



PRESS STATEMENT – FOR IMMEDIATE RELEASE

Europe's semiconductor industry is at a cross-roads – ESIA discusses first Competitiveness Report with EU Enterprise Commissioner *Günter Verheugen* in Brussels.

Brussels – Nov. 22, 2005 – In a high-level meeting today with Europe's Enterprise and Industry Commissioner *Günter Verheugen*, the European Semiconductor Industry Association ESIA discussed its first *Competitiveness Report* and how the semiconductor industry in Europe can maintain and enhance its competitiveness. A delegation of ESIA members including the CEOs and general managers of STMicroelectronics, Infineon, Philips, Freescale Semiconductor, Micron and Robert Bosch, focused on key findings of the *Report* and how they link to the Commission's initiatives to boost Europe's competitiveness.

Speaking of the specific role played by the semiconductor industry as a prime technology enabler, the Commissioner acknowledged that *"the semiconductor industry in Europe has made remarkable strides in the past decades, with three of the top ten global semiconductor companies head-quartered in Europe and with Europe being a major manufacturing and R&D home for nearly all global competitors."*

The semiconductor industry is ideally positioned to contribute to the goals of the EU Lisbon strategy. However, the future challenges for the industry are substantial. Europe remains a net importer of semiconductors and its importance as a region for semiconductor manufacturing is declining, with the danger that R&D will follow. Hence the conviction that only concerted initiatives, which aim at actively investing for R&D and manufacturing in Europe and creating the conditions for a global level playing field, are the way forward to enhance competitiveness.

Says Carlo Bozotti, President of ESIA and CEO of STMicroelectronics: *"Our motivations for this report are the concerns of the industry about its very future in Europe. Semiconductors are the enabling technology for the Information Society, and their contribution to the success of the European economy is essential. The semiconductor industry in Europe has mobilized all its energy to face the challenges highlighted in the Report. By communicating its call for action, ESIA hopes that the Report will serve as a catalyst for implementing measures that reflect the real needs of our industry."*

The ESIA Report portrays a comprehensive picture of a sector which is able to produce record growth rates, making substantial contributions to the development of the European economy, and to lead state-of-the-art technology innovation. It has created worldwide leading centres of excellence in various locations across Europe such as *Dresden, Crolles/Grenoble, Nijmegen/Eindhoven/Leuven, Agrate/Milan, Glasgow and Dublin*. With up to 20% of annual revenues re-invested in R&D, and furthermore up to 25% in capital expenditures, semiconductor companies are top of Europe's innovation list. Despite a continuous rise of the Asia-Pacific region and declining total shares of other regions, Europe has been able to maintain a relative stable market share of around 20%.

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Among the key findings of the Report is a comparison of incentive packages offered by different regions. The estimated net cumulative income of a semiconductor manufacturing *fab* in 2010 in China or Korea is 2.2 times that of the same *fab* in Germany. The single most significant difference is the incentive package offered, followed by the cost of labour. The magnitude of these differences cannot leave decision makers in the industry indifferent and should not be ignored by governments.

"The future development of the semiconductor industry in Europe stands at a crossroads" ESIA's Martin Spät points out. "In order to fully reap the benefits of a globalized economy and continue to develop leading-edge innovation technology, Europe should not shy away from looking at sectoral approaches which match or exceed those of other regions worldwide." The Report speaks of "...tilting the global level playing field back towards Europe."

ESIA proposes ten concrete measures to boost competitiveness. These include promoting a generalized tax credit system on R&D spending, adopting the Commission's original R&D 7th framework proposals, reversing the European brain drain, promoting more and stronger multiple partnerships, establishing a sectoral framework, ensuring consistent and efficient customs operations, and pooling expertise in the EU and national institutions.

Commissioner Verheugen welcomed the industry perspectives that ESIA is providing: *"Your Report is a significant contribution to the current competitiveness and industry location debate. We hope that we can count on the European based semiconductor industry to support our own efforts for European industrial excellence."*

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About ESIA: The European Semiconductor Industry Association (ESIA) represents the European-based manufacturers of semiconductor devices. The semiconductor industry provides the key enabling technologies at the forefront of the development of the digital economy. The sector supports well over 86 000 direct jobs in a market valued at around €1.7 bn in 2004.

The full Report is available from the ESIA website under <http://www.eeca.org/esia.htm>, or directly at the ESIA Secretariat, tel: +32 2 706 8600.

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