

STMicroelectronics Q1 2012 Financial Results

April 23, 2012

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 in such statements due to, among other factors:

- the possible impact of an impairment charge on the carrying value of the ST-Ericsson investment in our books of approximately \$1.7 billion as well as on our consolidated results of the successful execution of ST-Ericsson's new strategic direction plan and its related savings announced on April 23rd 2012;*
- changes in demand in the key application markets and/or from key customers served by our products, including demand for products where we have achieved design wins and/or demand for applications where we are targeting growth, all of which make it extremely difficult to accurately forecast and plan our future business activities;*
- our ability in periods of reduced demand or visibility on orders to reduce our expenses as required, as well as our ability to operate our manufacturing facilities at sufficient levels with existing process technologies to cover our fixed operating costs;*
- our ability, in an intensively competitive environment, to identify and allocate necessary design resources to successfully develop and secure customer acceptance for new products meeting their expectations as well as our ability to achieve our pricing expectations for high-volume supplies of new products in whose development we have been, or are currently, investing;*
- the financial impact of obsolete or excess inventories if actual demand differs from our expectations as well as the ability of our customers to successfully compete in the markets they serve using our products;*
- our ability to maintain or improve our competitiveness when a high percentage of our costs are fixed and are incurred in Euros and currencies other than U.S. dollars, especially in light of the increasing volatility in the foreign exchange markets and, more particularly, in the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;*
- the outcome of ongoing litigation as well as any new litigation to which we may become a defendant;*
- changes in our overall tax position as a result of changes in tax laws, expected income or the outcome of tax audits, changes in international tax treaties which may impact are results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*
- 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;*
- product warranty or liability claims based on epidemic or delivery failures or recalls by our customers for a product containing one of our parts;*
- availability and costs of raw materials, utilities, third-party manufacturing services, or other supplies required by our operations; and*
- current economic uncertainties involving the possibility during 2012 of limited growth or recession in global or important regions of the world economy, sovereign default, changes in the political, social, economic or infrastructure environment, including as a result of military conflict, social unrest and/or terrorist activities, economic turmoil, as well as natural events such as severe weather, health risks, epidemics, earthquakes, tsunamis, volcano eruptions or other acts of nature in, or affecting, the countries in which we, our key customers or our suppliers, operate and causing unplanned disruptions in our supply chain and reduced or delayed demand from our customers.*

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, 2011, as filed with the SEC on March 5, 2012. 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.



- A global semiconductor leader
- The largest European semiconductor company
- 2011 revenues of **\$9.73B**⁽¹⁾
- Approx. **50,000** employees worldwide⁽¹⁾
- **12,000** people working in R&D
- **12** manufacturing sites
- Listed on New York Stock Exchange, Euronext Paris and Borsa Italiana, Milano

Q1 2012 Results



Q112 Highlights

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- Net revenues of \$2.02 billion, down 8% sequentially
 - ST wholly-owned businesses down 3%, better than historical seasonality
 - Wireless product segment down 29%
- Gross margin of 29.6%; 32.2% excluding a one-time arbitration award
 - Impacted by approximately 600 bps from anticipated unsaturation charges related to fab underloading and unexpected arbitration award
- Positive Free Cash Flow of \$98M
 - Despite situation at ST-Ericsson and macro-economic uncertainties
 - Driven by prudent capital management including effort to reduce inventories
- Proposed cash dividend of \$0.40 per share for 2012
 - Stable with 2011

Billings bottomed while bookings have improved across the board

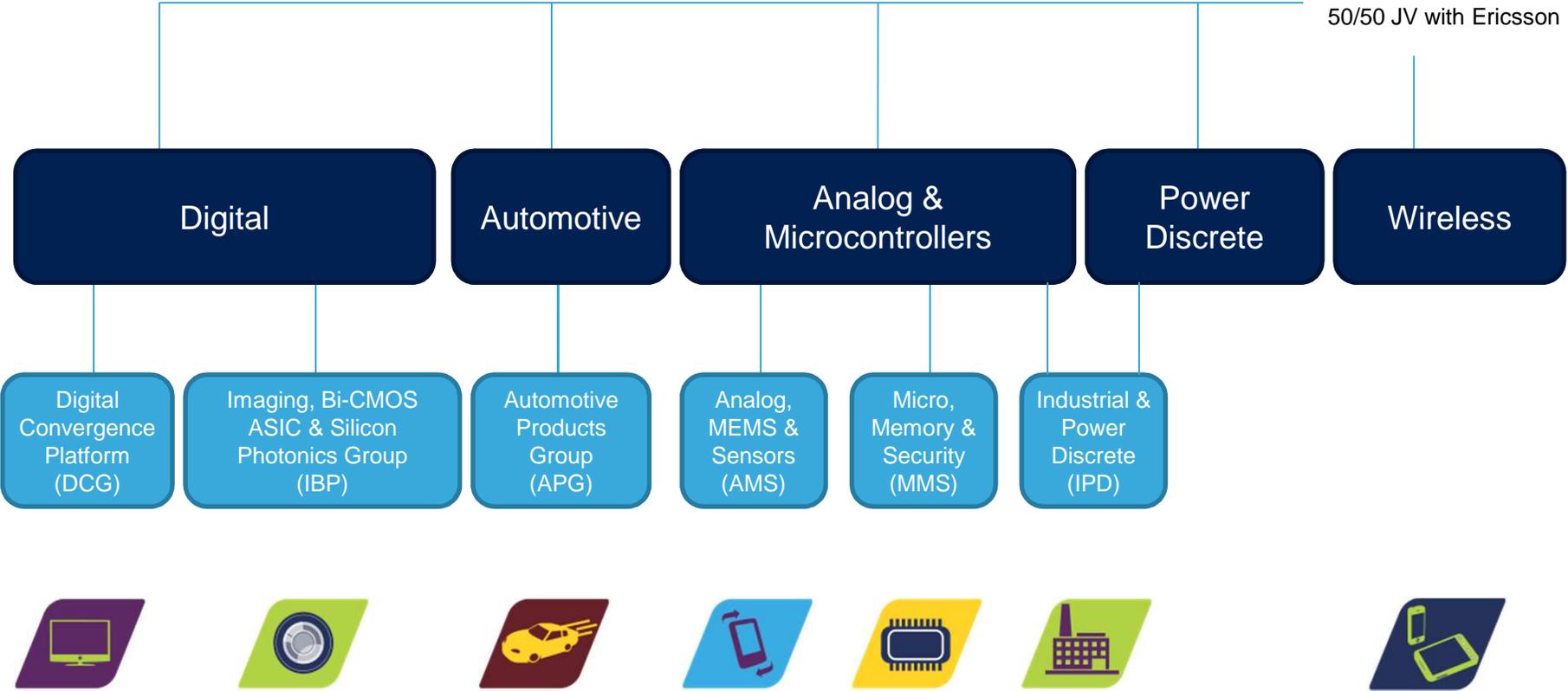
Focused Product Segments



life.augmented



50/50 JV with Ericsson



life.augmented

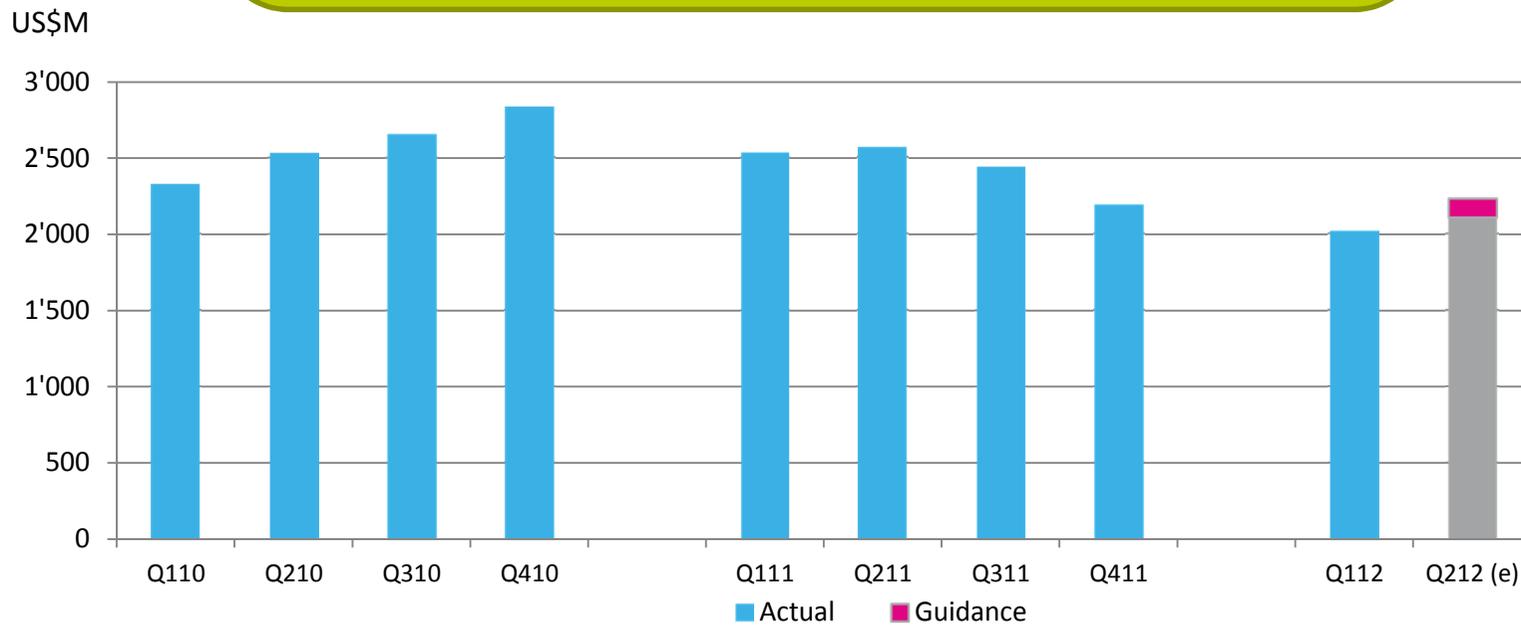
ST Q112 Revenues

Q112 Revenues = \$2.02B
-8% vs. Q411

Two separate dynamics again

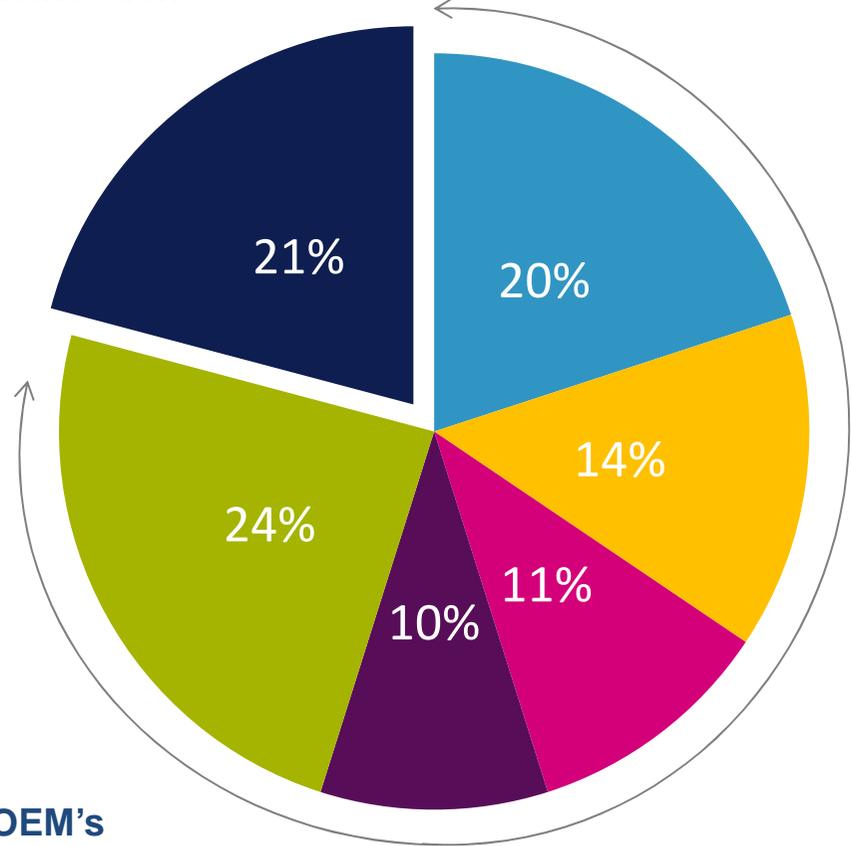
- Wholly-owned businesses down 3%
- Wireless Product Segment down 29%

Q212 guidance: 7.5% +/- 3 percentage points



Q112 Revenues by Market Segment/Channel*

Distribution



OEM's

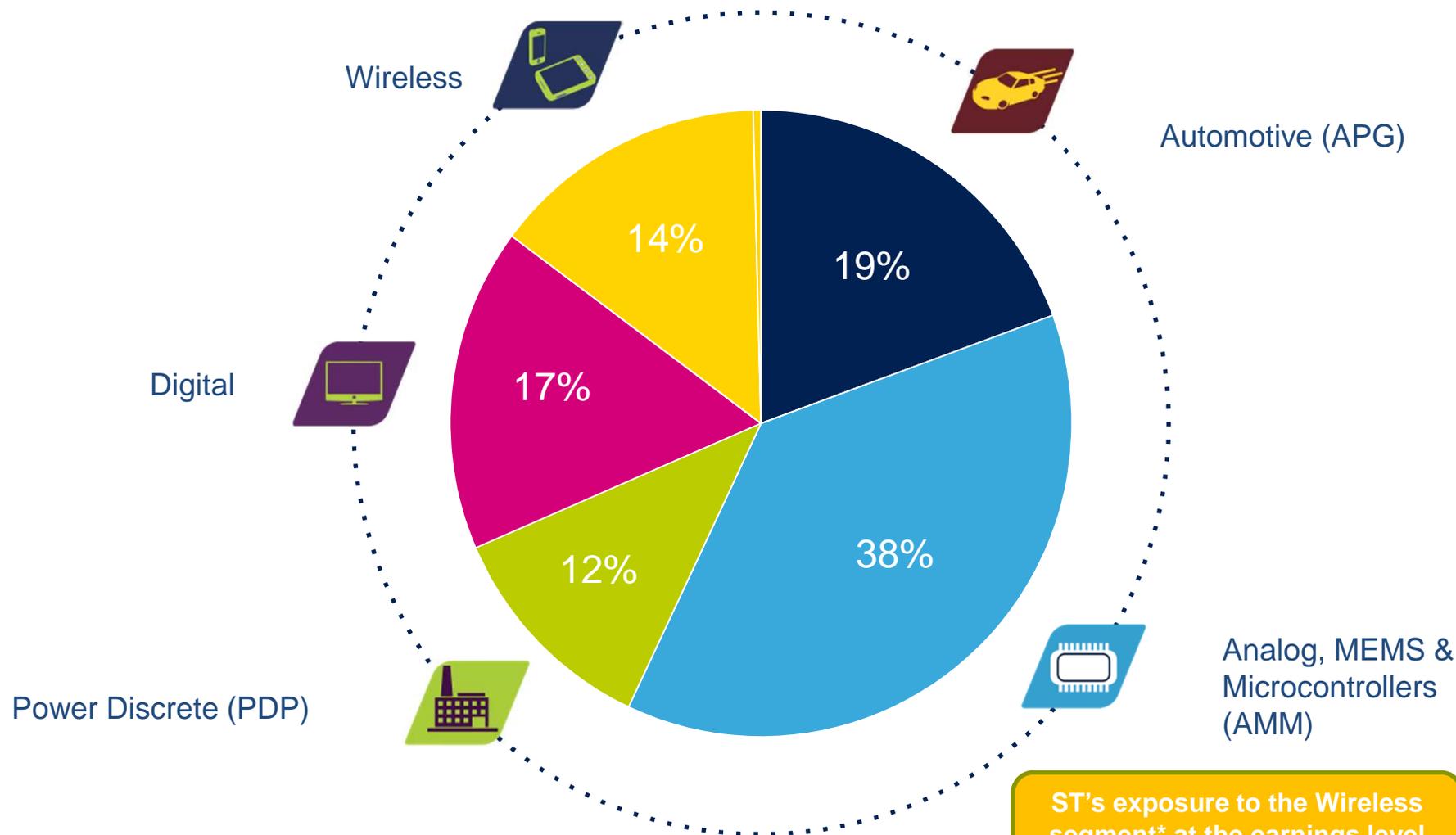
Q112 vs. Q411

	Automotive	+2%
	Computer	+2%
	Consumer	-4%
	Industrial & Other	Flat
	Telecom	-25%
	Distribution	-1%



* Estimated. See appendix.

Q112 Revenues by Product Segments



ST's exposure to the Wireless segment* at the earnings level is 7.5%

Financial Performance

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<i>In US\$M, except EPS</i>	Q111	Q411	Q112
Net Revenues	2,535	2,191	2,017
Gross Margin	39.1%	33.4%	29.6%
Operating Income (Loss) before impairment, restructuring & one-time items*	142	(123)	(280)
Operating Margin before impairment, restructuring & one-time items attributable to ST*	9.9%	(0.2%)	(6.5%)
Net Income – Reported	170	(11)	(176)
EPS Diluted	0.19	(0.01)	(0.20)
Adjusted EPS Diluted*	0.20	(0.01)	(0.14)
Free Cash Flow*	51	47	98
Net Financial Position, adjusted for 50% investment in ST-Ericsson*	1,255	1,167	1,267
Effective Exchange Rate €/\$	1.33	1.36	1.33

Financial Performance

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Wholly-owned businesses *

Wireless **

<i>In US\$M</i>	Q111	Q411	Q112		Q111	Q411	Q112
Revenues	2,150	1,782	1,727		384	409	290
Operating Income (Loss) before impairment, restructuring & one-time items	322	88	13		(180)	(211)	(293)
Operating Margin	15.0%	4.9%	0.8%		na	na	na
Minority Interests	na	na	na		90	110***	168

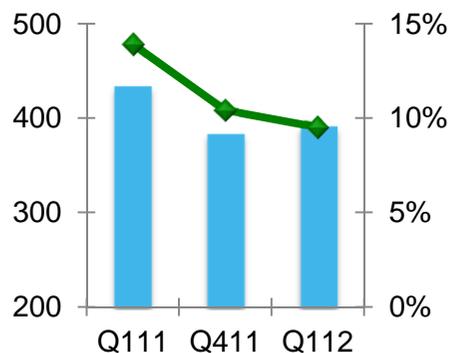
* ST's wholly-owned businesses include Automotive, Digital, AMM, PDP and Others.

** 100% of ST-Ericsson's results (out of which 50% from the competence of ST) as consolidated by ST plus other margins of ST related to ST-Ericsson's business.

*** Q411 Wireless Minority Interests excludes the impact of \$92M related to ST-E valuation allowance.

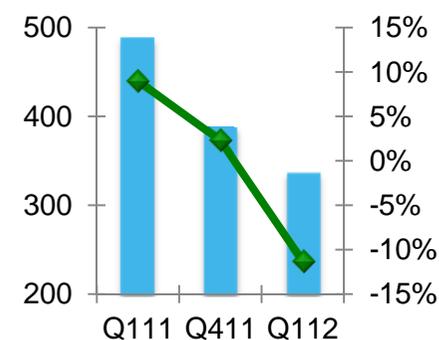
Wholly-Owned Businesses Performance

Automotive



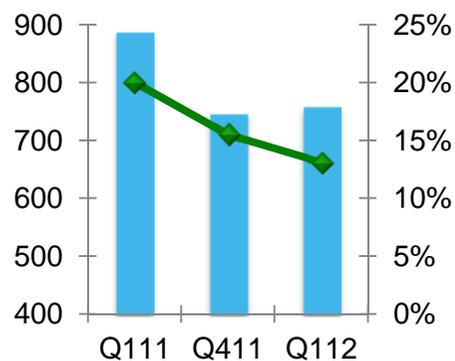
\$391M revenue
9.5% op. margin

Digital



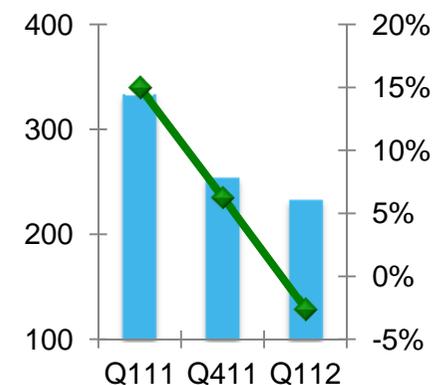
\$337M revenue
\$38M op. losses

Analog, MEMS & Microcontrollers



\$758M revenue
13.1% op. margin

Power Discrete

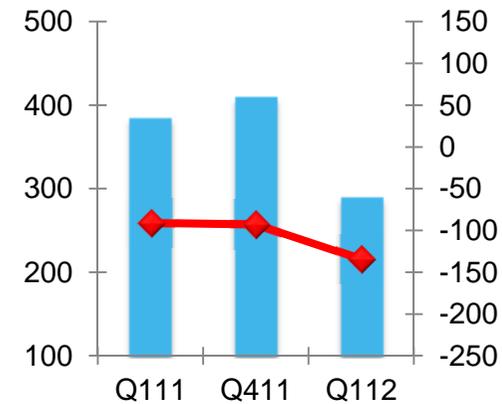


\$233M revenue
\$6M op. losses

■ Revenue —◆— Operating Margin*

Wireless Product Segment Performance

- Sustainable turnaround of ST-Ericsson is a key priority
- New strategic direction and partnership announced on April 23, 2012
- Application processor partnership to position both ST and ST-E
- ST consolidated results expected to benefit from new strategic direction and related savings



\$290M revenue
\$293M op. losses
\$135 op. losses net of minority interests



* Operating Income before impairment, restructuring & one-time items. Unused capacity charges are reported in the Group "Others". 100% of ST-Ericsson's results (out of which 50% from the competence of ST) as consolidated by ST plus other margins of ST related to ST-Ericsson's business

Q112 Product Highlights

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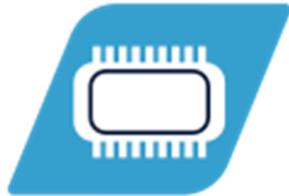
- **Collected design wins for 32-bit microcontrollers for entry-level and next-generation braking systems** from Tier1 manufacturers confirming ST's leading position in advanced functional safety architectures.
- **Improved market penetration in Japan** by consolidating market share with a new body-control module awarded by a Japanese Tier1 car maker.

- In Digital Convergence, we collected several design wins in Europe and Asia for the ARM Cortex A9-based, “**Only**” **high-performance Home Application processor** manufactured in 32nm process technology.
- **Two ASIC designs in 32nm** for networking applications from a leading player in the market.



Q112 Product Highlights

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- Won a number of designs for **digital MEMS microphones** at Taiwanese manufacturers for PC applications.
- Started shipping MEMS accelerometers and STM32 microcontrollers to two major US consumer manufacturers for **fitness applications**.
- **Won a significant design-in of a MEMS gyroscope and accelerometer** for a next-generation mobile phone by a leading US consumer manufacturer.
- **New ultra-compact accelerometer** selected by a Korean market leader for feature- and low-end smartphones.
- **Putting MEMS in the worldwide automotive market** by ramping up production of accelerometers and gyroscope for automotive eTolling system

- Secured design wins for the **robust trench-gate field-stop IGBTs** with several solar-power and welding customers in Europe and China.
- Achieved a design win for **SLLIMM intelligent power modules** at a US white-goods maker.



Q112 Product Highlights

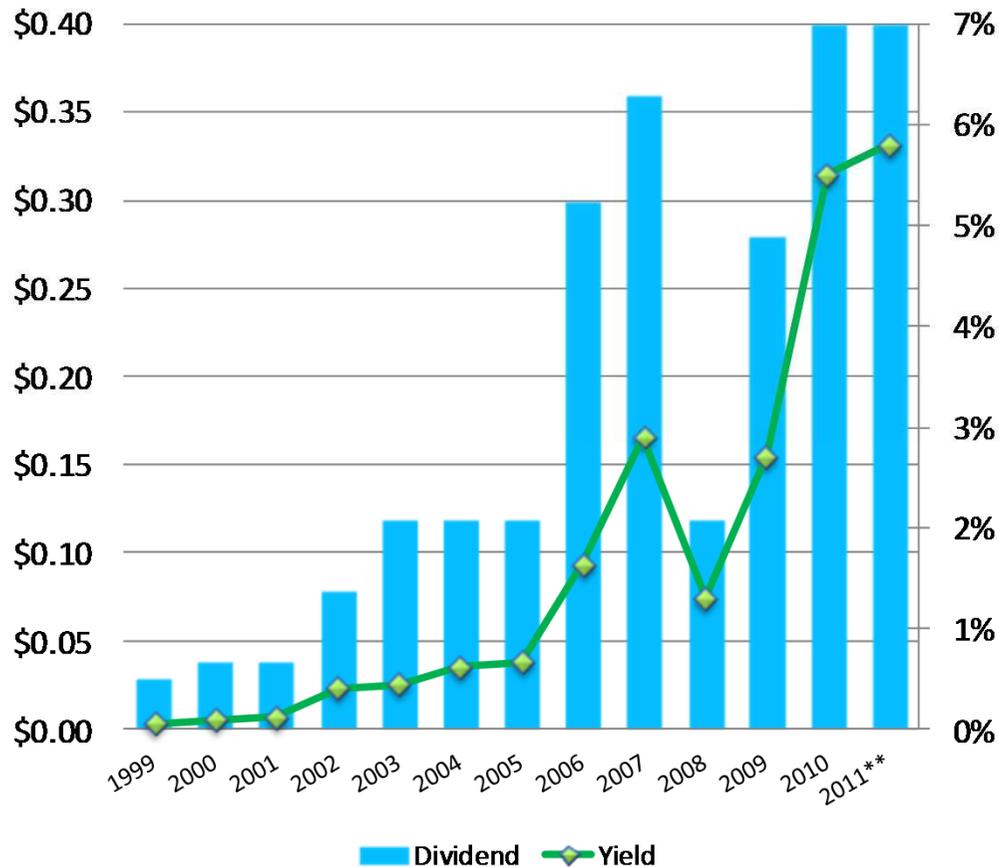
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- **Announced the NovaThor™ L8540**, an LTE/HSPA+/TDHSPA-enabled integrated smartphone platform, at Mobile World Congress.
- **Samsung is now a customer of the NovaThor™ platform.** The new Samsung GALAXY S Advance Android-powered smartphone uses ST-Ericsson U8500 System.
- **Xperia™ P, Xperia™ U and Xperia™ sola** are the first three smartphones by Sony Mobile Communications **to use the NovaThor™ U8500 Modap system.**
- **Selected FD-SOI technology** (fully depleted silicon on insulator) for use in future mobile platforms, **leveraging on ST technology** based on Soitec SOI, which will enable enhance performance from NovaThor™ platform at much lower battery usage.

Dividend Evolution

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- STM dividend yield of ~7% among the highest in the semiconductor industry
- ST cumulative dividends over the past 6 years (including the \$0.40 per share submitted to the 2011 AGM for approval) have been > \$1.5B
- Quarterly dividend offers a steady income to shareholders and also potential stock price revaluation

Net Financial Position*

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End of period (US\$M)	Apr. 2, 2011	Dec. 31, 2011	Mar. 31, 2012
Available Cash and Marketable Securities	2,718	2,325	2,213
Restricted Cash and Non-current Marketable Securities	169	8	7
Total Liquidity	2,887	2,333	2,220
Total Financial Debt**	(1,749)	(1,566)	(1,442)
Net Financial Position	1,138	767	778
Net Financial Position, adjusted to account for 50% investment in ST-Ericsson	1,255	1,167	1,267

In Q112, ST:

- Paid \$88M of dividends
- Paid \$213M to redeem nearly the entire residual outstanding 2016 Convertible Bond



*See appendix

**Includes ST-Ericsson short-term debt to Ericsson of \$489M as of Mar.31, 2012, \$400M as Dec. 31, 2011 and \$117M as of Apr. 2, 2011.

- **“Based on current visibility, we expect broad-based growth in all product segments during the second quarter leading to revenue growth of about 7.5 percent at the mid-point of our guidance. Looking further ahead we also anticipate broad-based revenue growth with a strong acceleration in MEMS and Analog in the second half of 2012 thanks to our new and innovative products and our expanding customer base.”**
- Q212 revenues is expected to grow sequentially in the range of about +7.5 plus or minus 3 percentage points.
- Q212 gross margin is expected to be about 34.4% plus or minus 1.5 percentage points, and assumes an improvement from the first quarter amount from fab loading and manufacturing performance.

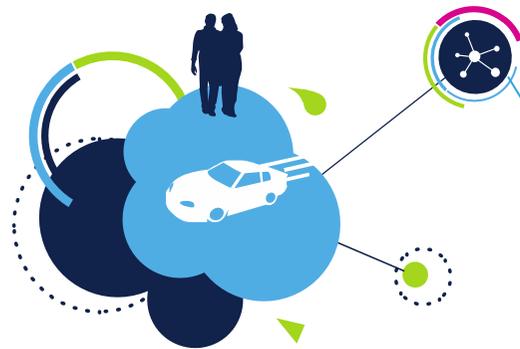
*Outlook based on an assumed effective currency exchange rate of approximately \$1.33 = € 1.00 for the 2012 second quarter and includes the impact of existing hedging contracts.
The second quarter will close on June 30, 2012.*

ST's Next Step in Multimedia Convergence



The Multi-Screen Service Platform

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Next Step in Multimedia Convergence

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- To offer a unified processing platform to serve all markets
- Combining strengths with ST-Ericsson through a strategic partnership

To offer a unified processing platform to serve all markets

- Creation of a dedicated unified processing platform team
- ST will develop a unified processing platform for a wide range of applications
- ST-Ericsson will license ST Application Processor
- ST will sell
 - Stand alone application processor for smartphones and tablets applications through ST-Ericsson's sale channel (when existing sales coverage is in place)
 - Directly stand alone application processor for all cases and/or applications not covered above

Combining Strengths

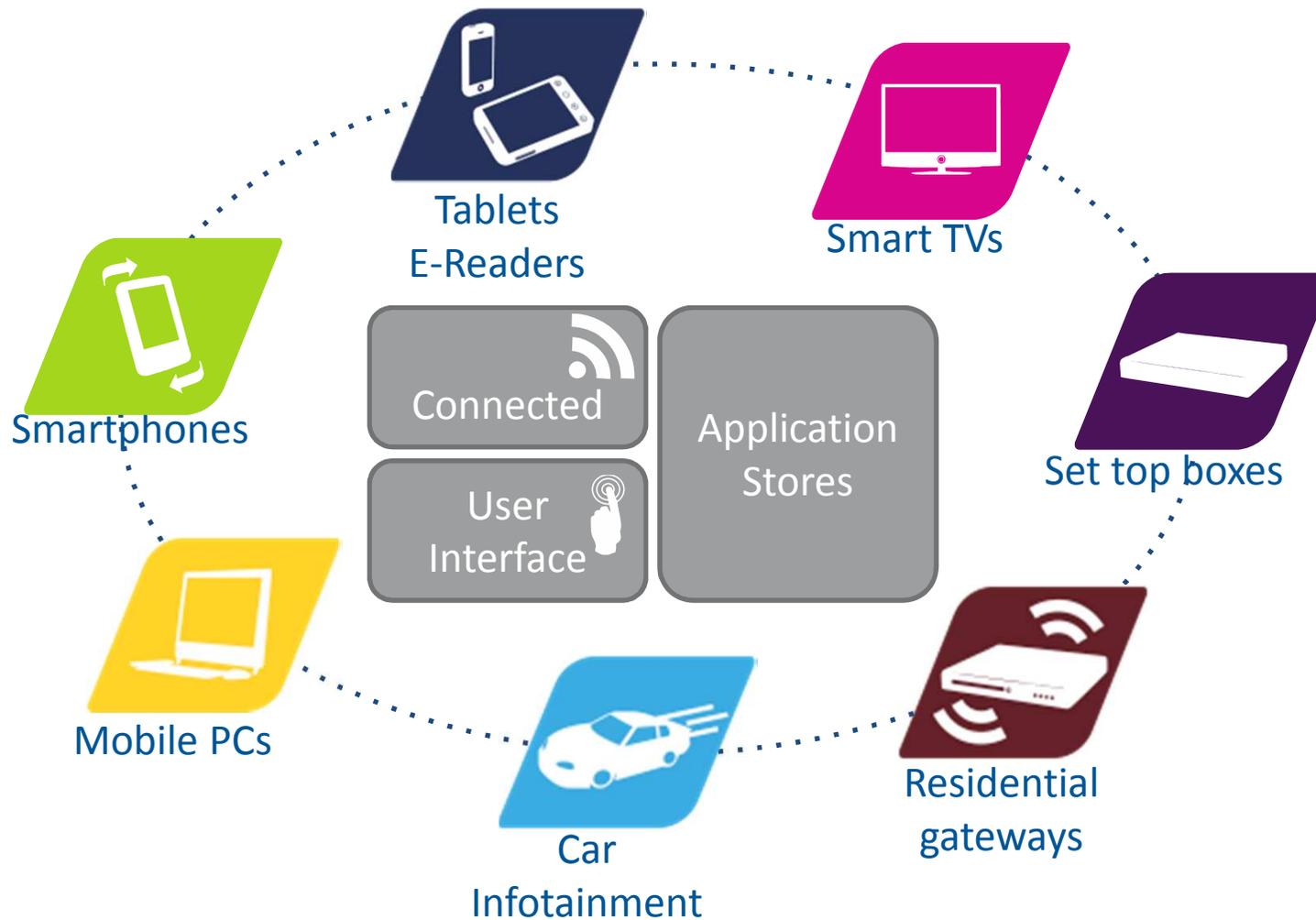
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- Expertise in leading edge platform ✓
- Ecosystems ✓
 - Google, Windows, Adobe, ...
- Critical Mass ✓
 - Size to scale
- Customer relationships ✓
- CPU and graphics ✓
- Power consumption ✓
- Video Quality ✓
- Security ✓
- Reliability ✓

Growing Consumer Demand

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Easier and faster access to more digital media and services,
secured and **sharable** across **all** smart connected devices



Benefits of a Unified Processing Platform



Unified Platform

- Multi device
- Multi screen
- Multi market

Benefits for ST

- Development synergies
- Take the best in each domain
- Unique position on multi segment



Benefits for the industry

- Better TTM for multi segment services
- Less effort for 3rd parties / manufacturers
- Multi-device & services vision

Software Framework



Service Operators



New Markets



Secure services provider



Manufacturers



With Different Requirements and IPs

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Tablets → • CPU and graphics



Smartphones → • Power consumption



TV → • Video quality



Set-top boxes → • Security



Car Infotainment → • Reliability

Appendix



Pre-Tax Items to Adjusted Earnings*

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OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	Q111	Q411	Q112
	U.S. GAAP Net Earnings	170	(11)	(176)
	NXP Arbitration Award			56
	Impairment & Restructuring Charges (attributable to Parent Company's shareholders)**	22	5	13
	Other-than-Temporary Impairment (OTTI)	5		
	Gain on sale of Micron shares	(21)		
Estimated Income Tax effect of Adjustment	(1)	(2)	(13)	
Adjusted Net Earnings*		175	(8)	(120)



* See appendix

** Total Impairment & Restructuring Charges were \$24M in Q111,\$9M in Q411 and \$18M in Q112

ST Product Segments

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Revenues & Operating Results – NEW PERIMETER

<u>Revenues:</u>	Q111	Q211	Q311	Q411	FY11	Q112
Automotive	433	459	404	383	1,678	391
Digital	488	521	442	388	1,838	336
Analog, MEMS & Microcontrollers	886	889	856	747	3,377	758
Power Discrete	333	337	316	253	1,240	233
Wireless	384	347	412	409	1,552	290
<u>Operating Income:</u>						
Automotive	60	81	46	41	227	37
Digital	45	34	20	9	107	(38)
Analog, MEMS & Microcontrollers	177	166	147	116	606	99
Power Discrete	50	40	33	16	139	(6)
Wireless	(180)	(207)	(215)	(211)	(813)	(293)

- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding payment for purchases of and proceeds from the sale of marketable securities (both current and non-current), short-term deposits and restricted cash. 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, net of bank overdrafts, if any, current and non-current marketable securities excluding Micron shares received in connection with the sales of Numonyx, short-term deposits and non-current 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.
- **Return on Net Assets (RONA)** is the ratio of operating income before impairment and restructuring charges divided by average net assets used during the period. ST defines average net assets as average total assets net of total liabilities as reported in our consolidated balance sheet excluding all items related to our financial position such as cash and cash equivalents, marketable securities, short term deposits, restricted cash, bank overdrafts, current portion of long term debt and long term debt.
- **Operating income** before impairment, restructuring and one time item excludes impairment, restructuring charges and other related closure costs and NXP Arbitration award.
- **Operating income before impairment, restructuring and one-time item attributable to ST** is calculated as operating income before impairment, restructuring and one time item excluding 50% of ST-Ericsson operating loss before impairment and restructuring as consolidated by ST. **Operating margin before impairment, restructuring and one time item attributable to ST** is calculated as operating income before impairment, restructuring and one time item attributable to ST divided by reported revenues excluding 50% of ST-Ericsson revenues as consolidated by ST. **Return on Net Assets (RONA) attributable to ST** is calculated as annualized operating income before impairment, restructuring and one time item attributable to ST divided by reported net assets excluding 50% of ST-Ericsson net assets as consolidated by ST.
- **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. Adjusted earnings excludes impairment, restructuring charges and other related closure costs attributable to ST, the impact of equity investment divestiture and subsequent sale of Micron shares, other-than-temporary impairment (OTTI) charges and realized gain on financial assets, NXP Arbitration award net of the relevant tax impact.
- **Consolidation of ST-Ericsson:** ST-Ericsson, a joint venture owned 50% by ST, began operations on February 3, 2009 and is consolidated into ST's operating results as of that date. ST-Ericsson is led by a development and marketing company consolidated by ST. A separate platform design company providing platform designs mostly to the development and marketing company is accounted for by ST using the equity method.
- **Wireless Segment:** As of February 3, 2009, "Wireless" includes the portion of sales and operating results of the 50/50 ST-Ericsson joint venture as consolidated in the Company's revenues and operating results, as well as other items affecting operating results related to the wireless business.
- **Sales recorded by ST-Ericsson and consolidated by ST are included in Telecom and Distribution**