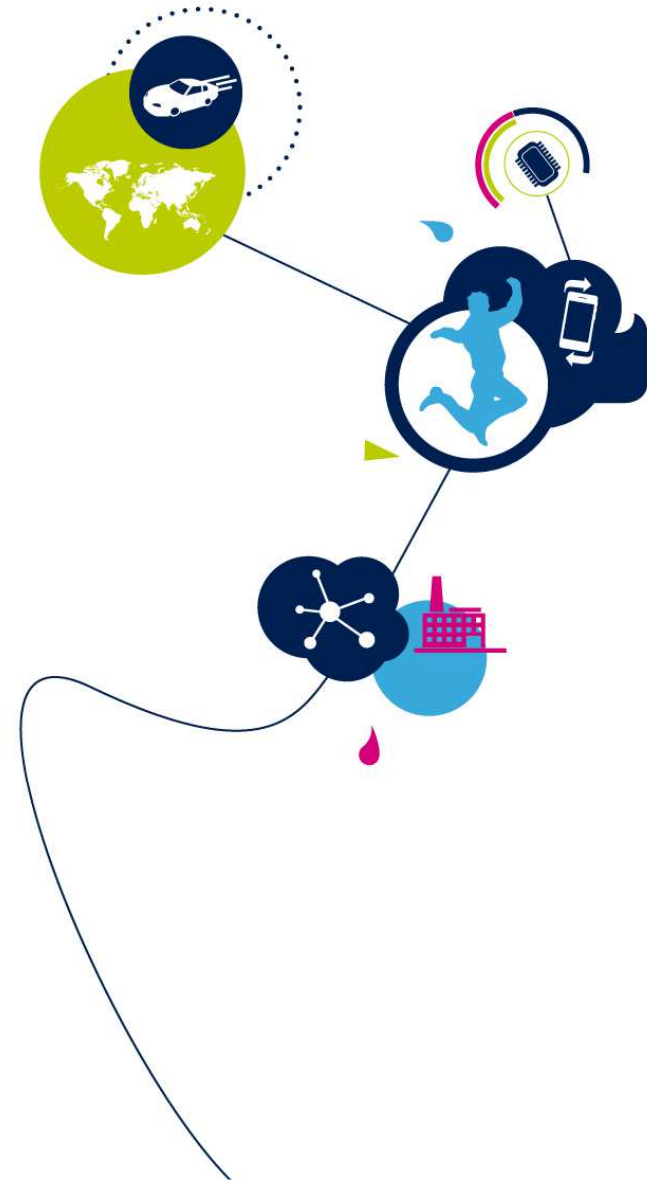


# STMicroelectronics 4Q & FY2016 Financial Results

January 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; and
- Industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and 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, 2015, as filed with the SEC on March 16, 2016. 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.





## Agenda

- Welcome
- 4Q & FY16 Business & Financial performance
- Technology & Manufacturing
- 2017 Focus
- Questions & Answers



# Agenda

3

## Speakers



Carlo Bozotti  
President & CEO

## Supported by



Jean-Marc Chery  
Chief Operating Officer



Carlo Ferro  
Chief Financial Officer



Georges Penalver  
Chief Strategy Officer



## Agenda

- Welcome
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Carlo Bozotti  
President & CEO

# Who We Are

5

- 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



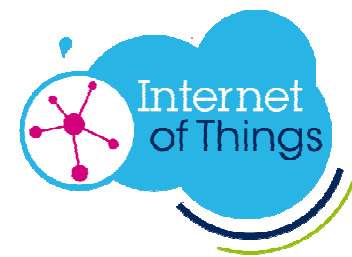
life.augmented

- Approximately **43,500** employees worldwide
- Approximately **7,500** people working in R&D
- **11** manufacturing sites
- Over **75** 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

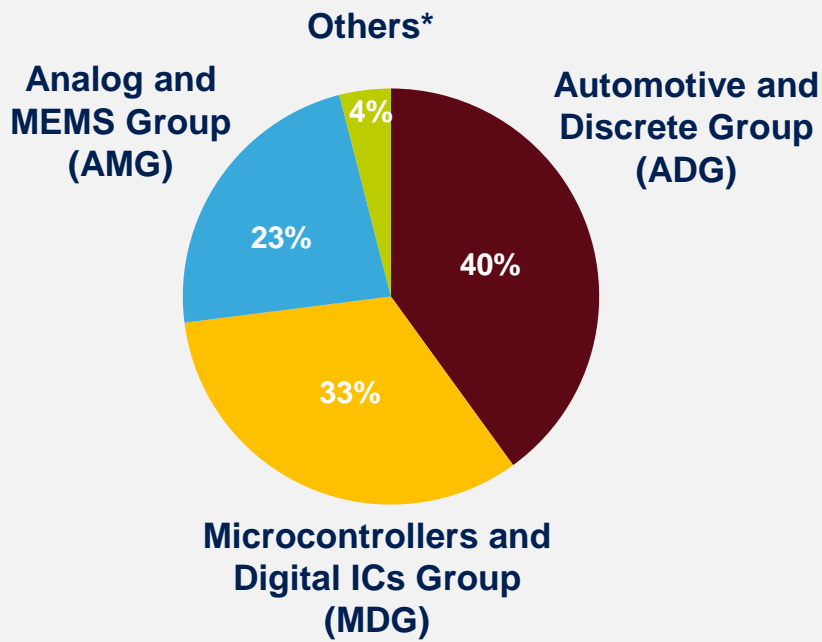


Safer		More connected
	Greener	

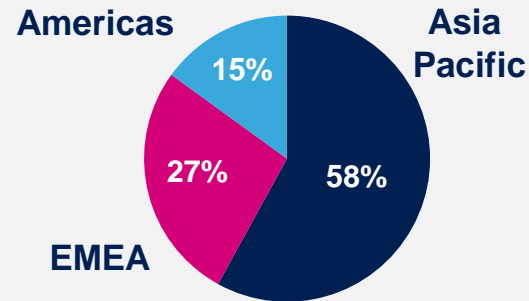
Smart Industry		Smart Home	
	Smart City		Smart Things

# FY16 Revenues

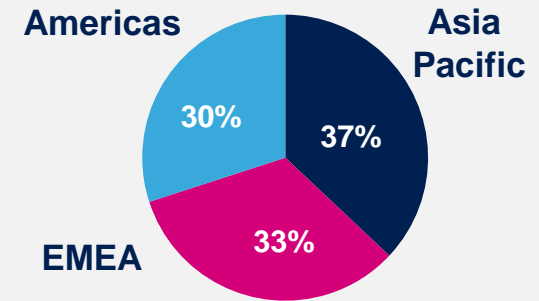
% by product group



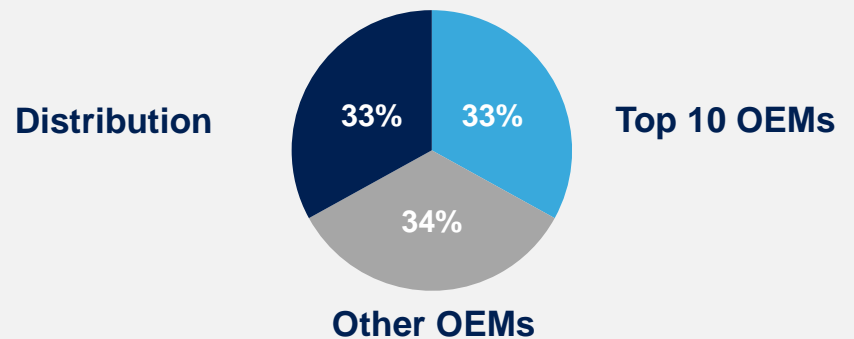
% by shipment location



% by region of origin



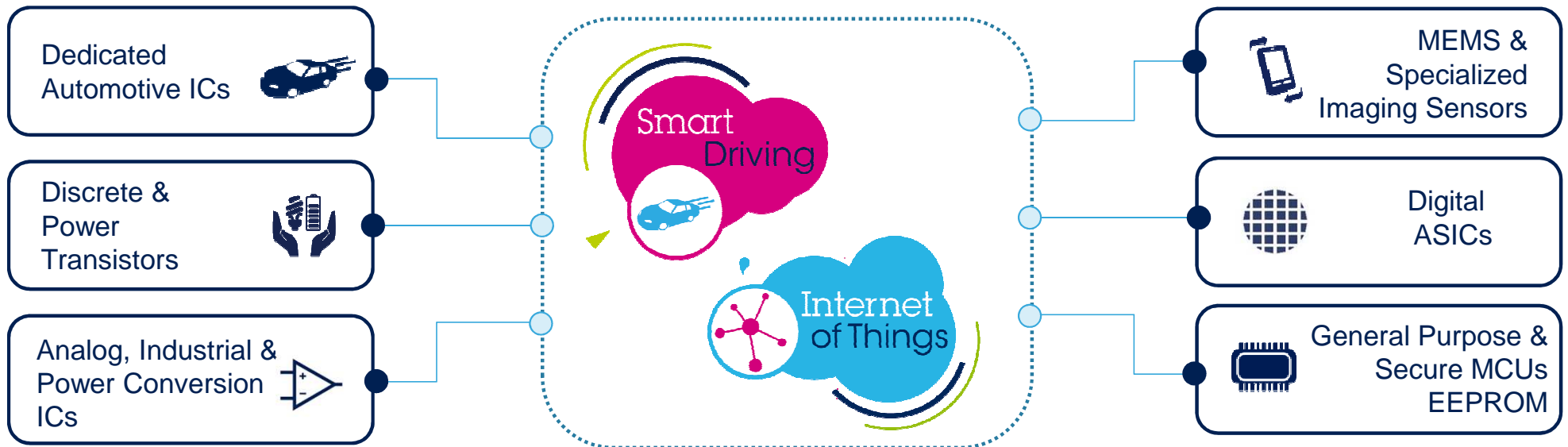
% by customer type



\* Others includes Imaging Product Division

# Product Family Focus

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







## Agenda

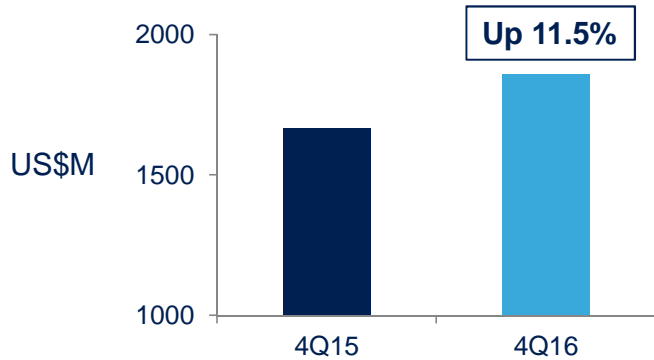
- Welcome
- 4Q & FY16 Business & Financial performance
- Technology & Manufacturing
- 2017 Focus
- Questions & Answers



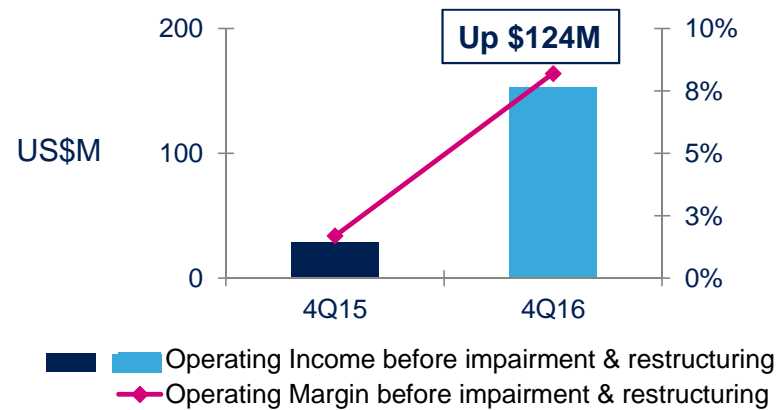
Carlo Ferro  
Chief Financial Officer

# 4Q16 Financial Highlights

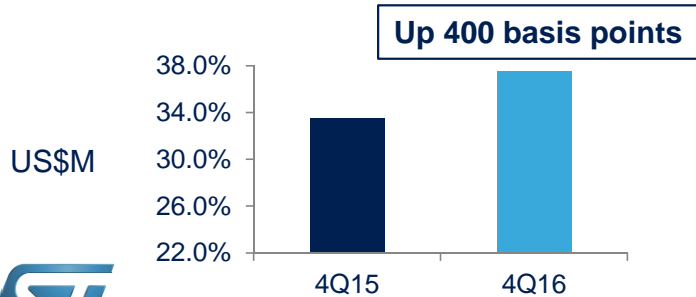
## Revenues = \$1.86B



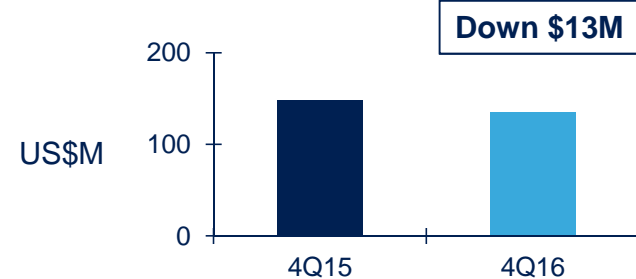
## Operating Income\* = \$153M



## Gross Margin = 37.5%



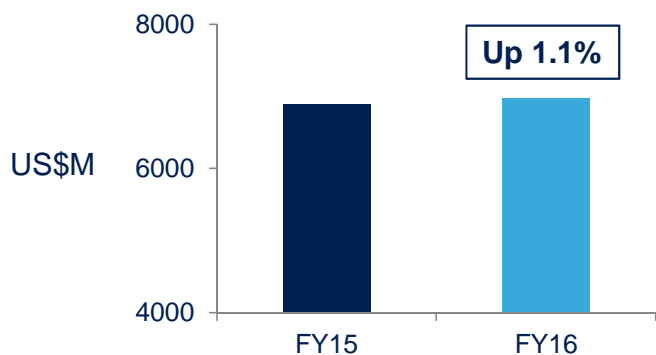
## Free Cash Flow\* = \$135M



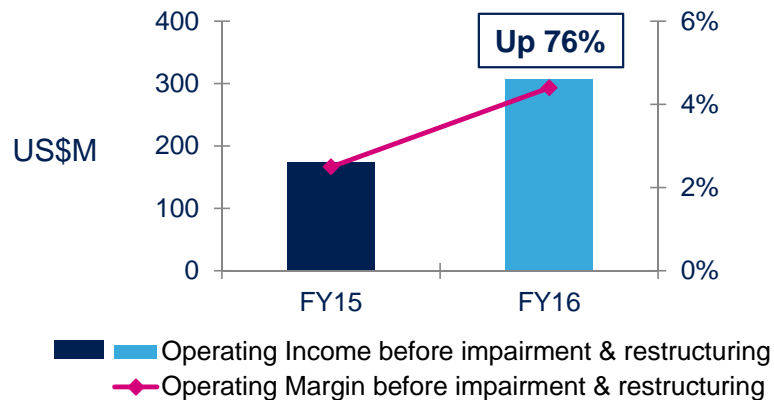
\*Non-GAAP measure – see Appendix

# FY16 Financial Highlights

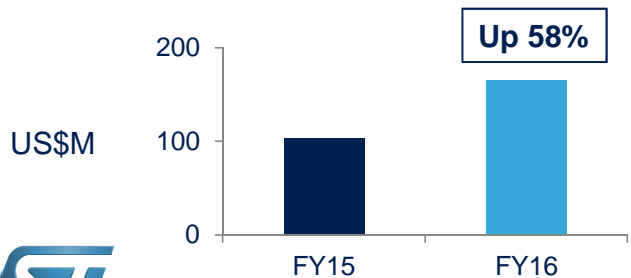
**Revenues = \$6.97B**



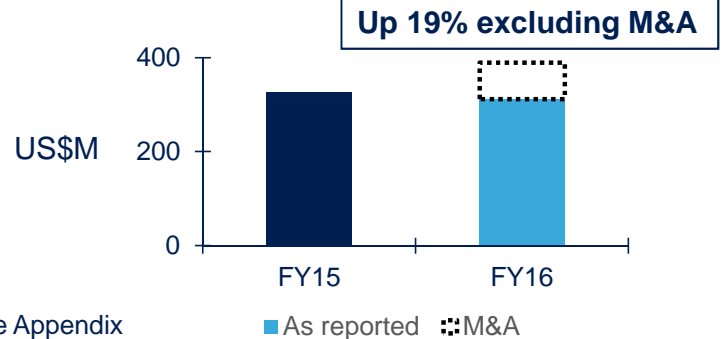
**Operating Income\* = \$307M**



**Net Income = \$165M**



**Free Cash Flow\* = \$312M**

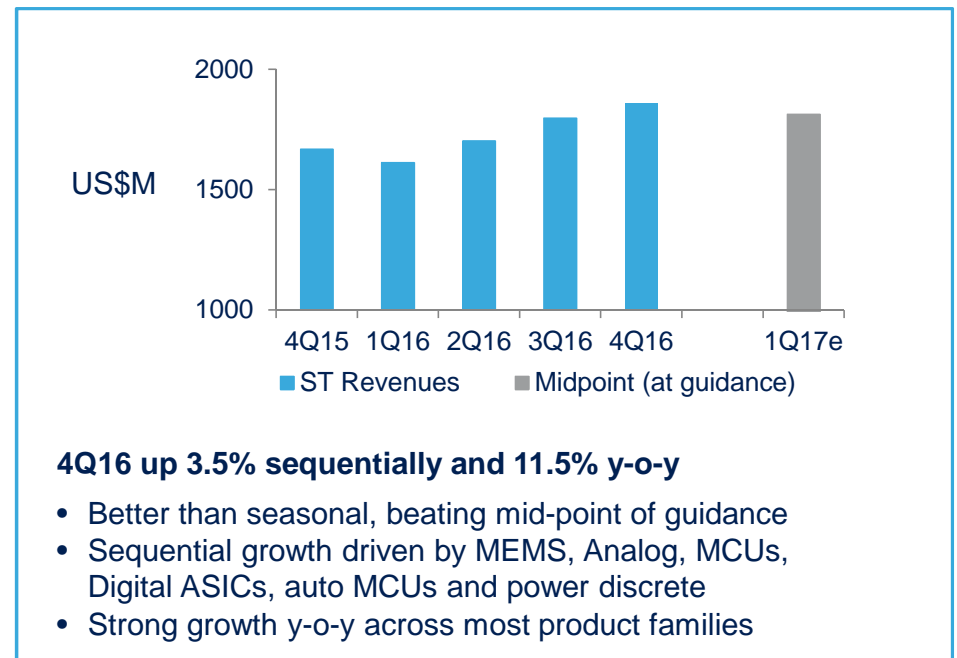
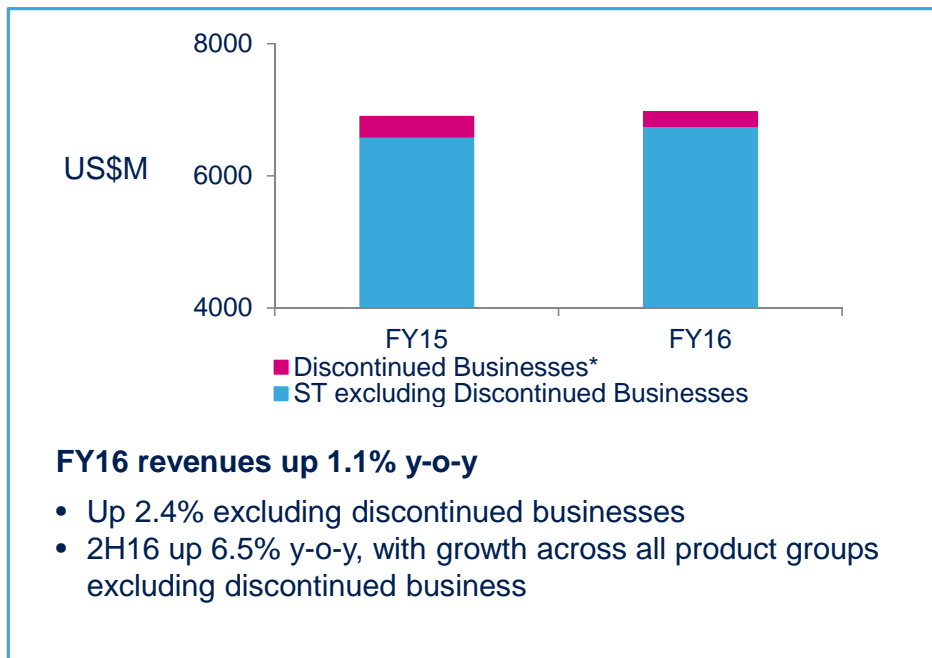


\*Non-GAAP measure – see Appendix

# ST Revenues: Return to Growth

**FY16 Revenues = \$6.97B**

**4Q16 Revenues = \$1.86B**

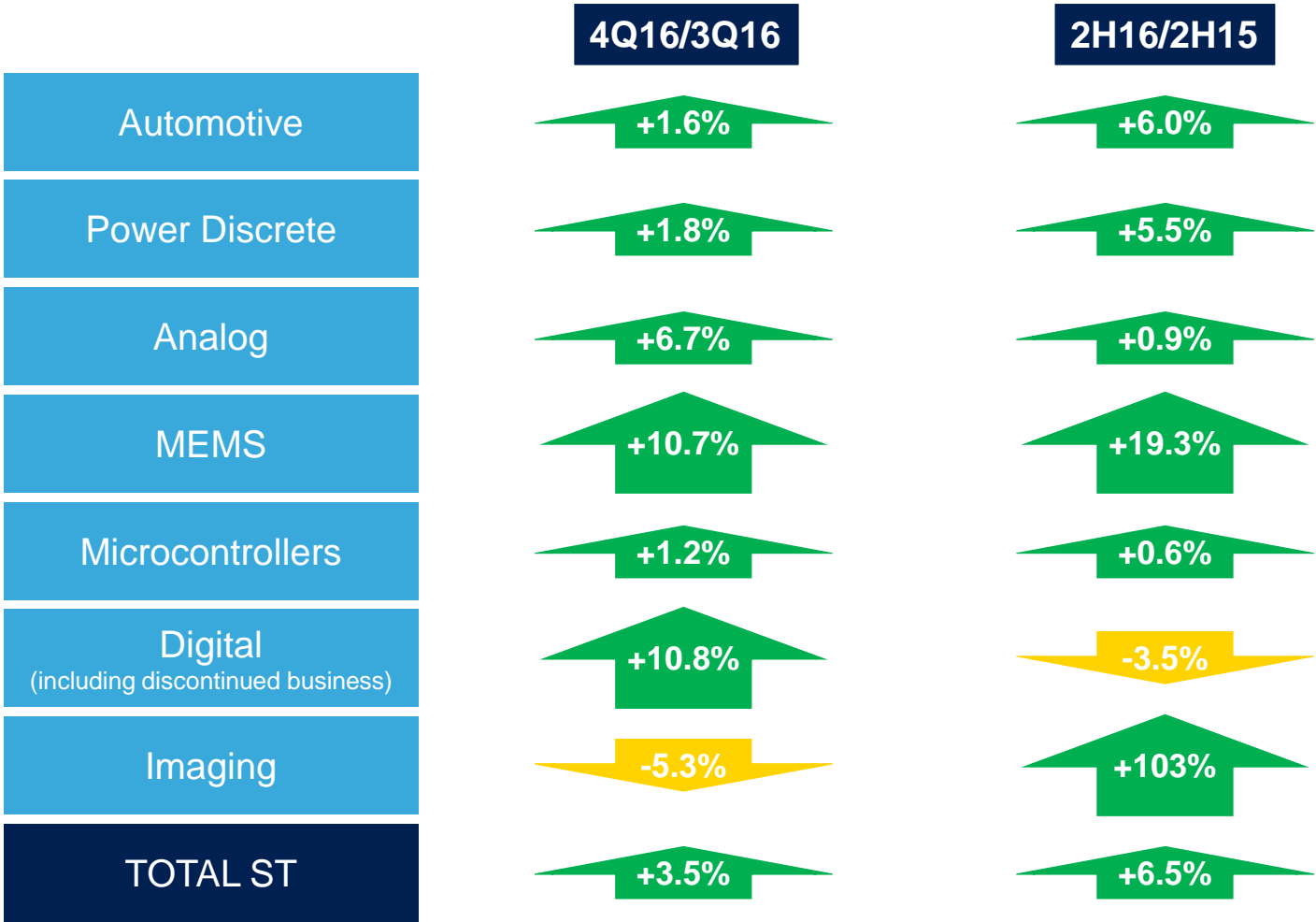


**1Q17 Revenue Outlook**  
 Down sequentially by about 2.4% (+/- 3.5 % points)



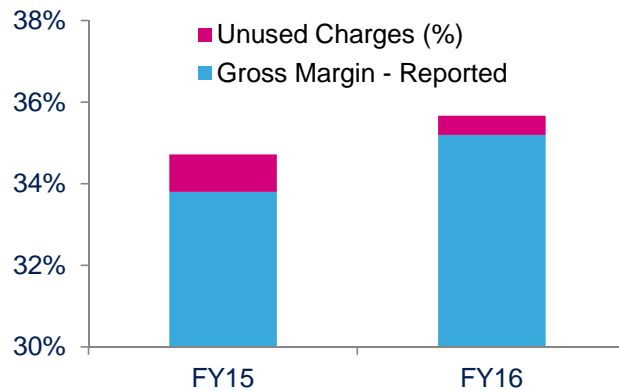
\*Discontinued Businesses include set-top-box, camera modules and the former ST-Ericsson products

# Revenue Growth Dynamics



# Gross Margin Improvement

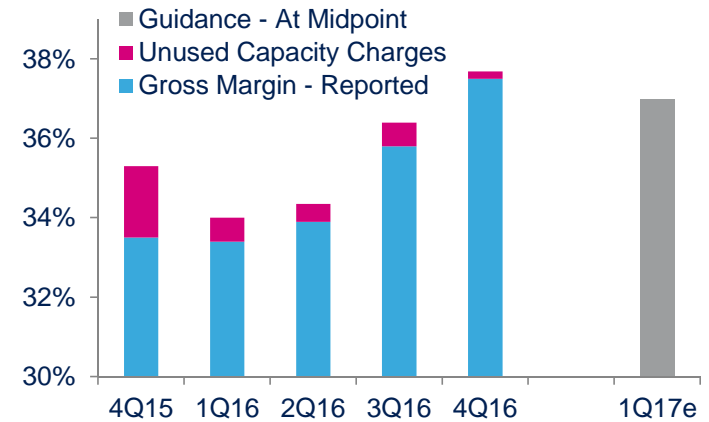
## FY16 Gross Margin = 35.2%



### FY16 Gross Margin up 140 basis points

- Combined favorable effect of manufacturing efficiencies, currency and better product mix on top of lower unused capacity charges
- Includes about 50 basis points of unused capacity charges

## 4Q16 Gross Margin = 37.5%



### 4Q16 Gross Margin: 37.5%

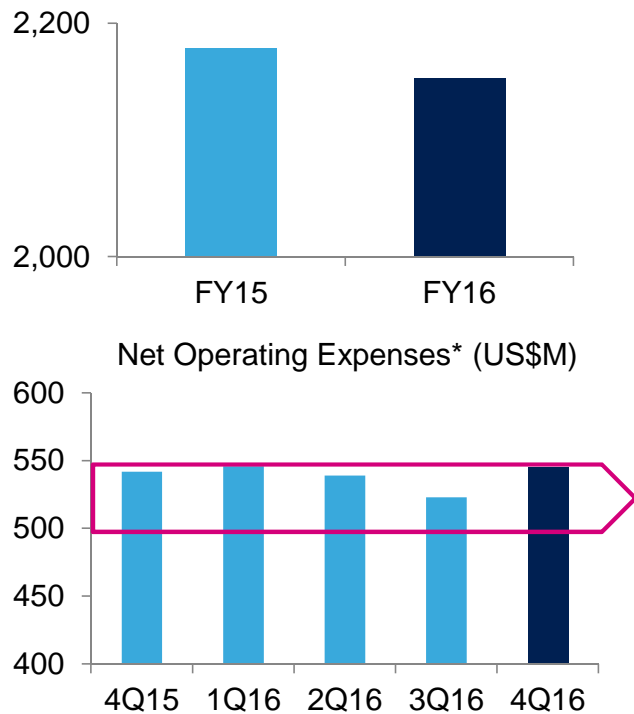
- Beating mid-point of guidance
- Up 170 basis points sequentially
- Up 400 basis points year-over-year
- Includes about 20 basis points of unused capacity charges

1Q17 Gross Margin Outlook

About 37.0% (+/-2.0%)

# Operating Expenses Discipline

## FY16 Average Net Operating Expenses\* Per Quarter: \$538M



### 4Q16 combined SG&A and R&D at \$570M

- Down \$13M year-over-year benefiting from ongoing restructuring of set-top box
- \$545M net of R&D grants

### Set-Top-Box plan completion on track

- 65% of savings completed exiting 2016, 4Q16 savings annualized at \$110M out of \$170M targeted

€352M of €400M Nano2017 grants already recognized exiting FY16

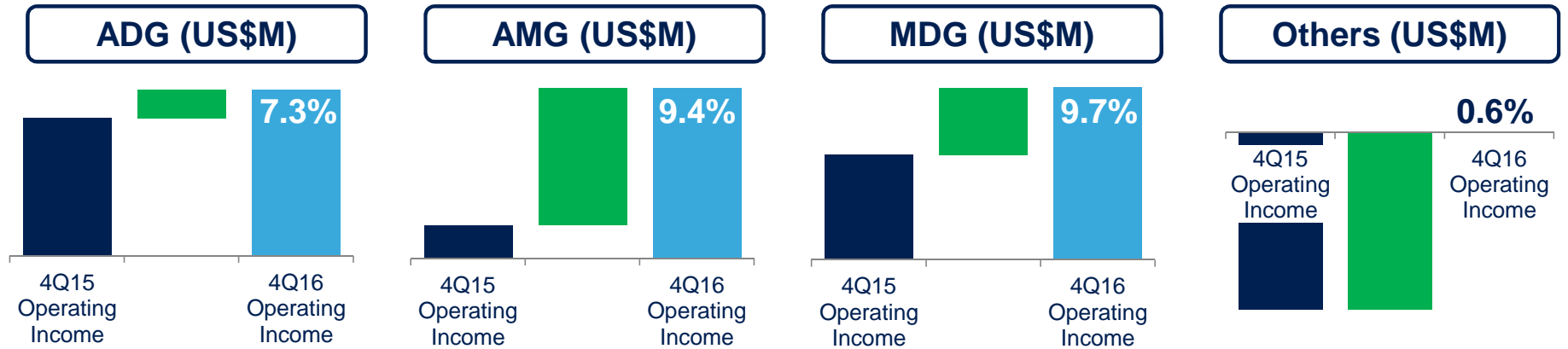
Net Operating Expenses\* in 2016 well within anticipated \$500-\$550M range

2017 Net Operating Expenses\* anticipated to average about \$550M per quarter

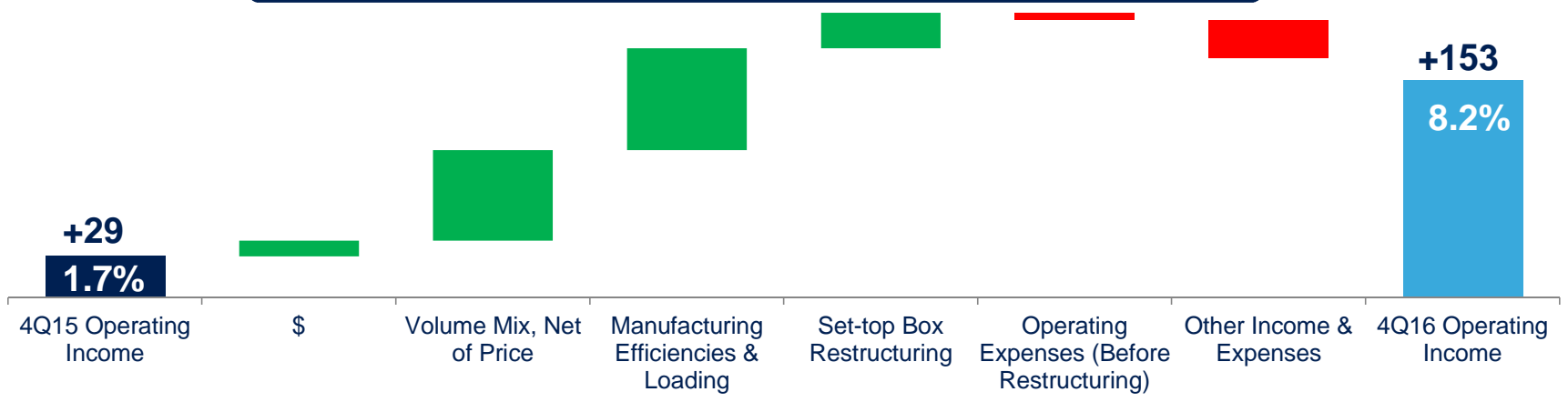


\* Net Operating Expenses: R&D + SG&A – R&D grants

# Operating Income Improvement



**Operating Income Evolution (US\$M): 4Q15 to 4Q16**



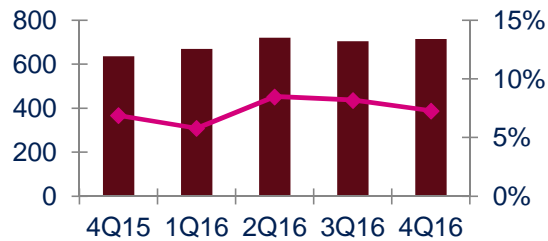


# FY16 Product Group Results

Before impairment and restructuring charges

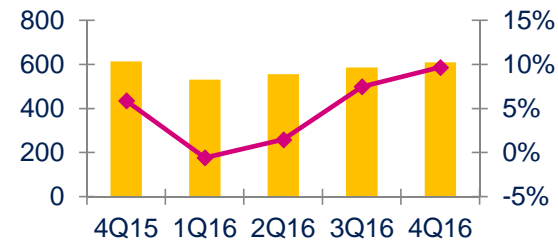
## Automotive & Discrete

Revenues = \$2,813M  
Operating Margin = 7.5%



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

Revenues = \$2,285M  
Operating Margin = 4.7%



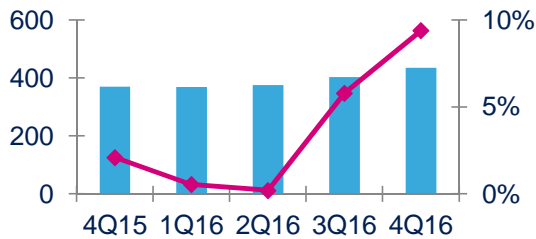
■ Revenue (US\$M) ◆ Operating Margin (%)

## Microcontrollers & Digital ICs

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

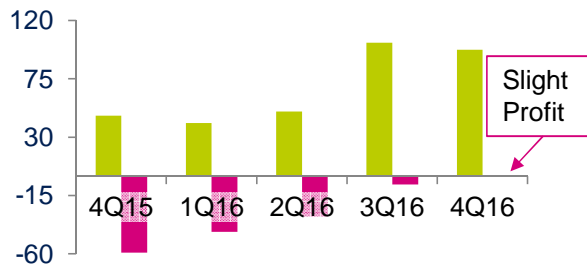
## Analog & MEMS

Revenues = \$1,584M  
Operating Margin = 4.2%



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

Revenues = \$291M  
Operating Loss\* = (\$79M)



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

## Others

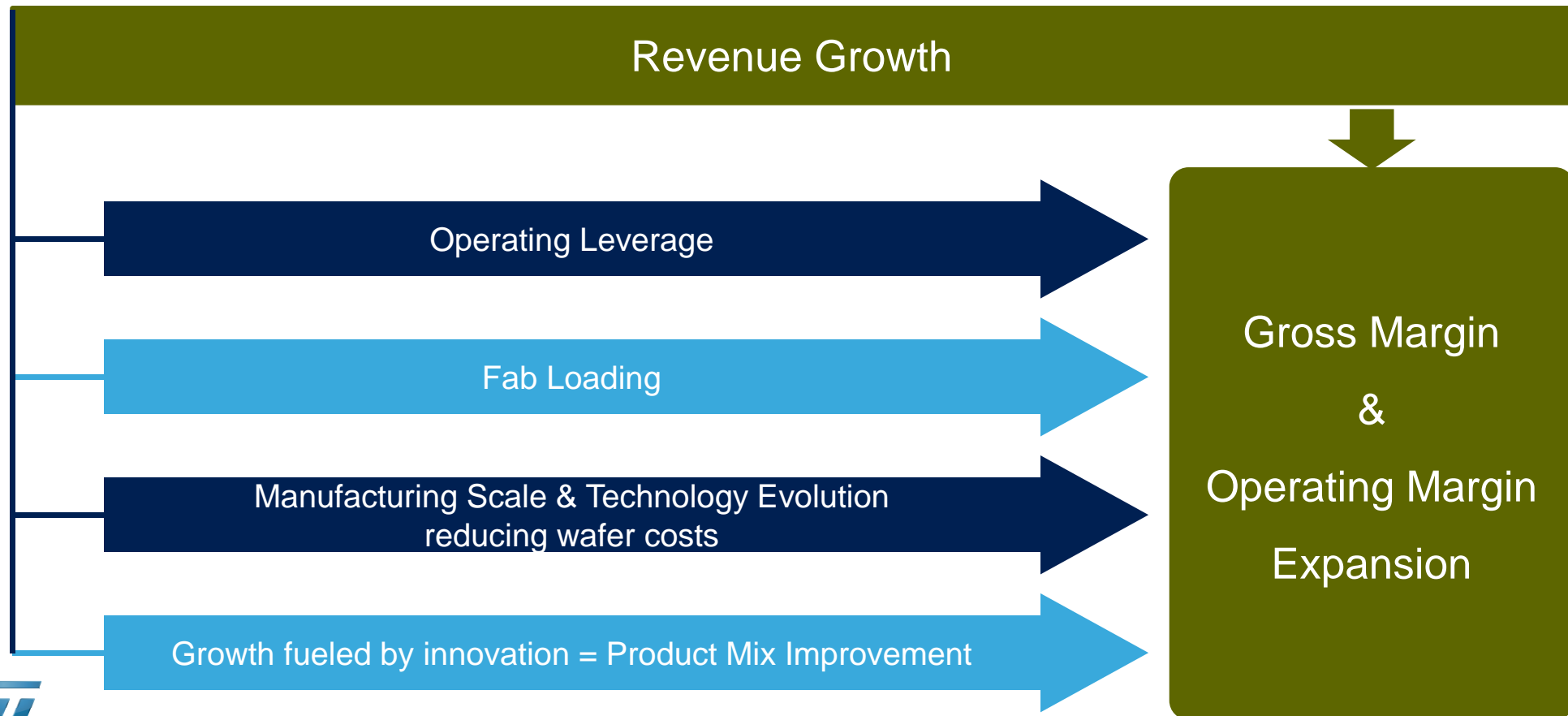
*Others includes sales from the Imaging Product Division and other revenues and items such as unused capacity charges and other unallocated expenses.*



# Revenue Growth to Improve Operating Margin

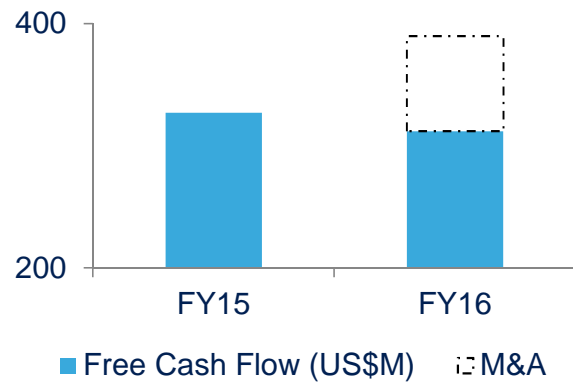
## Four Drivers

18

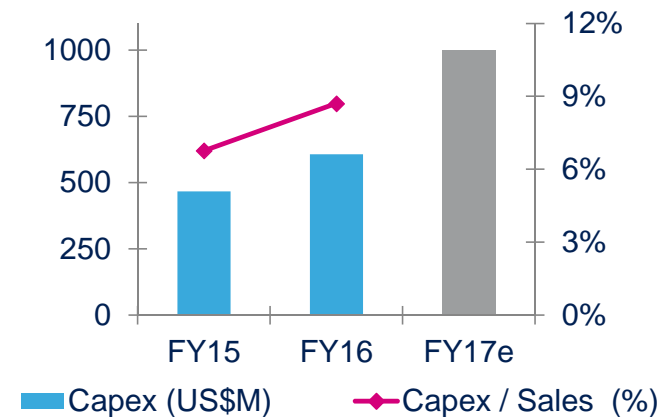


# Financial Flexibility

## FY16 Free Cash Flow\* = \$312M



## Q416 Free Cash Flow\* = \$135M



End of period (US\$M)	December 31 2016	October 1 2016	December 31 2015
Total Liquidity	1,964	2,017	2,106
Total Financial Debt	(1,451)	(1,553)	(1,612)
<b>Net Financial Position*</b>	<b>513</b>	<b>464</b>	<b>494</b>

Cash dividends of \$0.06 per share per quarter; \$251M of dividends distributed in 2016



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



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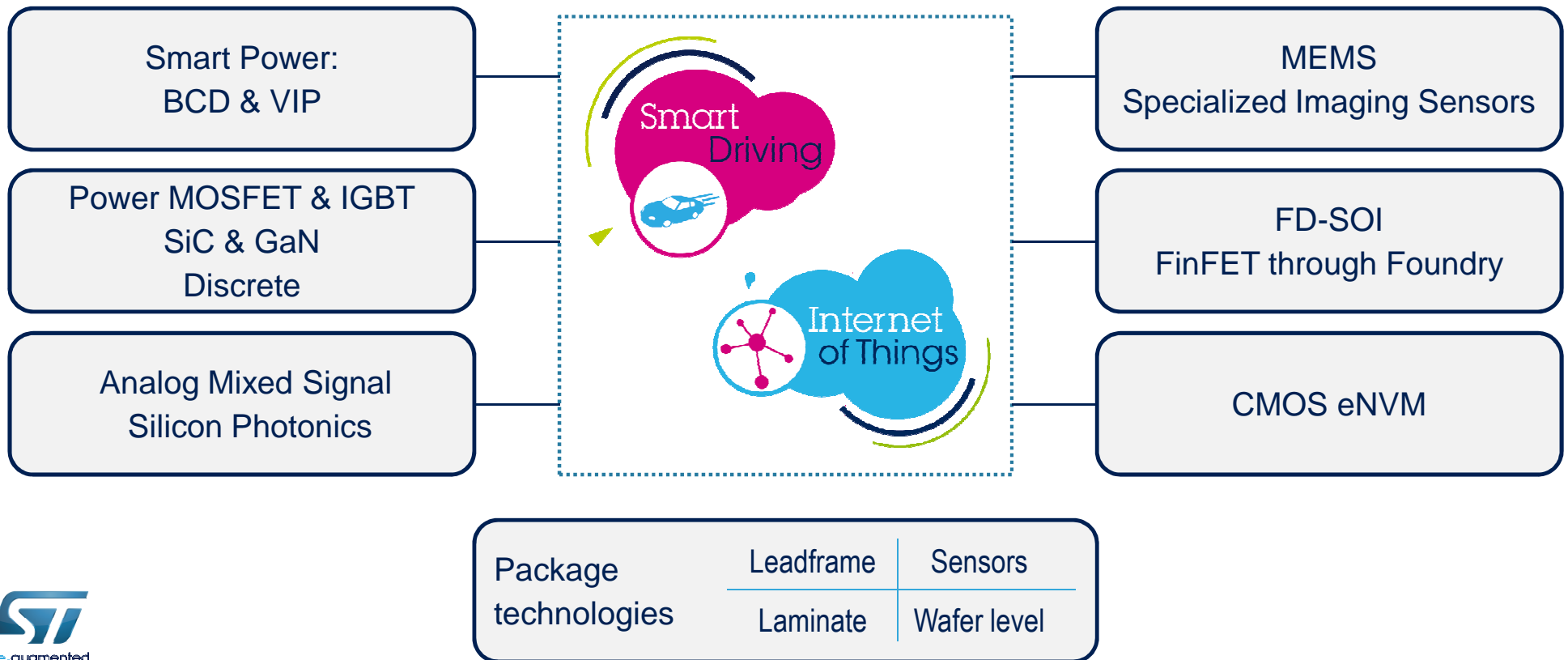


Jean-Marc Chery  
Chief Operating Officer

# Technology Portfolio

aligned with strategic focus areas

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

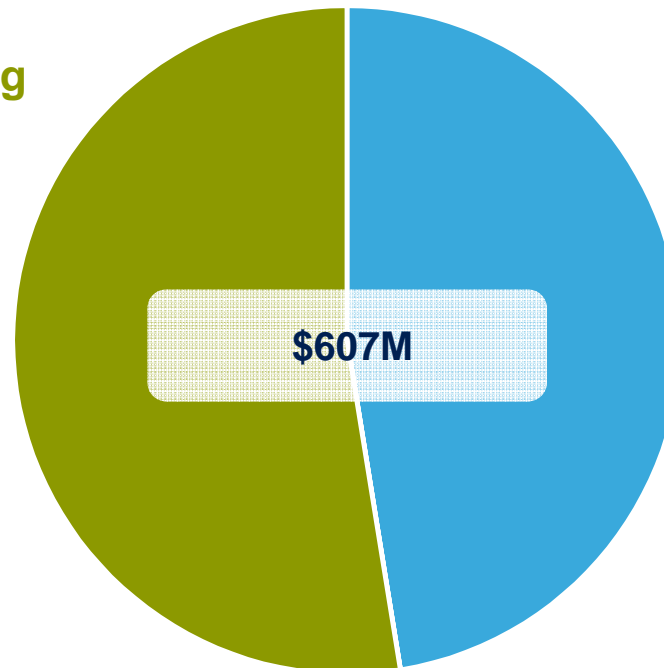


# 2016 Capital Spending

22

## Probing, Assembly & Testing

- New packaging development
- Capacity growth in certain packages and testers
- Specific investment in factory automation and productivity improvement



## Front-End Manufacturing/R&D

- New technologies in Crolles 12"
- Mix evolution to advanced BCD and new MEMS actuators in Agrate
- Expanding 8" advanced BCD, SiC in Catania
- Ramp-up 8" in Singapore for Power Discrete & BCD
- Investment in capacity for new passive integration devices in Tours

### Investments focused on:

Strategic business growth and key product ramps  
Proprietary technology and manufacturing

# Technology & Manufacturing Focus 2017

23

## embedded Non-Volatile Memory (eNVM) & FD-SOI

Advanced General Purpose & Secure  
Microcontrollers for Consumer, Automotive,  
Industrial applications

## Advanced BCD

Smart Power devices for Automotive & Industrial  
applications

## Silicon Carbide

MOSFETs and Diodes for Automotive &  
Industrial applications

## Imaging

Time-of-Flight & specialized image sensors

# embedded Non-Volatile Memory (eNVM)

40nm eFLASH technology for advanced MCUs  
addressing a wide range of applications



## Consumer

- High performance logic for 32-bit MCUs
- State of the art Flash technology
- Competitive solution



## Secure

- High performance page Flash erasable
- High robustness
- Competitive solution



## Automotive & Industrial

- High performance logic for 32-bit MCUs
- State of the art Flash technology
- High reliability with extended temperature

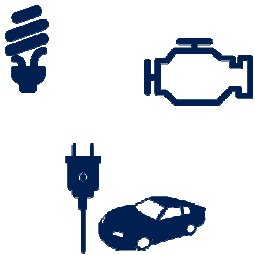


# BCD Technology

**High Voltage  
BCD**  
700V – 6KV

BCD6s Offline (0.32 $\mu$ m)

BCD6s HV Transformer (0.32 $\mu$ m)

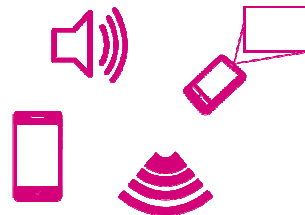


**SOI  
BCD**  
190V – 300V

SOI-BCD6s (0.32 $\mu$ m)

SOI-BCD8s (0.16 $\mu$ m)

SOI-BCD9s (0.11 $\mu$ m)



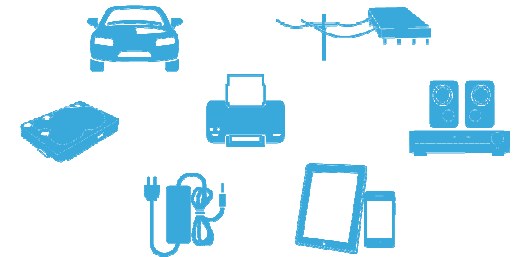
**Advanced  
BCD**  
7V – 100V

BCD8As – BCD8sP (0.16 $\mu$ m)

BCD8sAUTO (0.16 $\mu$ m)

BCD9s – BCD9sL (0.11 $\mu$ m)

BCD10 (90nm)






# FlightSense™ Time of Flight

### Smart Things

Camera assist, ranging, gesture



### Smart Home & City

Robot cleaners, light control, toys



### Smart Driving

Infotainment system control

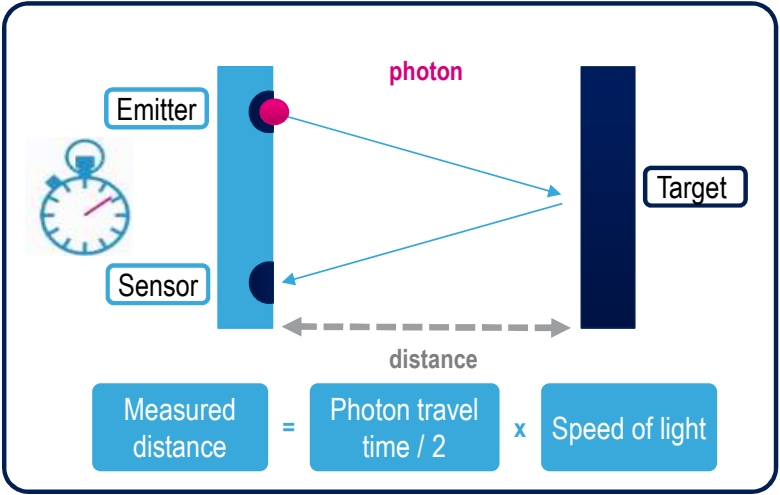


### Smart Industry

Detection, door control, robotics



**True distance measurement**  
*Independent of target size, color & reflectance*



# Silicon Carbide

## Vehicle Electrification



## Industrial



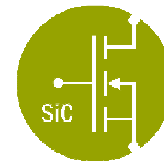
Increased Efficiency, Minimum Power Dissipation, Reduced Size

### SiC Diodes



### SiC MOSFETs

4X more efficient than IGBT

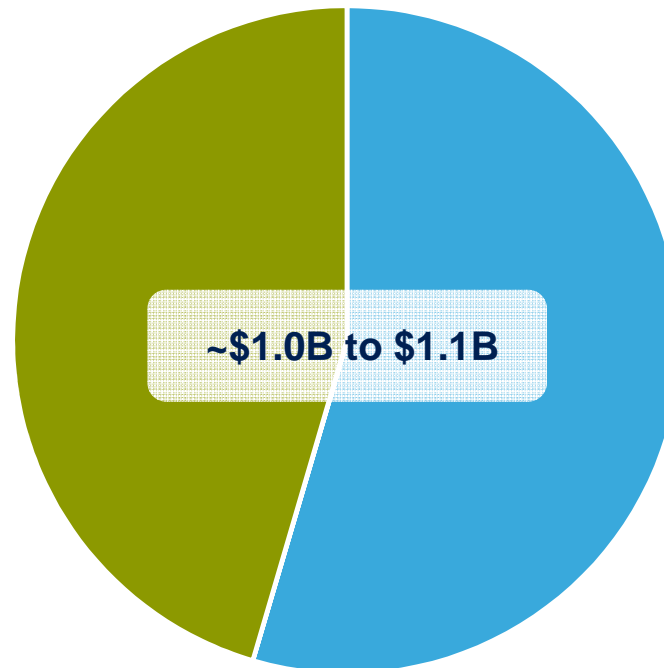


# 2017 Capital Spending

28

## Probing, Assembly & Testing

- Assembly and Test for new program in Time-of-Flight technology
- Assembly and Test for Silicon Carbide
- Assembly and Test capacity to support revenue growth and new products particularly for Automotive



## Front-End Manufacturing/R&D

- Capacity expansion and new technologies in the existing Crolles 12" shell
- Continued mix evolution to advanced BCD in Agrate
- 8" footprint and capacity extension and SiC 6" capacity in Catania
- 8" in Singapore for Power Discrete & BCD

**Investments focused to support ST's innovative product portfolio  
and fuel significant revenue growth in 2017 and beyond**

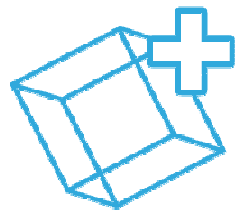
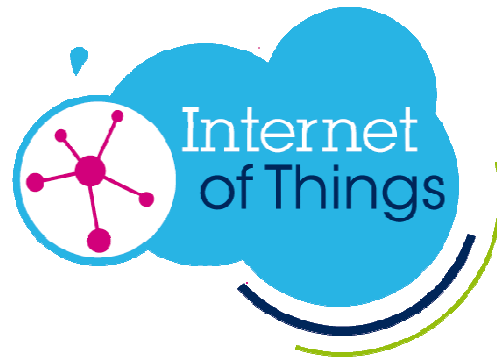


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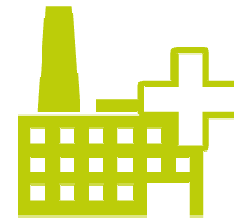
Georges Penalver  
Chief Strategy Officer



Smart Things



Smart Home & City



Smart Industry



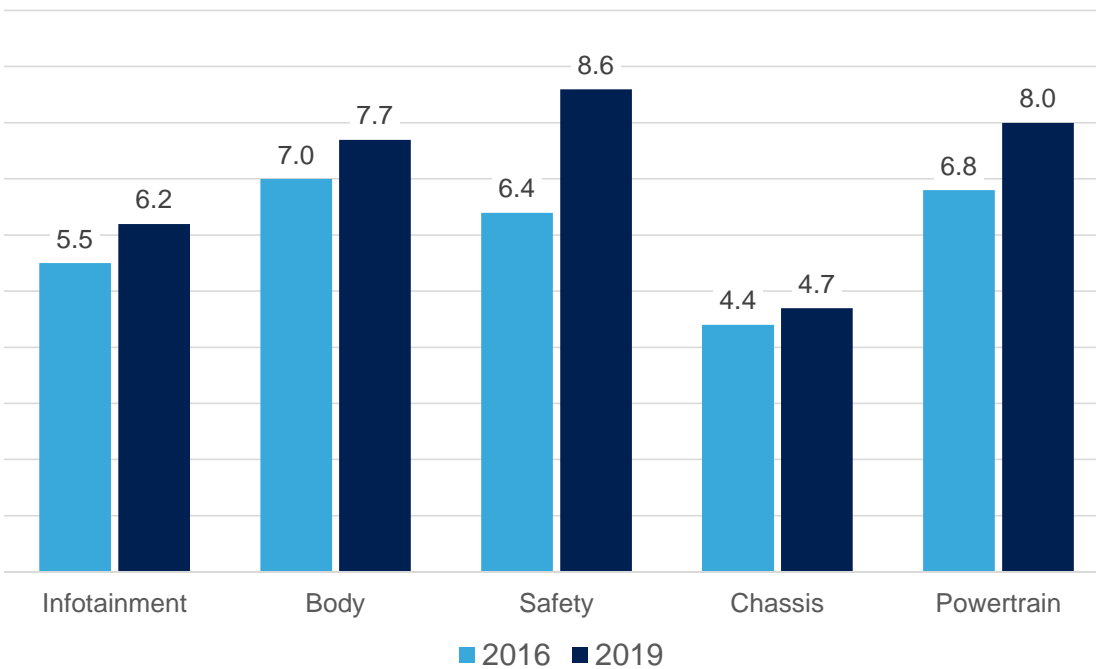
Smart Driving





# Smart Driving

ST SAM \$B



## Key Applications

Active Safety - Passive Safety

Electric & Hybrid Vehicle Electrification

Infotainment - Telematics

Powertrain  
Direct Injection Engine  
Automatic Gearbox  
Braking - Steering

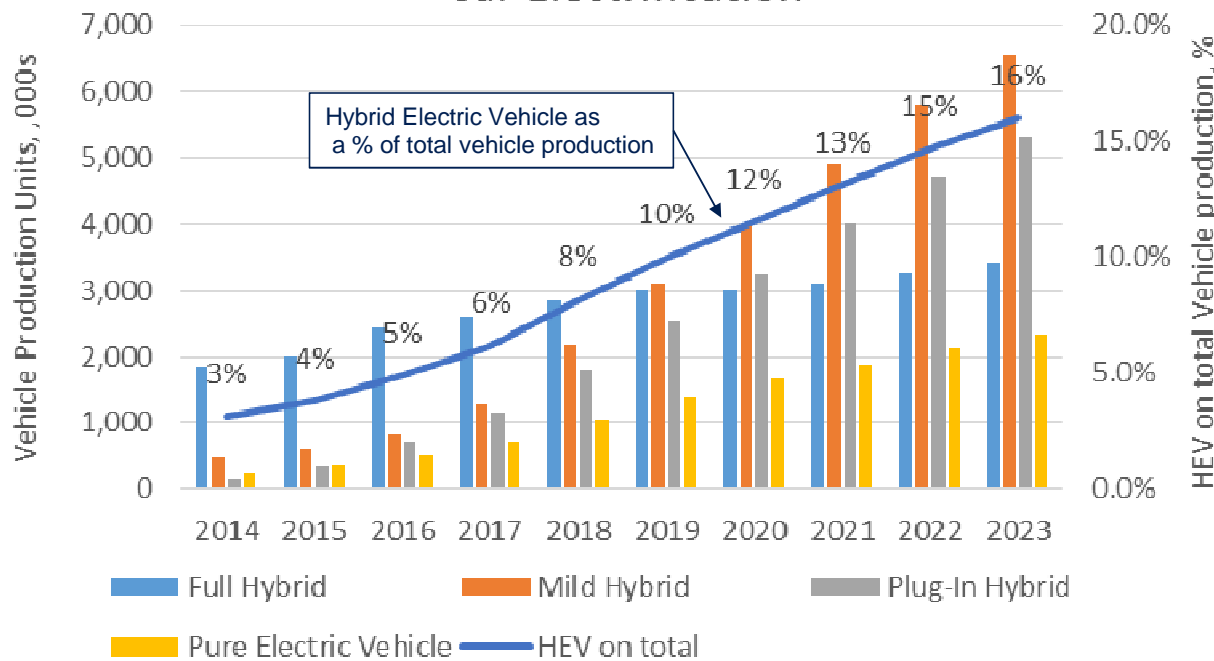
Source: Strategy Analytics



# Automotive Application Focus

## Electric & Hybrid vehicle Electrification

Car Electrification



### Power & Smart Power

- Power MOSFET & IGBT
- Ultrafast & Schottky rectifiers
- Silicon Carbide Diodes & Transistors
- Power Management ICs
- Battery controllers
- Voltage regulators
- Galvanic Isolated ICs

8/32-bit MCU  
Automotive EEPROM

Protection Devices

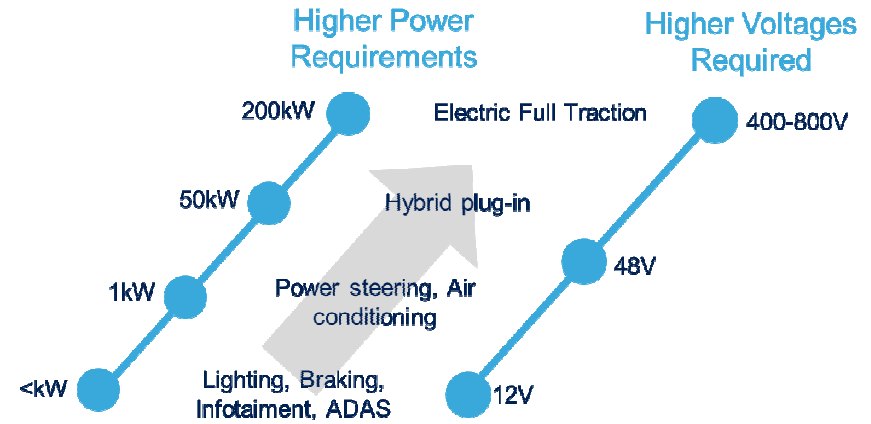
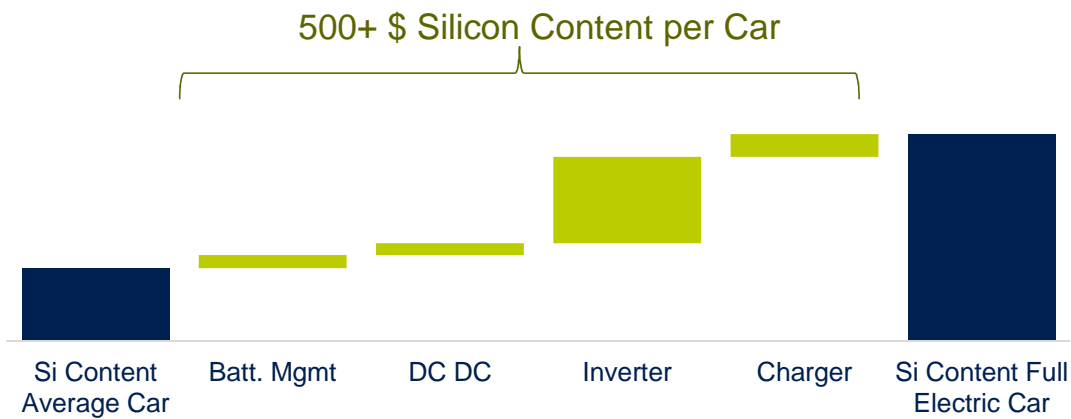






# Automotive Application Focus

## Silicon Pervasiveness in Car Electrification





# Car Electrification

## Growing market TAM for Silicon Carbide (SiC)

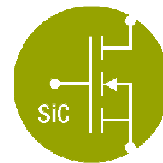
Greater freedom



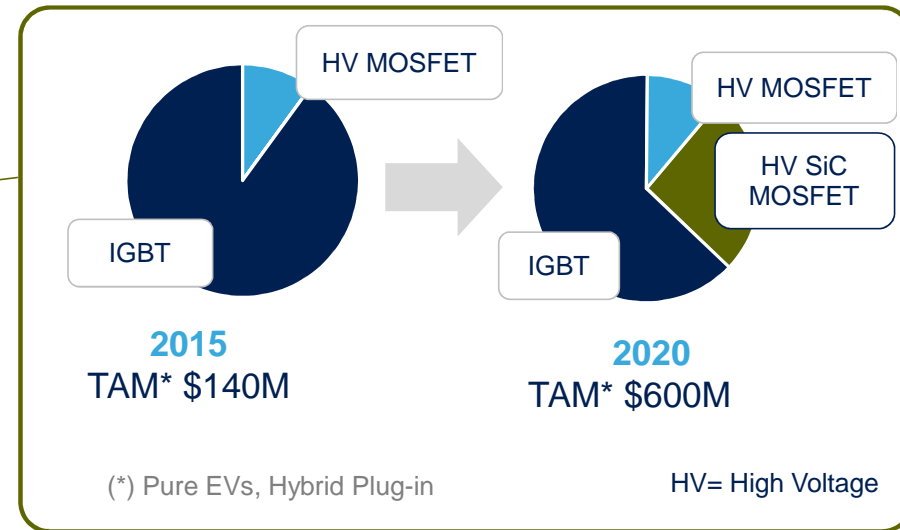
Faster charging

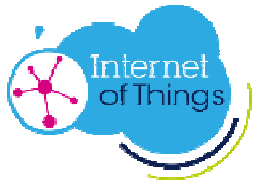


**SiC MOSFETs**  
4X more efficient than IGBT



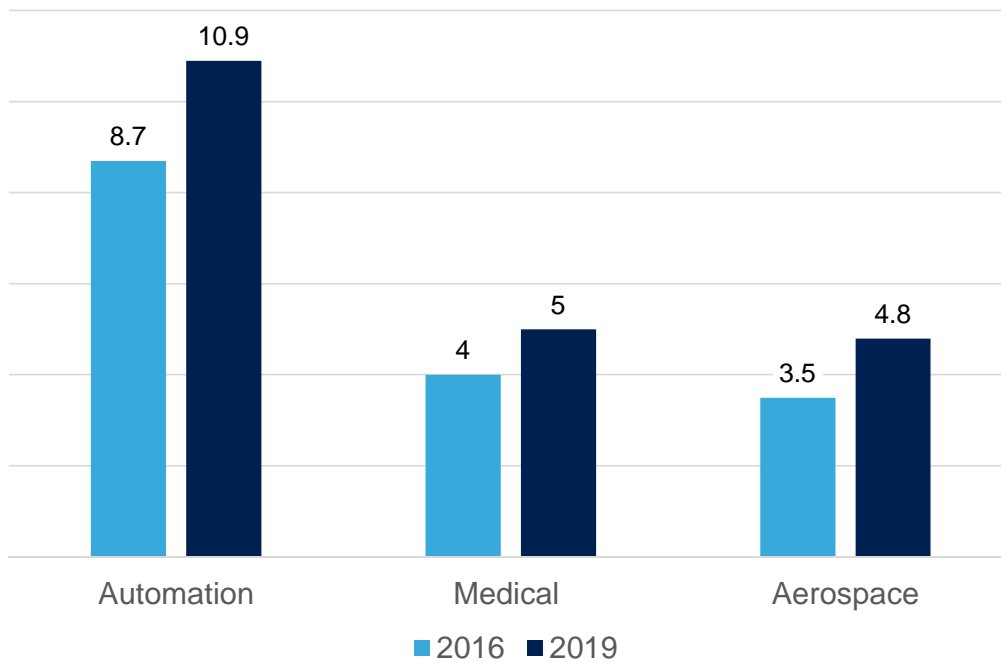
**SiC Diodes**





# Smart Industry

ST SAM \$B

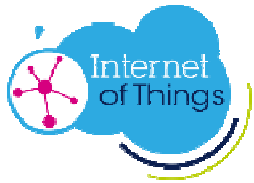


## Key Applications

Smart Manufacturing  
Factory Automation  
Smart Motion Control

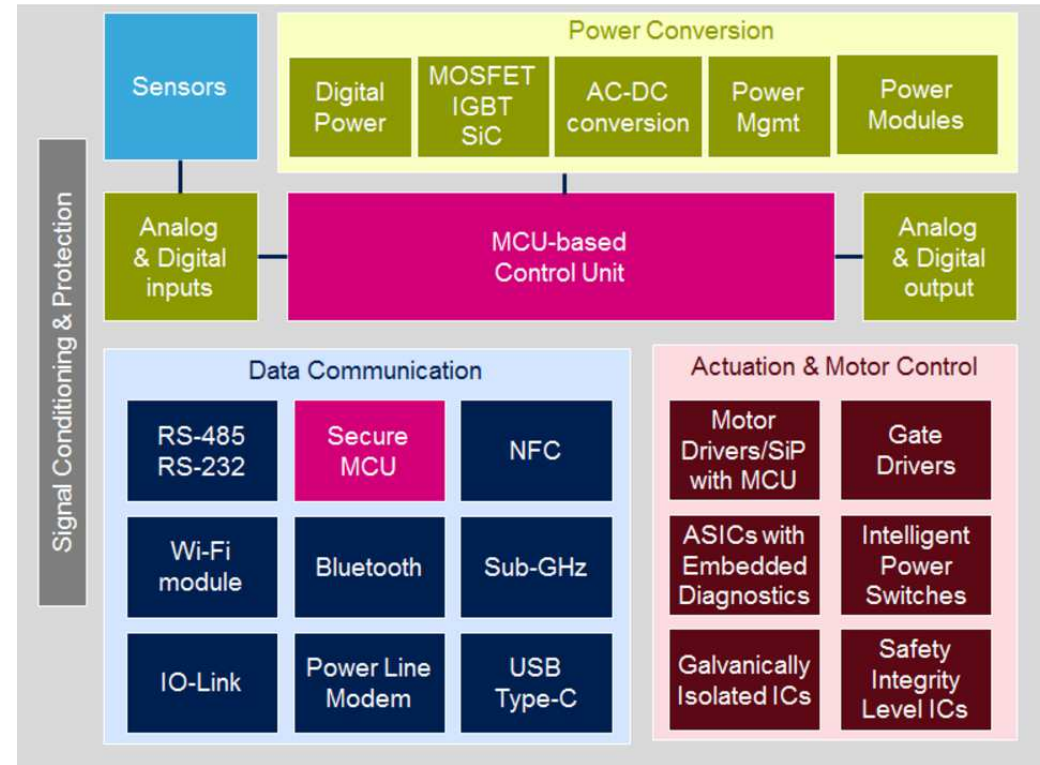
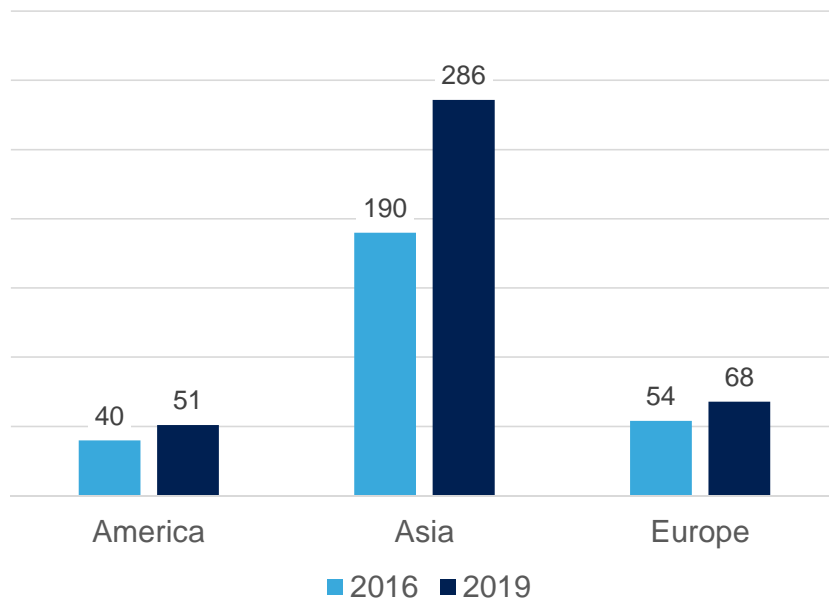
Industrial Robots  
Industrial Lighting  
Sensors for Industrial, Medical, Aerospace & Defense

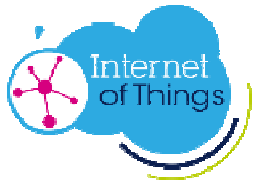




# Automation - Industrial Robots

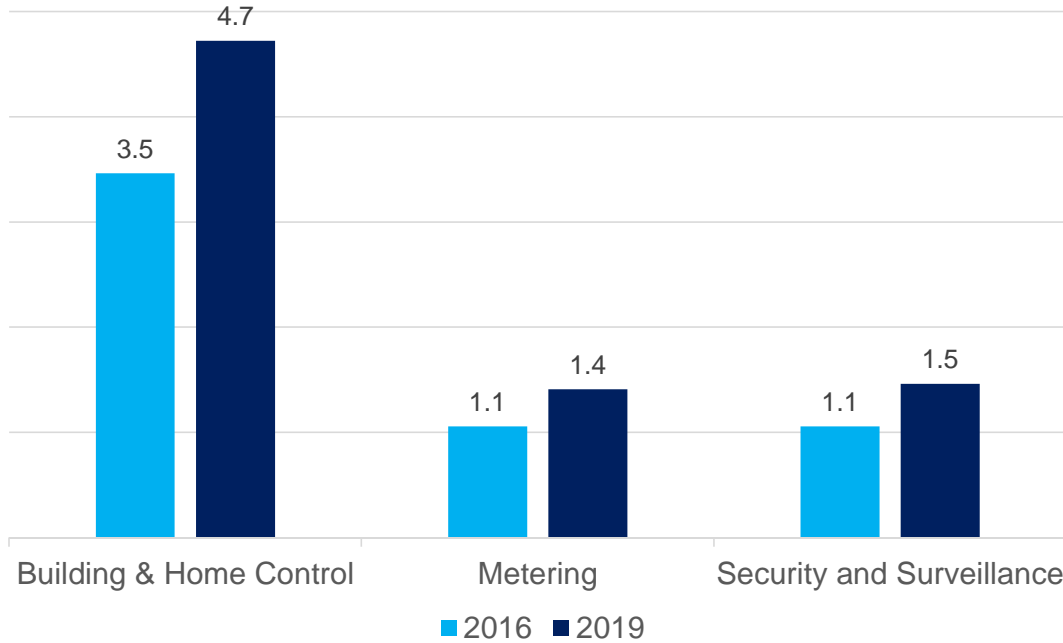
Annual Supply of Industrial Robots  
000' units





# Smart Home & City

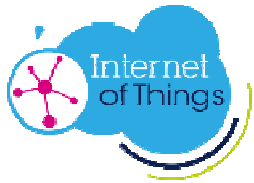
ST SAM \$B



## Key Applications

- Smart Transportation
- Building & Home Automation
- Smart Metering
- Security & Surveillance
- Smart LED Lighting
- Heating & Energy Control

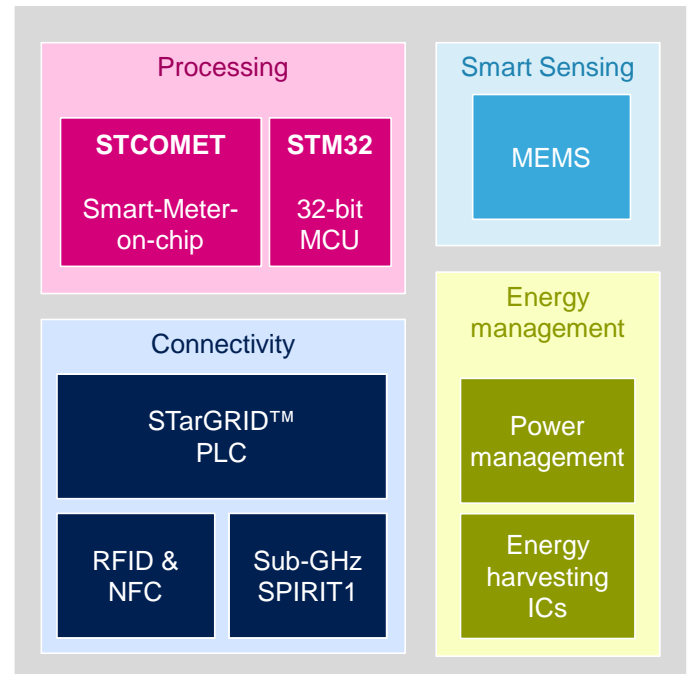
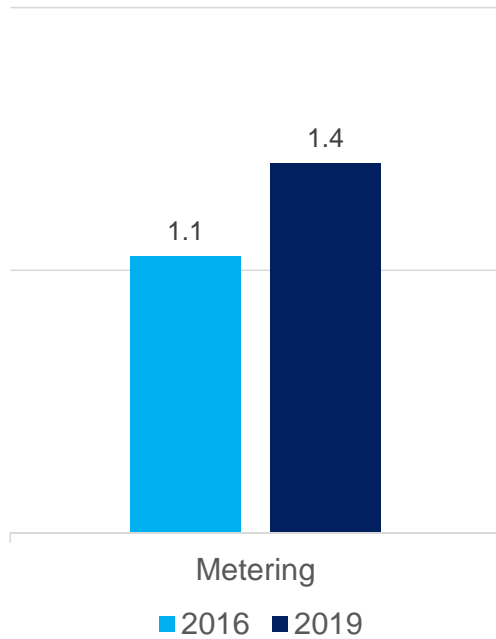




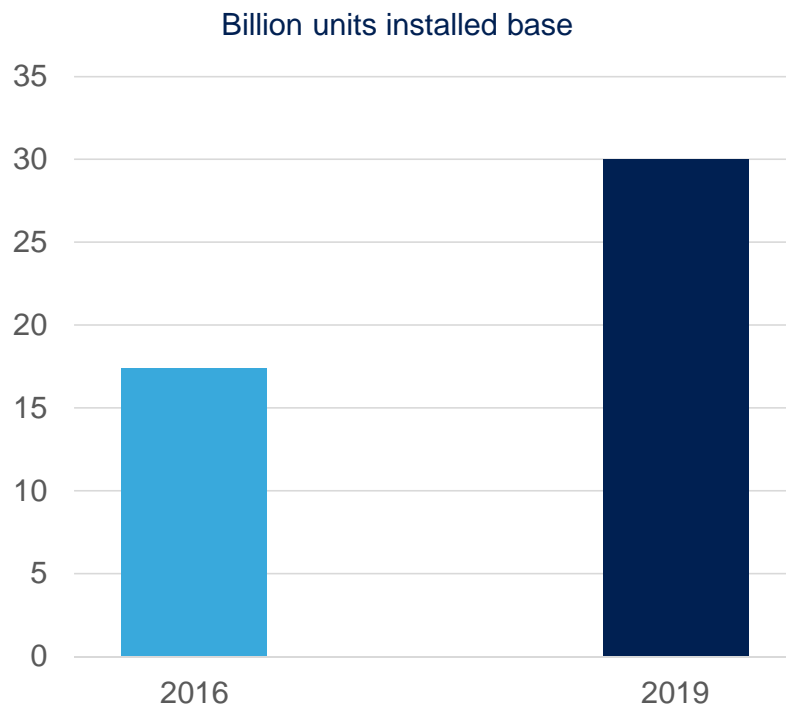
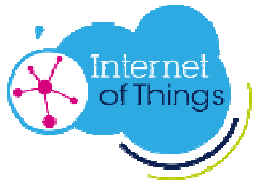
# Smart Home Application Focus

## Smart Metering

ST SAM \$B



20+ years proven partnership with key Smart Grid players  
Over 60 Millions PLC and metering SoCs installed



# Smart Things

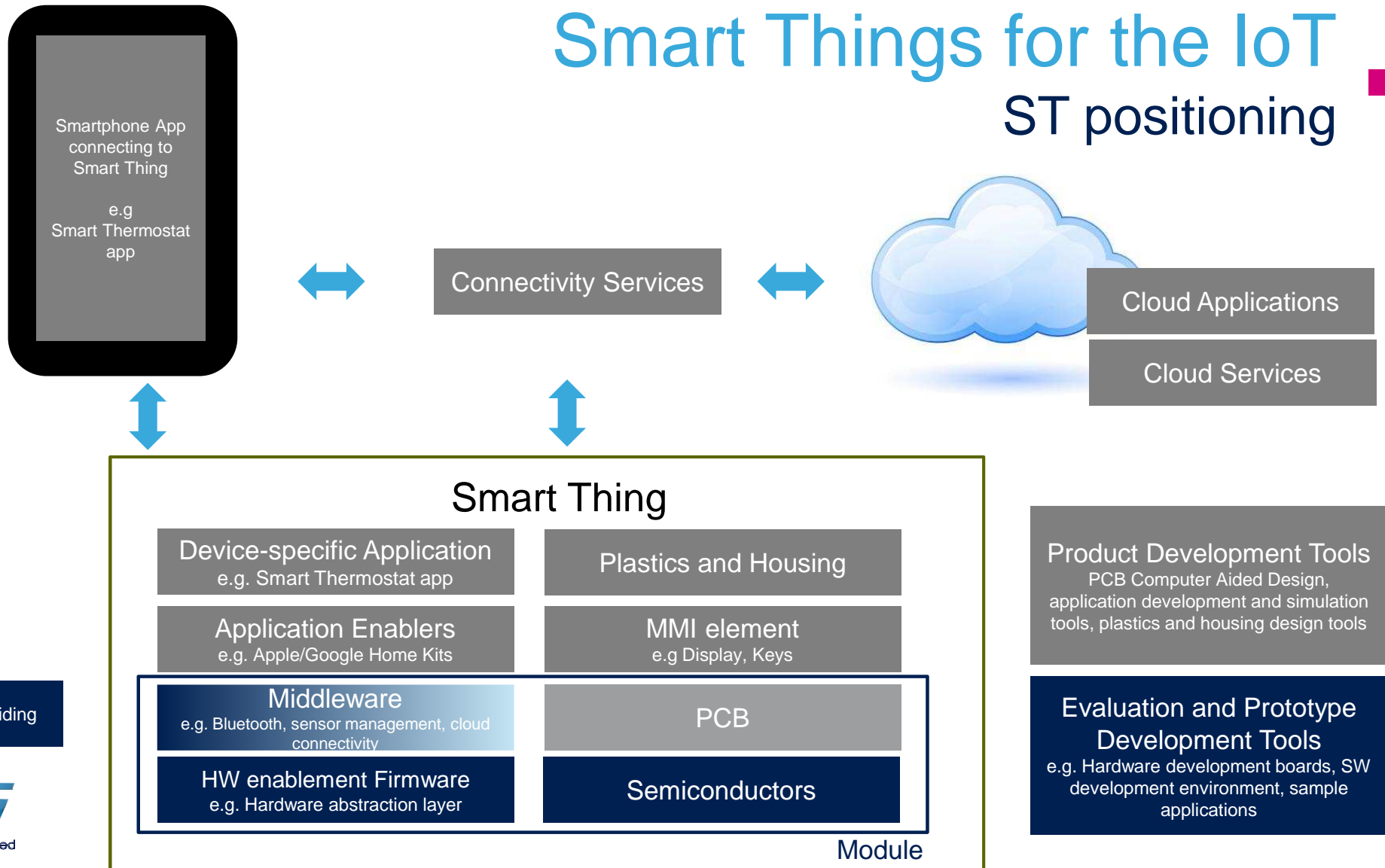


## Key Applications

- Smartphones
- Tablets
- Wearable
- Smart Things

# Smart Things for the IoT

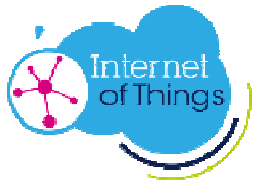
## ST positioning



ST providing

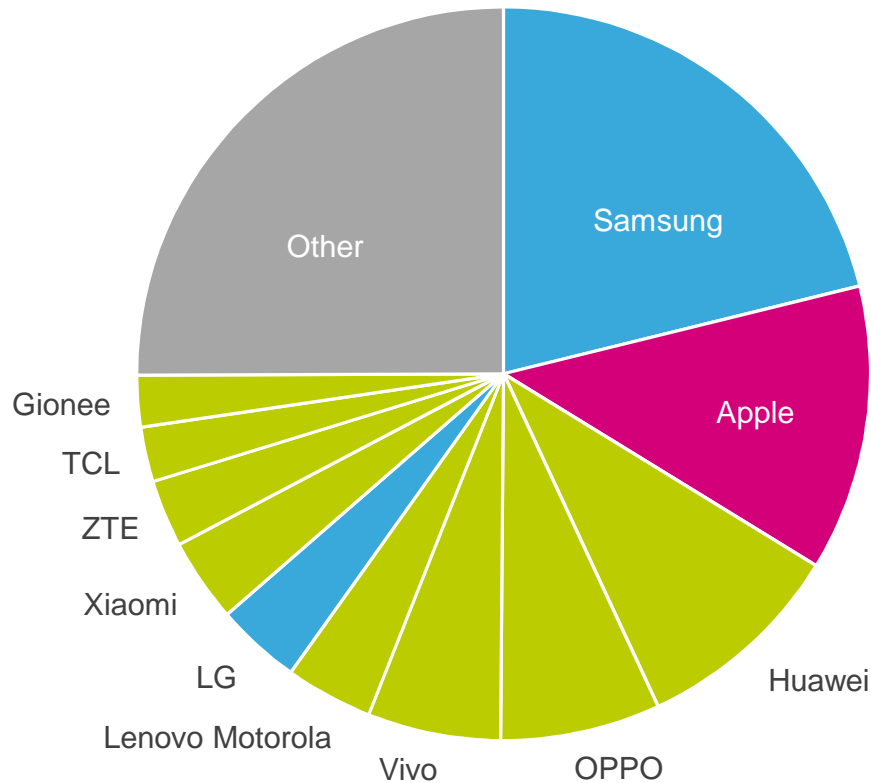






# Smartphone Market Evolution

## Market Share by Smartphone shipment volumes



### Top ST Growth Opportunities

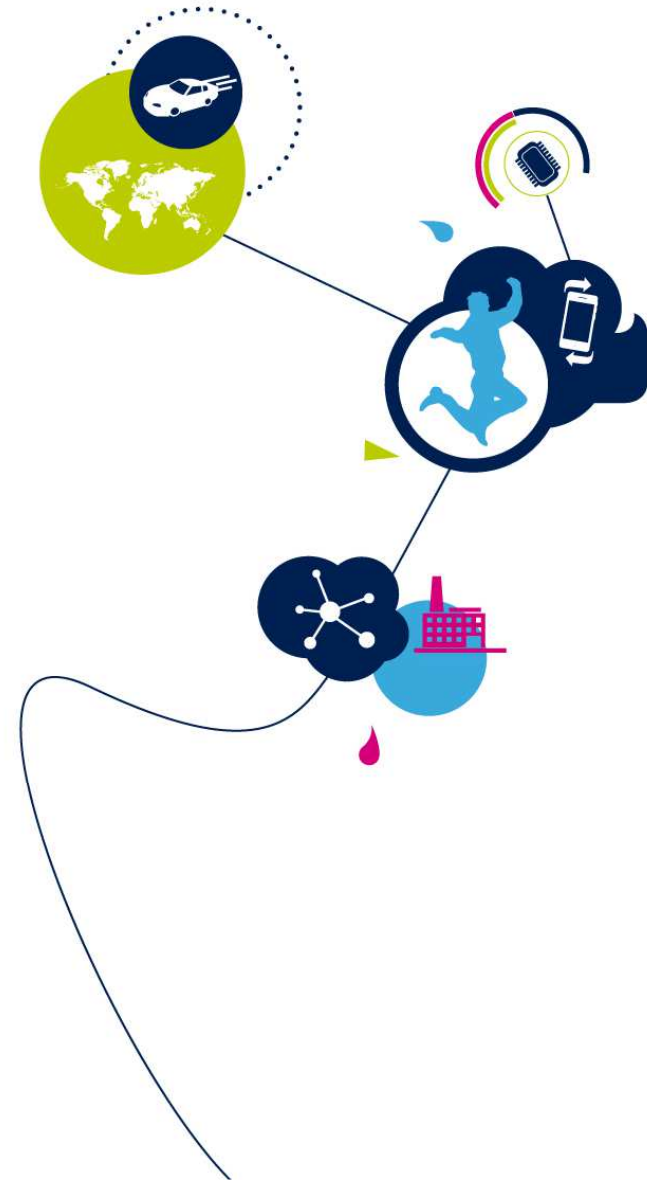
- Touch Controllers
- Power Management  
Wireless Charging
- Discrete, in particular Protection Devices
- STM32 in Accessories  
NFC + Secure Element  
Very small form factor EEPROM
- Time of Flight - Specialized Imaging Solutions
- 6-Axis Motion Sensors  
Gyroscopes for Optical Image Stabilization  
Environmental Sensors  
Micro-actuators for Autofocus



Source: IDC, Q3 2016

# Closing Remarks

**Carlo Bozotti**  
President and CEO



## 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

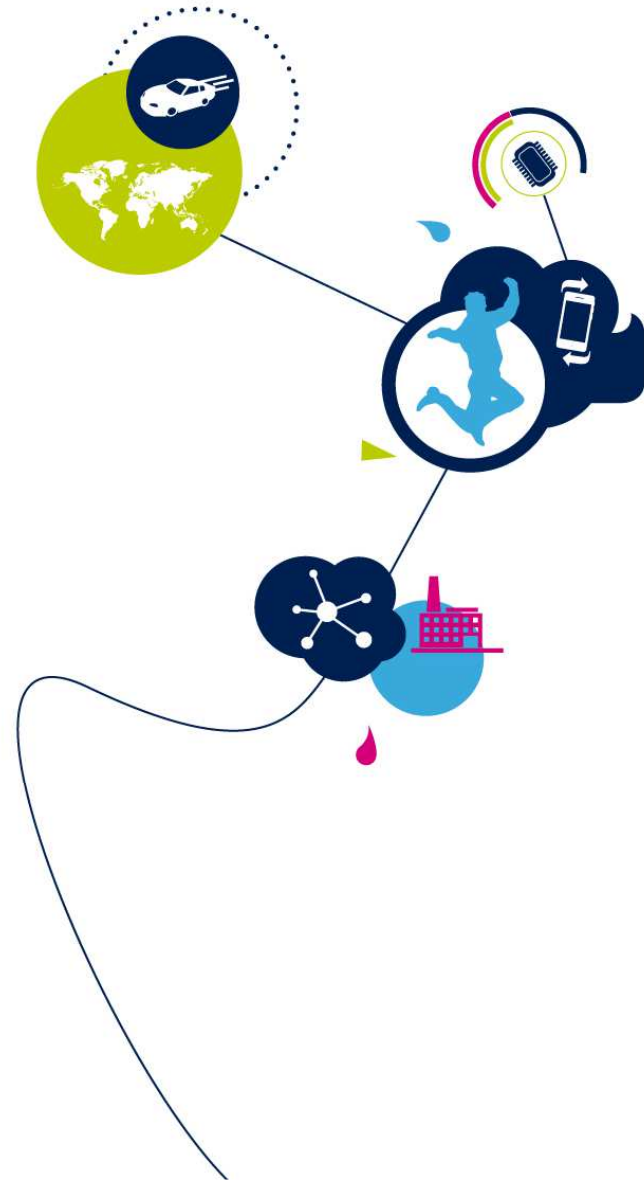


\* Excluding discontinued businesses



life.augmented

# Appendix



# Financial Performance

<i>In US\$M, except EPS</i>	4Q15	1Q16	2Q16	3Q16	4Q16	FY15	FY16
<b>Net Revenues</b>	1,668	1,613	1,703	1,797	1,859	6,897	6,973
<b>Gross Margin</b>	33.5%	33.4%	33.9%	35.8%	37.5%	33.8%	35.2%
<b>Operating Income (Loss) before impairment, restructuring*</b> Operating Margin before impairment, restructuring*	29 1.7%	(5) (0.3%)	40 2.3%	119 6.6%	153 8.2%	174 2.5%	307 4.4%
<b>Net Income – Reported**</b>	2	(41)	23	71	112	104	165
<b>EPS Diluted</b>	0.00	(0.05)	0.03	0.08	0.13	0.12	0.19
<b>Adjusted EPS Diluted*</b>	0.00	(0.02)	0.04	0.11	0.15	0.19	0.28
<b>Free Cash Flow*</b>	148	31	47	100	135	327	312
<b>Net Financial Position*</b>	494	439	426	464	513	494	513
<b>Effective Exchange Rate €/\$</b>	1.11	1.10	1.12	1.12	1.10	1.17	1.11

# 1Q17 Outlook

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- **Based on market forecasts, a positive booking trend, and a strong point-of-sales performance at our distributors, we see the momentum of 2H16 to continue entering 2017.**
- **Based on these factors, we expect 1Q17 to reflect better than normal seasonality, with a sequential net revenues decline of about 2.4% at the midpoint. On a year-over year basis, this would translate into a net revenues growth of about 12.5% at the mid-point. We expect a gross margin of about 37.0% at the midpoint.**
- **In order to support ST's innovative product portfolio and to fuel significant revenue growth in 2017 and beyond, particularly from new specialized technologies and products, we expect to invest approximately \$1B to \$1.1B in 2017. Specifically, the Company is investing in 12" front-end manufacturing and in back-end assembly and test to support new products. In particular, we anticipate a newly won program to ramp with substantial revenues in 2H17.**
- 1Q17 revenues is expected to decrease about 2.4% on a sequential basis, plus or minus 3.5 percentage points
- 1Q17 gross margin is expected to be about 37.0% plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately \$1.08= €1.00 for 1Q17 and includes the impact of existing hedging contracts. 1Q17 will close on April 1, 2017

# Pre-Tax Items to Adjusted Earnings\*

OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	4Q15	3Q16	4Q16
	<b>U.S. GAAP Net Earnings</b>	2	71	112
	Impairment & Restructuring	4	29	24
	Estimated Income Tax Effect	(4)	(4)	1
	<b>Adjusted Net Earnings*</b>	2	96	137



- **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 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 \$11 million, \$8 million, \$10 million, \$6 million, \$9 million and \$19 million of unused capacity charges in the third, second and first quarters of 2016 and 2015, respectively; and \$29 million, \$12 million, \$28 million, \$11 million, \$21 million and \$29 million of impairment, restructuring charges, and other related closure costs in the third, second and first quarters of 2016 and 2015, respectively