



Flash Memory Initiative



Forward Looking Statements



This presentation may include statements that are not historical facts and are statements of future expectations and may include other forward looking statements that are based on management's current views and assumptions to describe plans and expectations for the timing of the closure of the planned transaction, future outcomes for the company being newly formed, as well as for certain future impacts on ST's expected financial performance. All statements made that are not historical fact are subject to a number of risks and uncertainties, and actual results may differ materially. In addition, the following important factors could cause actual results to differ materially from the expectations of the Company or its management:

(i) future developments in 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, (ii) pricing pressures, losses or curtailments of purchases from key customers, (iii) the financial impact of inadequate or excess inventories if actual demand differs from our anticipations, (iv) impact of foreign currency fluctuations, in particular a weakening of the U.S. dollar compared to the euro, (v) 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, (vi) 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 the R&D and manufacturing activities in Crolles, following the termination of our current agreement with NXP Semiconductors and Freescale Semiconductor, (vii) the ability of our suppliers to meet our demands for products and competitive pricing, (viii) changes in the economic, social or political environment, as well as natural events in the counties where we and our key customers operate, (ix) Changes in our overall tax position as a result of changes in tax laws or the outcome of tax audits, (x) product liability or warranty claims for a product containing one of our parts, (xi) our ability to obtain required licenses on third party intellectual property and the outcome of litigation, (xii) our ability to perform the announced strategic repositioning of our Flash memories business in line with the requirements of our customers and without adverse effect on existing alliances or other agreements relating to this business, (xiii) 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 or are currently investing.

Unfavorable changes in any of the above or other factors listed under "Risk Factors" noted from time to time in the Company's SEC reports including the Form 20F, most recently filed on March 14, 2007, and the Company's press release dated April 24, 2007, could materially affect the Company.



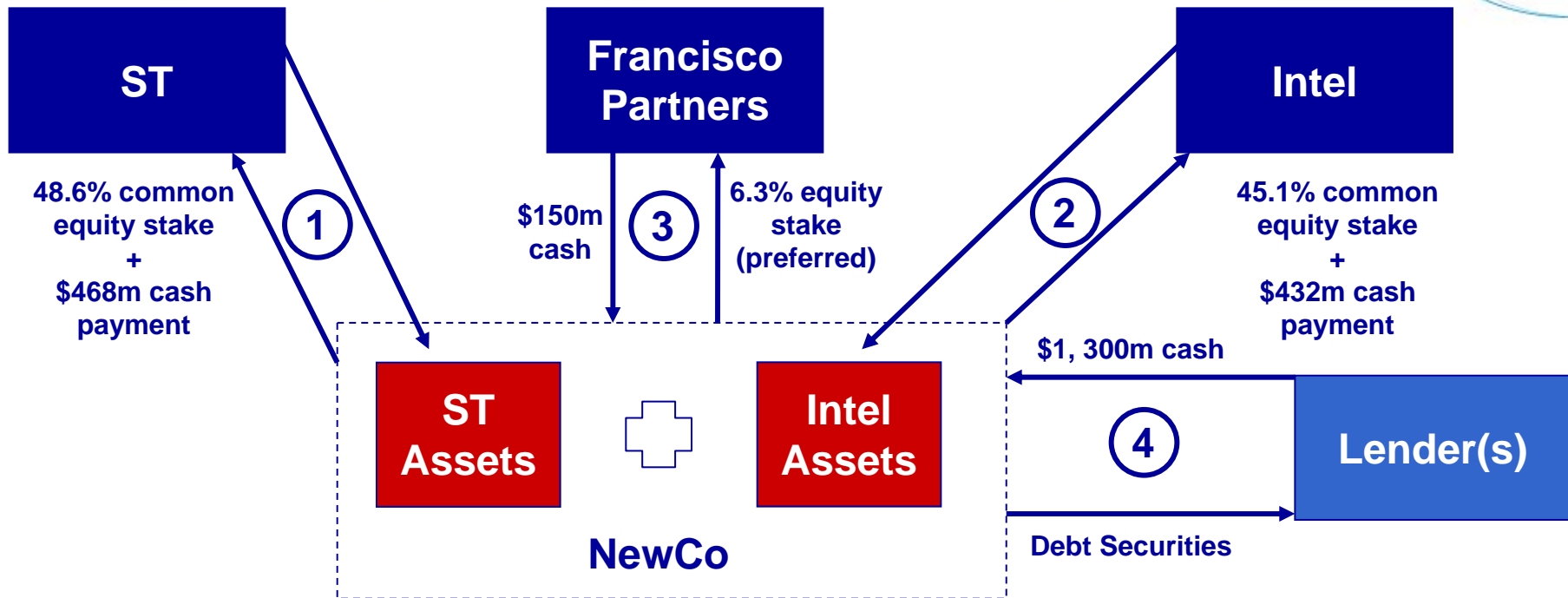
Creation of Flash Memory Leader



- **ST teams with Intel and Francisco Partners to join assets for the creation of an industry leader, 2006 sales of \$3.6B**
- **Global Manufacturing resources (9 facilities & 8000 employees)**
- **Focus on NOR Flash system solutions**
- **Top-notch customer base**
- **Leaders in PCM, next generation technology**
- **Independent access to debt capital markets**



Transaction Summary



1. ST contributes the ST Flash business in exchange for a 48.6% NewCo common equity stake at closing and a \$468m cash payment
2. Intel contributes the Intel Flash business in exchange for a 45.1% NewCo common equity stake at closing and a \$432 m cash payment
3. Francisco Partners invests \$150m of preferred equity in NewCo and receives a 6.3% ownership stake at closing on a converted basis
4. NewCo raises \$1.30bn of debt financing to fund the parent cash payments, ongoing cash and transaction fees: approx \$800m net debt and over \$500m gross cash at closing. Additionally, \$250m committed revolver line.



Governance of NewCo



Board Composition

- Eight directors (three each from Intel and ST, two from Francisco Partners)
- Chairman nominated by ST

Top Management

- CEO appointed by Intel
- COO appointed by ST
- CFO appointed by Francisco Partners

Transfer Restrictions and IPO Conditions: Customary for this type of structure



NewCo Creation and ST Implications



- **Contribute approx \$2.4B in assets:**
 - FMG: R2, AMK 8, Wuxi investment and Inventory: about \$ 2 billion
 - M6 300mm infrastructure: about \$400 million
- **Transfer of approximately 4,000 employees**
- **Consideration is \$1.55B**
 - One-time, non-cash impairment loss of \$850/900 million currently anticipated
- **Equity ownership of 48.6%**
- **Cash at closing of \$468 million**
- **Expect closing in the second half of 2007, subject to customary conditions and regulatory approvals**



Impact of FMG on ST's Financial Results*



	ST	FMG	ST w/o FMG
Net Revenues 2006	9,854	1,570	8,284
Y-o-Y growth Q1 2007	-3.7%	-21.6%	flat
Gross Margin FY 2006	35.8%	19.0%	38.9%
Gross Margin Q1 2007	34.5%	19.4%	37.0%
CapEx + Equity Investment 2004-2006	5,024	1,510	3,510

* The analysis does not intend to anticipate ST's financial results after the separation of FMG. It reports the actual impact of FMG on ST's key financial metrics.



Expected ST Financial Impact



- **One-time impact of the transaction on the Income Statement:**
 - Most of the anticipated non-cash impairment loss to be recognized in Q207
 - Final true-up at closing date
 - Possible restructuring charges to be defined
- **Accounting after the closing date:**
 - ST will account for the equity investment in NewCo in Consolidated Financial Reporting under the equity method: « Gain and Loss on Equity Investment », (below operating income line)
- **Equity impact of NewCo on ST earnings expected to be positive from first year after closing**



Expected Boost to RONA and Cash Flow



- **RONA will improve:**

- Gross Margin ex-Flash will increase by about 3 percentage points (reference FY2006)
- Op Ex will be realigned to 26-28% target in a few quarters after closing
- Net Asset Turns acceleration: estimated NAT of 1.12 (LTM) to 1.23 ex-Flash (LTM, excluding investment in NewCo)

- **Net Operating Cash Flow will reflect lower capital intensity:**

- Separation of Flash capital requirements into a financially independent company
- Transfer of 300mm fab in Catania
- No ST commitment for capital support after closing

- **Cash increase by \$468 million upon collection of proceeds**



The 'New' ST



- **Focus on leadership in Multimedia Converging Applications and Power Solutions**
- **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%**
- **Extract value from Flash memory and increase ST shareholder's value overtime:**
 - Up-front cash; plus
 - Equity stake positioned for up-side from flash industry consolidation

