Ericsson & STMicroelectronics Agree on Strategic Way Forward

STMicroelectronics; Ericsson

Geneva – Ericsson [1] [NASDAQ:ERIC [2]] and STMicroelectronics [3] [NYSE:STM [4]] have 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.

It was 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 says: “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", says 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.

For more information visit www.st.com [3] and www.ericsson.com [1].

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