Winning with China

Bob Krysiak

Corporate VP, General Manager
Greater China Region

Field Trip 2006 - London, May 23rd

Agenda

- **Greater China, a Strategic Initiative**
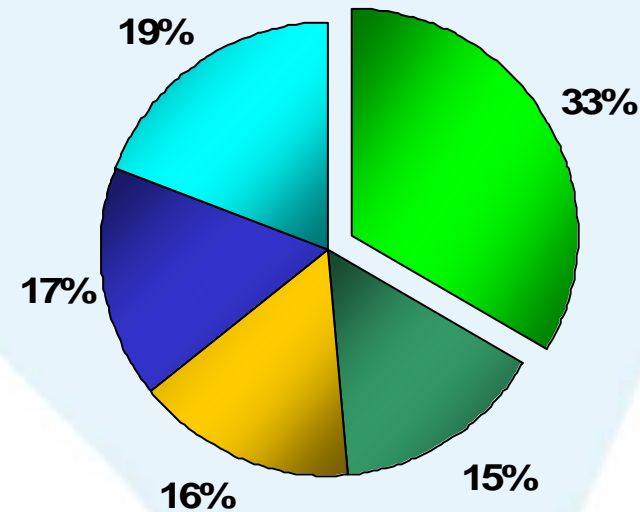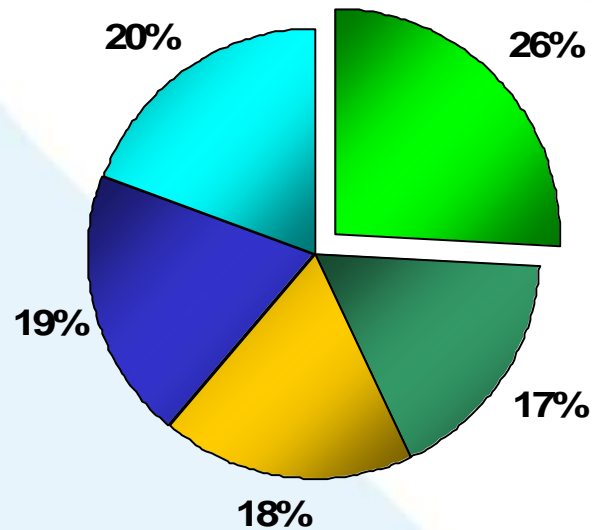
- ST's Commitment to China

- Becoming #1 in China!

Greater China is the Largest and the Fastest Growing Semiconductor Market

2005 Semiconductor Market at $227B

2010 Semiconductor Market at $340B

TOTAL CAGR 8%
GC REGION CAGR 14%

2005:
- 26%
- 17%
- 18%
- 19%
- 20%

2010:
- 33%
- 15%
- 16%
- 17%
- 19%

Legend:
- ■ Greater China
- ■ Europe
- ■ Americas
- ■ Japan
- ■ Rest of Asia

Source : WSTS, ST

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ST, a Global Semiconductor Company

2005 Sales Split by region
100% = $8.88B

**31%
Europe**

**3%
Japan**

**13%
North
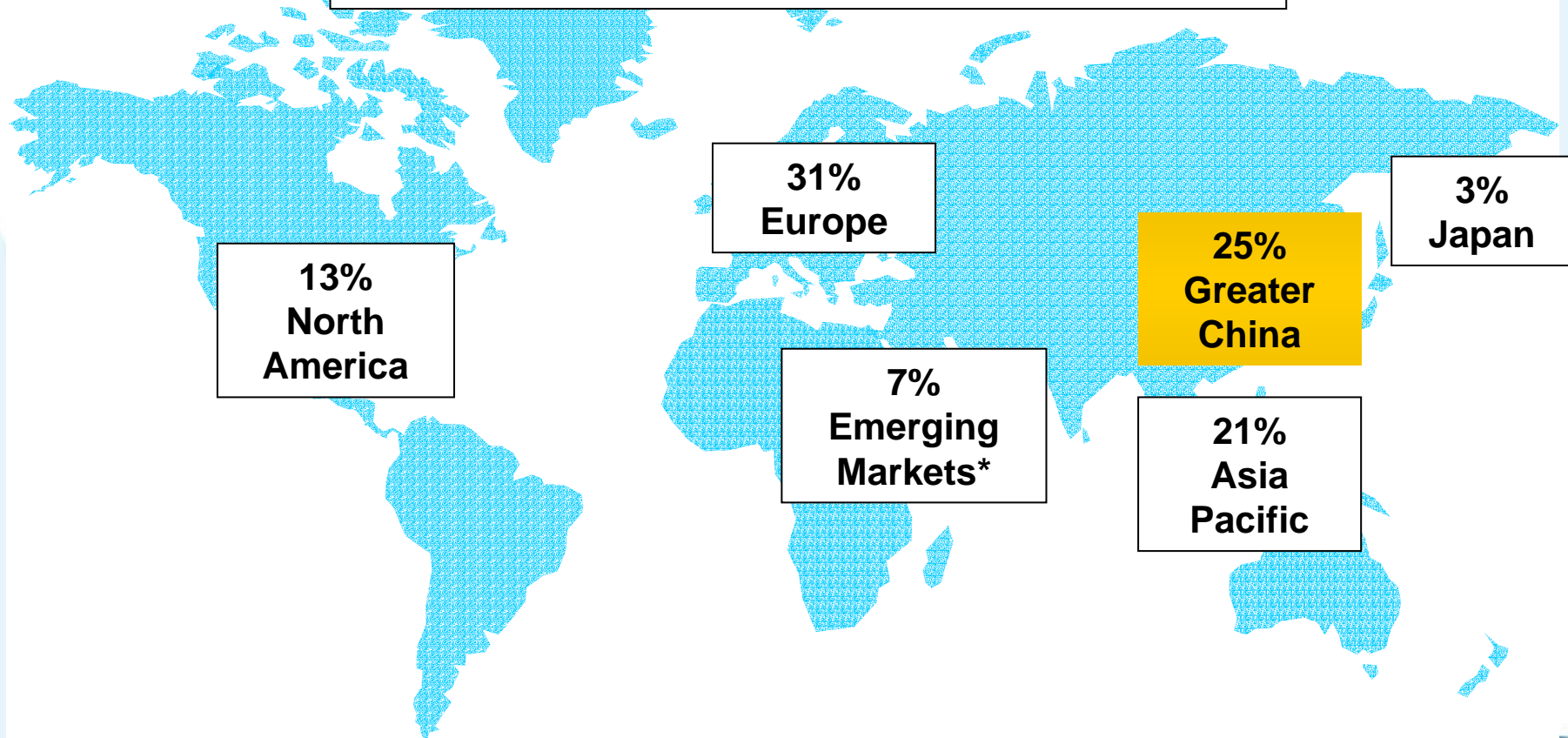America**

**46%
Asia
Pacific**

**7%
Emerging
Markets***
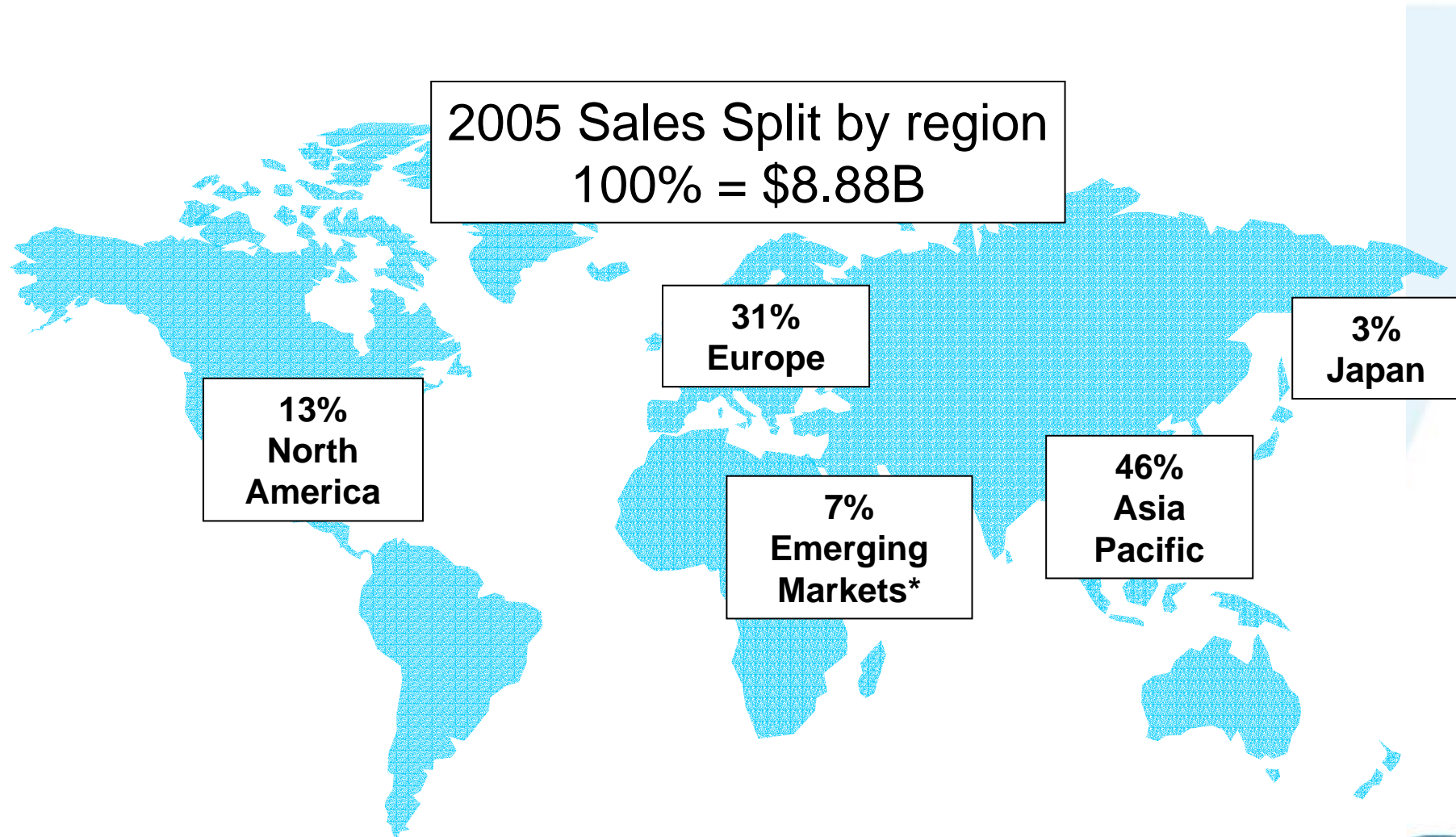
*India, Russia, Latin America, Middle East & Africa

Greater China Region Organization Is Born in 2006

Based on 2005 Sales Split by Region

31%
Europe

3%
Japan

25%
Greater
China

13%
North
America

7%
Emerging
Markets*

21%
Asia
Pacific

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

ST is a Key Player in China

2005 Ranking in China by Revenues

Rank	Company
1	Intel
2	Texas Instruments
3	**STMicroelectronics**
4	Toshiba
5	Samsung
6	Philips
7	Hynix
8	Freescale
9	Infineon
10	Micron Technology

Source : iSuppli (March 2006)

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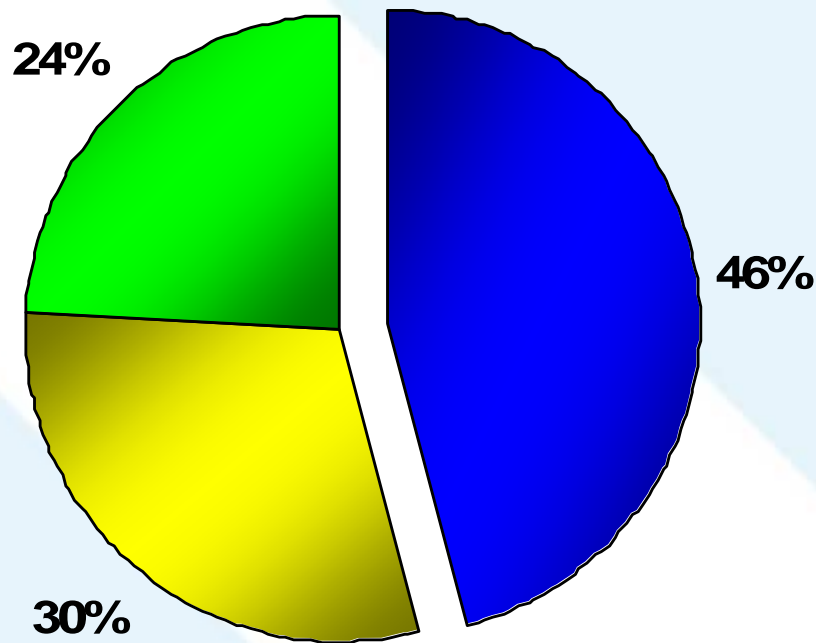
Greater China Region Revenues
By Product Segment

Based on Total 2005 GC Region Sales

100% = $2.2B

Application Specific Group Breakdown

24%

46%

30%

22%

5%

73%

HPC
Home Personal Communication

APG
Automotive Product Group

CPG
Computer Peripherals Group
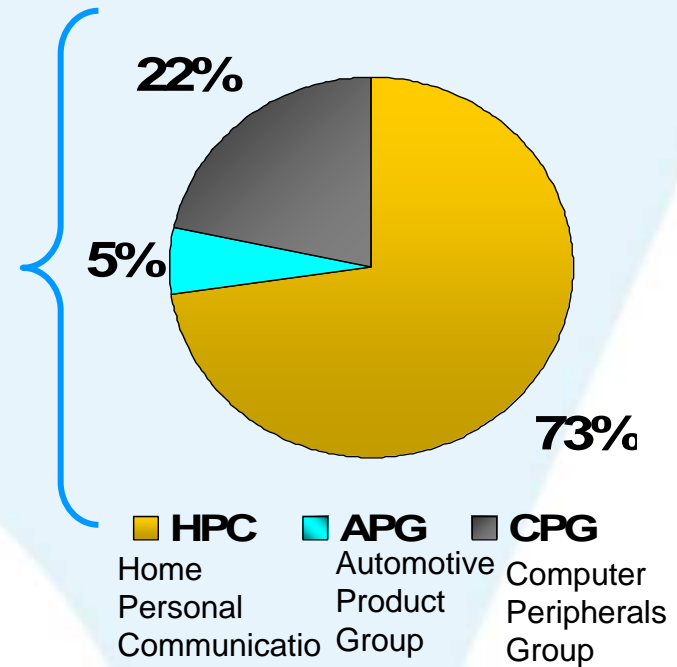
■ **Application Specific Group** ■ **Micro, Power & Analog**
■ **Memory Product Group**

Revenues by Origin

2005 Revenues in GC Region

By Customer Origin

40%

60%

■ **Domestic**   ■ **Transnational**
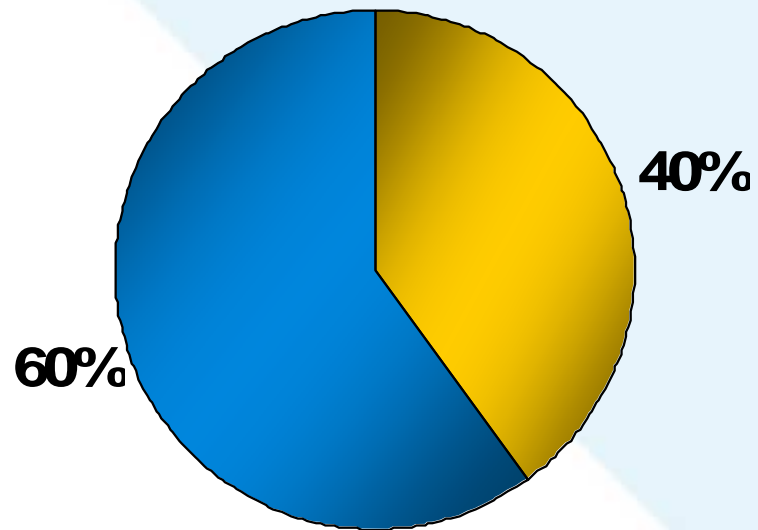
Growth in Greater China

US$M

+18.5%

$1,859M

$2,202M

+36% vs. 1Q 05

700
600
500
400
300
200
100
0

Q1 2004 Q2 2004 Q3 2004 Q4 2004 Q1 2005 Q2 2005 Q3 2005 Q4 2005 Q1 2006
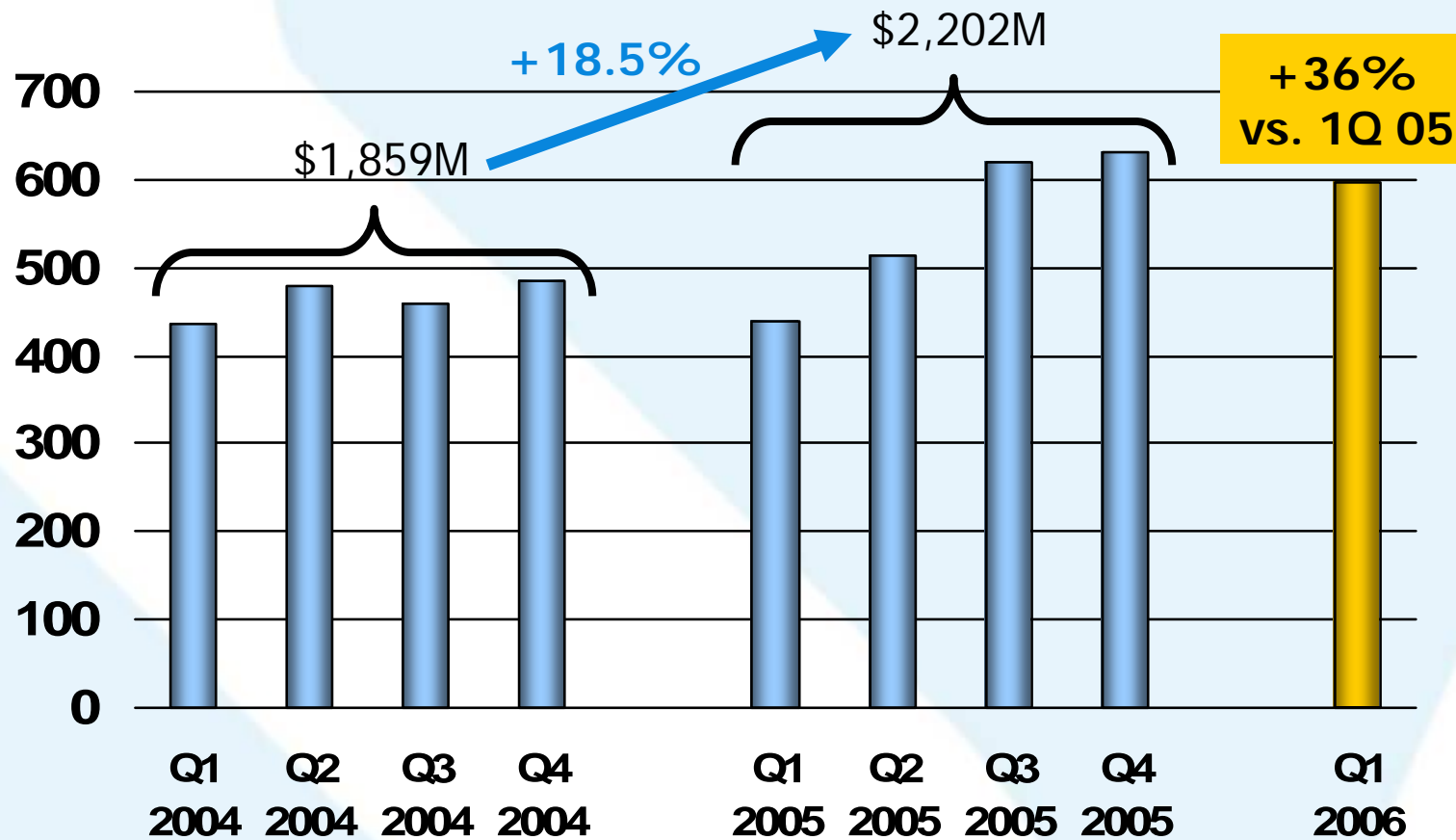
Mission: Becoming #1

- **Currently, #3 semiconductor supplier in China**
- **#2 if we exclude microprocessor products**

Objective: be #1 in the serviceable
available market (SAM)

Source:iSuppli

Greater China Organization

Bob Krysiak Corporate VP

Segments & Application Teams
(selling and supporting all ST products within field of responsibility)

- Automotive
- Multi-System
- Smartcard & Security
- Home ent., Display & Consumer
- Com. & Mobile Multimedia
- Computer
- Distribution
- EMS

All supported by their Own Regional Applications Centers

Competence Centers

- Multi-System
- Set Top Box
- Digital TV
- Nomadik

Standard Product Groups Marketing Organisation

- MPG
- Power& Analog
- Micros

Winning with China

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Agenda

- Greater China, a Strategic Initiative

- **ST's Commitment to China**

- Becoming #1 in China!

ST's Commitment to China

- **Continuous Investment since 1980s**
  - 1984: Beijing sales office
  - 1994: First Back-end plant in Shenzhen
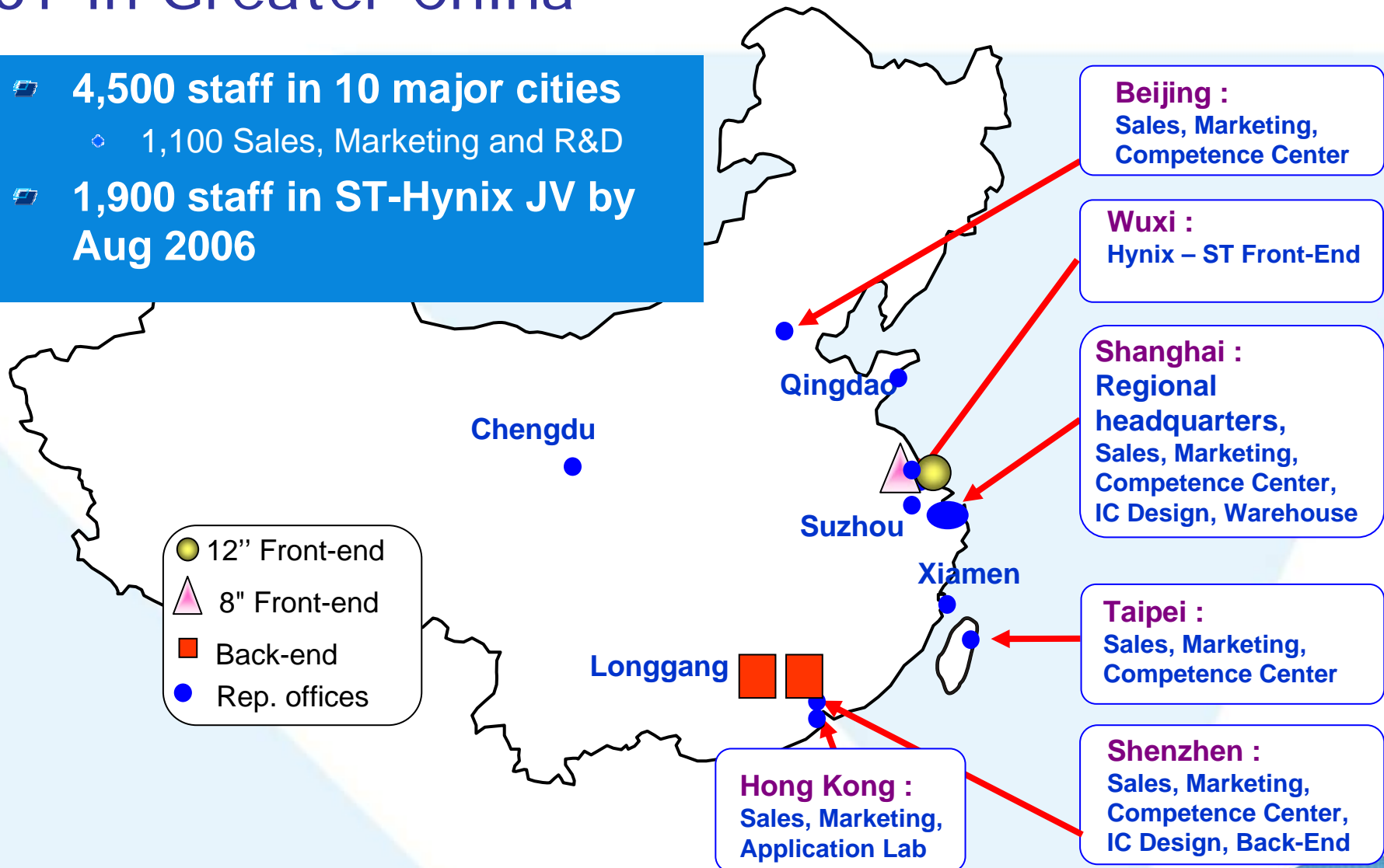 - 1996: First design center in Shenzhen
  - 2002: First Advanced System R&D team
  - 2006: Announced 2nd Back-end plant in Longgang
  - 2006: First Front-end plant in Wuxi
  - 2007: New Headquarters in Shanghai

- **Created new regional structure for Hong Kong, China and Taiwan effective Jan 2006**

ST in Greater China

4,500 staff in 10 major cities
- 1,100 Sales, Marketing and R&D

1,900 staff in ST-Hynix JV by Aug 2006

Beijing :
Sales, Marketing, Competence Center

Wuxi :
Hynix – ST Front-End

Shanghai :
Regional headquarters,
Sales, Marketing, Competence Center, IC Design, Warehouse

Taipei :
Sales, Marketing, Competence Center

Shenzhen :
Sales, Marketing, Competence Center, IC Design, Back-End

Hong Kong :
Sales, Marketing, Application Lab

Qingdao

Chengdu

Suzhou

Xiamen

Longgang

- ○ 12'' Front-end
- △ 8" Front-end
- ■ Back-end
- ● Rep. offices

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Strong Manufacturing Base

STS Microelectronics Shenzhen, a Back-end plant, since 1994

Site Area	37,100m²
Production Area	38,400m² (Fully automated with several integrated lines)
Capacity	About 4.5 B units/year
Packages	BGA/TFBGA, PDIP, Minidip 8, SO8, D2-Pak, D-Pak, TO220FP, SMOP
Staff Strength	About 3,500
Quality / Environment Certification	ISO9000 : 2000/TS16949 / ISO14001 / EMAS

Investment in a 2nd Back-end Plant

- **To be located in Longgang, Shenzhen**

- **Timeline**
  - Signature of agreement Feb 2006
  - Construction before end of 2006
  - Completion of building and first set of equipment installation in Q3 2008
  - Production planned Q4 2008

- **Expected total investment of US$500M at full capacity of 7B units/year, depending on market conditions**

ST-Hynix JV - Update

- **Site area : 550,000 m2**

- **$2B total JV investment**

- **ST Contribution is:**
  - **$250m in equity**
  - **$250m in secured debt**

- **Production plan:**
  - 1st silicon out in April
  - 8'' mass production starting
  - 12'' plant completed by Q3 2006, with production ramp-up in Q4 2006

New HQ in Shanghai

PHASE 1 - BIRD'S EYE VIEW FROM SOUTH

- **Location : Zizhu Science Park, Shanghai**

- **Site area : 50,000 m2**

- **Total investment when completed : approx. US$15M**

- **Timeline**
  - Completion of Building – Q1 '07
  - Move-in – Q2 '07
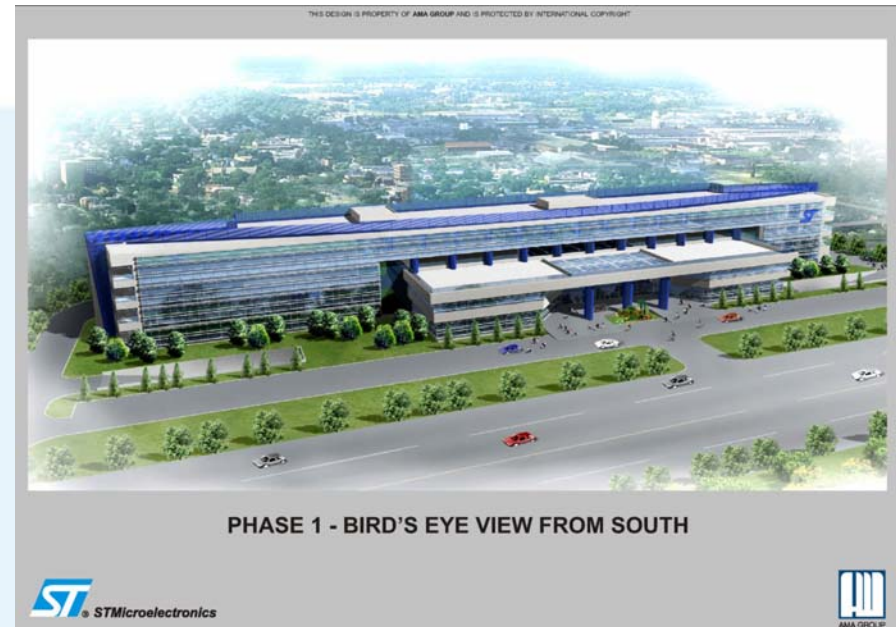
Agenda

- Greater China, a Strategic Initiative

- ST's Commitment to China

- **Becoming #1 in China!**

Becoming #1 in China!

Steps to Success

MANUFACTURING

TRANSNATIONAL CUSTOMERS

DISTRIBUTORS

APPLICATION & COMPETENCE CENTERS

PARTNERSHIPS & STANDARDS

ST, #1 on SAM

Cost and Supply Chain

Long Term Commitment to China

Finished Goods Manufacturing

Global Alliance with Top Customers

Customer Base Expansion

Local Market Penetration

Design & Technical Support

Focus on Domestic Market

WINNING WITH CHINA

Leveraging our Investment & Resources

Major Key Accounts, Domestic OEMs, ODMs, EMS

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Serving Leading Transnational Customers

Sample of TOP OEM Customers* in 2005

Communications
Alcatel
Cellon
Cisco
Ericsson
Motorola
Nokia

Consumer
Matsushita
Philips
Sony
Thomson

Automotive
Pioneer
Visteon

Computer
Dell
HP
Lexmark
Logitech
Microsoft
Seagate

Multi-system
Enel
Siemens

* Alphabetically listed

Working with an Outstanding Network of Distributors

ST's 2005 Top 10 Distributors* in China

Arrow Electronics
Avnet
BS Intl
Ingram Micro
SEG Hi-Tech
Solomon
Tomen
Willas Array
Wintech
Yosun

Network of
73 sales offices

- **Reach many customers**
- **Technical support**
- **Financial flexibility**

* Alphabetically listed

Building on Application & Design Centers

- **Application support centers by segment**
  - Automotive, Consumer (display, audio), Mobile Multimedia, Infrastructure (wireline & wireless), Smartcards, Computer, Multi-system

- **Competence centers**
  - STB, Digital TV, Nomadik, Multi-system

- **Standard product support centers**
  - MPA and MPG

- **Design centers in Shenzhen and Shanghai**
  - Plan for more than 500 designers in the next five years between Shenzhen and Shanghai

Standards & Partnerships

- **Participating in standards evolution for China**
  - IGRS, HDTV, AVS

- **Joint IC Design center with Shenzhen Graduate School of Tsinghua University since 2002**

- **Partnering with BMC – JV in Shanghai**
  - Started in 2005
  - 60 designers
  - Focus on Digital TV and cable set-top-box

Early and Significant Results

Multi-System

- Ebike, Power tools, Mobile battery chargers
- Tax Point of sales, Power metering, RFID, Medical,
- Power systems for LCDs, cell phones, servers, lighting

Automotive

- Body: design wins with 3 major Chinese car makers
- Power Train: design win with 1 major Chinese maker

Set-Top Box

- Design win of H264/MPEG4 single chip for Cable/IP Dual mode in major operator's market

Communication

- Customized IC design win in infrastructure with a market leader
- Camera module: design win for cellphone
- Bluetooth, BT + WLAN: multiple design-wins
- WIMAX and 3G infra: many design-in activities
- Nomadik (MobileTV): several design-in activities

Digital TV

- Plug-In design win for major TV manufacturer
- 3 iDTV design-Ins with major manufacturers
- Multiple Sound Processor design-Wins

Developing and Expanding
the Leading Chinese OEM Customer Base

Communications

BenQ
Bird
Huawei
TCL
ZTE

Consumer

Changhong
Coship
Hisense
Konka
Skyworth
Xoceco

Automotive

Changan
Chery
FAW

Computer

Asus
BOE/TPV
Essex
Lenovo-IBM

Multi-system

Delta
Lite-on

* Alphabetically listed

The Greater China Key Account Program

Greater China Target Key Accounts

BENQ

BOE

HAIER

HUAWEI

LENOVO-IBM

TCL

ZTE

Estimated SAM

= $3.1B

Source : ST

Strong Focus on Leading EMS & ODM

Total Semiconductor Market by Customer Type

73%
60%
32%
23%
4%
8%

2005   2010

■ EMS ■ ODM ■ OEM
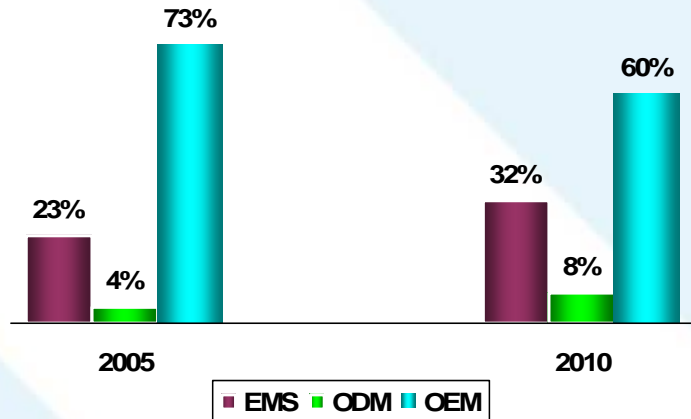
Semiconductor consumption of ODM/EMS in China vs national total

59%
53%
43%
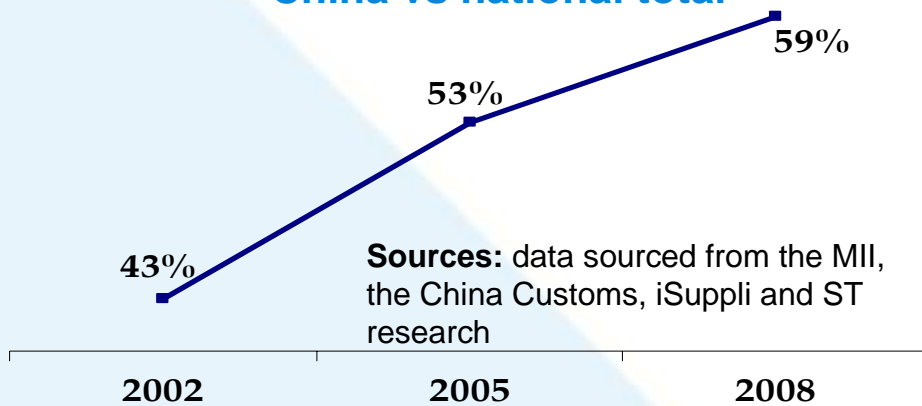
Sources: data sourced from the MII, the China Customs, iSuppli and ST research

2002   2005   2008

EMS

Celestica   **Sanmina**
Elcoteq   **Solectron**
Flextronics   **Venture**
Jabil

ODM

Astec   **Lite-on**
Asus   **PESI**
BOE/TPV   **Phihong**
Essex   **Quanta**
Honhai (Foxconn)   **Wistron**
Kinpo Group

Becoming #1 in China!

Customers

Small and Medium Companies Through Distribution

EMS & ODMs

Key Regional Accounts

Transnational OEMs

Developing Technologies, Products & People in China for China

Application & Competence Centers

Partnerships

Manufacturing