

Corporate Overview

Alain Dutheil
Chief Operating Officer



Field Trip 2006 - London, May 23rd

Agenda

- ▣ **Setting the Stage**
- ▣ **Revenue Dynamics**
- ▣ **ST's Report Card**
- ▣ **Company Initiatives**

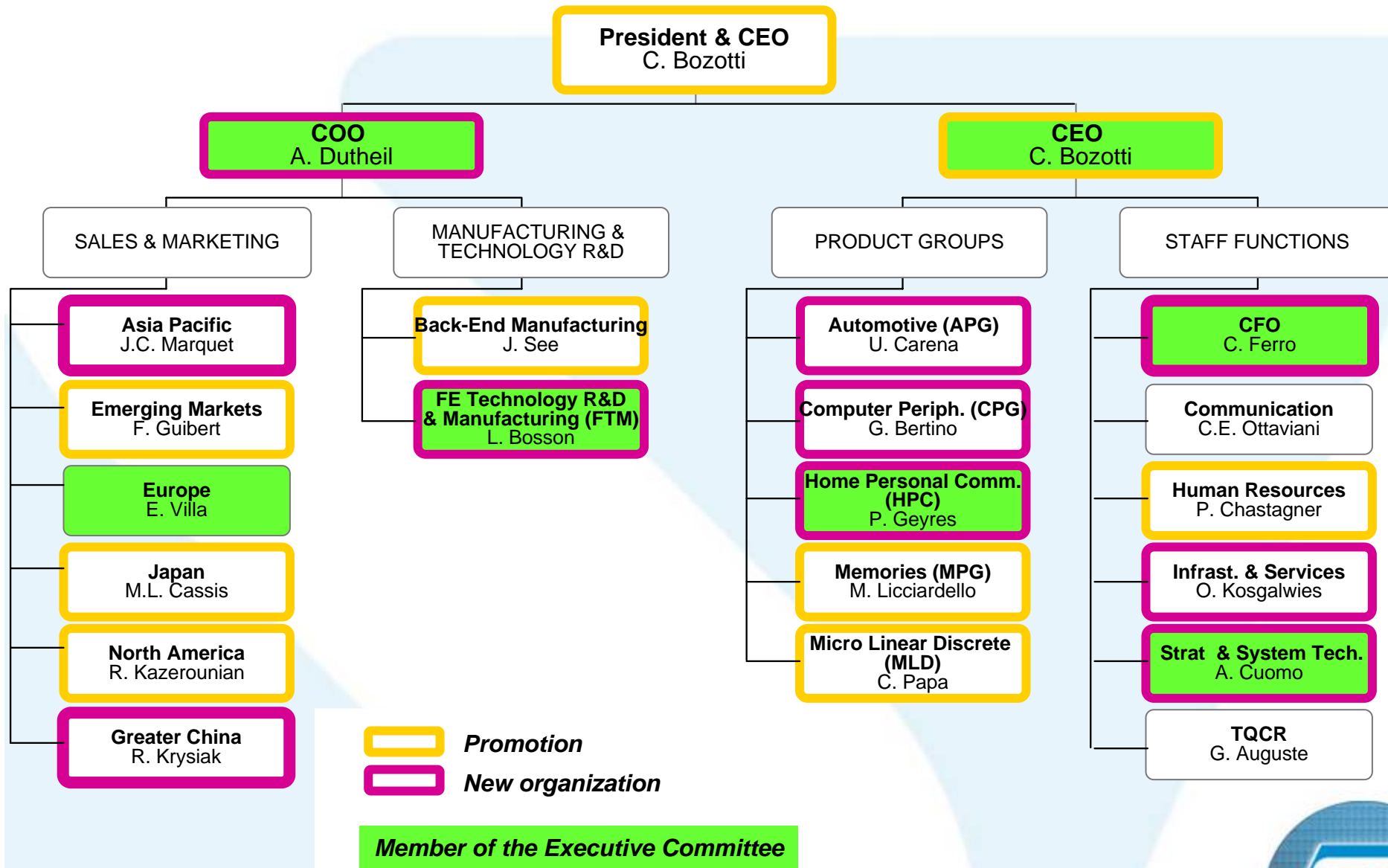


Since We Last Met

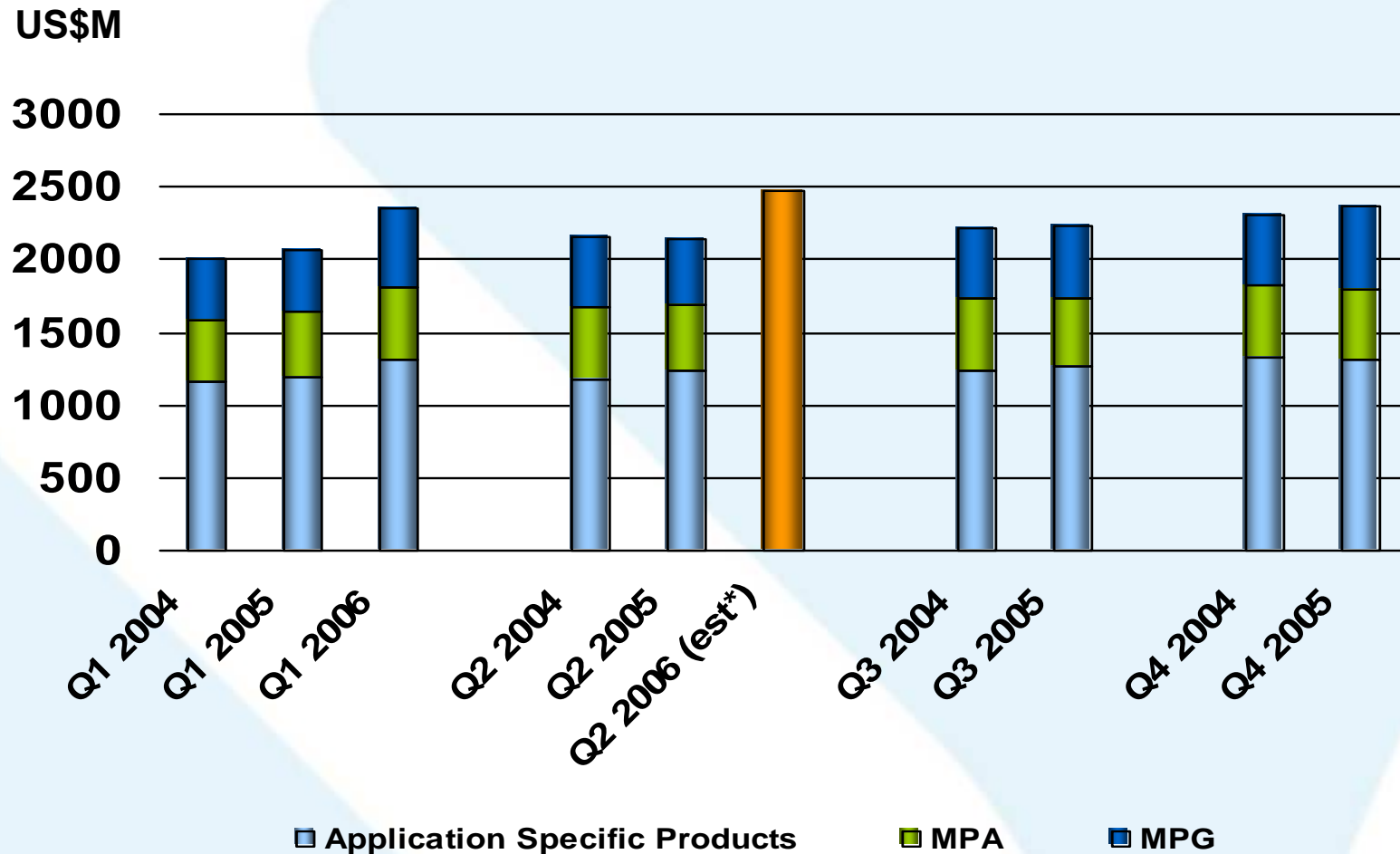
- ▣ **Completed Organizational Structure Changes**
- ▣ **Expanded Marketing Efforts**
- ▣ **Focused R&D Process**
- ▣ **Implemented Cost Reduction Initiatives**



2005: Reshaping the Company



Revenues by Product Segment

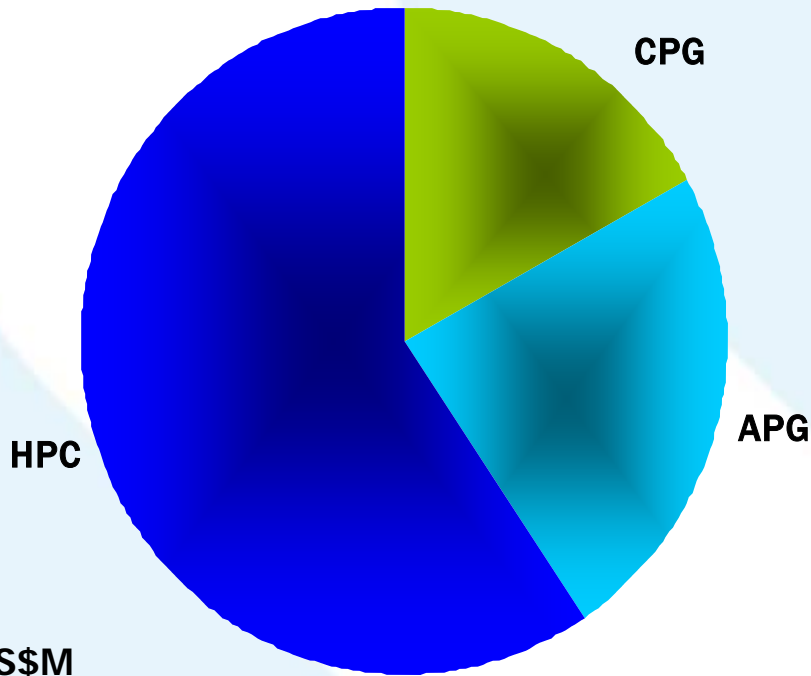


* Based on mid-point of company guidance



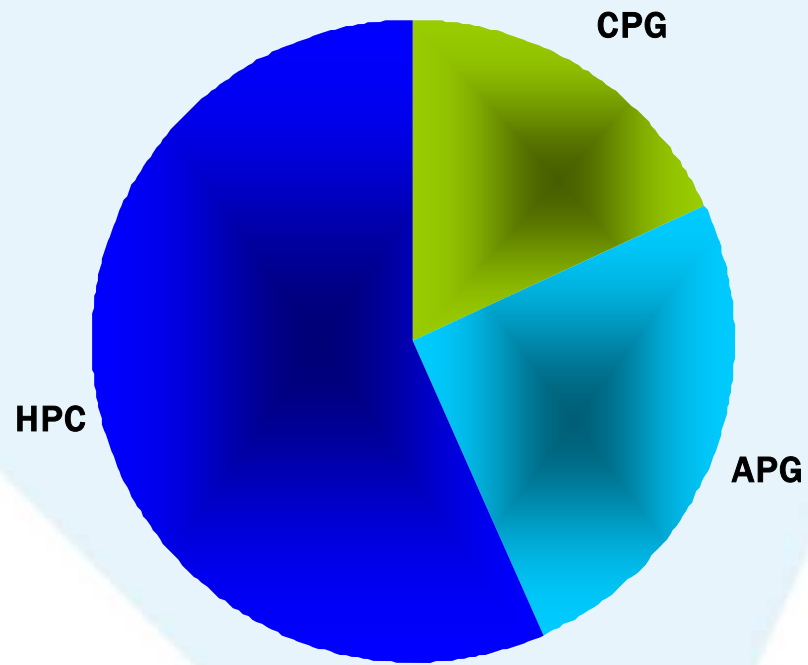
Application Specific Product Group Sales

2004



Total Application Specific Product Group Revenues = \$4,902

2005

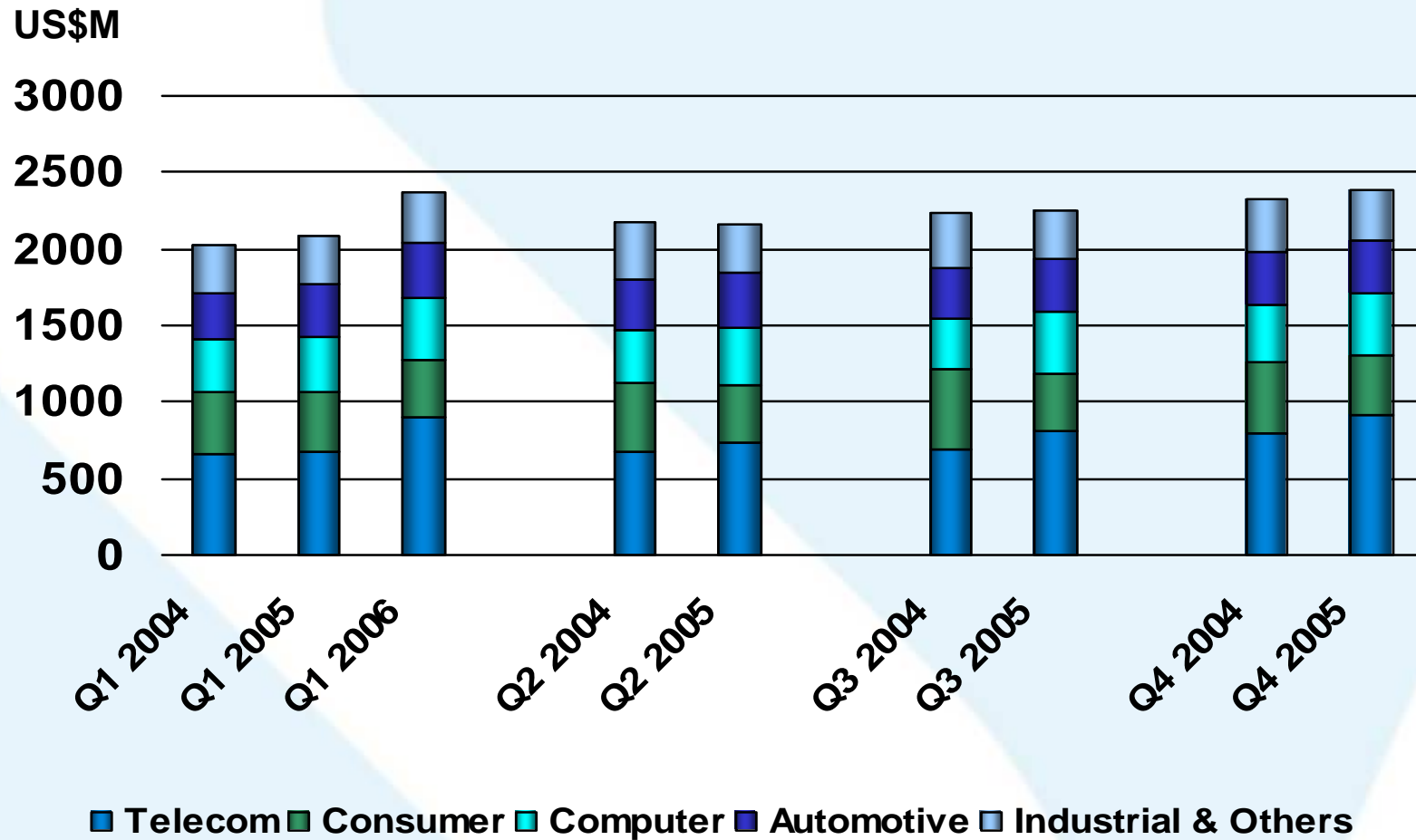


Total Application Specific Product Group Revenues = \$4,991

US\$M



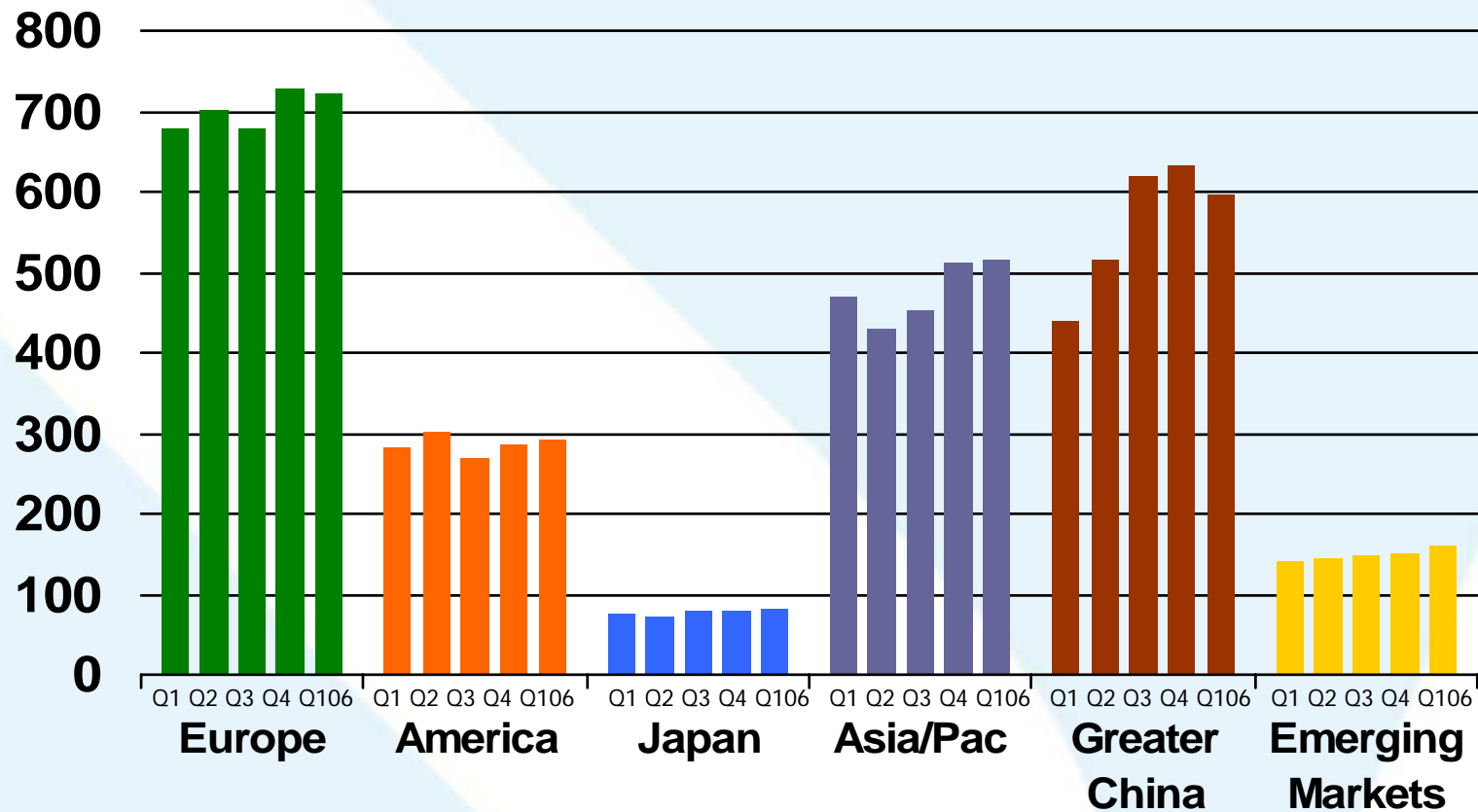
Revenues by Market Segment



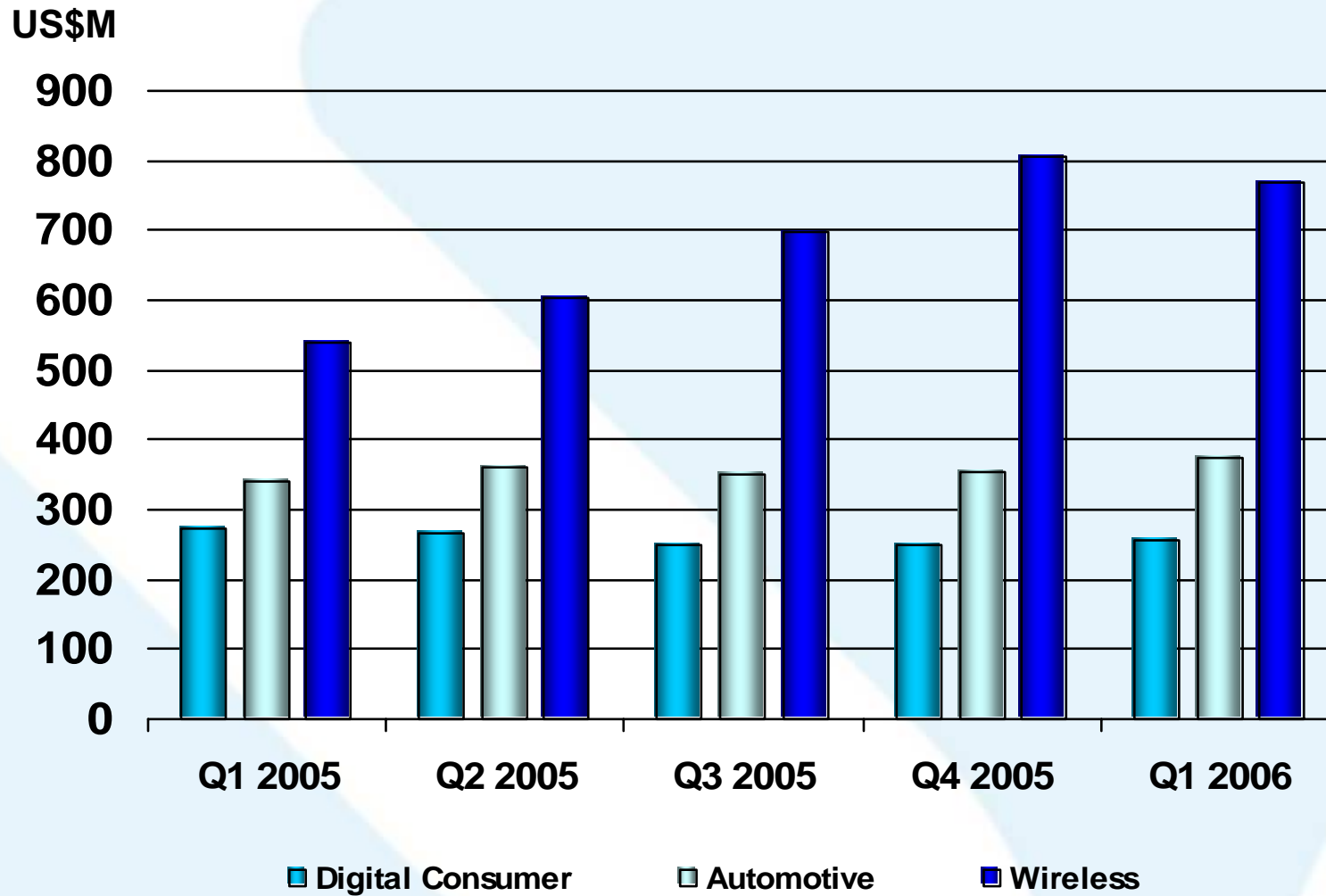
Revenues by Region

US\$M

Quarterly Revs: Q1 2005 through Q1 2006



Revenues by Application



Report Card

■ 2005 Sales Growth: +1.4%

- Driven Primarily By:
 - Wireless
 - Automotive
- Underperformed the market but maintained rankings
- But Let's Dig Deeper...

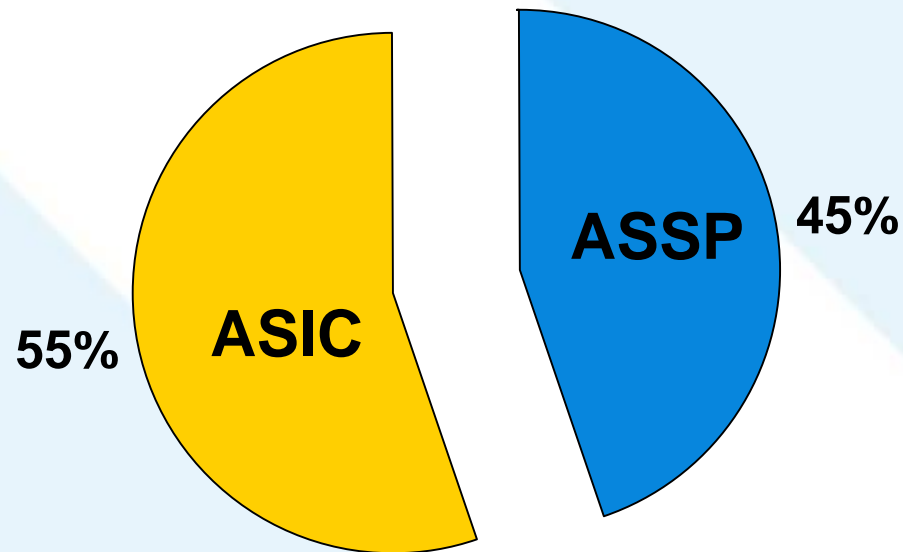


#2 in Application Specific Products

Total 2005 ASP revenues = \$4.4B

Well-balanced
between ASSP and ASIC

With TOP 3 Position in Key
Market Segments



1 in Automotive
3 in Consumer
4 in Wireless

Source: iSuppli (March 2006) - defined as Logic + Analog markets



Building on Our Historical Strengths

2005 Rankings

**Mixed
Signal,
Analog &
Power**

- #1 in ASIC Analog
- #1 in Application Specific Analog
- #1 in CMOS Sensors
- #2 in Analog Sales
- #2 in Total Discrete

**Non-Volatile
Memory**

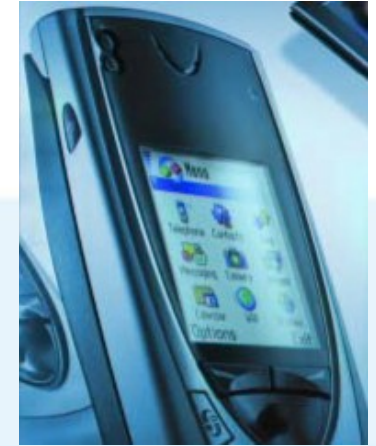
- #1 in EEPROM
- #2 in EPROM
- #3 in NOR Flash Memory
- #4 in Smartcards

**Within the TOP 3 on over
80% of sales**

Source: iSuppli, March 2006



Wireless Application Market



2003 → 2004 → 2005

#3

#4

#3

- Increasing our presence throughout the handset
- Expanding the customer base
- Investment focus

Source: iSuppli, March 2006



Automotive Application Market



2003 → 2004 → 2005

#3

#3

#3

- Full range product offering
- Continuous product development
- Long-standing relationships with industry leading customers

Source: iSuppli, March 2006



Digital Consumer Market



2003 → 2004 → 2005

#3

#3

#3

- Expanding leadership with high definition MPEG devices
- Platform solutions
- Expanding market opportunities
- Enriched product portfolio

Sources: Dataquest, Digital ASIC+Digital ASP, Gartner



Key Application Performance

- ❖ **Wireless and Automotive Applications both grew faster than the Company average over past 2 years**
- ❖ **Over the past 3 years we have improved or maintained ranking and Leadership position in Wireless, Digital Consumer and Automotive Application Markets**
- ❖ **Additional R&D resources now being directed into other high-priority programs, such as data storage and advanced analog**



Focused on: Accelerating Top-Line Growth and Boosting Profitability

- ▣ **Marketing Initiatives**

- ▣ **New Products**

- ▣ **Cost Control**



Marketing Initiatives

- ▣ **Customer Base Expansion**
- ▣ **Major Customer Initiative**
- ▣ **Market Share Improvement in Asia Pacific**
- ▣ **Market Share Improvement in Japan**



Positive Momentum: Key Customers and Regions

New major key accounts

- 12 OEMs targeted:
 - 6 in Asia
 - 4 in US
 - 2 in Europe
- Over \$40 billion in semiconductor TAM

China

- Q106 sales up 36% Y-o-Y

Japan

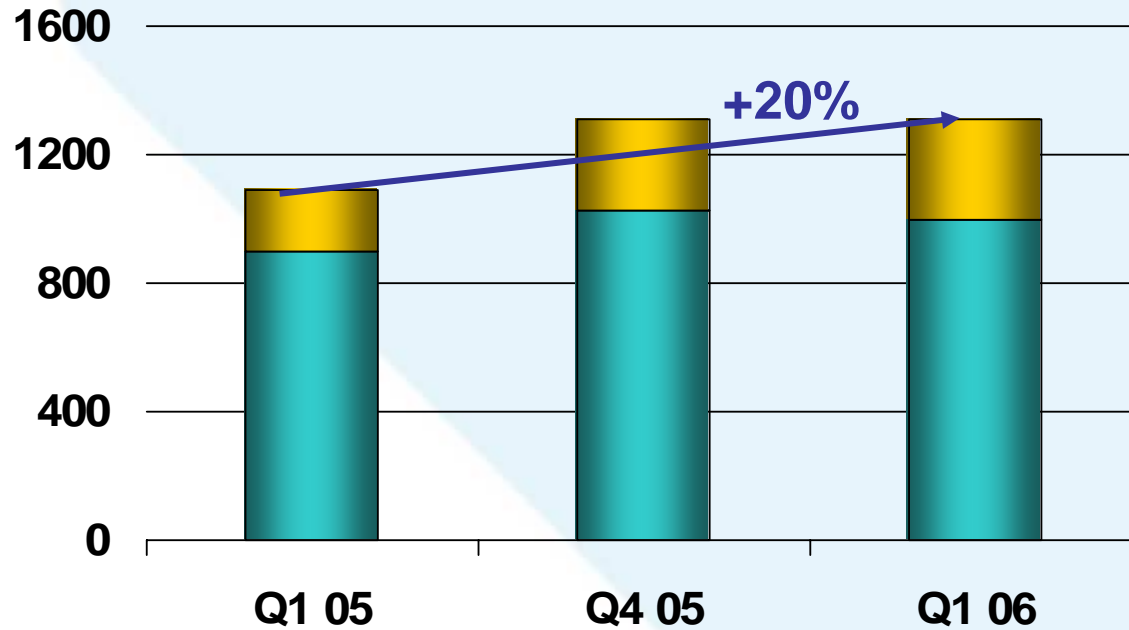
- Q106 sales up 11% Y-o-Y and 3% sequentially



Targeted Customers

US\$M

Sales to Current Strategic Partners* and New Major Key Accounts



■ Strategic Partners ■ New Major Key Accounts

New major key accounts

+12% sequentially

+66% year-over-year

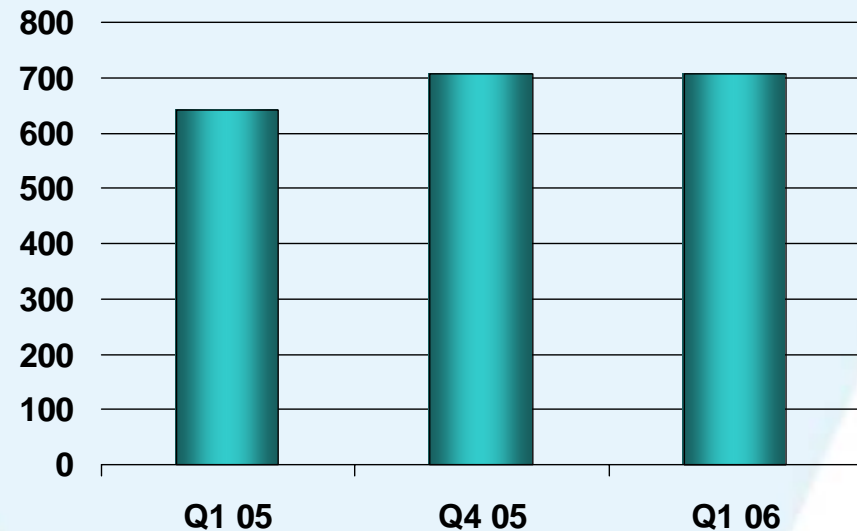
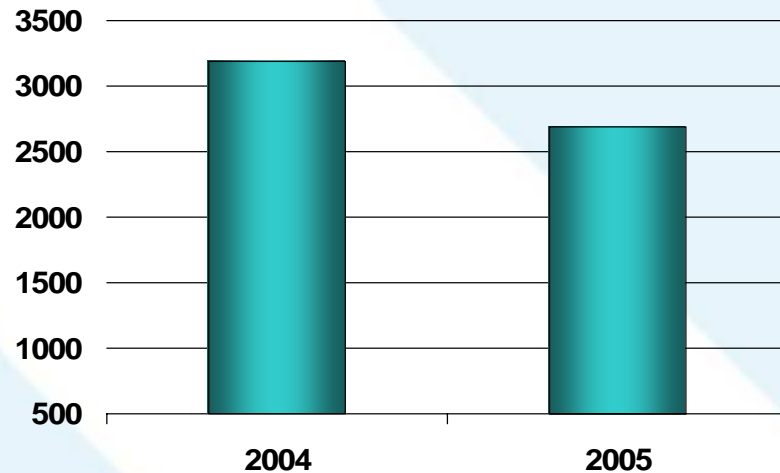
* Strategic partners list now at 11, with unidentified partner removed due to industry consolidation



Sales and Marketing - Customer Base Expansion

Sales to Customers Outside the Traditional Top 50 (Mass Market)

US\$M



- 2005: Inventory correction
- 2006: New product mix expands opportunities

Target: Significantly exceed 40% of total sales



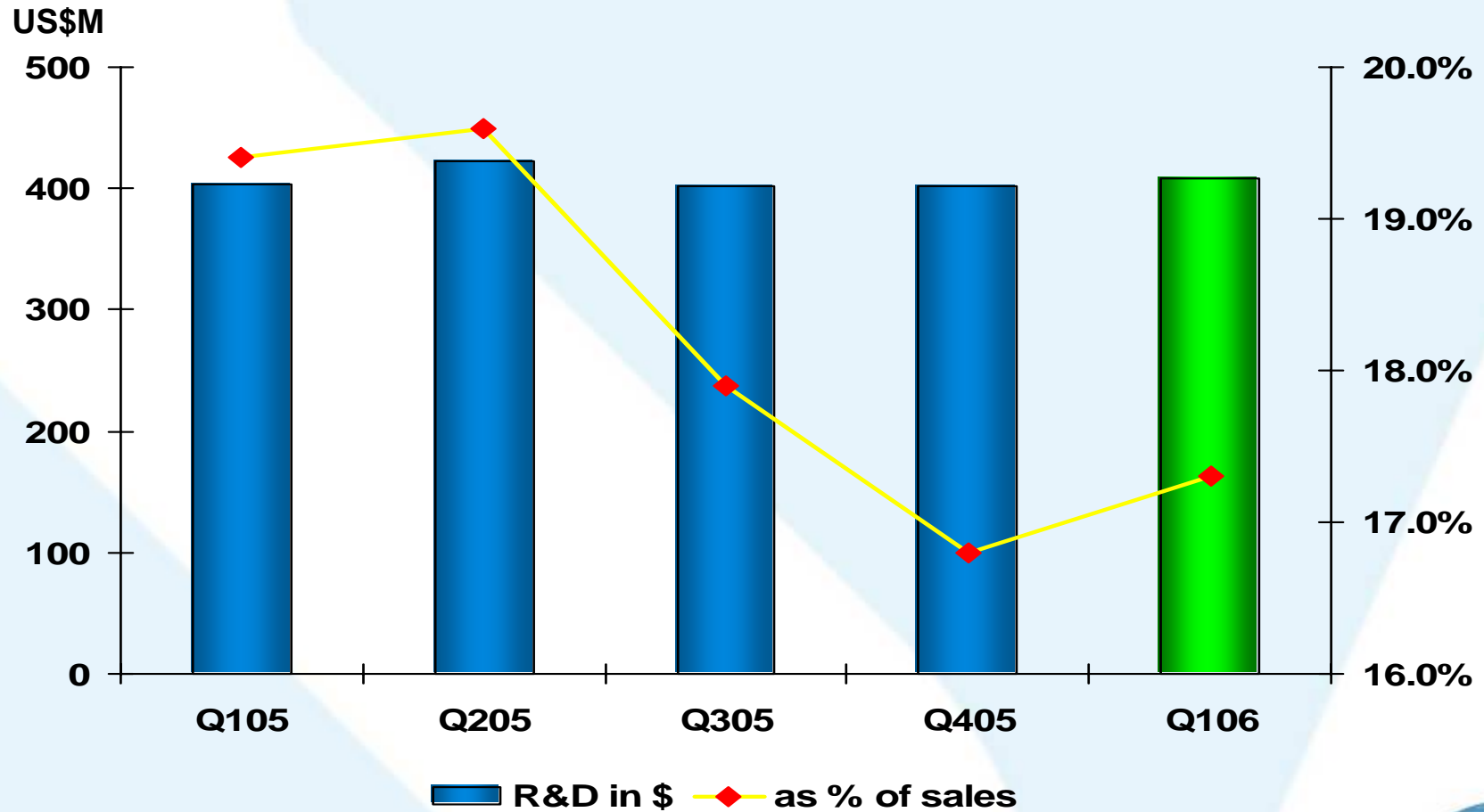
Improved R&D Focus

- Created FTM Organization
- Redeployment of 10% of R&D Resources
- Implemented Program Analysis
- Added Technology Line Management
- Central Cores/Tools/IP Blocks
- Began R&D Councils
- Expanded Cooperation via LIPP
- Identified Key Programs



Consistent Investments in R&D

20 technology and product programs selected and reviewed monthly by ST's Executive Committee



Recent and Upcoming New Products

- ▣ **Q4 2005:** **Digital Consumer - 7100**
- ▣ **Q1 2006:** **Connectivity**
- ▣ **Q2 2006:** **Nomadik**
- ▣ **Q3 2006:** **ASIC for wireline infrastructure**
- ▣ **Q4 2006:** **3G baseband**
- ▣ **H1 2007:** **90nm SoC for disk drives**



Initiatives – Q2 2006 Status

Cost Control

■ Complete/Near Completion:

- ◆ 2005 Cost Reduction Efficiency Program
- ◆ 6” Restructuring
- ◆ Headcount Reduction Program

■ Ongoing:

- ◆ Front-End Manufacturing Cost Benefits

Balanced with Execution Excellence Program



6" Restructuring

- **Rationale: Benefit of scale and cost reduction**
- **Move to Asia provides low cost and mitigated Euro exposure**
- **Scheduled for mid-2006 completion—this is confirmed**
- **Inefficiencies have substantially limited benefits to date**

Annualized \$150M COGS savings when completed



Headcount & Cost Reduction

▀ Headcount Reduction

- ◆ 3,000 Headcount Worldwide Identified
- ◆ Half to be reduced, half to be relocated
- ◆ Key areas: Manufacturing (EWS), Central Functions, Site Consolidation [non-Manufacturing], Product Pruning, Small Divestitures
- ◆ To be completed by mid-2006—this is confirmed
 - End of Q106, 2/3 completed

**Annualized \$90M cost savings when completed,
50% of benefits remain to be captured**



Front-End Manufacturing Cost Improvement

- ▣ **Continuous mask level cost reduction**
- ▣ **Fab meter² saturation continues in Singapore, Rousset and Crolles 2**
- ▣ **Reduced depreciation costs**

Target: 15% reduction in cost/mask level by end of 2006



Accelerating Top-Line Growth and Boosting Profitability

Execution Excellence

Marketing Initiatives

+

New Products

+

Cost Control

=

**Improved Financial
Performance**



Conclusion

- **ST is a leader in targeted markets, but must remain agile**
- **Executing, with current initiatives addressing key requirements**
- **Accountability and execution will drive performance improvement**

