



ST and NXP Merge Wireless Businesses



Forward Looking Statements

Some of the statements contained in this presentation that are not historical facts are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) based on STMicroelectronics's management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in such statements due to, among other factors:

future developments of the world semiconductor market, in particular the future demand for semiconductor products in the key application markets and from key customers served by our products; pricing pressures, losses or curtailments of purchases from key customers all of which are highly variable and difficult to predict; the financial impact of obsolete or excess inventories if actual demand differs from our anticipations; the impact of intellectual property claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions; changes in the exchange rates between the US dollar and the Euro, compared to an assumed effective exchange rate of US \$1.46 = €1.00 and between the U.S. dollar and the currencies of the other major countries in which we have our operating infrastructure; our ability to manage in an intensely competitive and cyclical industry, where a high percentage of our costs are fixed and difficult to reduce in the short term, including our ability to adequately utilize and operate our manufacturing facilities at sufficient levels to cover fixed operating costs; our ability to close our agreement with Intel and Francisco Partners concerning the creation of Numonyx, currently targeted for the first quarter of 2008, if the financial, business or other conditions to closing as contractually provided are not met; the charge of \$1.11 billion posted so far in relation to our Flash memory business may materially change if closing does not occur as currently planned, or due to adverse developments in the credit markets; our ability in an intensely competitive environment to secure customer acceptance and to achieve our pricing expectations for high-volume supplies of new products in whose development we have been, or are currently, investing; the attainment of anticipated benefits of research and development alliances and cooperative activities, as well as the uncertainties concerning the modalities, conditions and financial impact beyond 2007 of future R&D activities in Crolles2; the ability of our suppliers to meet our demands for supplies and materials and to offer competitive pricing; significant differences in the gross margins we achieve compared to expectations, based on changes in revenue levels, product mix and pricing, capacity utilization, variations in inventory valuation, excess or obsolete inventory, manufacturing yields, changes in unit costs, impairments of long-lived assets (including manufacturing, assembly/test and intangible assets), and the timing and execution of our manufacturing investment plans and associated costs, including start-up costs; changes in the economic, social or political environment, including military conflict and/or terrorist activities, as well as natural events such as severe weather, health risks, epidemics or earthquakes in the countries in which we, our key customers and our suppliers, operate; changes in our overall tax position as a result of changes in tax laws or the outcome of tax audits, and our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets; the outcome of litigation; the results of actions by our competitors, including new product offerings and our ability to react thereto.

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “believes”, “may”, “will”, “should”, “would be” or “anticipates” or similar expressions or the negative thereof or other variations thereof, or by discussions of strategy, plans or intentions. Some of the risk factors we face are set forth and are discussed in more detail in “Item 3. Key Information—Risk Factors” included in our Annual Report on Form 20-F for the year ended December 31, 2007, as filed with the SEC on March 3, 2008. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed or expected. We do not intend, and do not assume any obligation, to update any information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.

Unfavorable changes in the above or other factors listed under “Risk Factors” from time to time in our SEC filings, including our Form 20-F, could have a material adverse effect on our results of operations or financial condition.



Creation of Wireless Semiconductor Leader

- **ST teams with NXP to join their respective growing and profitable wireless assets for the creation of an industry leader, 2007 sales of about \$3.0B and EBIT of about \$200 million**
- **NewCo becomes a leader in wireless R&D, having achieved scale to support all the key IP platforms**
- **IP rich, with transfer of over 3500 patent families and hundreds of licenses from parents**
- **Partners bring complementary product and customer portfolios**
- **Strong endorsement from key customers**
- **A 9000 employee fabless company, supported by supply agreements with parents and back-end assets**



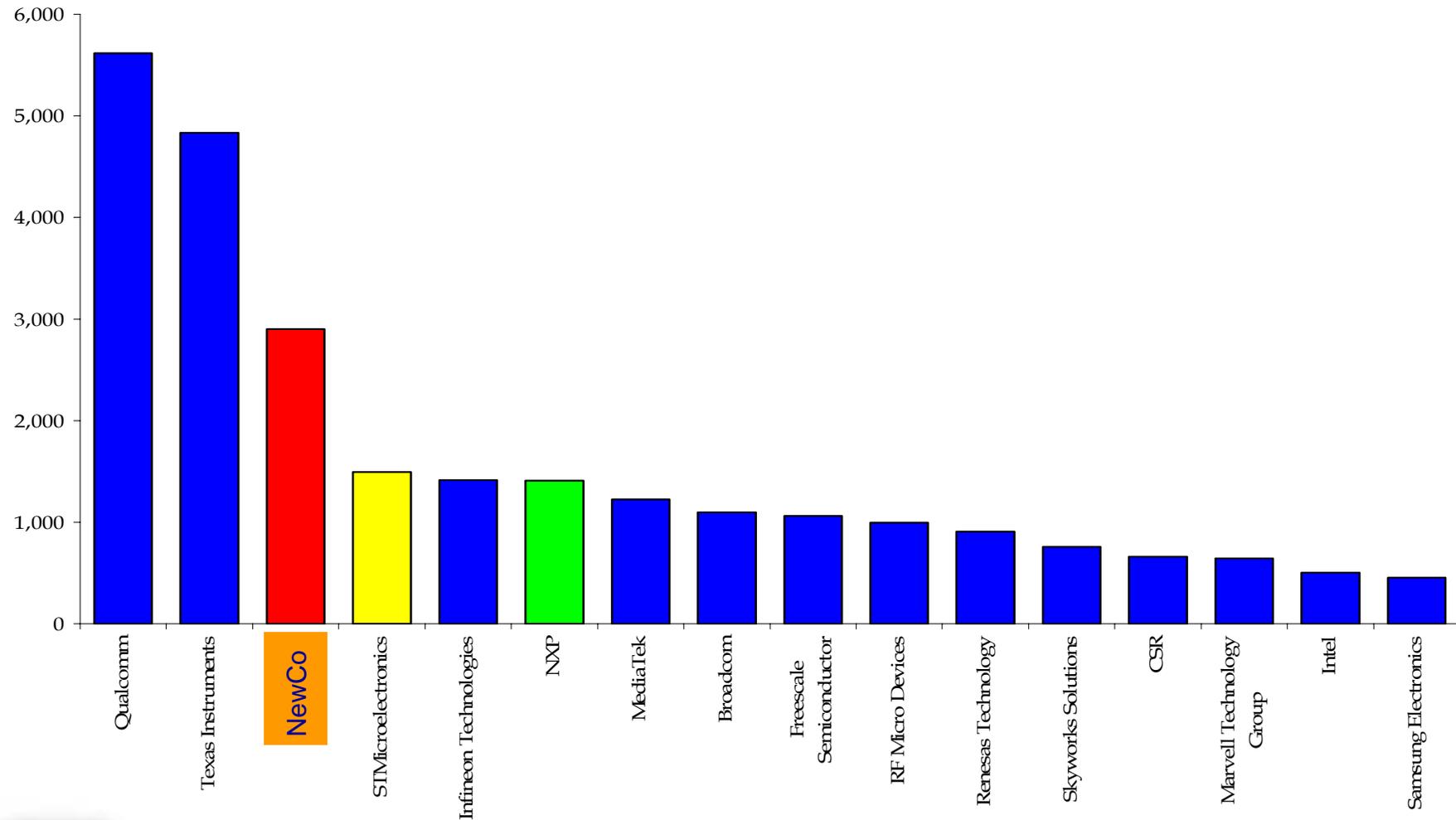
Combination Rationale

- **ST**
 - Leading 3G ASIC supplier to Nokia and EMP
 - Multimedia platform offering
 - Strong connectivity supplier
 - Advanced process R&D
- **NXP**
 - Leading supplier to Samsung
 - Established 2/2.5G platform supplier/integrator to tiers one and two
 - 3G and TD-SCDMA (Chinese standard) expertise
 - Audio processor and broad connectivity capability
- **Combination**
 - A leading supplier to Nokia, Samsung and SEMC
 - Critical scale of revenue to sustain leading edge wireless R&D roadmap
 - Enhanced position in Connectivity and GPS
 - Consolidate leadership in RF and Energy Management
 - Focused on 3G and multimedia platform
 - Strong opportunity to expand 2G/2.5G market share



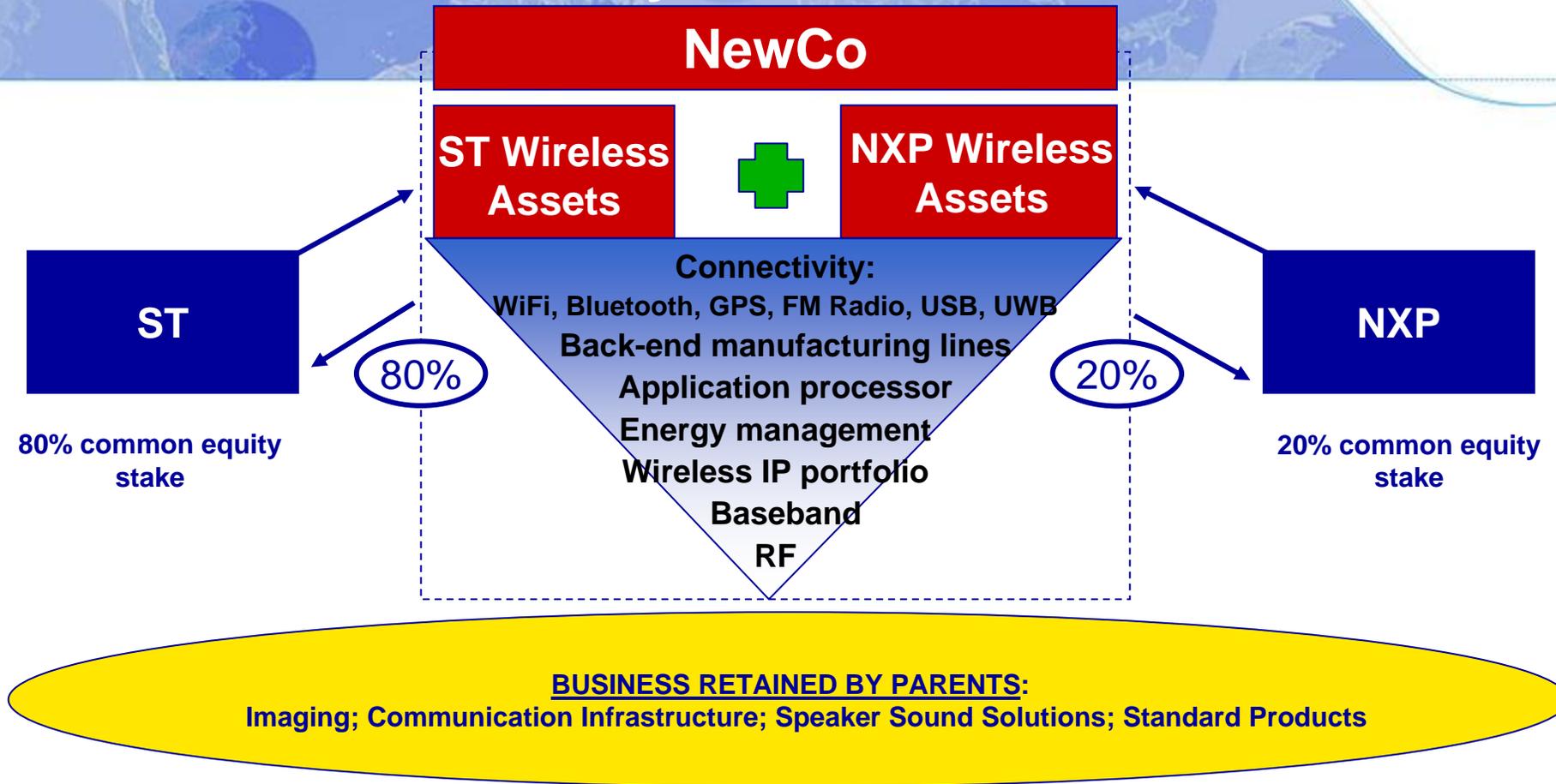
Creates a Clear Number 3 Player in Wireless

US\$ MM



Source: iSuppli, March 2008

Transaction Summary



1. ST contributes the ST Wireless business, IP and other assets, NXP contributes the NXP Wireless business, IP and other assets
2. ST injects \$350 million in cash to fund working capital at NewCo and NXP contributes \$50 million in deferred cash, about \$60 million in deferred tax assets
3. ST makes a payment of \$1.55 billion, including control premium, to NXP
4. ST receives 80% and NXP receives 20% NewCo common equity stake at closing

NewCo Product Line Offering

3G/4G Chipsets Solutions

Cellular
Communications
& Multimedia
Application
Processor

2G/2.5G Chipsets Solutions

Connectivity

- BT
- FM
- GPS
- UWB

Audio and Accessories

- Audio
Proc.
- USB

IP & Subsystems



Governance of NewCo

ST will own 80% of the NewCo, NXP 20%

Board Composition

- Five directors (three from ST, two from NXP)
- Chairman nominated by ST

Top Management

- CEO appointed by ST
- CFO appointed by NXP
- CEO and management team of JV to be announced before closing

NewCo will be incorporated in the Netherlands and headquartered in Switzerland

Expect closing in the Q3 2008, subject to customary conditions and regulatory approvals



Clear Exit Strategy

- **Put and call rights after third anniversary of signing, or accelerated upon identified special events**
- **Exit price will depend on NewCo financial results(25% revenues, 75% EBITDA, both LTM)**
 - **ST call option priced at:**
 - **25% x LTM revenues x 1.7**
 - **75% x LTM EBITDA x 12**
 - **NXP put option priced at:**
 - **25% x LTM revenues x 1.45**
 - **75% x LTM EBITDA x 10.2**



NewCo Creation and ST Implications

- **Partners each contribute similar sized businesses; ST consolidates the JV's financial results**
- **Improved exchange rate exposure**
- **Cost synergies are expected to be at a run rate of over \$250 million per year in 2011**

Impact on ST's non-GAAP cash EPS:

- minor impact in 2008
- slightly accretive in 2009
- substantially accretive in 2010

and boosting cash flow!!



The 'New' ST

- **Focus on leadership in Multimedia Converging Applications and Power Solutions**
- **Reshape product portfolio towards value and leadership**
- **Grow faster than the market**
- **Lighter asset business model**
- **Technology focused on advanced logic, mixed signal and analog products**
- **Drive RONA consistently into the targeted range of 12-20%**





Questions and Answers

