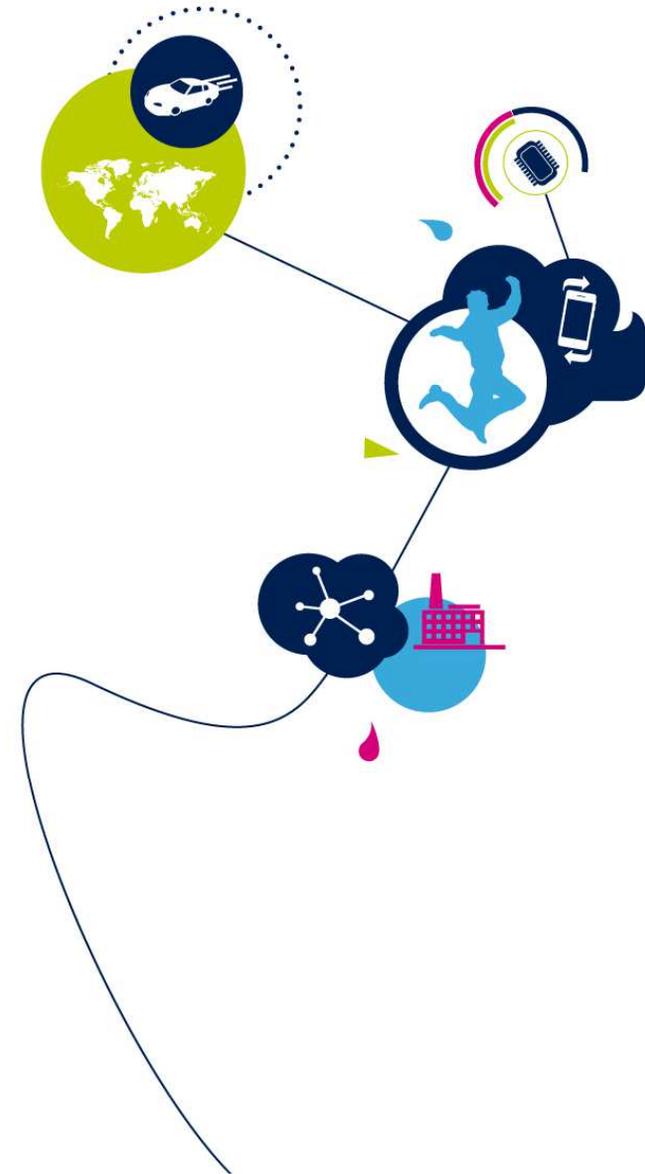


# STMicroelectronics 3Q 2017 Financial Results

October 26, 2017



# Forward Looking Statements

Some of the statements contained in this release that are not historical facts are 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) that 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 those anticipated by such statements, due to, among other factors:

- Uncertain macro-economic and industry trends, which may impact end-market demand for our products;
- Customer demand that differs from projections;
- The ability to design, manufacture and sell innovative products in a rapidly changing technological environment;
- Unanticipated events or circumstances, which may impact our ability to execute the planned reductions in our net operating expenses and / or meet the objectives of our R&D Programs, which benefit from public funding;
- Changes in economic, social, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macro-economic or regional events, military conflicts, social unrest, labor actions, or terrorist activities;
- The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the Eurozone, the EU and elsewhere. While we do not have material operations in the U.K. and have not experienced any material impact from Brexit on our underlying business to date, we cannot predict its future implications;
- Financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;
- The loading, product mix, and manufacturing performance of our production facilities;
- The functionalities and performance of our IT systems, which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers or suppliers;
- Variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;
- The impact of intellectual property ("IP") claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;
- The ability to successfully restructure underperforming business lines and associated restructuring charges and cost savings that differ in amount or timing from our estimates;
- Changes in our overall tax position as a result of changes in tax laws, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;
- The outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;
- Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;
- Natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, health risks and epidemics in locations where we, our customers or our suppliers operate;
- Availability and costs of raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations;
- Industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers; and
- The ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third party components and performance of subcontractors in line with our expectations.

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as "believes," "expects," "may," "are expected to," "should," "would be," "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

Some of these risk factors are set forth and are discussed in more detail in "Item 3. Key Information — Risk Factors" included in our Annual Report on Form 20-F for the year ended December 31, 2016, as filed with the SEC on March 3, 2017. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances

# Who We Are

- A global semiconductor leader
- 2016 revenues of **\$6.97B**
- Listed: NYSE, Euronext Paris and Borsa Italiana, Milan

- Research & Development
- Main Sales & Marketing
- Front-End
- Back-End



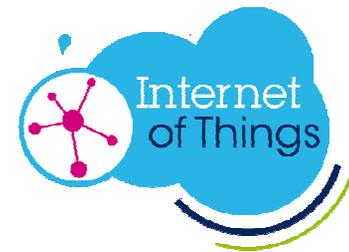
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- Approximately **43,500** employees worldwide
- Approximately **7,500** people working in R&D
- **11** manufacturing sites
- Over **80** sales & marketing offices

As of December 31, 2016

# Application Strategic Focus

The leading provider of products and solutions for Smart Driving and the Internet of Things

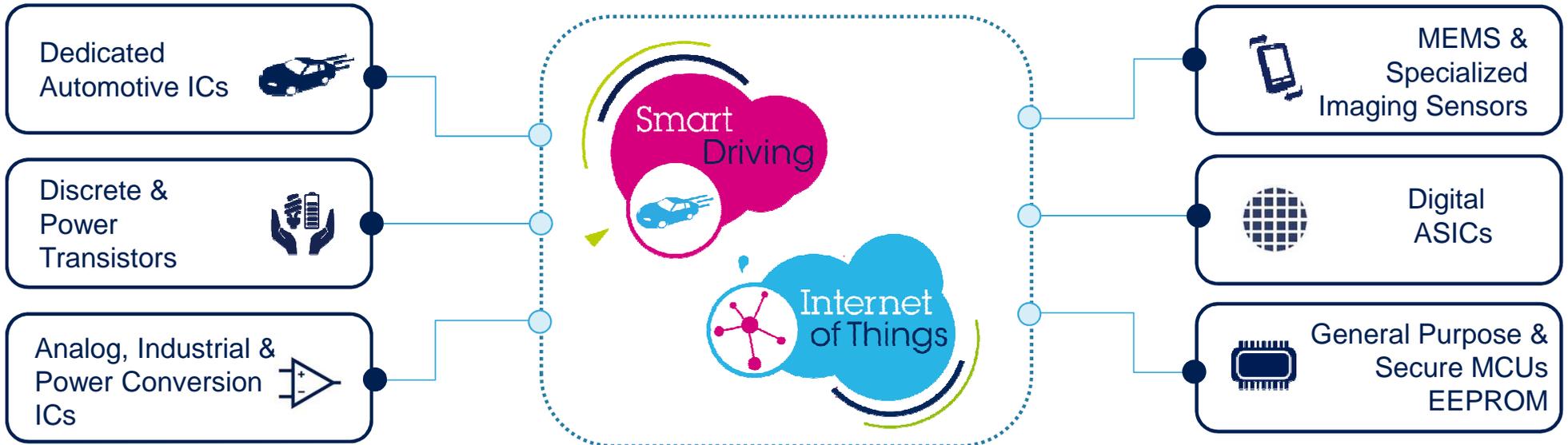


Safer		More connected
	Greener	

Smart Industry		Smart Home	
	Smart City		Smart Things

# Product Family Focus

The leading provider of products and solutions for Smart Driving and the Internet of Things



# 3Q17 Highlights

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- Net revenues of \$2.14B
  - Up 18.9% year-over-year, all product groups growing double-digit
  - Up 11.1% sequentially
- Gross margin 39.5%
  - Up 370 basis points year-over-year
  - Up 120 basis points sequentially
- Operating margin before impairment and restructuring\* of 13.7%
  - Up from 6.6% in 3Q16
  - Up from 9.6% in 2Q17
- Re-entered the CAC 40 Euronext Paris Index
- Enhanced liquidity in 3Q17
  - \$1.5Bn Convertible Bond Offering in July 2017
  - €500M New Medium Term Credit Facility signed with European Investment Bank

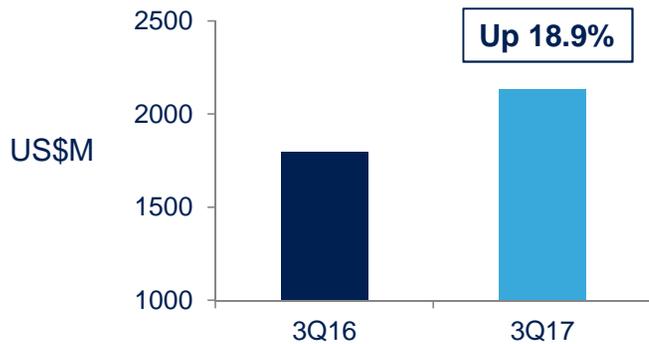
**Another solid quarter with both net revenues and gross margin above the mid-point of our guidance**



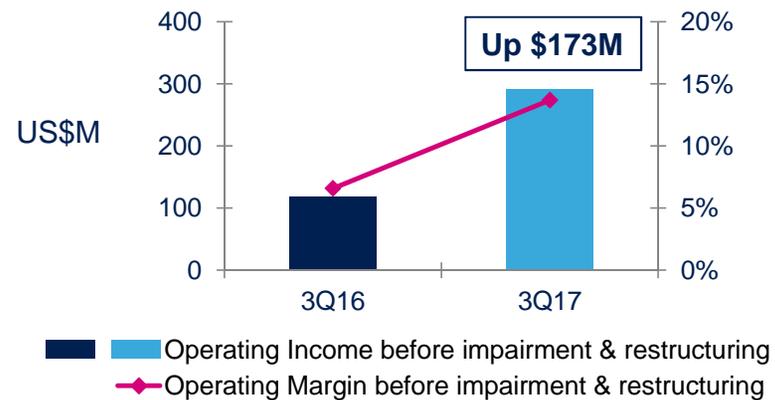
\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

# 3Q17 Financial Highlights

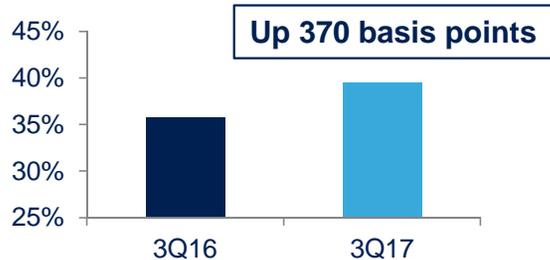
**Revenues = \$2.14B**



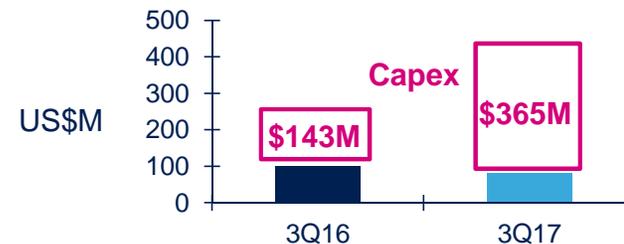
**Operating Income\* = \$292M**



**Gross Margin = 39.5%**



**Free Cash Flow\* = \$80M**

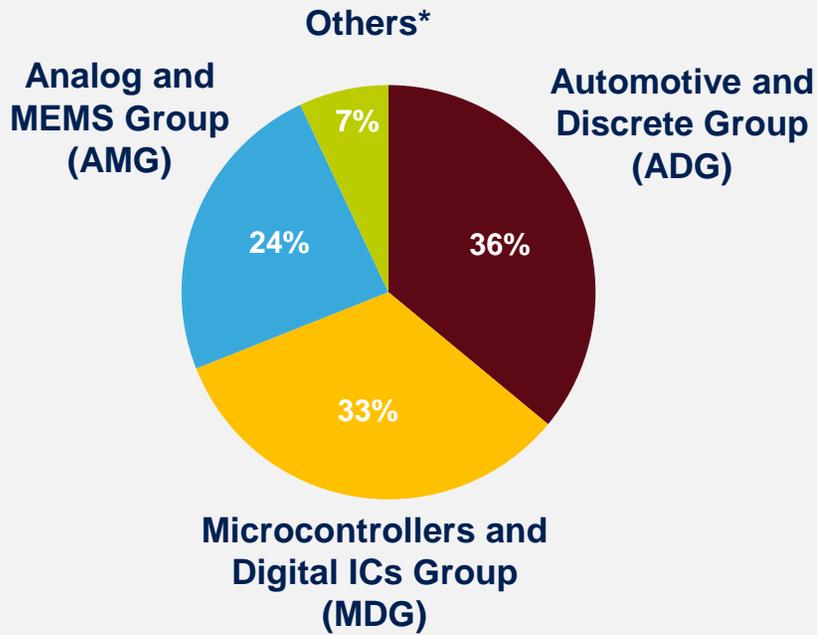


\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

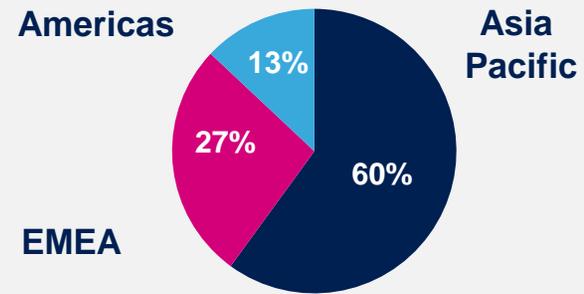


# 3Q17 Revenues

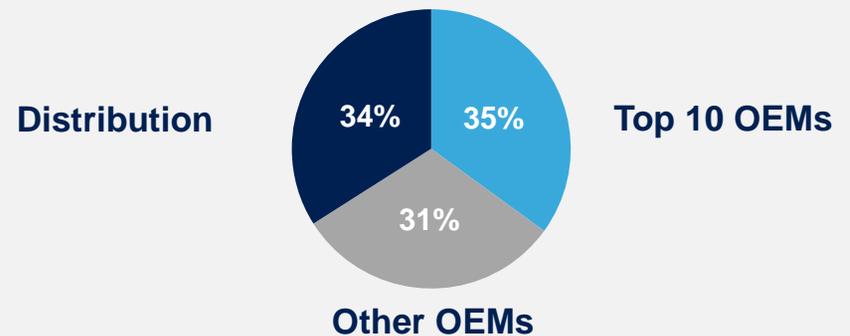
% by product group



% by shipment location



% by customer type



\* Others includes Imaging Product Division

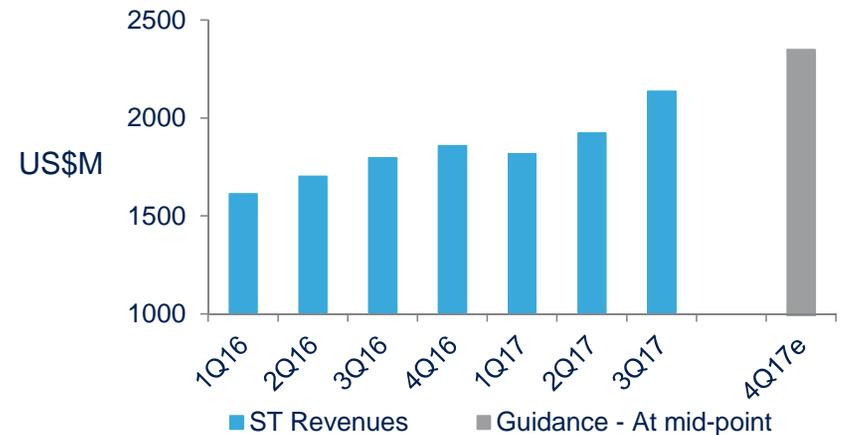
## 3Q17 Revenues = \$2.14B

### 3Q17 revenues up 18.9% year-over-year

- Growth across all product groups and strong demand across all geographies
  - AMG up 24.8%
  - MDG up 19.4%
  - ADG up 10.0%
  - Imaging very significantly up

### 3Q17 revenues up 11.1% sequentially

- Better than seasonal performance
- 210 basis points above mid-point of the guidance



### 4Q17 Revenue Outlook

Up sequentially by about 10.0% (+/- 3.5% points)

## 3Q17 Gross Margin = 39.5%

### 3Q17 Gross Margin

- 50 basis points above the mid-point of the guidance
- Up 370 basis points year-over-year on improved manufacturing efficiency and better product mix as well as improved fab loading, partially offset by normal price pressure
- Up 120 basis points sequentially



### 4Q17 Gross Margin Outlook

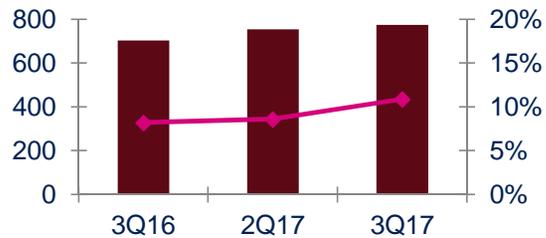
About 39.9% (+/-2.0%)

# 3Q17 Product Group Results

Before impairment and restructuring charges

## Automotive & Discrete

Revenues = \$775M  
Operating Margin = 10.9%



■ Revenue (US\$M) ◆ Operating Margin (%)

Revenues = \$701M  
Operating Margin = 17.9%



■ Revenue (US\$M) ◆ Operating Margin (%)

## Microcontrollers & Digital ICs

*MDG includes set-top-box business under phase-out*

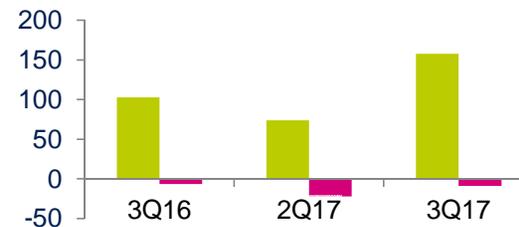
## Analog & MEMS

Revenues = \$502M  
Operating Margin = 18.1%



■ Revenue (US\$M) ◆ Operating Margin (%)

Revenues = \$158M  
Operating Loss\* = (\$9M)



■ Revenues (US\$M) ■ Operating Results (US\$M)

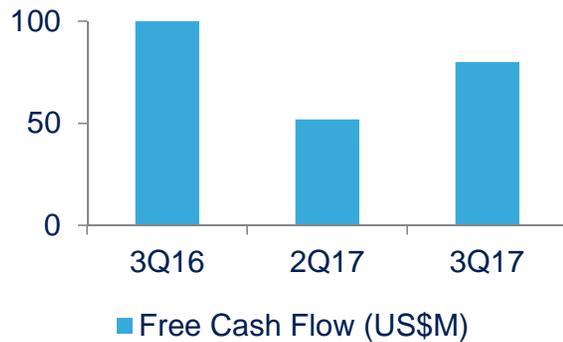
## Others

*Others includes sales from the Imaging Product Division and other revenues and items such as unused capacity charges and other unallocated expenses*

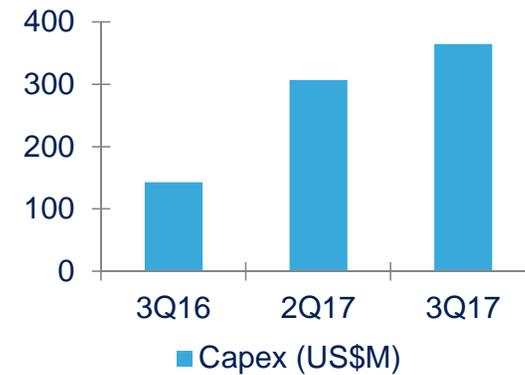


# Financial Flexibility

## 3Q17 Free Cash Flow\* = \$80M



## 3Q17 Capex = \$365M



End of period (US\$M)	September 30 2017	July 1 2017	October 1 2016
Total Liquidity	2,621	1,989	2,017
Total Financial Debt	(2,175)	(1,465)	(1,553)
<b>Net Financial Position*</b>	<b>446</b>	<b>524</b>	<b>464</b>

3Q17: Cash dividends of \$0.06 per share (\$59M) distributed in the quarter



\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

# 3Q17: Enhanced Liquidity

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## \$1.5B Convertible Bond Offering in July 2017

- Dual-tranche offering (Tranche A and Tranche B for \$750M each) due 2022 and 2024
- ST can satisfy the conversion rights either in cash or shares or a combination of the two, at its selection

## Simultaneous launch of a \$297M share buy-back program

- 18.6M shares for \$297M
- Launched and completed in 3Q17 at an average share price of \$15.99

## Redemption of the \$600M Tranche A 2019 Convertible Bond issued in 2014

- ST elected to net share settle the bonds
- ST delivered \$600M in cash and about 13 million shares from treasury shares

## Redemption of the \$400M Tranche B 2021 Convertible Bond issued in 2014

- Based on the notice of conversion already received by bondholders and the notice of redemption by ST, the Company will settle the full tranche in 4Q17

## Over \$1B of financial flexibility with available undrawn committed credit facilities

- \$500M committed credit facilities
- €500M new medium-term credit facility signed with the EIB related to ST's R&D and Capex investments in Europe



Adjusting for the early redemption of the \$1B of convertible bonds issued in 2014, pro-forma liquidity exiting 3Q17 was at \$2.2B, after \$457M of dividends and share buybacks

# 4Q17 Outlook

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- **We see clear opportunities in front of us to continue to drive revenue growth, margin expansion and shareholder value and we are determined to capture this additional potential. Our targeted efforts in technology and products, focusing on high-growth markets, are enabling all of our product groups to strengthen their competitive position with both major accounts as well as with the distribution channel.**
- **Looking at 4Q17, we continue to see solid demand across product groups and geographies. Based upon strong booking activity and the expected acceleration of growth of our new program serving wireless applications, we anticipate 4Q17 revenues to increase sequentially by about 10.0% at the mid-point and the gross margin to improve to about 39.9% at the mid-point.**
- **Looking at the year in total, based upon our nine months results and 4Q17 mid-point revenue guidance, we now expect that 2017 net revenues should grow year-over-year by about 18.0% accompanied by a substantial improvement in operating profitability and net income.”**
- 4Q17 revenues is expected to grow about 10% on a sequential basis, plus or minus 3.5 percentage points
- 4Q17 gross margin is expected to be about 39.9% plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately \$1.15 = €1.00 for 4Q17 and includes the impact of existing hedging contracts. 4Q17 will close on December 31, 2017

## Sustainable Profitable Growth

- Year-over-year sales growth across all products families\*, regions & customer groups
- Continued innovation leadership, supporting customers with industry-leading products and optimized application-oriented solutions
- Investment for growth, maximizing innovation with R&D spend and turning manufacturing investments into timely ramp-up of major programs
- Continued discipline on operating expenses
- Improvement in operating profitability as a result of all the above

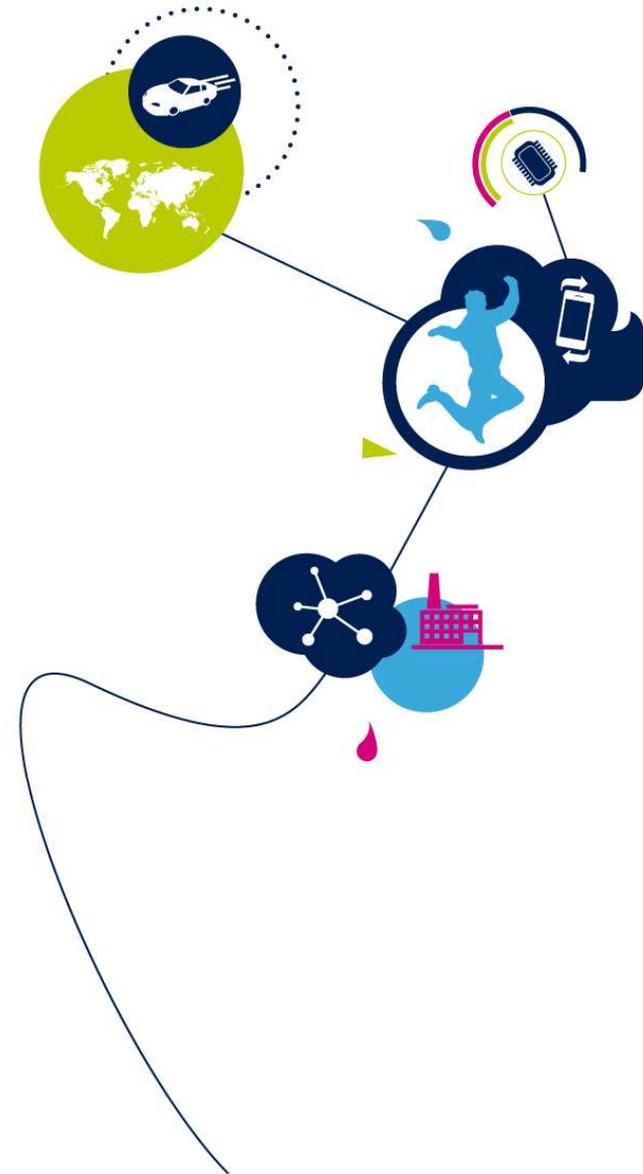


\* Excluding businesses undergoing phase-out



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# Appendix



# Financial Performance

<i>In US\$M, except EPS</i>	1Q16	2Q16	3Q16	9M16	1Q17	2Q17	3Q17	9M17
<b>Net Revenues</b>	1,613	1,703	1,797	5,113	1,821	1,923	2,136	5,880
<b>Gross Margin</b>	33.4%	33.9%	35.8%	34.4%	37.6%	38.3%	39.5%	38.5%
<b>Operating Income (Loss) before impairment, restructuring*</b>	(5)	40	119	154	134	184	292	610
<b>Operating Margin before impairment, restructuring*</b>	(0.3%)	2.3%	6.6%	3.0%	7.4%	9.6%	13.7%	10.4%
<b>Net Income – Reported</b>	(41)	23	71	53	108	151	236	494
<b>EPS Diluted</b>	(0.05)	0.03	0.08	0.06	0.12	0.17	0.26	0.55
<b>Adjusted EPS Diluted*</b>	(0.02)	0.04	0.11	0.13	0.12	0.17	0.28	0.57
<b>Free Cash Flow*</b>	31	48	102	181	62	52	80	194
<b>Net Financial Position*</b>	439	426	464	464	518	524	446	446
<b>Effective Exchange Rate €/\$</b>	1.10	1.12	1.12	1.12	1.08	1.09	1.13	1.10



\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

# Pre-Tax Items to Adjusted Earnings\*

OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	3Q16	2Q17	3Q17
	U.S. GAAP Net Earnings	71	151	236
	Impairment & Restructuring	29	6	14
	Estimated Income Tax Effect	(4)	(1)	(1)
	<b>Adjusted Net Earnings*</b>	<b>96</b>	<b>156</b>	<b>249</b>

- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding payment for purchases (proceeds from the sale of) marketable securities and short term deposits, restricted cash and net cash variation for joint venture deconsolidation. We believe free cash flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operating activities. Free cash flow is not a U.S. GAAP measure and does not represent total cash flow since it does not include the cash flows generated by or used in financing activities. In addition, our definition of free cash flow may differ from definitions used by other companies.
- **Net financial position** resources (debt) represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, short-term deposits and restricted cash, and our total financial debt includes short term borrowings, current portion of long-term debt and long-term debt, all as reported in our consolidated balance sheet. We believe our net financial position provides useful information for investors because it gives evidence of our global position either in terms of net indebtedness or net cash position by measuring our capital resources based on cash, cash equivalents and marketable securities and the total level of our financial indebtedness. Net financial position is not a U.S. GAAP measure.
- **Operating income before impairment and restructuring charges** excludes impairment, restructuring charges and other related closure costs. It is used by management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items.
- **Adjusted net earnings and earnings per share (EPS)** are used by our management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items like impairment, restructuring charges and other related closure costs, net of the relevant tax impact.
- **Net revenues of “Others”** includes revenues from sales of Imaging Product Division, Subsystems, assembly services, and other revenue. **Operating income (loss) of “Others”** includes items such as unused capacity charges, impairment, restructuring charges and other related closure costs, phase out and start-up costs, and other unallocated expenses such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to product groups, as well as operating earnings of the Imaging Product Division, Subsystems and other products. “Others” includes \$1 million, \$1 million, \$1 million, \$11 million, \$8 million, \$10 million of unused capacity charges in the third, second and first quarters of 2017 and 2016, respectively; and \$14 million, \$6 million, \$5 million, \$29 million, \$12 million, \$28 million of impairment, restructuring charges, and other related closure costs in the third, second and first quarters of 2017 and 2016, respectively