

PR N° C2709C

## **Ericsson and STMicroelectronics agree on strategic way forward for ST-Ericsson**

**Geneva, March 18, 2013** - Ericsson (NASDAQ:ERIC) and STMicroelectronics (NYSE:STM) today announced an agreement on the way forward for the joint venture (JV) ST-Ericsson. As communicated by the parent companies in December 2012, both have been working together toward a strategic solution for the JV. After months of intensive joint work, the parent companies have selected the strategic option which maximizes their respective future prospects and growth plans.

The main steps agreed upon to split up the JV are the following:

- Ericsson will take on the design, development and sales of the LTE multimode thin modem products, including 2G, 3G and 4G multimode
- ST will take on the existing ST-Ericsson products, other than LTE multimode thin modems, and related business as well as certain assembly and test facilities
- Starting the close down of the remaining parts of ST-Ericsson.

The formal transfer of the relevant parts of ST-Ericsson to the parent companies is expected to be completed during the third quarter of 2013, subject to regulatory approvals.

After the split up it is proposed that Ericsson will assume approximately 1,800 employees and contractors, with the largest concentrations in Sweden, Germany, India and China.

It is also proposed that ST will assume approximately 950 employees, primarily in France and in Italy, to support ongoing business and new products development within ST.

Today, it is also announced that Carlo Ferro is appointed President and Chief Executive Officer of ST-Ericsson, effective April 1, 2013. Ferro is currently Chief Operating Officer of ST-Ericsson and succeeds Didier Lamouche who, as previously announced, will pursue opportunities outside the company. Ferro will lead the work in securing both business continuity of ST-Ericsson and effective completion of the transition phase.

Hans Vestberg, President and CEO, Ericsson and Chairman of the Board of Directors, ST-Ericsson said: "I welcome Carlo Ferro as the new President and CEO of ST-Ericsson. Carlo has over twenty years of experience in the semiconductor industry and a strong track record in driving and managing complex transformation projects. He has been a contributor to the solid

progress ST-Ericsson has made the past year in terms of strategy execution and significantly lowering the breakeven point.”

“In line with what we announced in December last year, we have now moved to the next step of our exit process and found a solution with Ericsson that fully aligns with our new strategy”, said Carlo Bozotti, President and CEO of ST. “The agreement made with Ericsson represents a major step forward in reaching our new financial model target and allows us to further strengthen the skillsets of our company, by welcoming in ST, at completion, additional strong competences to fuel growth in specific key product areas. Moreover, it protects and leverages the ongoing ST-Ericsson’s business, allowing us to reinforce our relationships with key customers, both of ST and of ST-Ericsson”.

With the proposed transfer of competencies from ST-Ericsson, ST will further strengthen its capabilities in the areas of application processors, RF, analog and power as well as software and complex system integration. In addition, ST-Ericsson’s portfolio includes devices that are complementary to ST’s focus on the fastest growing segments of the wireless semiconductor market, such as system-optimized analog mixed signal and power management devices, high-quality, low-power audio and video enhancements and innovative energy harvesting solutions.

The agreement is fully in line with ST’s financial model target of an operating margin of 10 percent or more and with plans to reduce quarterly net operating expenses to an average quarterly rate in the range of \$600 million to \$650 million by the beginning of 2014.

In addition, as a result of the agreement, ST expects to incur cash costs, including the covering of ST-Ericsson’s ongoing operations during the transition period and its restructuring costs, in the range of approximately \$350 million to \$450 million, narrower than the range provided at the end of January 2013.

### **Forward-looking information**

*This Press Release contains 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). These statements include expectations regarding our new strategic plan, including expected benefits, future financial and operating results and expectations regarding events or developments that we believe or anticipate will or may occur in the future. These statements are based on management’s current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from the forward-looking statements contained in this Press Release. Such risks and uncertainties include the continuing difficult macro-economic and industry conditions and trends in the semiconductor sector and the other risks detailed in our filings with the Securities and Exchange Commission in particular our Annual report on Form 20F filed on March 4, 2013. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially which could have a material adverse effect on our business and/or financial condition. We do not intend, and do not assume any obligation, to update any forward looking statements set forth in this Press Release.*

## **STMicroelectronics Conference Call and Webcast information**

The press release will be available immediately after publication on the Company's website at [www.st.com](http://www.st.com).

The management of STMicroelectronics will conduct a conference call on March 18, 2013 at 9:00 a.m. Central European Time / 4:00 a.m. U.S. Eastern Time, to discuss the agreement with Ericsson, followed by a Q&A session. Dial-in information is:

+41 58 310 5000 (Europe)

+44 203 059 5862 (UK)

+1 866 291 4166 (USA)

A live webcast of the conference call will also be available via the Internet by accessing <http://investors.st.com>.

## **About STMicroelectronics**

ST is a global leader in the semiconductor market serving customers across the spectrum of sense and power and automotive products and embedded processing solutions. From energy management and savings to trust and data security, from healthcare and wellness to smart consumer devices, in the home, car and office, at work and at play, ST is found everywhere microelectronics make a positive and innovative contribution to people's life. By getting more from technology to get more from life, ST stands for life.augmented.

In 2012, the Company's net revenues were \$8.49 billion. Further information on ST can be found at [www.st.com](http://www.st.com)

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## Biography for Carlo Ferro

Carlo Ferro has been the Chief Operating Officer (COO) of ST-Ericsson since February 2012.

He has been a Senior Executive Vice President and Chief Financial Officer of STMicroelectronics since May 2003 and over time his responsibilities have been extended to include investor relations, treasury, corporate communication, operation planning, procurement and logistics. He has also been a member of ST's Corporate Strategic Committee.

Ferro joined ST in 1999 as Group Vice President Corporate Finance. In 2002, he became Deputy CFO, and was promoted to Chief Financial Officer in 2003.

With ST-Ericsson, Ferro led the execution of a transformation and restructuring plan that allowed the Company to substantially lower its break-even point and reduce its losses by 55% in three quarters while accelerating new-product development by improving R&D efficiency. After Ferro joined the Company, ST-Ericsson showed improved discipline in execution, delivering on or above target on almost all metrics in all quarters. During his tenure as COO, employee motivation and confidence in the management team improved thru the period, as measured by a substantially increased score in the employee engagement survey.

As ST's CFO, Ferro has contributed to executing a strategy of growth combined with financial discipline: from 2005 through the end of 2011, ST grew its revenues by about 6% CAGR (ex. divestitures) and improved its net cash balance by \$1.4 billion. In addition, through the market turmoil of 2008-2011, ST maintained a solid capital structure, improving its net financial balance and maintaining a credit rating well above investment grade, while both substantially investing to fuel business growth and increasing the dividend distribution. Ferro inspired and delivered on ST's strategy of a focused product portfolio that led to the creation of Numonyx, a merger of the flash memory businesses of ST and Intel. He also drove the subsequent merger of Numonyx into Micron Technologies that allowed ST to improve its capital structure by about \$1 billion and Numonyx' employees to join a sustainable worldwide leader in memories. With ST, Ferro oversaw several major restructuring efforts that led to a consolidation of the number of silicon fabs from 17 to 8 and the reduction of the number of non-manufacturing sites by about one third. Focusing on execution and financial discipline, under his tenure as CFO, ST posted quarterly results within guidance for 33 quarters out of 35. Recognizing his credibility and care of public investors, in 2006 Ferro was recognized to be among the best European CFOs by Institutional Investor.

At Finmeccanica, the leading Italian high-tech engineering and manufacturing group and, at that time, a shareholder of SGS-THOMSON Microelectronics (now STMicroelectronics) from 1992 to 1996, Carlo Ferro gained extensive experience in Planning and Control, Corporate Finance and M&A. In fact, he was part of the ST IPO team in 1994 and had been associated as an expert to the ST Supervisory Board. Over the next three years, he held executive positions for Eltag Bailey Process Automation NV (EBPA), a global leader in process automation listed on the NYSE, first as Vice President for Strategic Planning, and later as Vice President for Planning and Control and principal financial officer, leading these functions in phases of acquisitions and consolidation until the merger between EBPA and ABB.

Ferro had been the Chairman of Incard SA, the sole Managing Director of ST Service Srl, a member of the Board and Chairman of the Audit Committee of ST-NXP Wireless and ST-Ericsson till February 2012. He has also been a member of the governance bodies of several companies, including STS (a manufacturing JV in China), ST's affiliates in Singapore, Japan, France and Italy, a former joint-venture between ST and Hitachi, DNP Photomask Europe, and, earlier in his career, of several companies in process automation, engineering, transportation, electronic and power generation businesses.

A Swiss and Italian citizen, born in Savona, Italy, in 1961, Carlo Ferro is married with two children. A graduate in Business and Economics from the LUISS Guido Carli University in Rome, where he served as a professor of Planning and Control and as an associate professor of Advanced Finance in various periods. He is a Certified Public Accountant registered in Italy.