



Press Release

Altis Semiconductor announces a reorganization and development project

Corbeil-Essonnes, 4th of April 2006

The Altis Semiconductor Top Management will present a reorganization and development project, today, at an extraordinary Works Council Meeting. Its main objective is to maintain competitiveness of the site.

Under pressure from Asian competition, the integrated circuits manufacturer needs to lower its production costs to maintain competitiveness. The project will terminate 323 positions throughout the company and will enable a repositioning on greater added-value markets.

The European semiconductor market is faced with severe international competition, especially from Asia.

The semiconductor industry operates on a global, highly competitive and capital intensive market. Asia and China in particular, developed a real know-how, benefiting from sites operating conditions and a highly competitive work force.

This competition pushes prices down and puts more pressure on European manufacturers while product launches are getting faster and faster.

Therefore, in this market, flexibility and reactivity are becoming critical survival factors.

Altis has an over-capacity issue with production costs too high compared with the worldwide market

ALTIS manufactures logic semiconductors* for the clients of its two shareholders: IBM (USA) and mainly, the German company, INFINEON.

Today the Altis site has an over-capacity compared with the actual forecasted demand from the market. The site is only 75% used and its production costs are, on average, 30% higher than the market requirements.

Altis needs to adapt its strategy and organization rapidly, to remain competitive for its shareholders/clients and needs to find and develop new clients.

* Logic semiconductors are electronic components used in high tech products in areas as diverse as mobile phones, video games, IT, automotive and smart cards.

The ALTIS project to restore competitiveness: reduce overall costs and find new sales opportunities

The project has the key objective to restore Altis competitiveness in modifying its structure, lowering production costs and developing its client base:

- Adjust production capacity to the demand (switch from 1420 wafers per day to 1015 wafers per day)
- Develop added-value technologies with a 15 Million euros investment
- Continue to reduce operational costs of the site
- Create a specific development organization to capture all possible growth opportunities (new clients, markets, R&D projects...)

Since 2003, Altis has been looking for economies of scale to reduce costs without impacting its work force. However, having not reached the required level of competitiveness, the company does not have any choice but to reduce its personnel costs.

Necessary changes of teams and shift patterns to stick to competition

Semiconductor manufacturing process is a 24 hour a-day process.

In order to maintain operational results while reducing personnel costs, the Altis Top Management has designed a new shift pattern for the production teams.

The shift pattern will change from 2 x 2 x 2 days for 5 teams to 2 x12 hours shift for 4 teams. In doing this, Altis will align its work organization with the majority of the semiconductor companies worldwide.

The IBM site in the US and the Infineon site in Dresden, Germany, both similar to Altis, are already organized according to this shift pattern.

The project also includes plans to downsize the work force in support functions in line with the new production level.

These measures will lead to approximately 323 job terminations. 101 temporary contracts will not be renewed.

The Altis Management team said that voluntary redundancy will be offered as well as a voluntary outplacement package, adapted to the employees population pyramid.

The negotiation and consultation process with the Works Council starts now. The Altis Management will do everything to respect both personnel and company interests.

Press Contact:

Franck BERMOND – Direction Communication

Altis Semiconductor 06 07 39 96 66 - franck.bermond@altissemiconductor.com