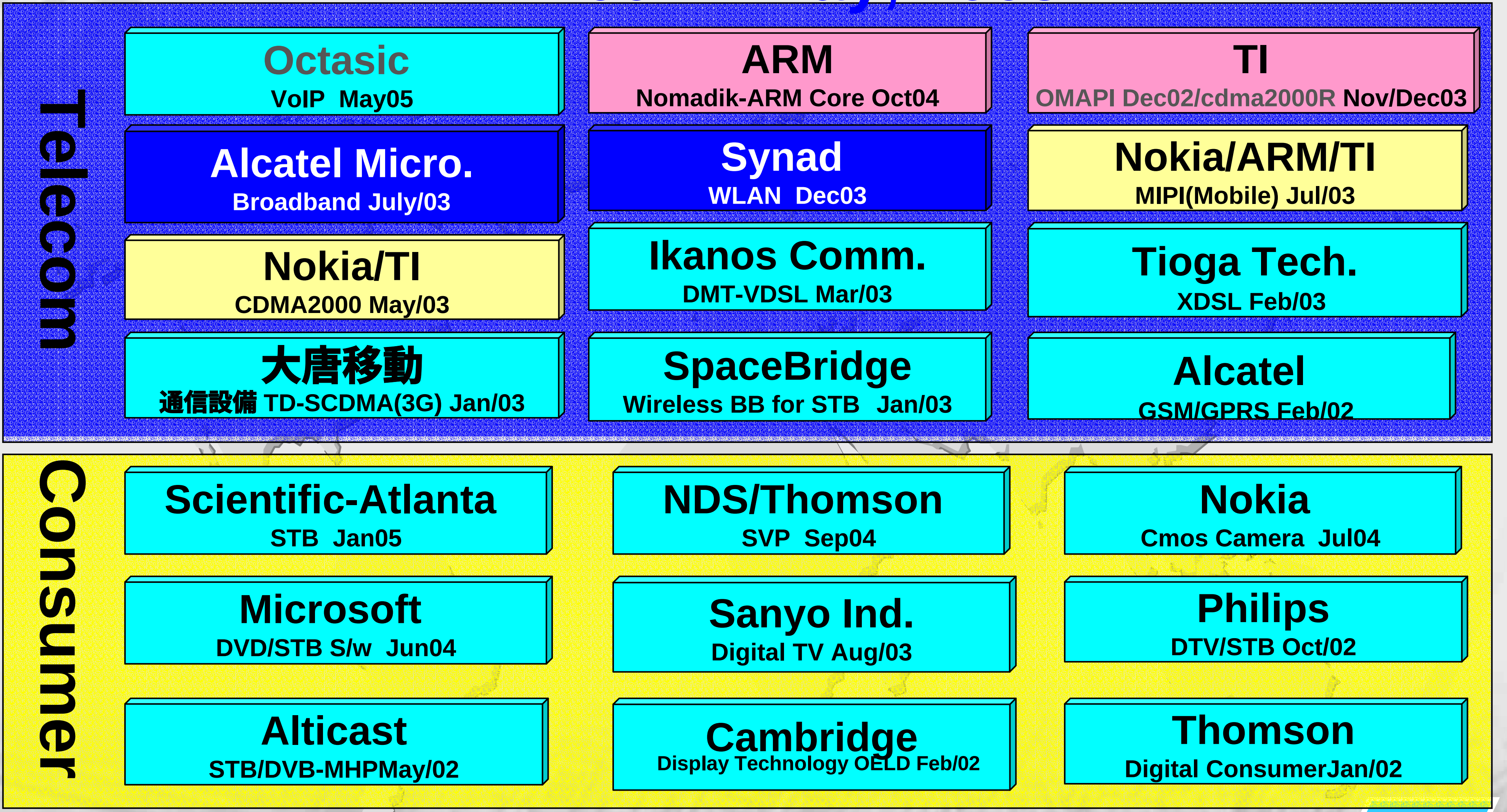
Freescale

Enhanced collaboration across libraries and SoC Intellectual Property blocks

+

wafer testing and packaging

Expanding Partnership -1
2002～May, 2005



Telecom

Octasic
VoIP May05

ARM
Nomadik-ARM Core Oct04

TI
OMAPI Dec02/cdma2000R Nov/Dec03

Alcatel Micro.
Broadband July/03

Synad
WLAN Dec03

Nokia/ARM/TI
MIPI(Mobile) Jul/03

Nokia/TI
CDMA2000 May/03

Ikanos Comm.
DMT-VDSL Mar/03

Tioga Tech.
XDSL Feb/03

大唐移動
通信設備 TD-SCDMA(3G) Jan/03

SpaceBridge
Wireless BB for STB Jan/03

Alcatel
GSM/GPRS Feb/02

Consumer

Scientific-Atlanta
STB Jan05

NDS/Thomson
SVP Sep04

Nokia
Cmos Camera Jul04

Microsoft
DVD/STB S/w Jun04

Sanyo Ind.
Digital TV Aug/03

Philips
DTV/STB Oct/02

Alticast
STB/DVB-MHPMay/02

Cambridge
Display Technology OELD Feb/02

Thomson
Digital ConsumerJan/02

M&A | System/Software | Semiconductor Maker | System & IC

Expanding Partnership -2
2002～May, 2005

Audio/Voice

SRS Labs
SRS TruSurround Feb/03

IBM
Via Voice Speech Mar/03

Biometric

MobiDiag
Bio-Chip Oct03

Roreal
Touch Chip Oct/02

Semiconductor

Freescale/ TSMC/Philips
R&D Apr/05

Siliconix
Package Mar05

Hynix Semicon.
JV-Plant Nov04

Philips/TSMC
CMOS(R&D) Mar/03

FreeScale/ TSMC/Philips
R&D Apr/03

Hynix Semicon.
NAND Flash Apr/03

DNP
Photo Mask May/03

UMC
Foundry&Manf. Science Oct/02

HDD

APT Technologies
Serial ATA FEB/02

Card/RF TAG

ArjoWiggins/Gep
e-Passport Dec03

Kudelski Group
3G Java Card Nov03

Incard
Smart Card May/03

Proton World International
Smart Card Mar/03

Alien Tech.
RF ID TAG Sep/03

Aspects Soft.
Java SIM card Feb/03

Fujitsu
FeRAM Smart Card Oct/02

M&A
System/ Software
Semiconductor Maker
System & IC

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Company Culture through TQEM

Summary

- The needs and structure in the market are rapidly changing.
- The company have to keep flexible and global structure consisted of ;
  - Sales & Marketing organization to catch a signal in each market,
  - R&D organization to develop innovative technology and products in time and
  - Manufacturing structure with cost competitiveness and leading-edge technology.
- To expand global partnership will bring innovation to the company.
- A company culture for operating a global company is essential. (Shared Value, Mission, Vision …..)