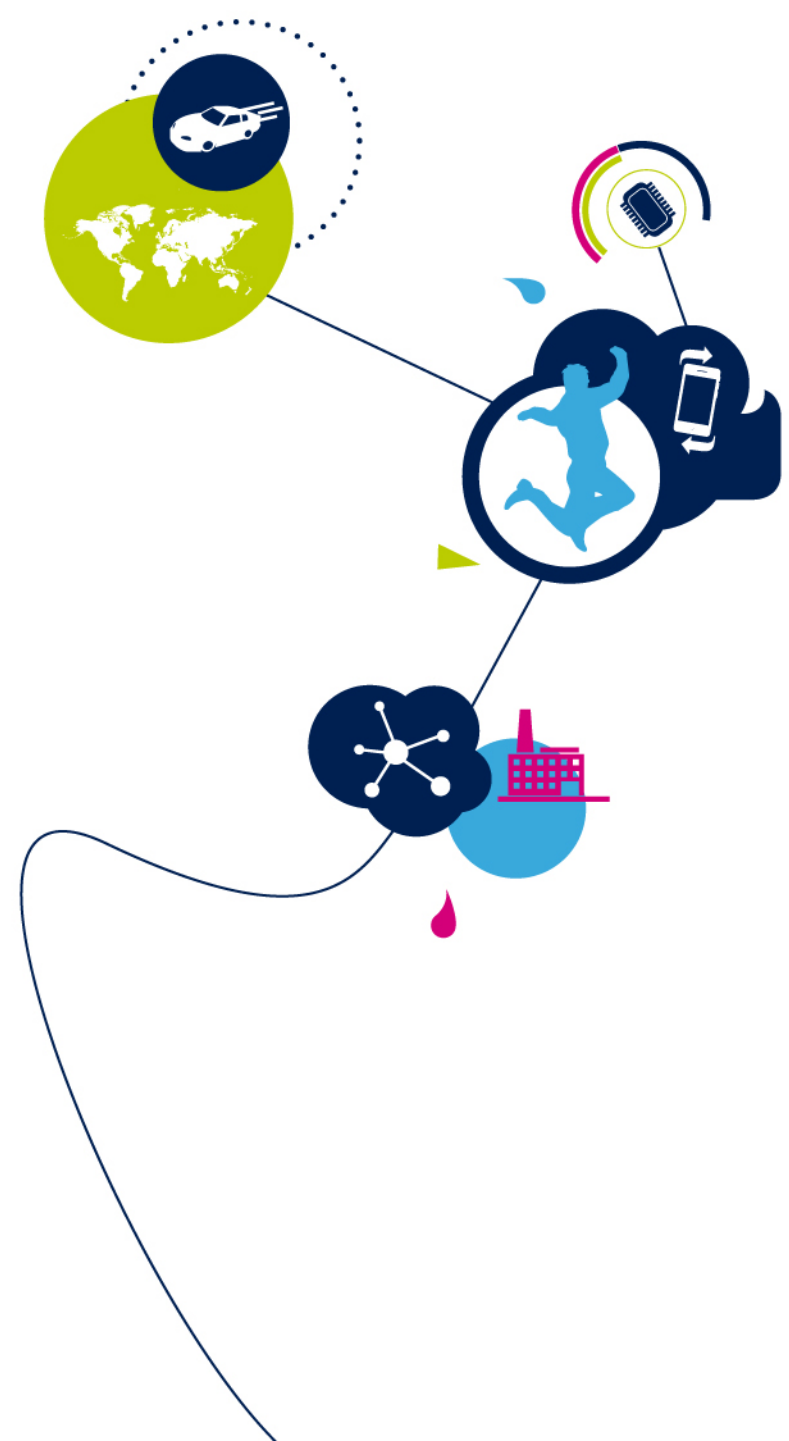


# Business & Financial Roadmap

**Carlo Ferro**

Chief Financial Officer

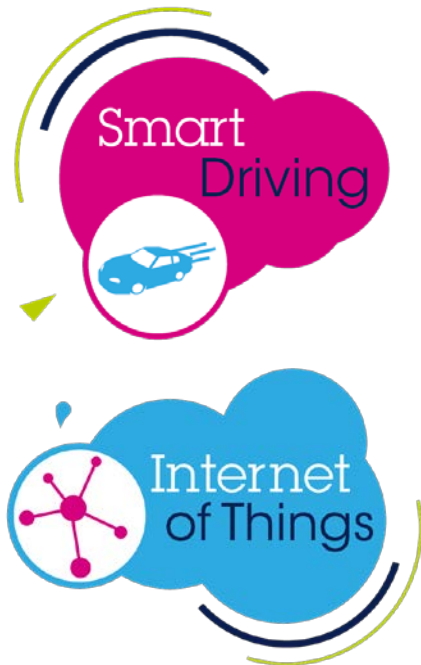




life.augmented

## ST stands for life.augmented

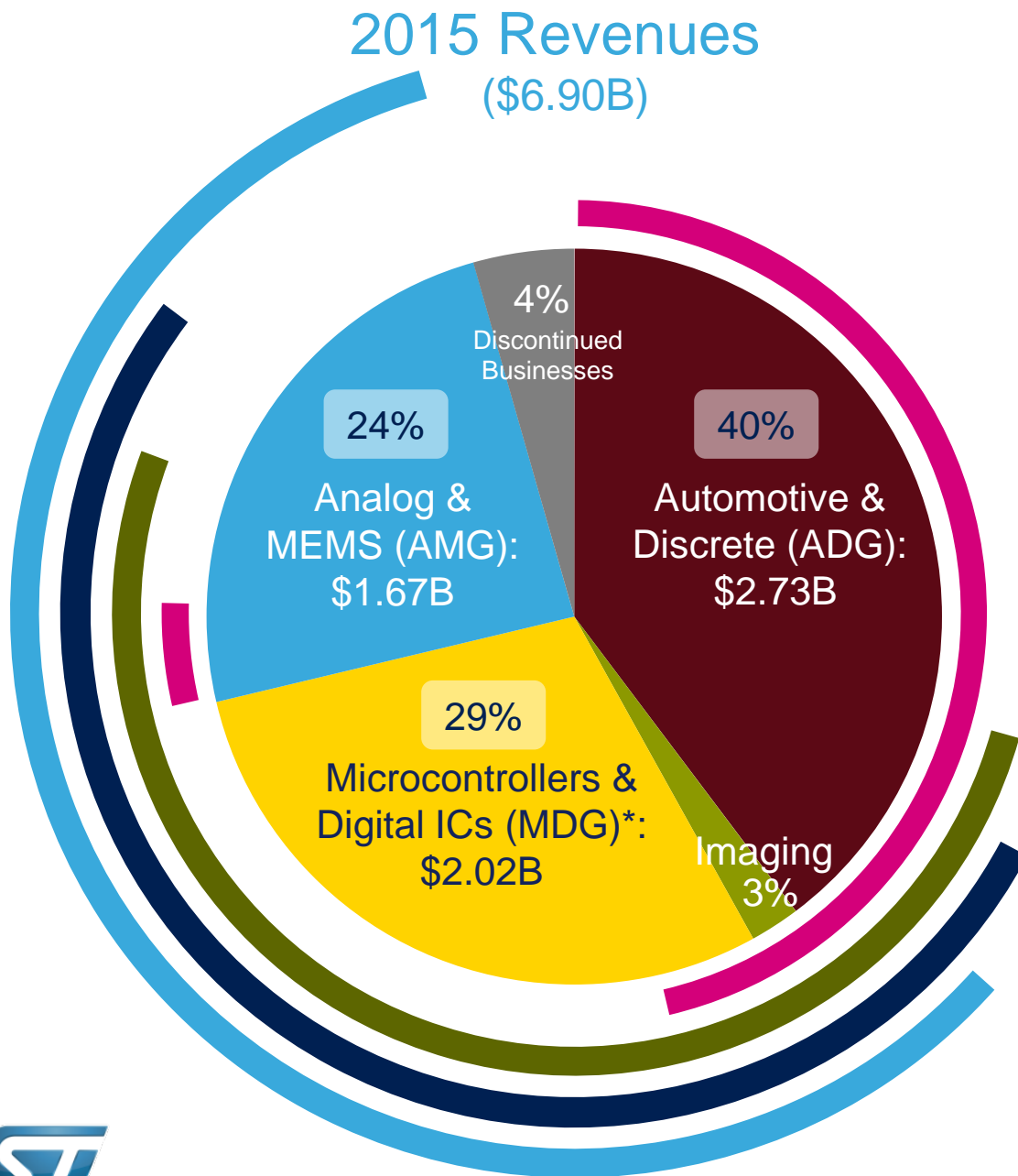
Everywhere microelectronics make a positive contribution to people's lives, ST is there



- A global semiconductor leader with an application strategic focus
- 2015 revenues of **\$6.90B**
- Listed: NYSE, Euronext Paris and Borsa Italiana, Milan
- Approximately **43,200** employees worldwide
- Approximately **8,300** people working in R&D
- Portfolio of over **9,400** patent families
- **11** manufacturing (front and back-end) sites
- Over **75** sales & marketing offices

# New Organization...

Aligned to Strategic Focus



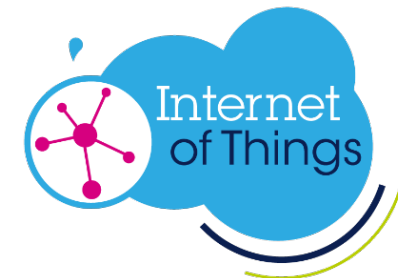
Smart Driving



Smart Industry

Smart Home & City

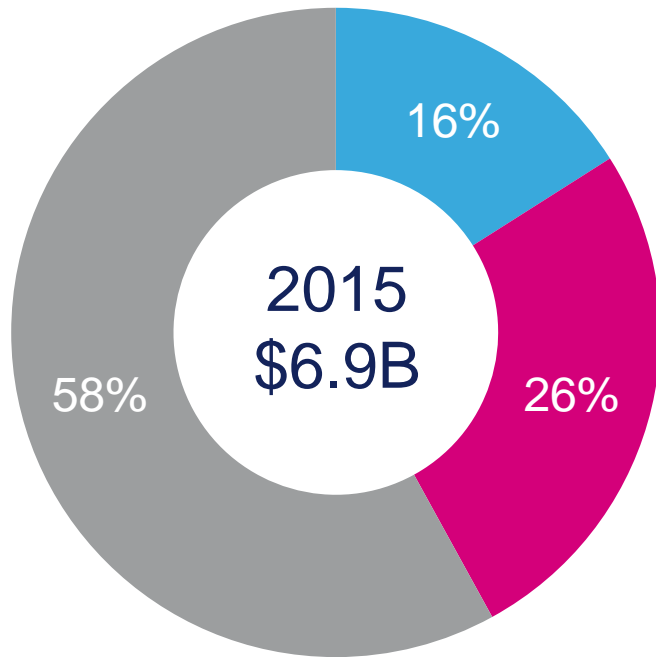
Smart Things



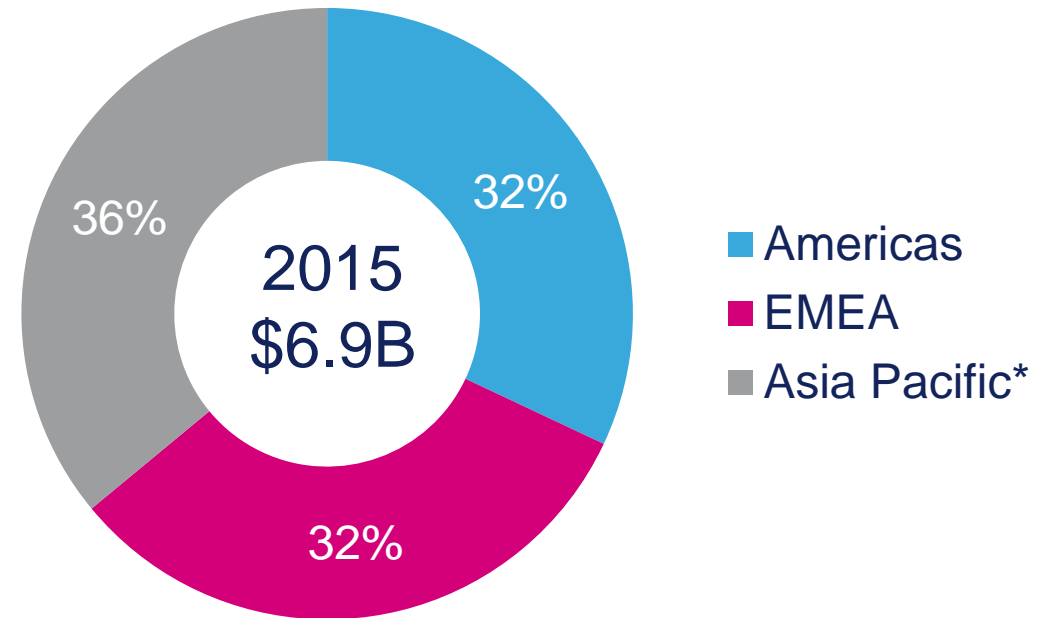
\* For illustrative purposes. Discontinued businesses include set-top box, camera modules and the former ST-Ericsson products.

# A Global Business

revenues by location of shipment (%)

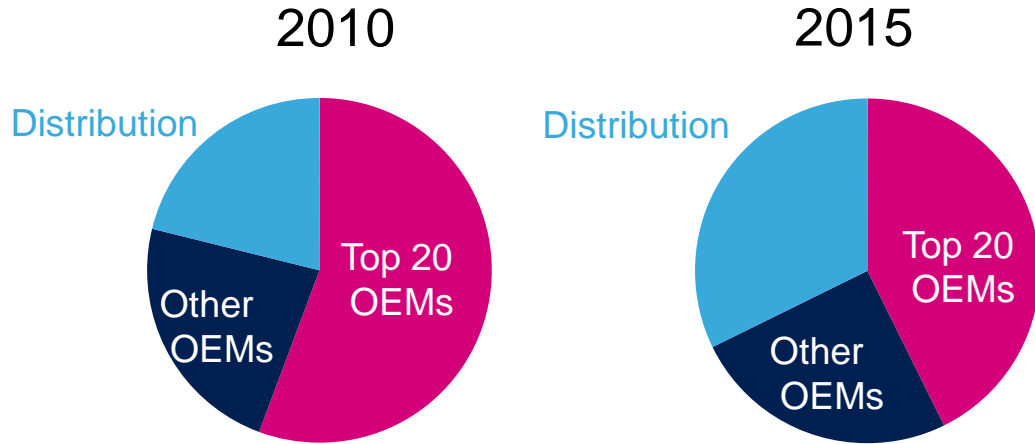


revenues by region of origin (%)



\* Combination of former Japan & Korea and Greater China & South Asia regions

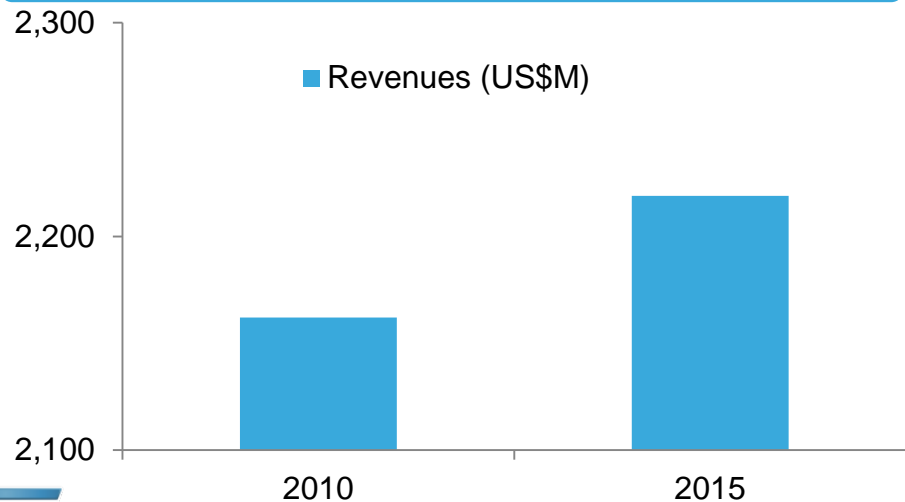
# Transforming our Customer Base



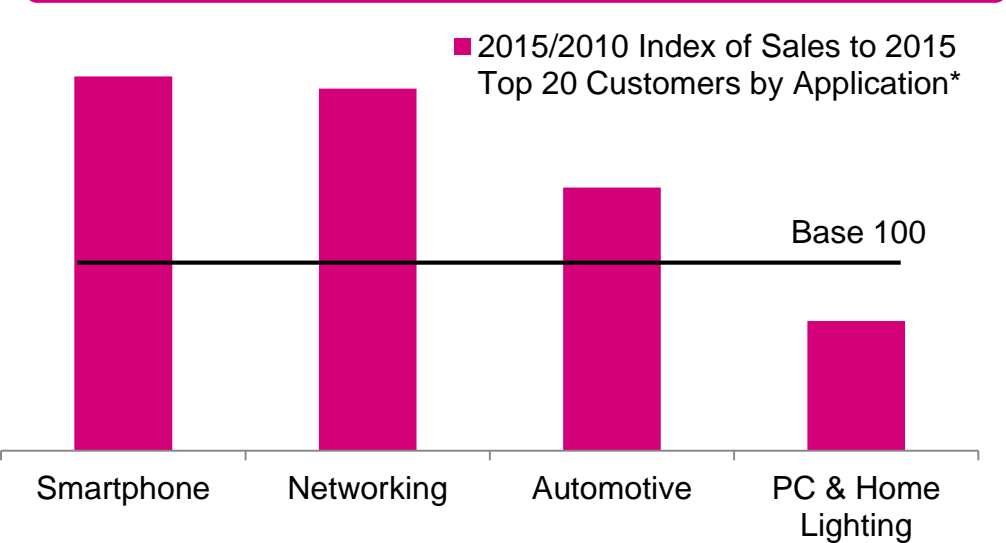
- React to Nokia Business
- Customer Diversification
- Better Balance by Application
- Preparing to Restart Growth

- 2015 Top 20 OEMs:**  
(alphabetically)
- Apple
  - Bosch
  - Ciena
  - Cisco
  - Conti
  - Delta
  - Denso
  - Finisar
  - HP
  - Huawei
  - Marelli
  - Mobileye
  - Philips
  - Samsung
  - Seagate
  - Sirius
  - Technicolor
  - Valeo
  - Western Digital
  - ZF-TRW

**Growing in Distribution**

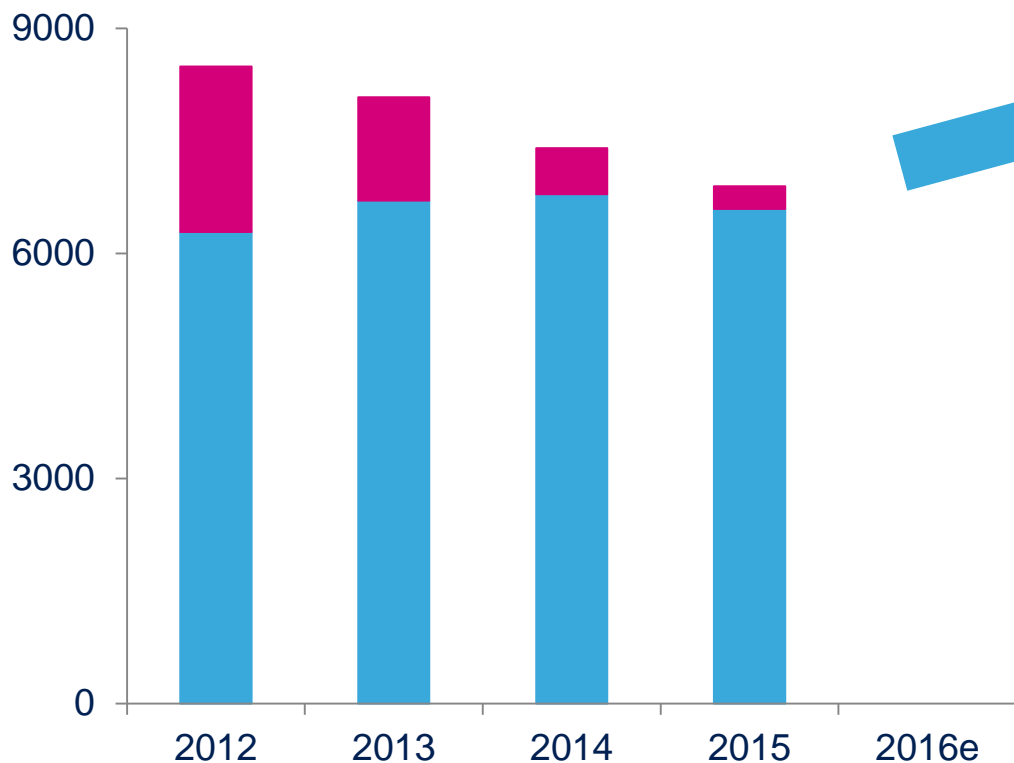


**Growing with most of the Top 20 Customers\***



\*Excluding discontinued businesses

# Returning to Revenue Growth



■ Discontinued Businesses\*  
■ ST excluding Discontinued Businesses

## Focus on growth...

**Microcontrollers and automotive already growing Y-o-Y**

**Power discrete, AMG and Imaging targeting sequential growth from current quarter and Y-o-Y growth 2H16/2H15**

### Gain market share

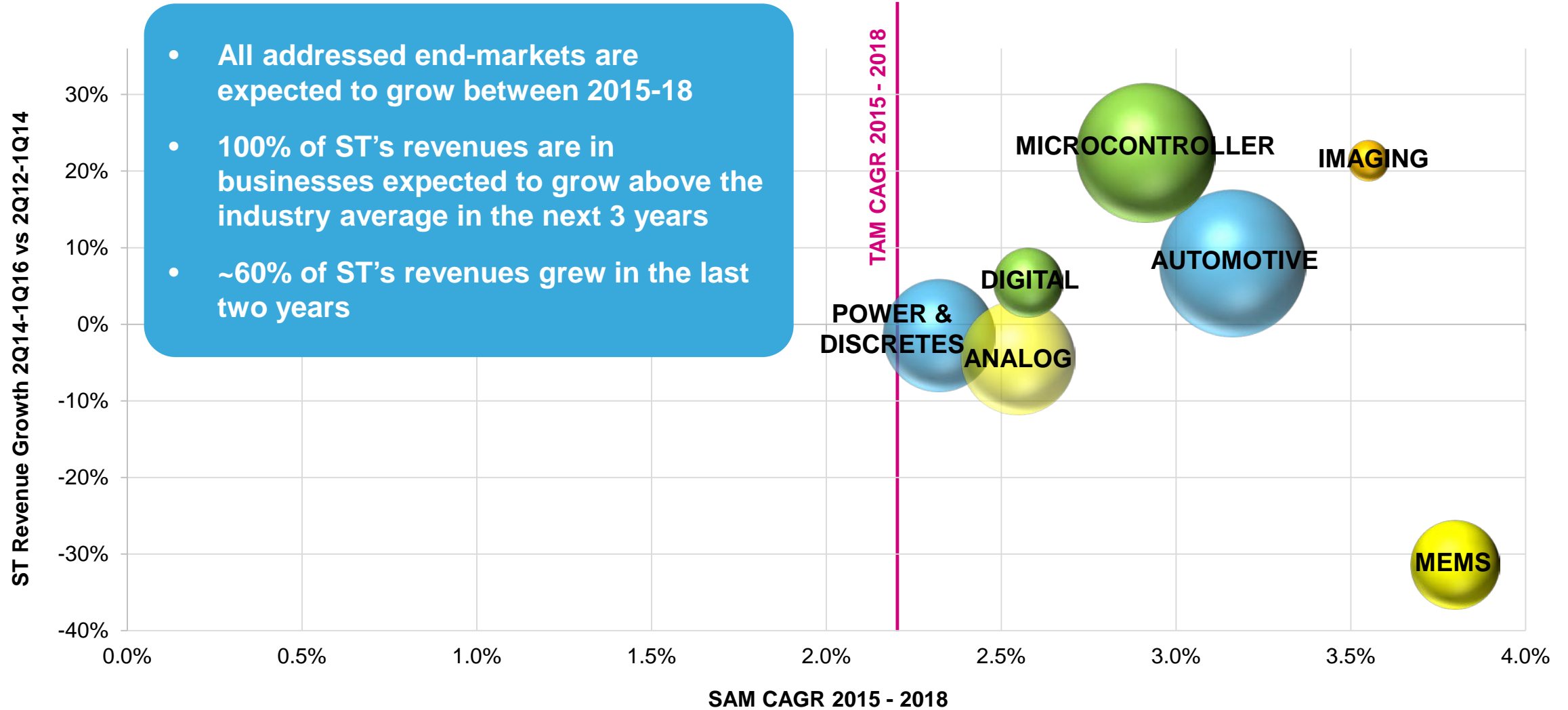
- Focus on key customers
- Continue expansion of customer base, particularly in mass market
- Sustain momentum in microcontrollers and automotive
- Stabilize position in analog and power discrete
- Recover in MEMS

### Boost sales & marketing support and product development

- Increase sales & marketing efforts across all regions
- Redeploy ~600 people to support and accelerate growth of microcontrollers, digital automotive and ASICs

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

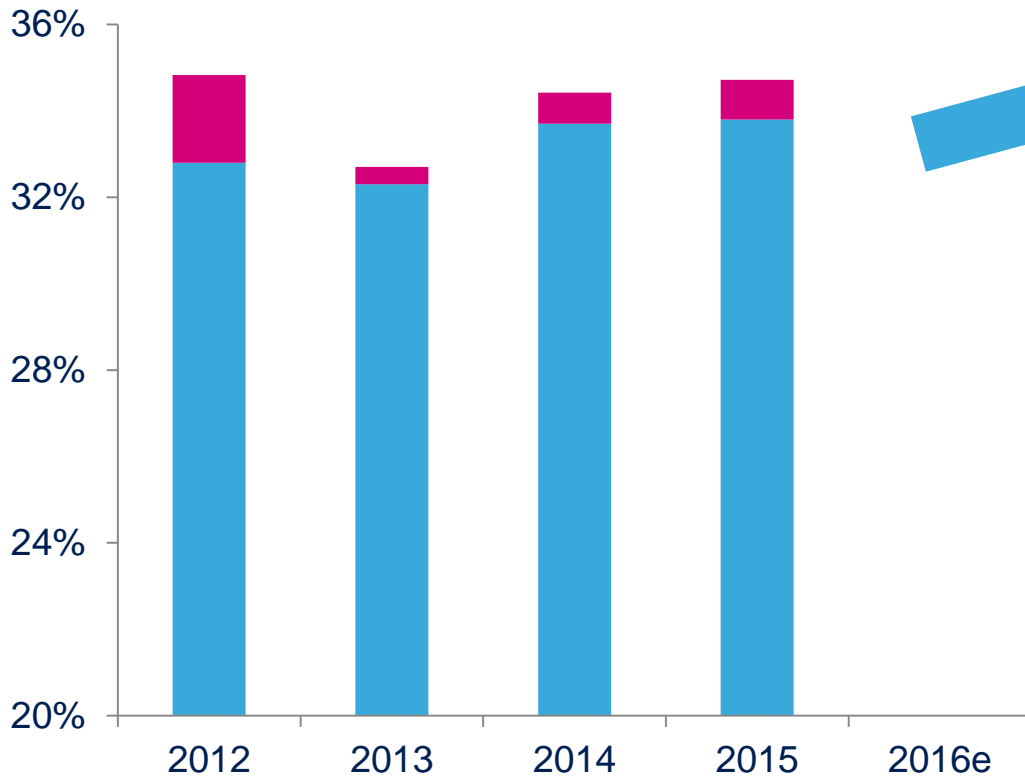
# Focusing on Businesses with above Market Growth



Note: Size of bubble is proportional to ST's revenue.

Source: Company data, WSTS

# Gross Margin Initiatives



■ Gross Margin - Reported ■ Unused Charges (%)

## ...with margin expansion\* ...

### Improve product mix

- Increase revenues from value-add and differentiated new products / innovation / new technologies
- Decrease revenues from low margin discontinued products while executing on the Set-Top Box restructuring plan

### Manufacturing excellence

- Improve fab loading, particularly in 12" with expanded technology mix
- Volume to reduce wafer cost in almost all fabs
- Continue capacity conversion from 6" to 8"
- Technology evolution, improved loading and performance of Front and Back-end plants
- Assembly cost and yields

### Favorable Currency Effects, net of hedging



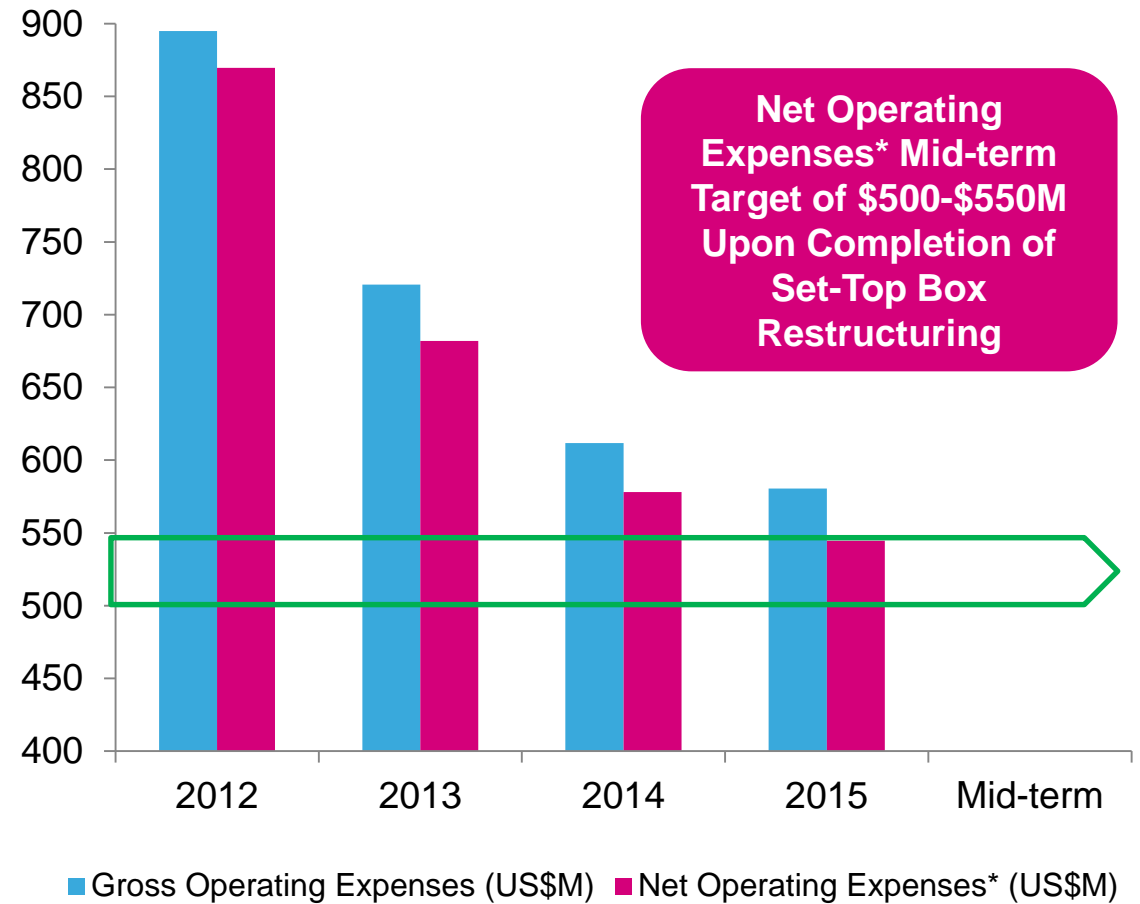
# Operating Expense Discipline

## ...and expenses control...

Ongoing execution of the Set-Top Box restructuring plan

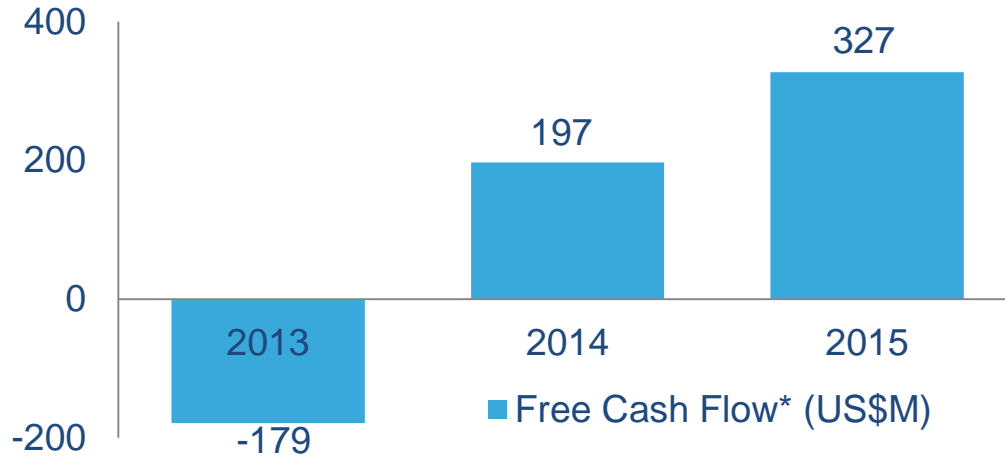
- Annualized savings at completion of plan estimated at \$170M per year
- Restructure ~1,400 headcount
- Redeploy ~600 people to accelerate product development principally in digital automotive and microcontrollers

Favorable Currency Effects, net of hedging\*\*



# A Solid Capital Structure

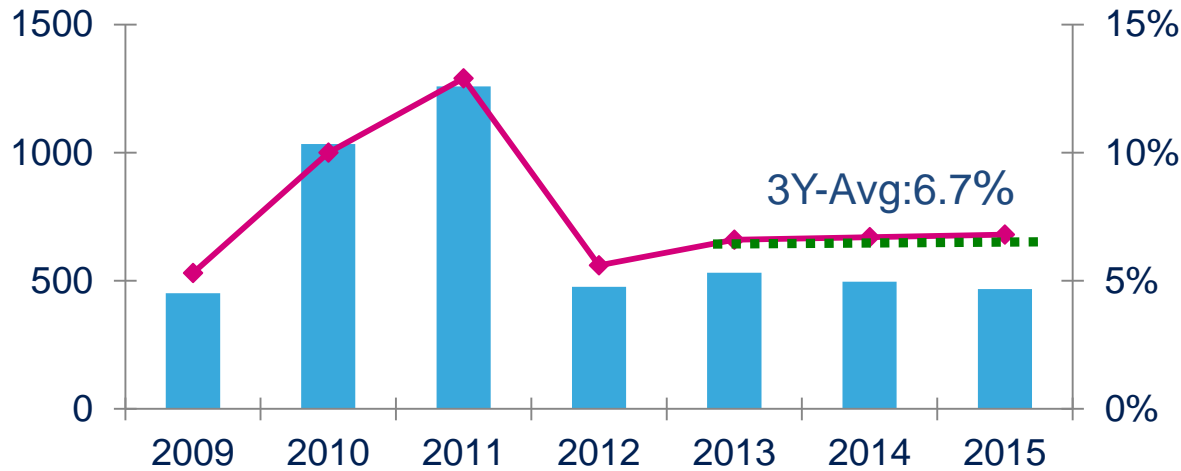
## Free Cash Flow\* generation



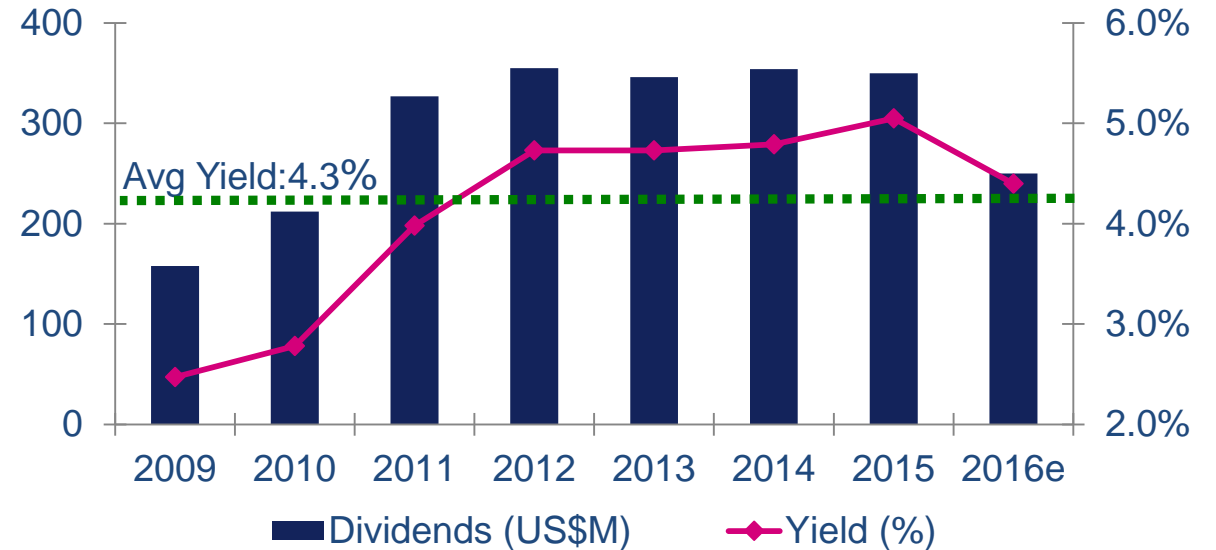
## Net Cash Balance

End of period (US\$M)	Dec 31 2014	Dec 31 2015	Apr 2 2016
Total Liquidity	2,351	2,106	2,040
Total Financial Debt	(1,801)	(1,612)	(1,601)
<b>Net Financial Position*</b>	<b>550</b>	<b>494</b>	<b>439</b>

## Capital Expenditures



## Dividends distribution

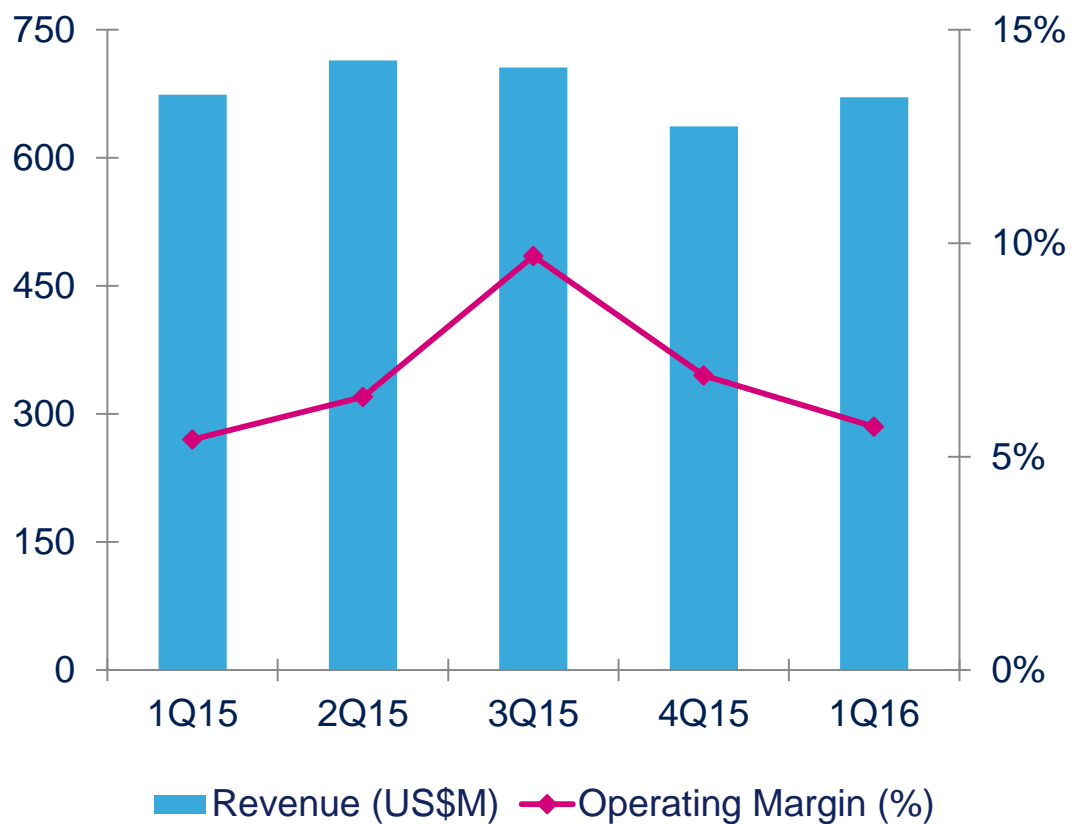


■ Capex, net of proceeds from sales (US\$M)  
◆ Capex / Sales (%)

\*Non-GAAP measures – see Appendix

# Automotive and Discrete (ADG)

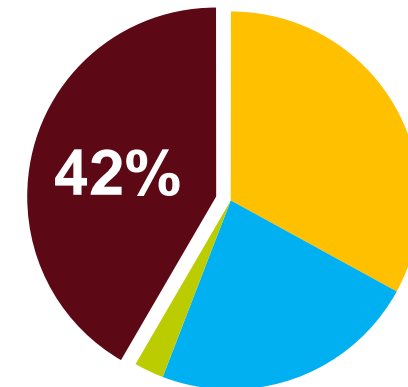
## Financial Performance



## ADG at a glance and contribution to ST 1Q16 sales

### Dedicated Automotive ICs:

- ADAS
- Chassis
- Powertrain
- Body Electronics
- Infotainment
- Automotive-grade 32-bit microcontrollers



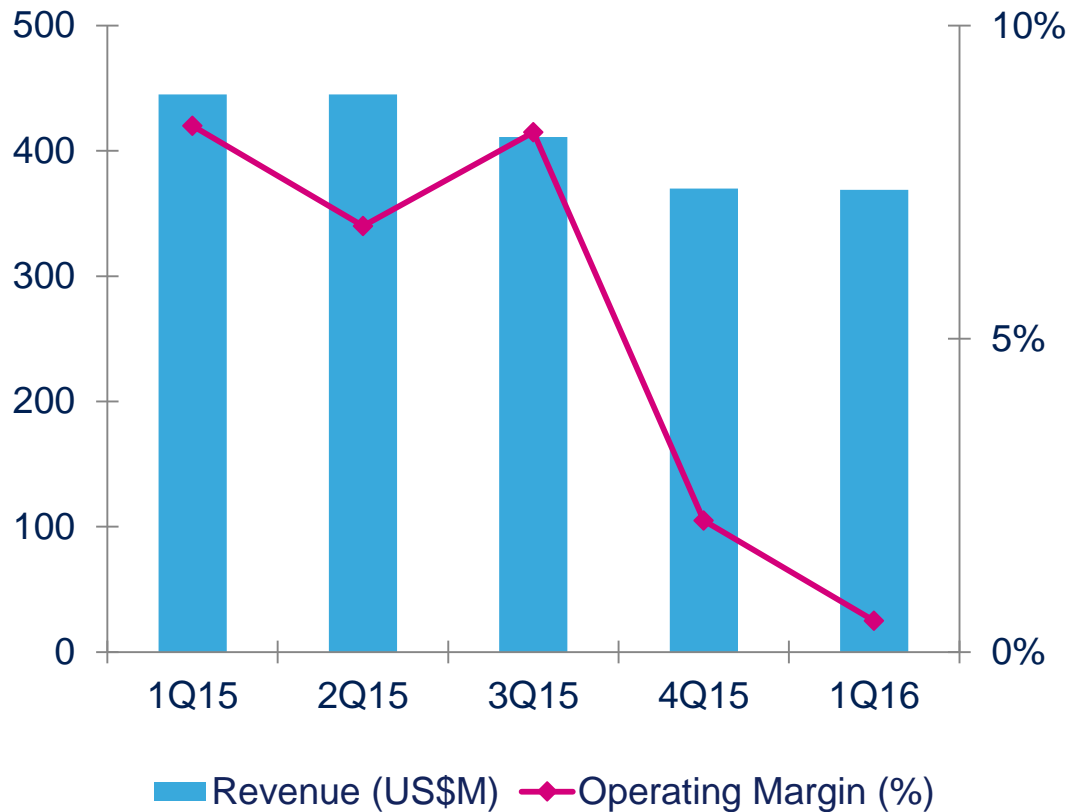
### Power Discrete:

- MOSFET, including Silicon Carbide
- IGBT and Power Bipolar Transistors
- Power rectifiers, TRIACs and protections
- Passive integration products



# Analog and MEMS (AMG)

## Financial Performance



## AMG at a glance and contribution to ST 1Q16 sales

### MEMS Sensors

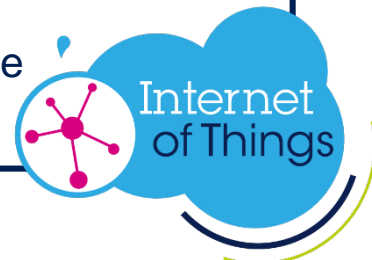
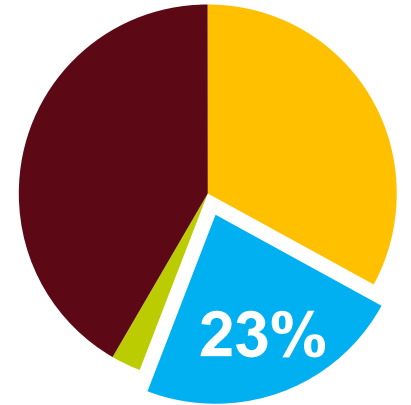
- Motion
- Acoustic
- Environmental

### MEMS Micro-actuators

- Mirrors
- Thermal / piezoelectric

### Smart Power and Analog

- Industrial and power conversion
- General purpose analog
- Wired and wireless connectivity
- Power Management IC for mobile and portable
- Touchscreen controller



# Microcontrollers and Digital ICs (MDG)

## Financial Performance



## MDG at a glance and contribution to ST 1Q16 sales

### Microcontrollers:

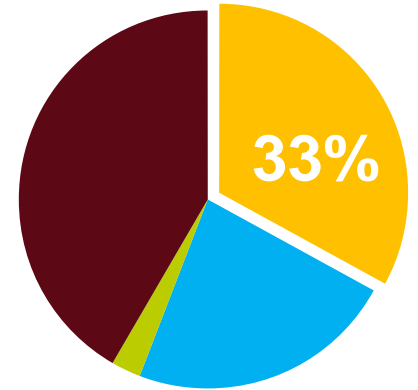
- General Purpose
- Secure

### Memories:

- EEPROM

### ASICs:

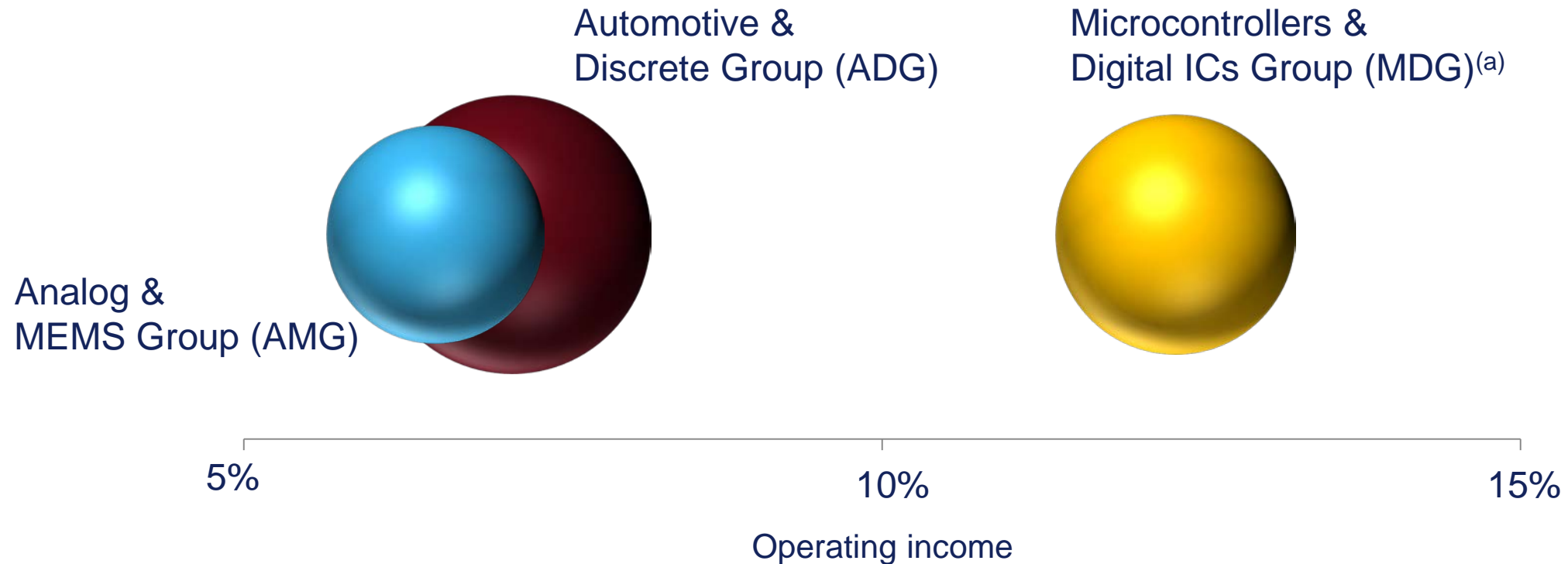
- Digital including FD-SOI
- Mixed-process Technologies including Silicon Photonics



*Also includes discontinued business of Set-Top Box and former ST-Ericsson products*

# New Groups Profitability in 2015

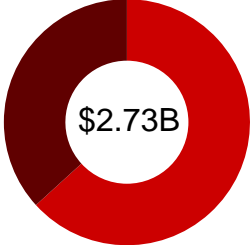
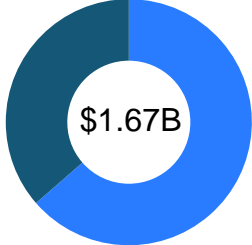
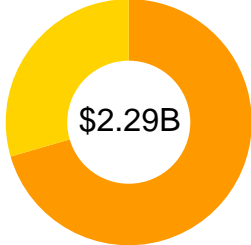
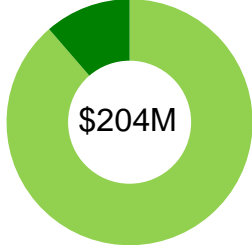
A starting point for improvement



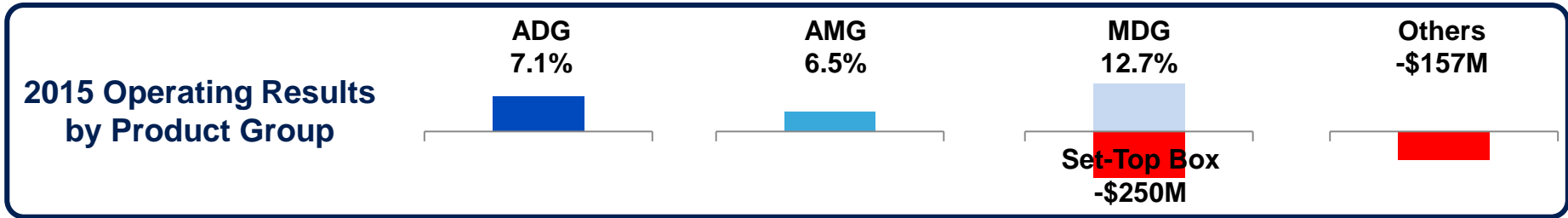
(a) MDG excludes Set-Top Box business and former ST-Ericsson products

Note: Size of bubble is proportional to revenue. Operating income before impairment and restructuring as a percentage of sales, excluding allocation of unused capacity charges.

# Revenue Drivers & Opportunities

<p><b>ADG</b> 2015 Revenues</p>  <p>\$2.73B</p> <p>■ Automotive ■ Power Discrete</p>	<p><b>AMG</b> 2015 Revenues</p>  <p>\$1.67B</p> <p>■ Analog ■ MEMS</p>	<p><b>MDG</b> 2015 Revenues</p>  <p>\$2.29B</p> <p>■ MCU ■ Digital</p>	<p><b>Others</b> 2015 Revenues</p>  <p>\$204M</p> <p>■ Imaging ■ Others</p>
<ul style="list-style-type: none"> <li>• Leverage on technology leadership in Smart Power, eNVM, RF, FD-SOI and SiC</li> <li>• Automotive-grade 32-bit MCU</li> <li>• ADAS (Vision &amp; Radar)</li> <li>• Infotainment (Multimedia and Telematics, Navigation, Connectivity)</li> <li>• ASIC and ASSP for Automotive</li> <li>• ICs and discrete for car lighting</li> <li>• Silicon Carbide products, MOSFET and IGBT for car electrification</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage on technology leadership in Analog and Smart Power and MEMS</li> <li>• Wired and Wireless connectivity for IoT</li> <li>• General purpose analog</li> <li>• Power management in servers, smartphones and industrial</li> <li>• Analog ASICs for industrial</li> <li>• Automotive MEMS</li> <li>• Micro-actuators</li> <li>• Consumer MEMS recovery</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage on technology leadership in eNVM, FD-SOI and RF</li> <li>• General Purpose STM32 MCU</li> <li>• Advanced Secure Element</li> <li>• Secure contactless: banking / ID</li> <li>• RF EEPROM</li> <li>• Digital ASICs on FD-SOI</li> <li>• Optical module ICs leveraging Silicon Photonics and BiCMOS</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage on technology in CMOS sensors and pioneering “Time of Flight” Technology</li> <li>• Specialized imaging sensors</li> </ul>

# Profitability Drivers & Opportunities



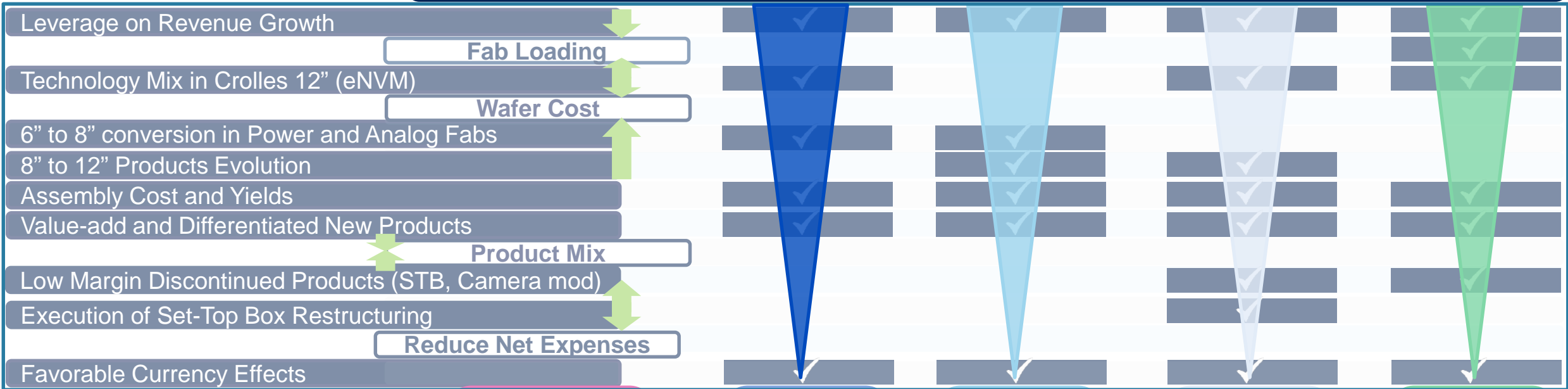
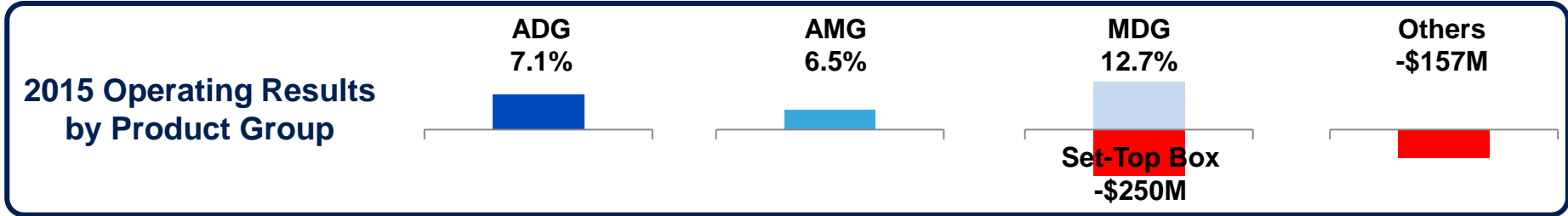
Driver/Opportunity	ADG	AMG	MDG	Others
Leverage on Revenue Growth	✓	✓	✓	✓
<b>Fab Loading</b>				✓
Technology Mix in Crolles 12" (eNVM)	✓		✓	✓
<b>Wafer Cost</b>				
6" to 8" conversion in Power and Analog Fabs	✓	✓		
8" to 12" Products Evolution		✓	✓	
Assembly Cost and Yields	✓	✓	✓	✓
Value-add and Differentiated New Products	✓	✓	✓	✓
<b>Product Mix</b>				
Low Margin Discontinued Products (STB, Camera mod)			✓	✓
Execution of Set-Top Box Restructuring			✓	
<b>Reduce Net Expenses</b>				
Favorable Currency Effects	✓	✓	✓	✓



Note: Base FY2015

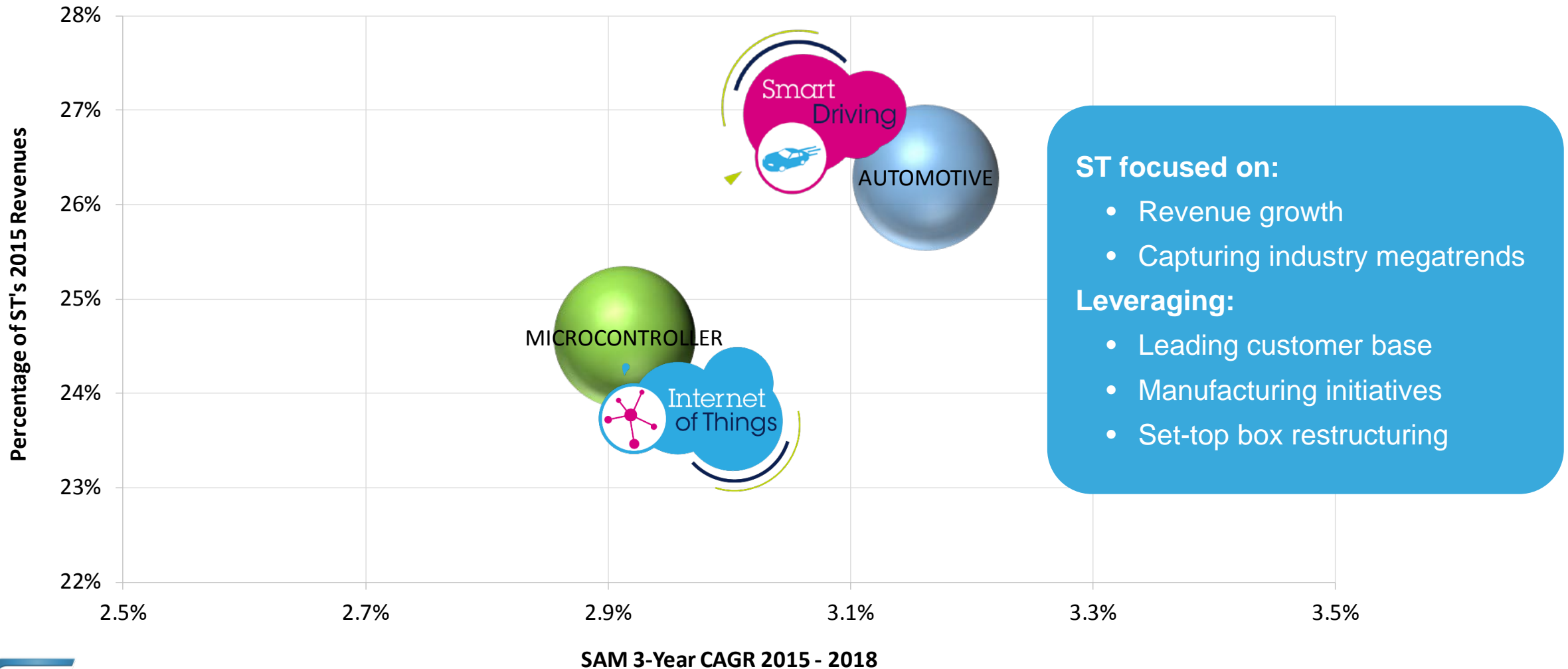


# Profitability Drivers & Opportunities



# ST Revenue Focus:

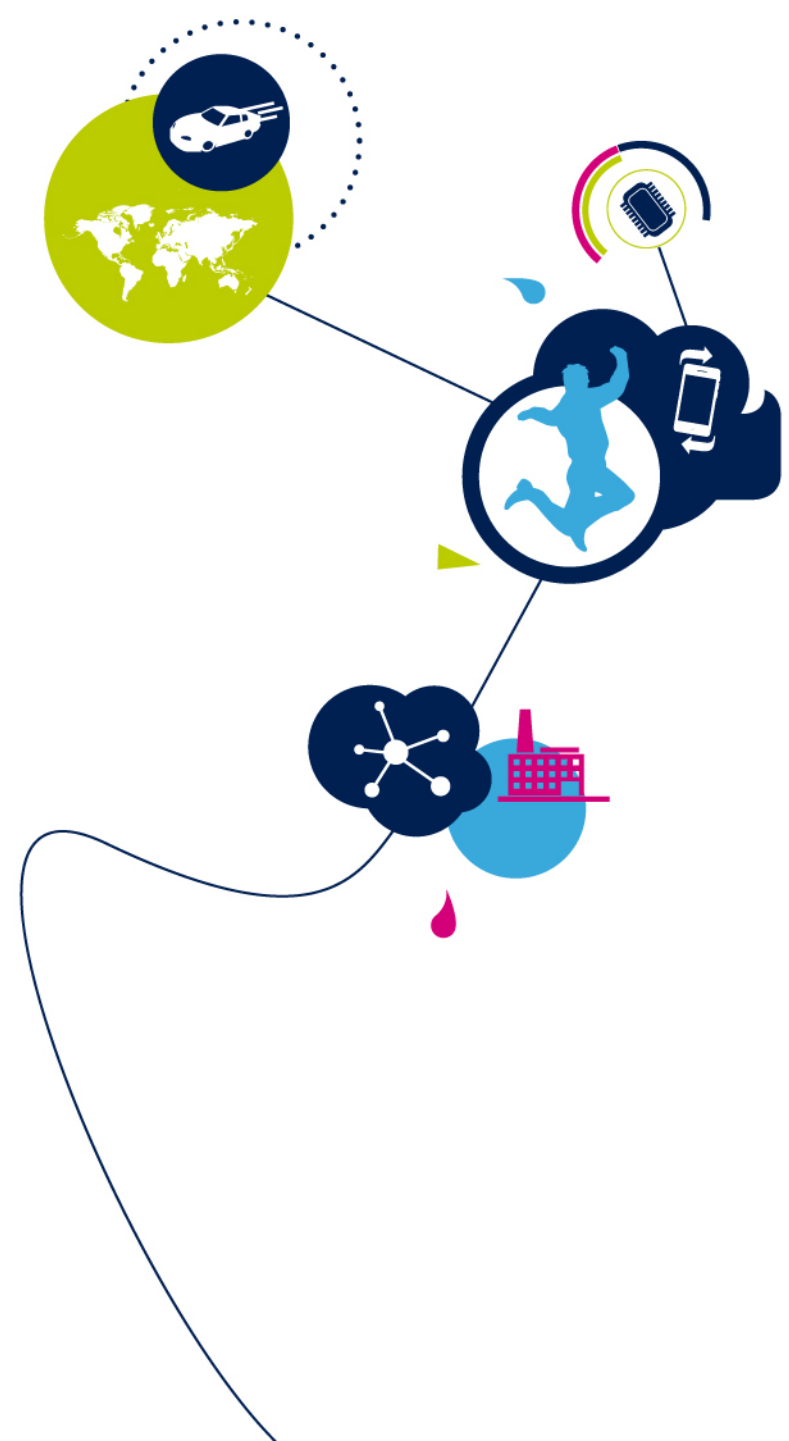
Addresses high-growth areas to boost profitability



Note: Size of bubble is proportional to ST's revenue.

Source: Company data, WSTS

# Appendix



# Product Group Data

In 1Q16, ST realigned its product families into three product groups: Automotive and Discrete Group (ADG); Analog and MEMS Group (AMG) and Microcontrollers and Digital ICs Group (MDG). MDG includes ST's set-top-box business which is currently undergoing a restructuring targeting annualized savings of \$170 million upon completion. All prior-period amounts have been retrospectively aligned to the 2016 reporting segments.

<i>Million US\$</i>	1Q15	2Q15	3Q15	4Q15	FY15	1Q16
<b>Automotive and Discrete Group (ADG)</b>						
- Net Revenues	674	714	706	637	2,731	<b>671</b>
- Operating Income (Loss)	36	46	68	44	194	<b>39</b>
<b>Analog and MEMS Group (AMG)</b>						
- Net Revenues	445	445	411	370	1,671	<b>369</b>
- Operating Income (Loss)	37	30	34	8	109	<b>2</b>
<b>Microcontrollers and Digital ICs Group (MDG)</b>						
- Net Revenues	530	558	590	614	2,292	<b>532</b>
- Operating Income (Loss)	(28)	(1)	22	36	29	<b>(3)</b>
<b>Others *</b>						
- Net Revenues	56	43	57	47	203	<b>41</b>
- Operating Income (Loss)	(64)	(63)	(33)	(63)	(223)	<b>(71)</b>
<b>Total</b>						
- Net Revenues	<b>1,705</b>	<b>1,760</b>	<b>1,764</b>	<b>1,668</b>	<b>6,897</b>	<b>1,613</b>
- Operating Income (Loss)	<b>(19)</b>	<b>12</b>	<b>91</b>	<b>25</b>	<b>109</b>	<b>(33)</b>

# Financial Performance

21

<i>In US\$M, except EPS</i>	1Q15	2Q15	3Q15	4Q15	FY14*	FY15	1Q16
<b>Net Revenues</b>	1,705	1,760	1,764	1,668	7,404	6,897	1,613
<b>Gross Margin</b>	33.2%	33.8%	34.8%	33.5%	33.7%*	33.8%	33.4%
<b>Operating Income (Loss) before impairment, restructuring**</b> Operating Margin before impairment, restructuring**	10 0.6%	33 1.9%	102 5.8%	29 1.7%	258* 3.5%	174 2.5%	(5) (0.3%)
<b>Net Income – Reported</b>	(22)	35	90	2	128*	104	(41)
<b>EPS Diluted</b>	(0.03)	0.04	0.10	0.00	0.14	0.12	(0.05)
<b>Adjusted EPS Diluted**</b>	0.01	0.06	0.12	0.00	0.29	0.19	(0.02)
<b>Free Cash Flow**</b>	41	53	85	148	197	327	31
<b>Net Financial Position</b>	512	459	459	494	550	494	439
<b>Effective Exchange Rate €/\$</b>	1.23	1.17	1.16	1.11	1.34	1.17	1.10

\* Includes Nano2017 catch-up: the European Union approved the funding for the Nano2017 R&D program for the period 2013 to 2017 in June 2014; as a consequence, FY14 include a pre-tax profit of \$97 million for grants related to FY13 (including 18 bps impact in gross margin)

\*\*See appendix

# Pre-Tax Items to Adjusted Earnings\*

OPERATING RESULT	<i>In US\$M</i>	1Q15	2Q15	3Q15	4Q15	1Q16
	NET EARNINGS	<b>U.S. GAAP Net Earnings</b>	(22)	35	90	2
Impairment & Restructuring		29	21	11	4	28
Estimated Income Tax Effect		(1)	(1)	-	(4)	(3)
<b>Adjusted Net Earnings*</b>		6	55	101	2	(16)

- **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 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 \$10 million, \$30 million, and \$19 million of unused capacity charges in the first quarter of 2016 and fourth and first quarters of 2015, respectively; and \$28 million, \$4 million, and \$29 million of impairment, restructuring charges, and other related closure costs in the first quarter of 2016 and fourth and first quarters of 2015, respectively.