

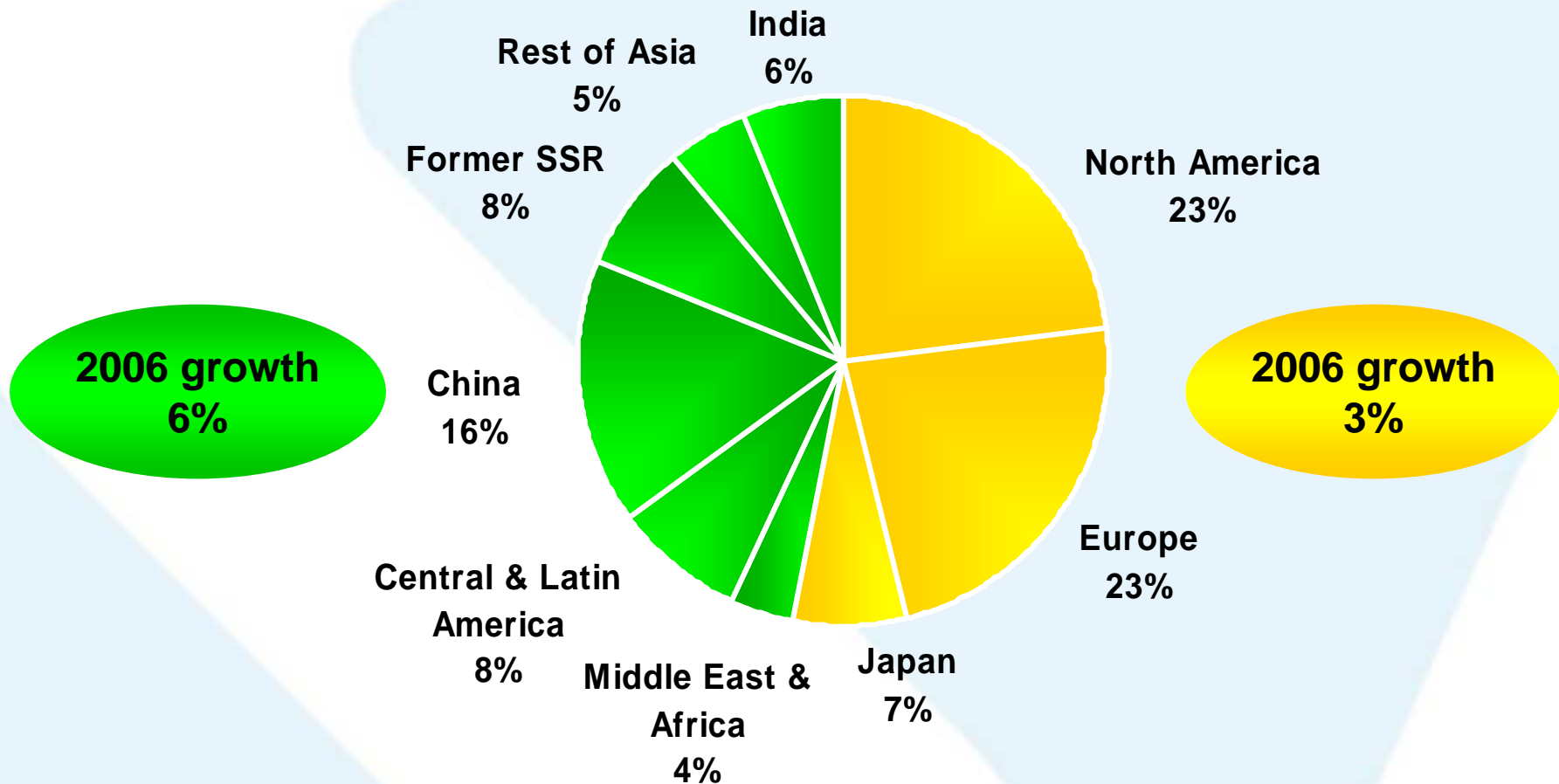
State of the Market



Jean-Philippe Dauvin
Group Vice President
Chief Economist

Field Trip 2006 - London, May 23rd

The World Economy in 2006

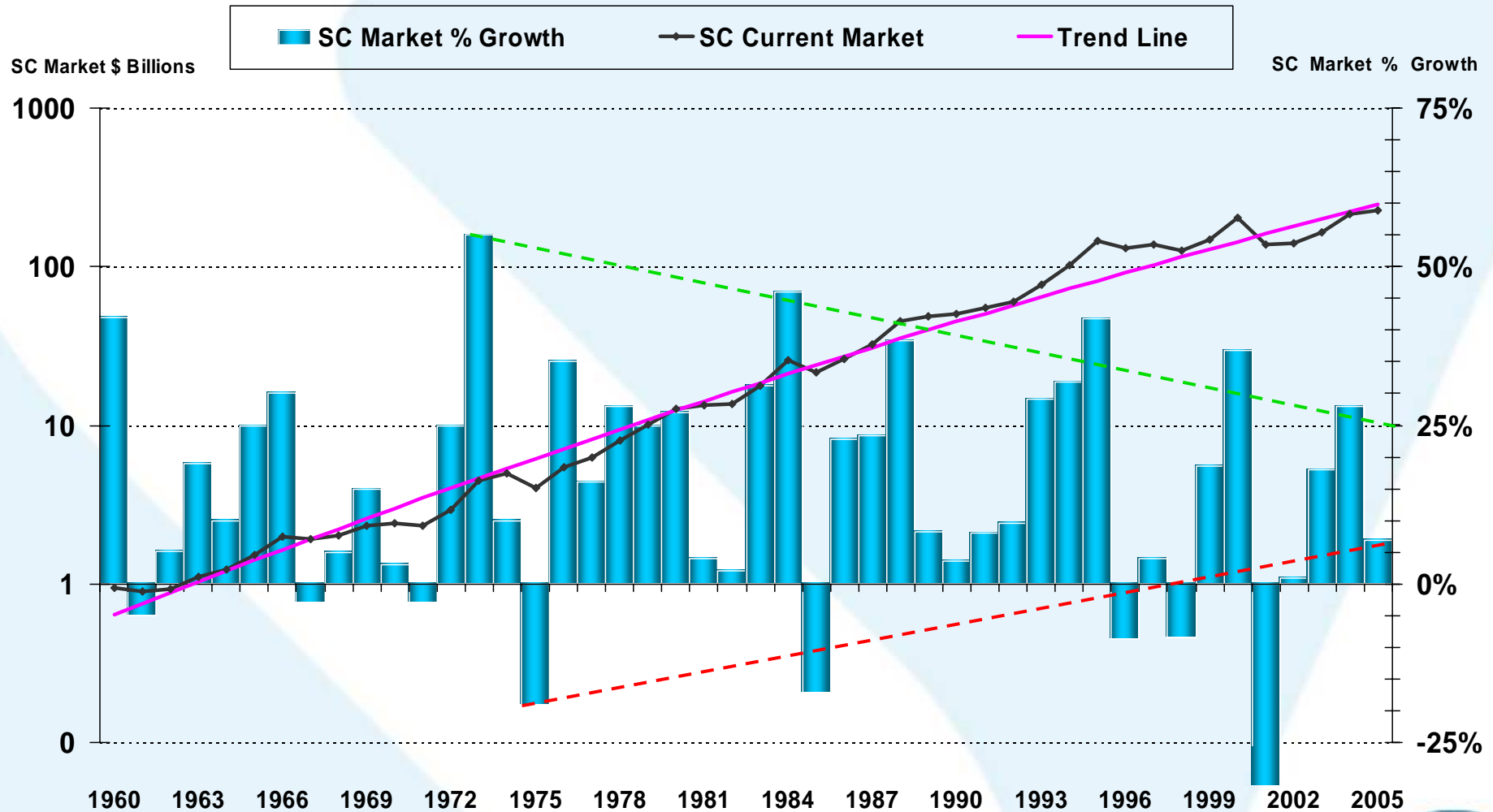


\$50 trillion; 30% larger than 5 years ago
WW Growth in 2006 around 4%

Estimated in purchasing power parity
Source : BIPE



Semiconductor Market Cycles



Source : WSTS, ST



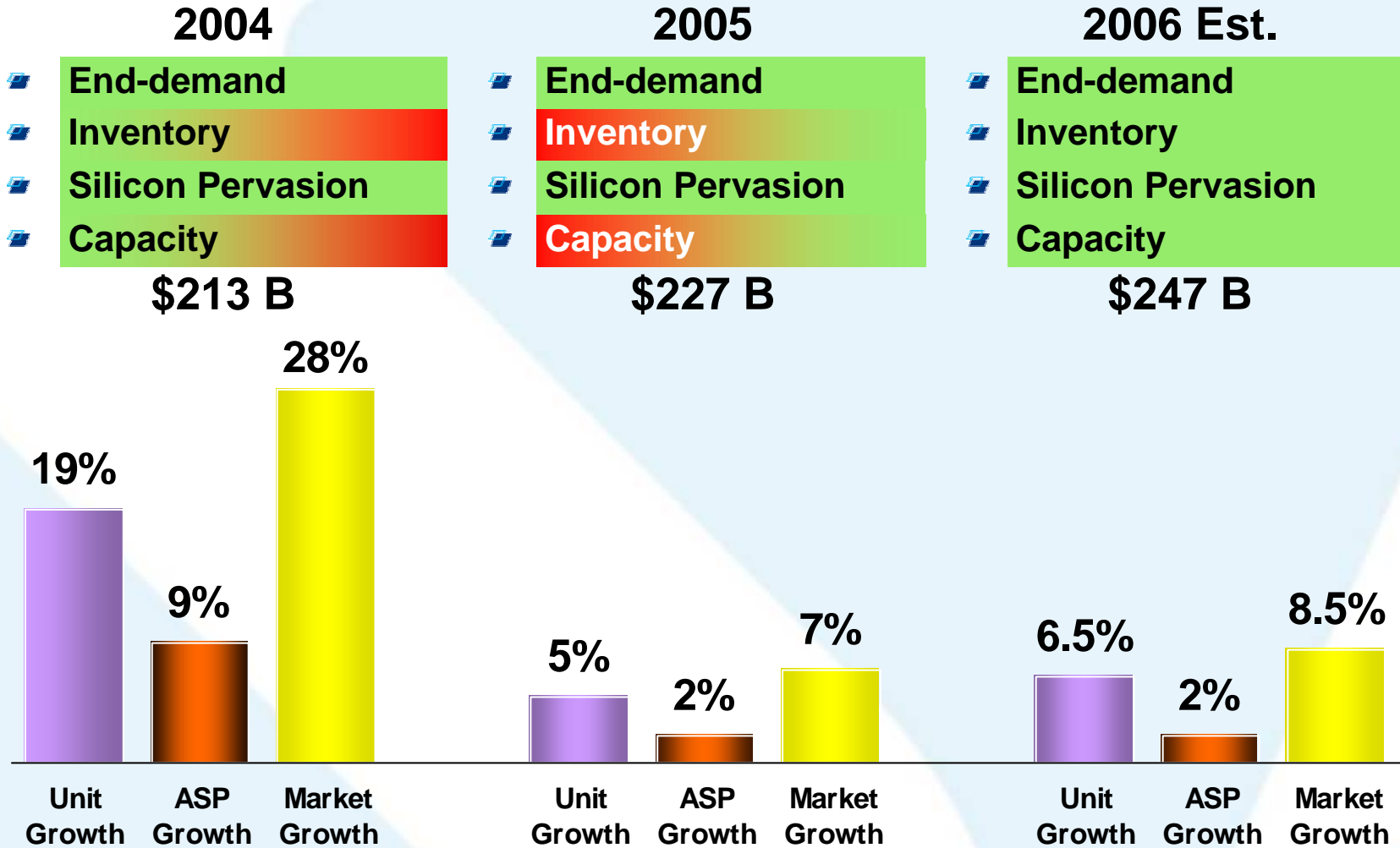
First Quarter 2006 Semiconductor Market Results

Products families	\$B market	Sequential growth (%)	Year-on-year growth (%)
MPU	8.8	-4.9%	6.8%
DRAM	6.6	5.8%	-3.3%
Opto	3.9	-0.1%	10.5%
Discrete	3.8	0.5%	1.8%
Std Lin. & Logic	3.7	3.1%	20.1%
MCU	3.0	6.4%	-8.9%
ASP	23.0	-1.9%	8.9%
NOR	2.0	-5.4%	2.7%
NAND	3.0	-12.8%	45.4%
Other Memory	1.1	2.4%	2.9%
Total Market	59.1	-1.3%	7.3%

Source : WSTS



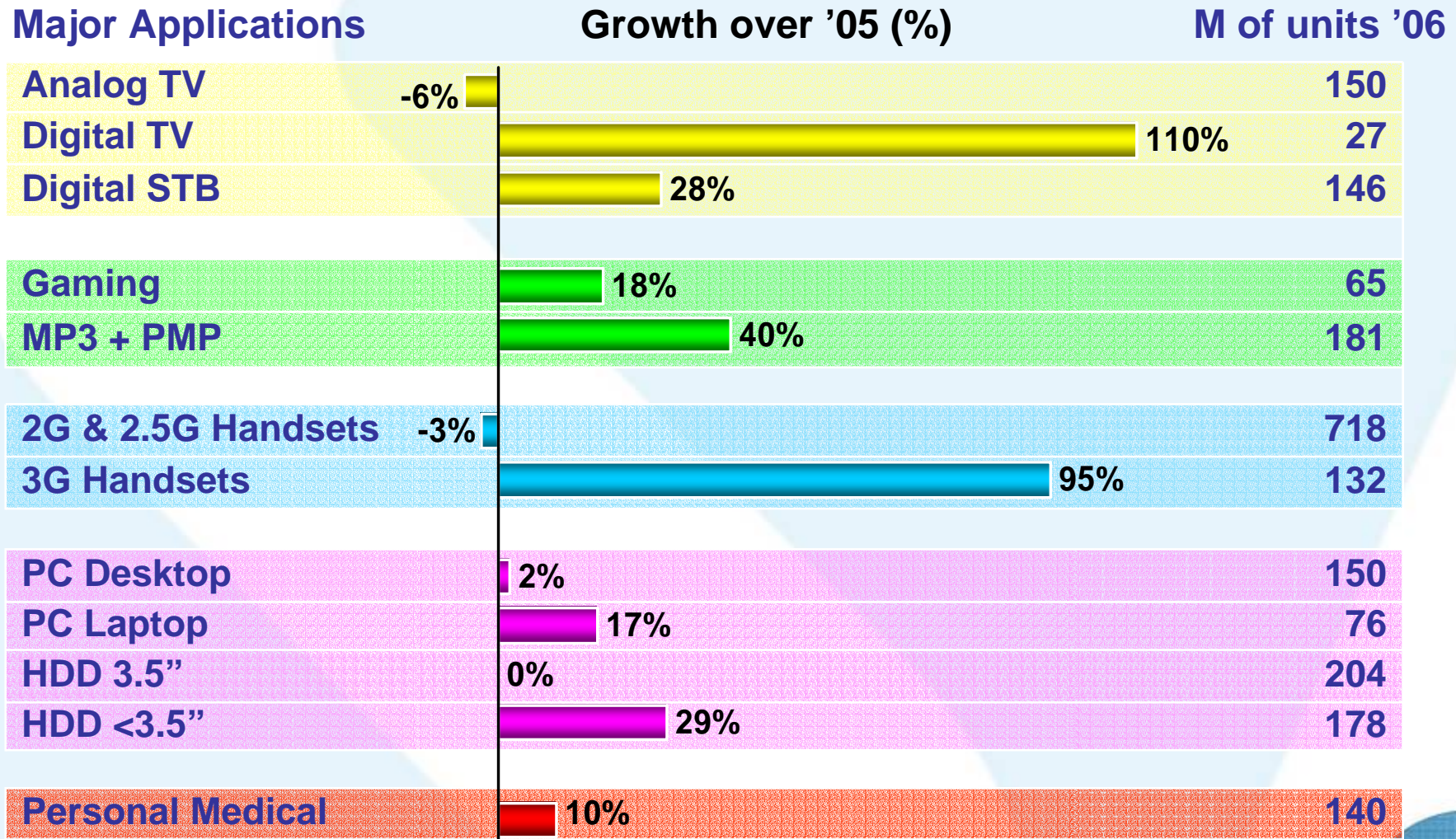
Semiconductor Market Cycle Build-Up



Source : WSTS, ST estimates



2006 End-Demand Assumptions

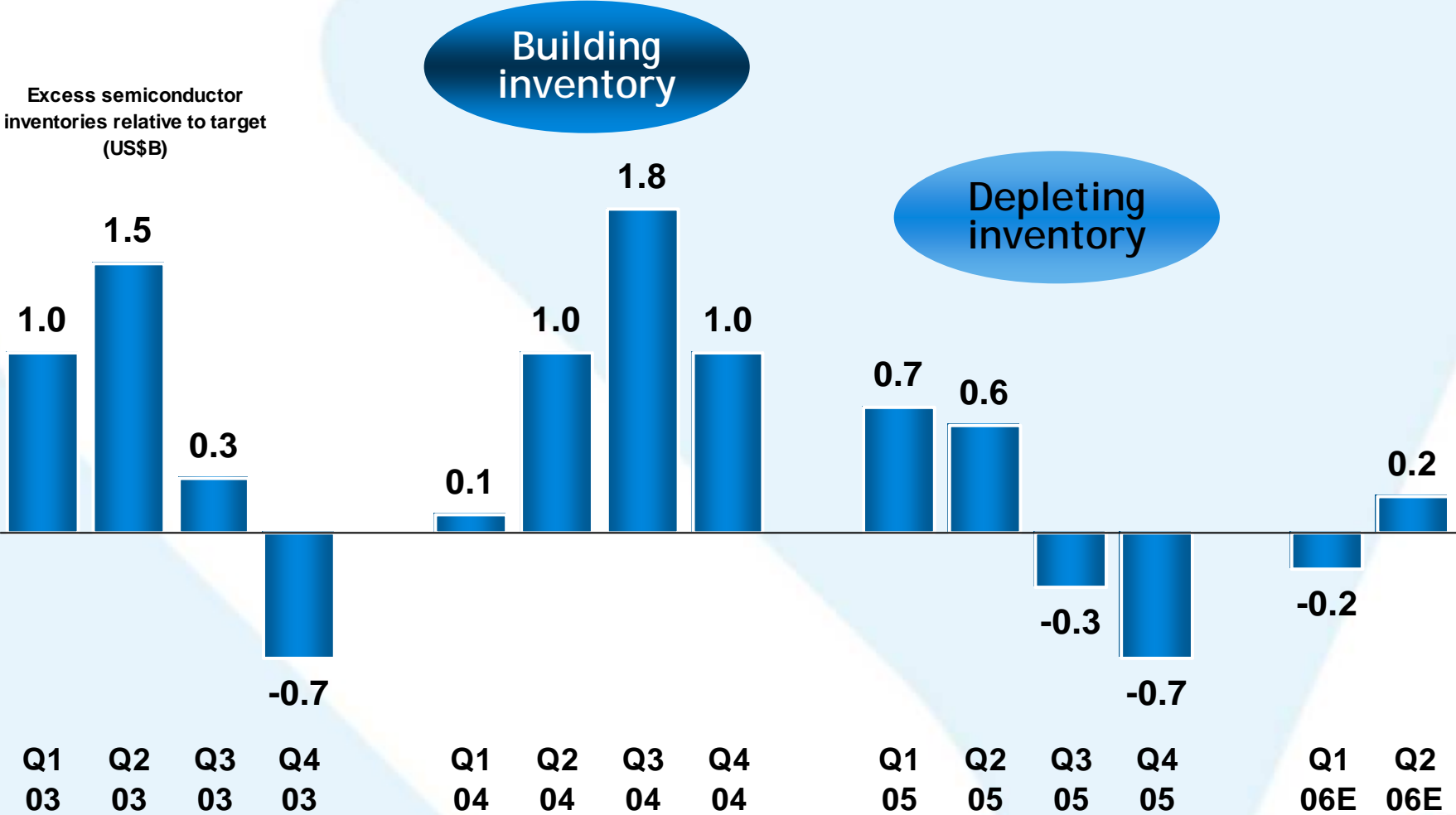


Source : ST estimates



Semiconductor Inventory Level Trends

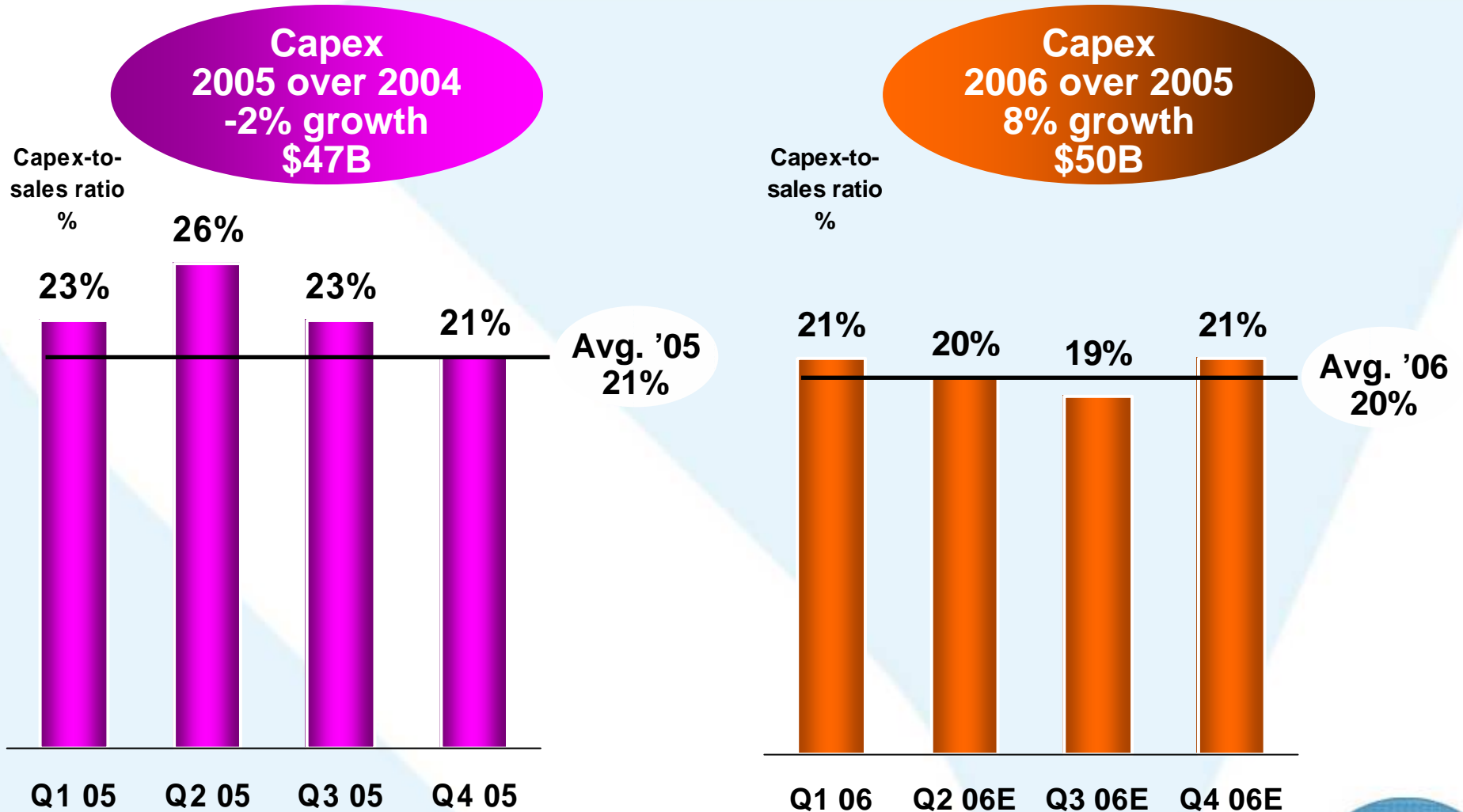
Excess semiconductor inventories relative to target (US\$B)



Source : iSuppli



Capital Spending Trend



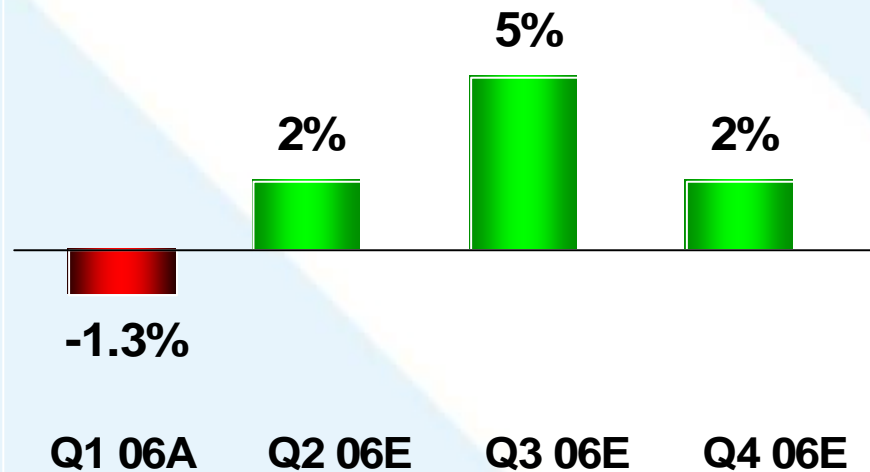
Source : ST Estimate



2006 Semiconductor Market Growth Forecast by Quarter

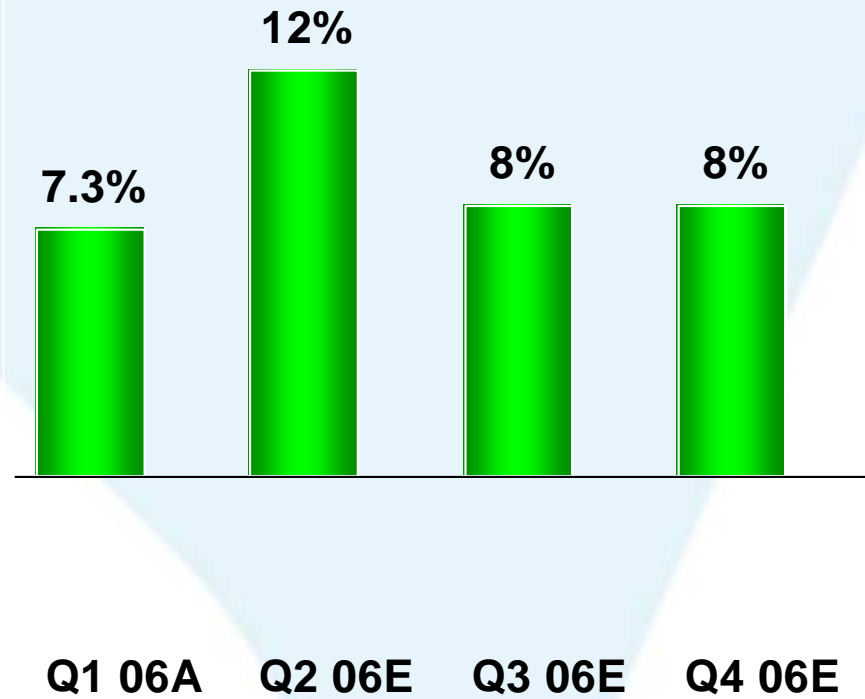
Sequential growth %

2006 market growth 8.5%



Y-o-Y growth %

2006 market size \$247B



Source : WSTS, ST



2006 Semiconductor Market Growth Forecast

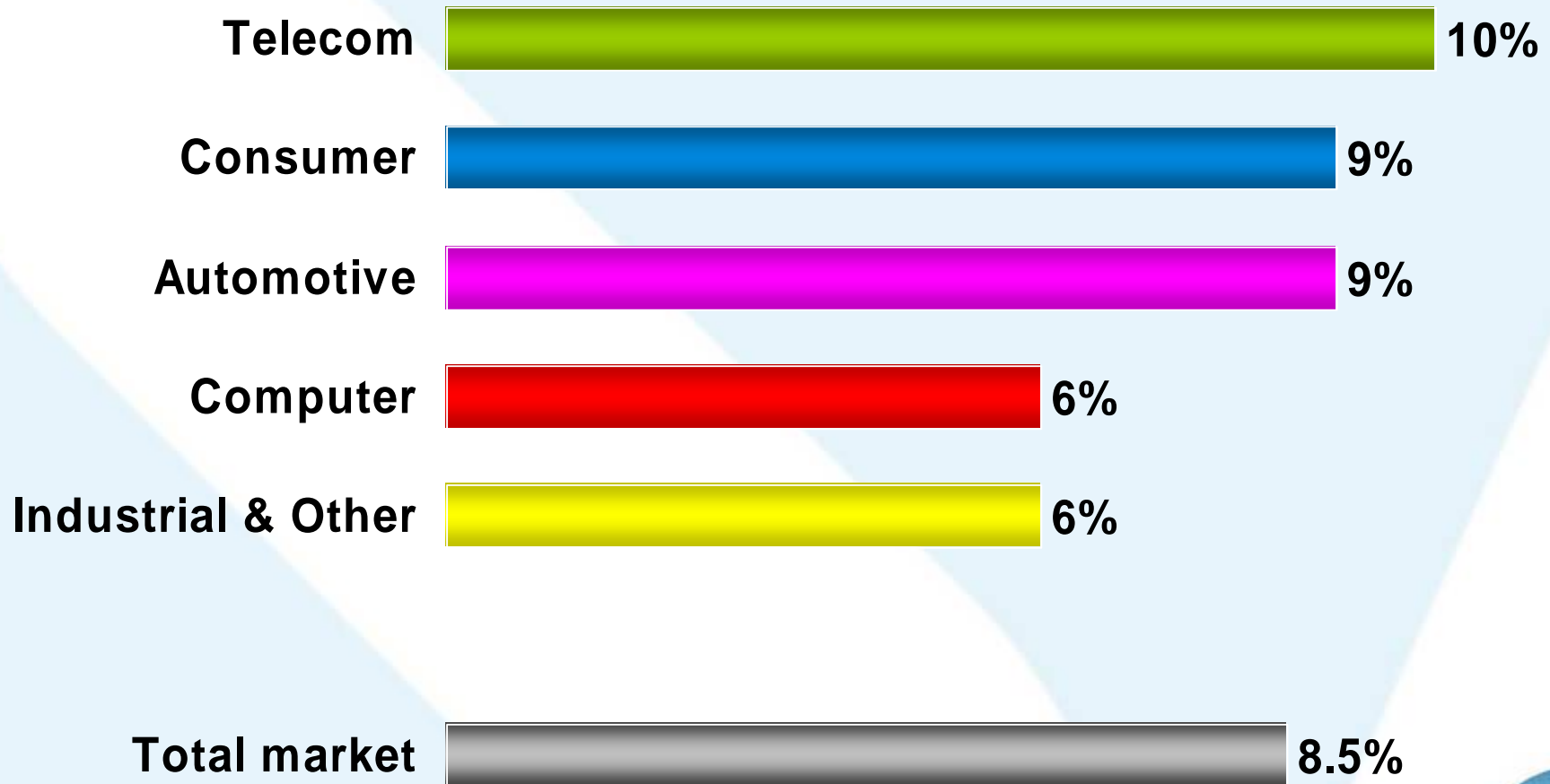
Products Families

Products families	\$B in '06	Growth over '05 (%)
MPU	36.4	4%
DRAM	27.1	6%
Opto	17.1	15%
Discrete	15.7	3%
Std Lin. & Logic	15.3	15%
MCU	12.2	1%
ASP/DSP	96.7	9%
NOR	8.5	6%
NAND	13.4	26%
Other Mem.	4.4	1%
Total Market	247	8.5%

Source : ST estimates



2006 Semiconductor Market Growth Macro-Segments

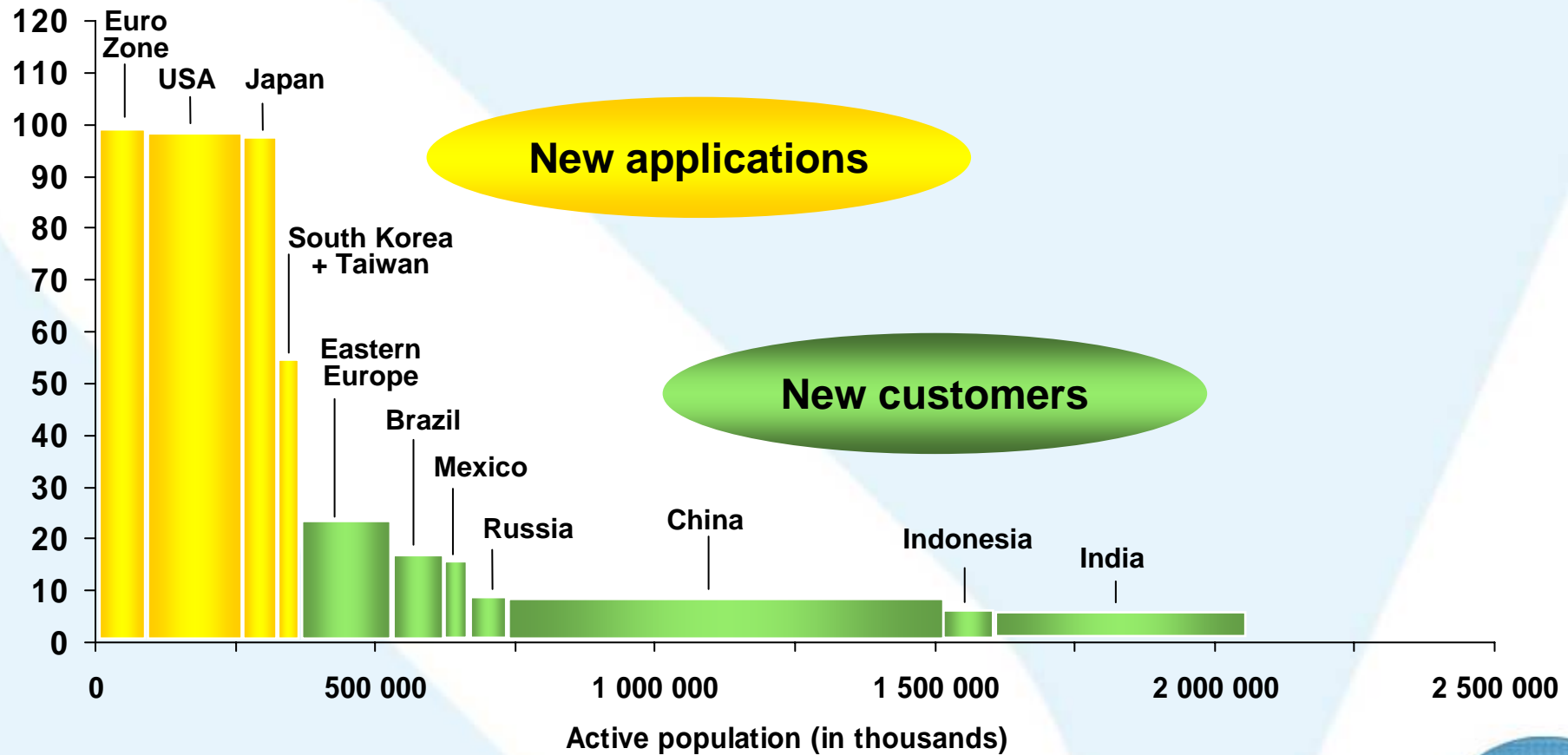


Source : ST estimates



Economic Imbalances Generate Market Potential

Monthly salaries
(incl. charges)



Source : International Labour Office, Estin & Co, ST

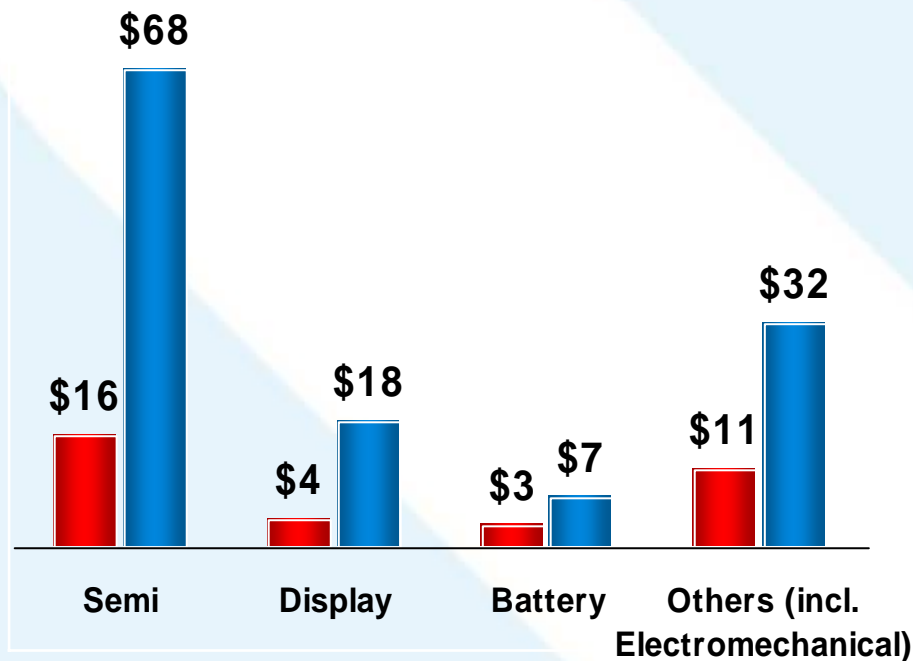


New Application and New Customers Drive Semiconductor Market

Application

**Handset
low-end
cost : \$34**

**Handset
high-end
3G cost : \$125**



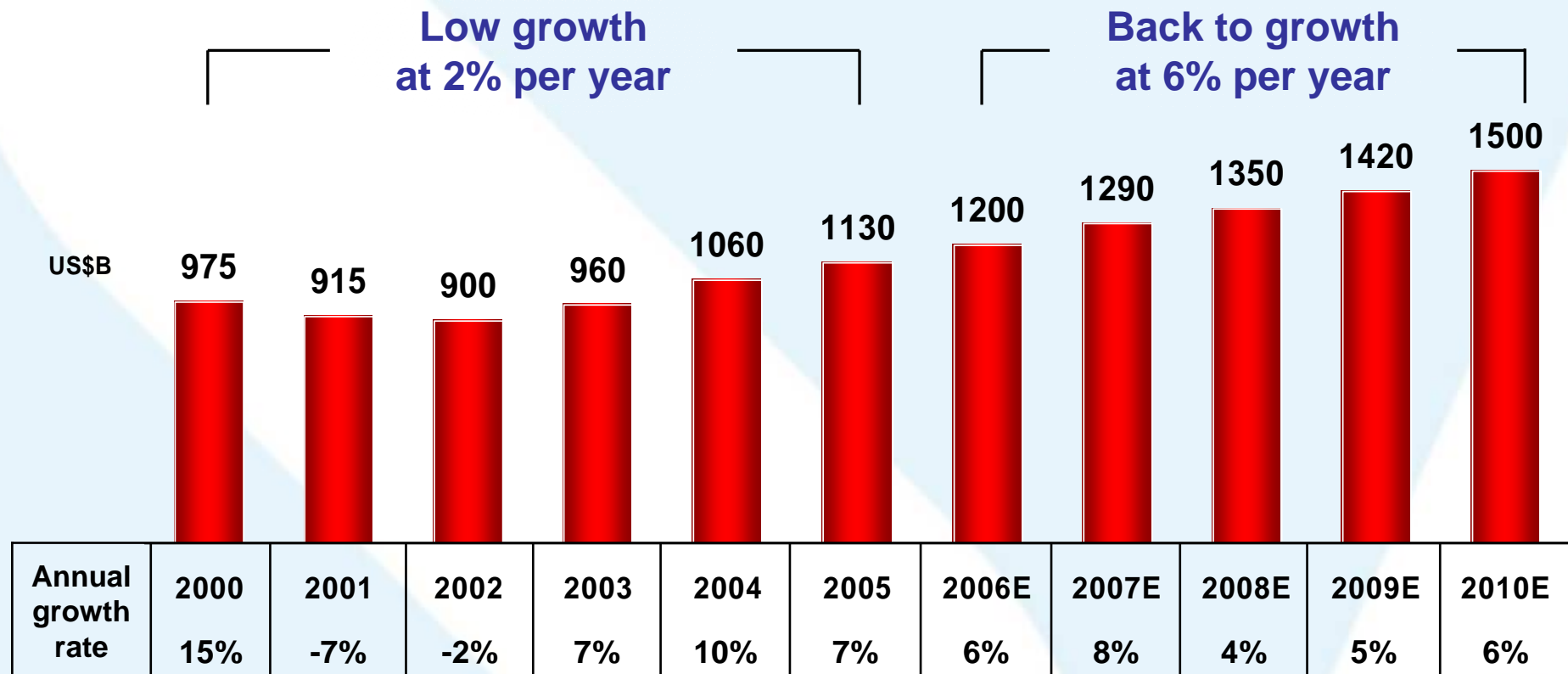
Customer

- 2004 India cellular connections exceeded fixed-line
- 2005 India sixth-largest cellular market subscriber base : 75.3 million subscribers at the end of 2005, 48 million at the end of 2004
- 2006 Subscriber growth momentum continues : 84.3 million subscribers at the end of February 2006
- We project 280 million subscribers by 2010, Only 24% of population equipped

Source : iSuppli



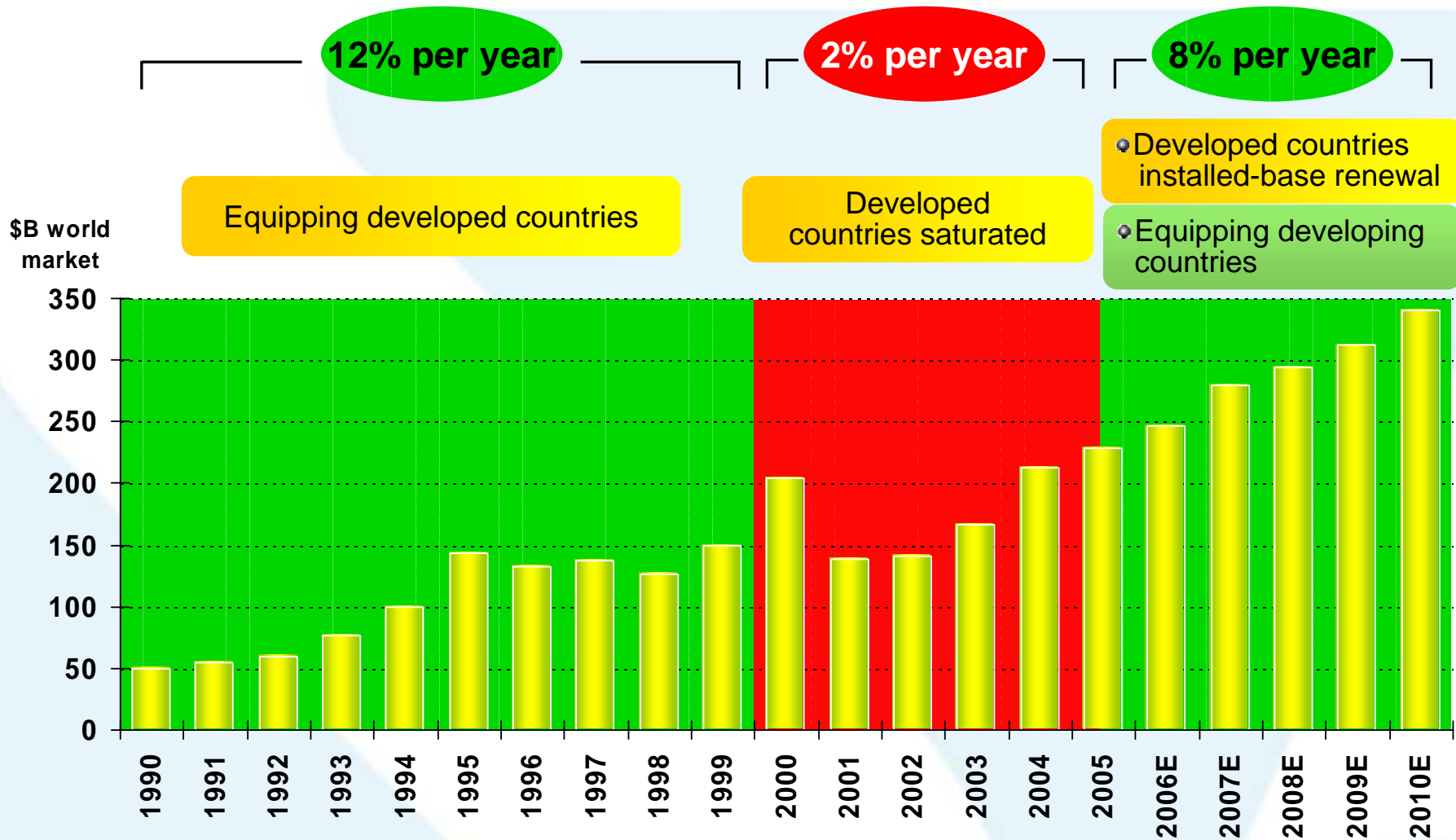
Looking Ahead: World Electronic Systems Growth



Source : iSuppli, ST



Semiconductor Market Growth



Source : WSTS, ST

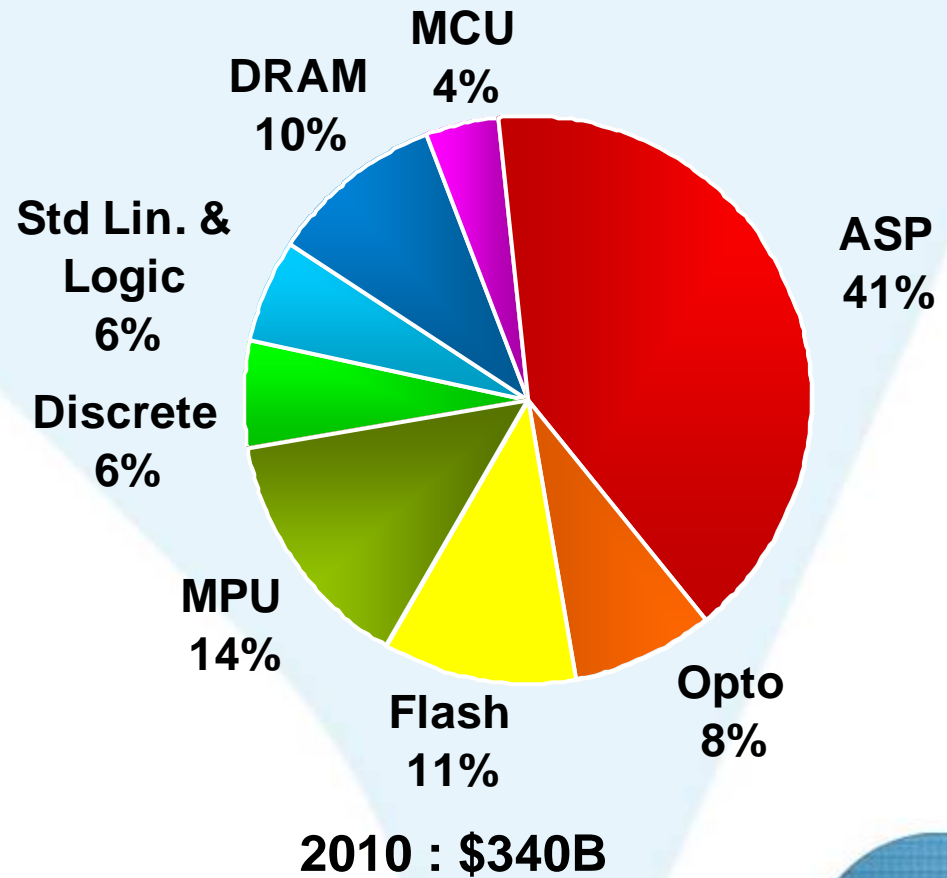


Semiconductor Market Forecast 2005-2010

Product Families

CAGR 2005-2010 %	
Opto	12%
Flash	11%
ASP	11%
Std Lin. & Logic	8%
MPU	8%
MCU	7%
DRAM	5%
Discrete	5%
Total Market CAGR 2005-2010	8%

2010 Market Breakdown



Source : WSTS, ST

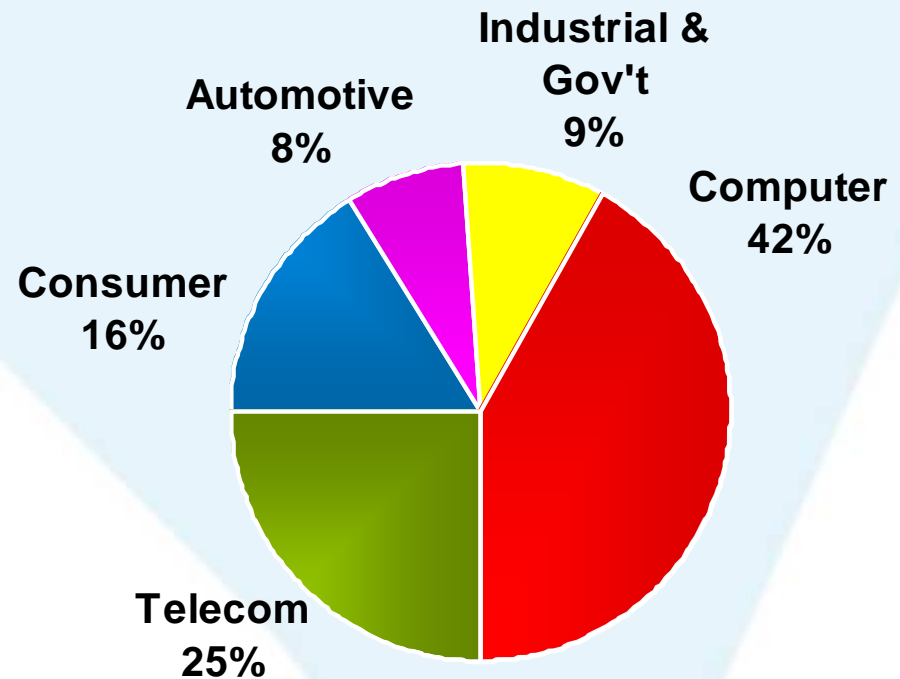


Semiconductor Market Forecast 2005-2010

Applications

CAGR 2005-2010 %	
Telecom	10%
Automotive	9%
Consumer	9%
Computer	8%
Industrial & Govt	7%
Total market CAGR 2005-2010	8%

2010 Market Breakdown



2010 : \$340B

Source : WSTS, ST

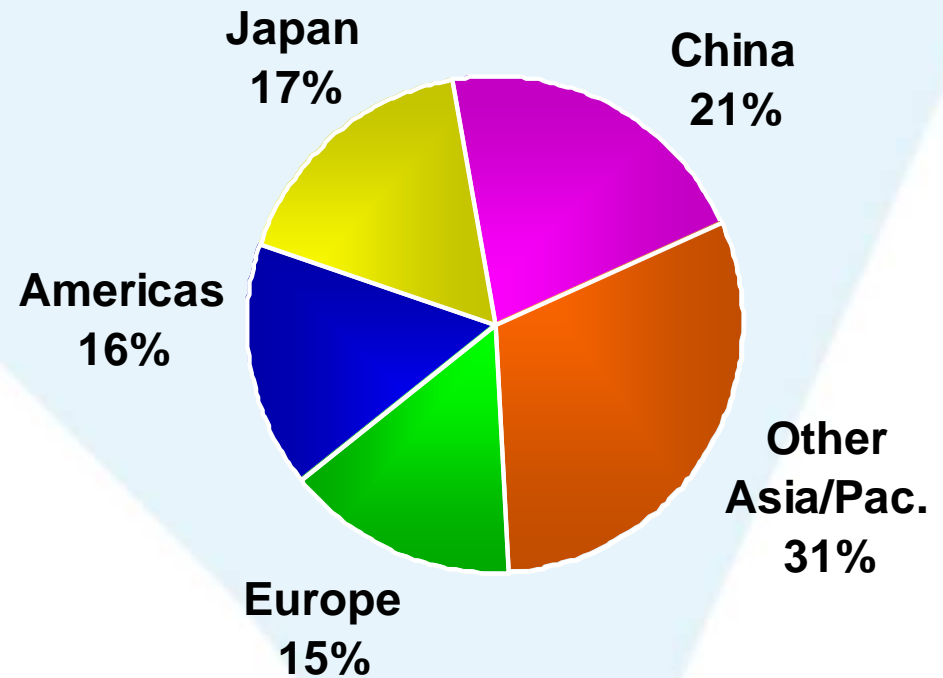


Semiconductor Market Forecast 2005-2010

Regions

CAGR 2005-2010 %	
China	18%
Other Asia/Pac. Including India	11%
Americas	6%
Europe	6%
Japan	5%
Developing regions	15%
Developed regions	6%
Total market CAGR 2005-2010	8%

2010 Market Breakdown



2010 : \$340B

Source : WSTS, ST

