



STMicroelectronics

Company Overview & Financial Results in FY and Q4 2011

Philippe Lambinet
Head of Strategy Office
General Manager of Digital Sector
Senior Executive Vice President

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 on the carrying value of the ST-Ericsson investment in our books of approximately \$2 billion as well as on our related operations, of the ongoing assessment on ST-Ericsson's strategic plan and financial prospects being conducted under the leadership of ST-Ericsson's newly appointed CEO and leadership team. Such ongoing review within ST-Ericsson of "interalia" the effects of transition from legacy products to new products, the strength and timing of customer demand for new products, the cost structure, the market environment and possible additional actions or opportunities will lead to an assessment and recommendations to be submitted to and approved by the board and shareholders of ST-Ericsson and may further lead to a significant impairment charge for us if the results of such assessment would be to recognize a decrease in the value of the investment in our books as to additional actions by us to help solidify and accelerate ST-Ericsson's path to profitability;
- 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, 2010, as filed with the SEC on March 7, 2011. 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.

About ST

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- 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
 - Celebrating our 25th anniversary in 2012

Q4 & FY11 Highlights

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- Headwinds
 - Natural disasters / macroeconomics uncertainties
 - Severe industry downturn from June 2011
 - Changed business and plans of our major customer
- FY11
 - Solid wholly-owned business performance
 - LTM profitability in-line with financial model until Q211
 - More challenging than expected transition at ST-Ericsson
 - Net income: \$650M
- Q411:
 - Results in-line with guidance
 - Inventory reduction and low demand = severe fab underloading
- Solid Net Cash position: \$1,167M, adjusted for 50% of ST-Ericsson debt

Adapted to a challenging environment while keeping up investment to enhance strategic position



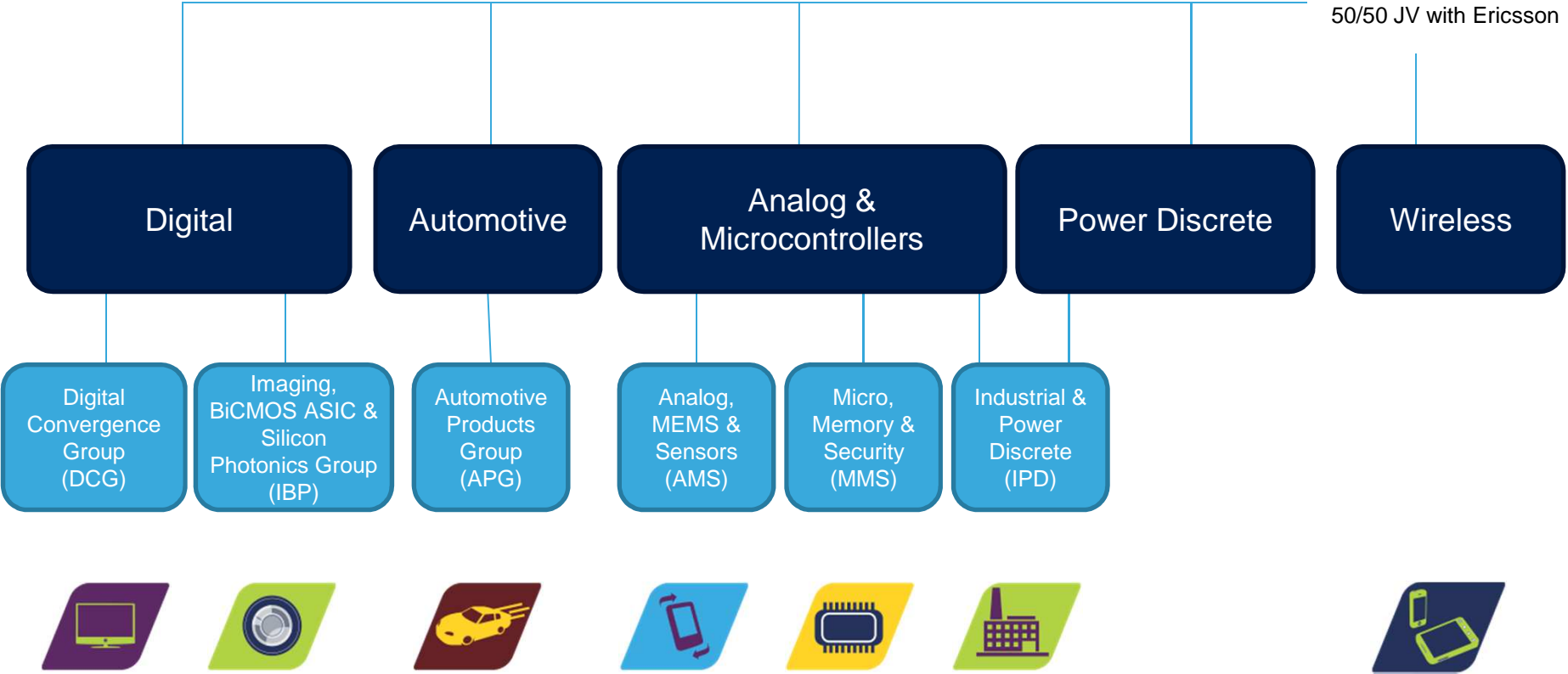
Focused Product Segments



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50/50 JV with Ericsson

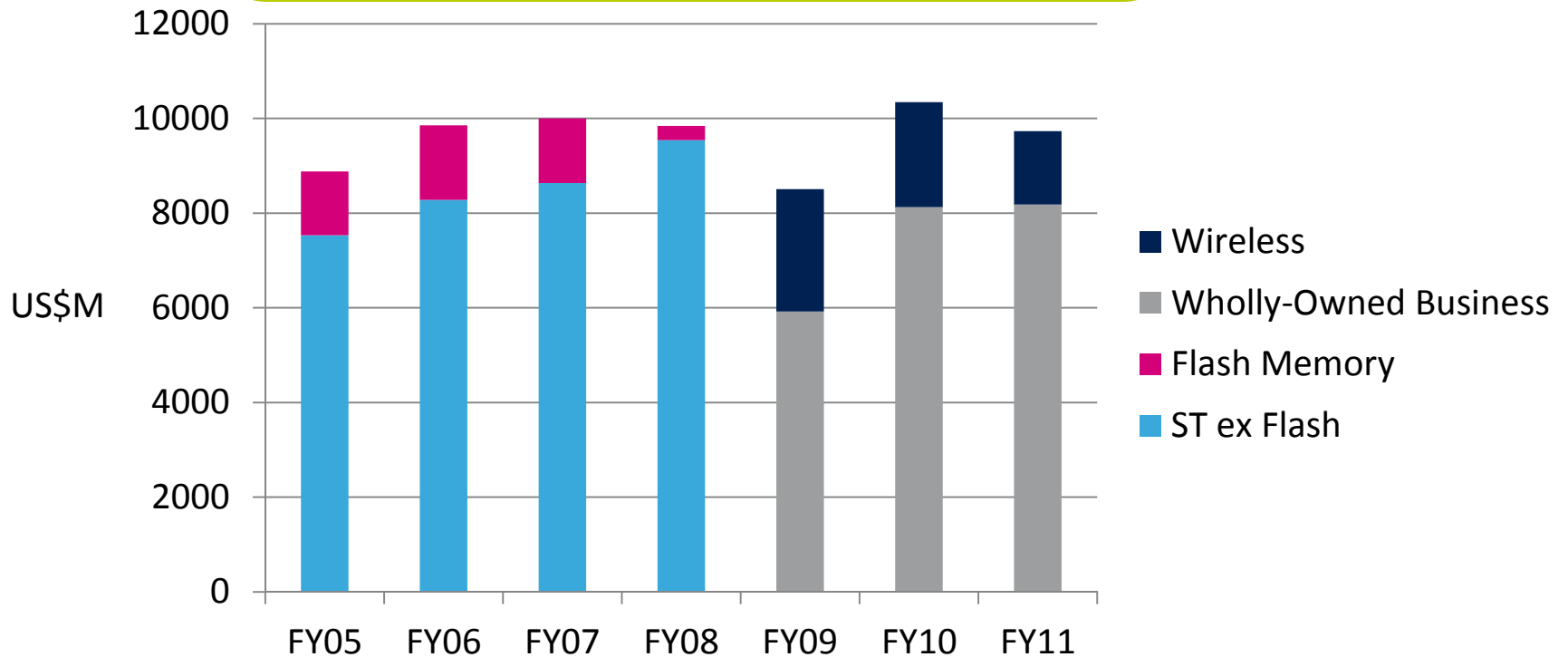


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ST Total Revenues

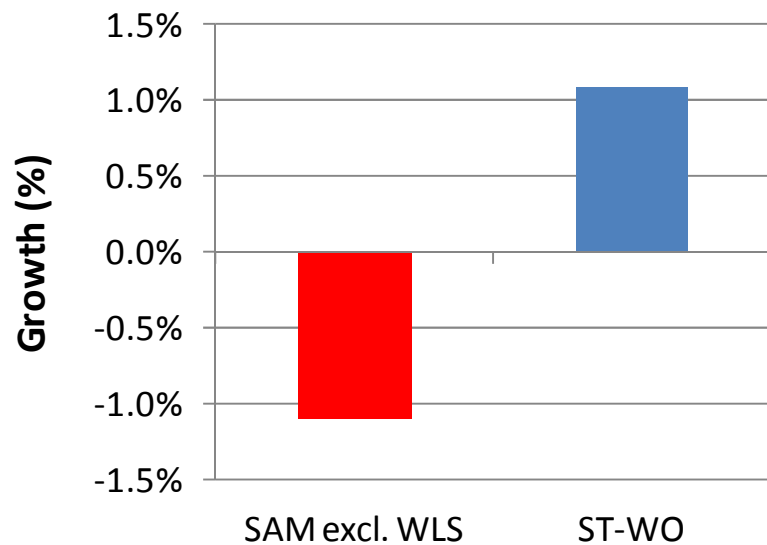
FY11 Reported Revenues = \$9.73B
-5.9% vs. FY10

Wholly-owned businesses up 1%:
Automotive +18%
MEMS +90%
Wireless down 30%

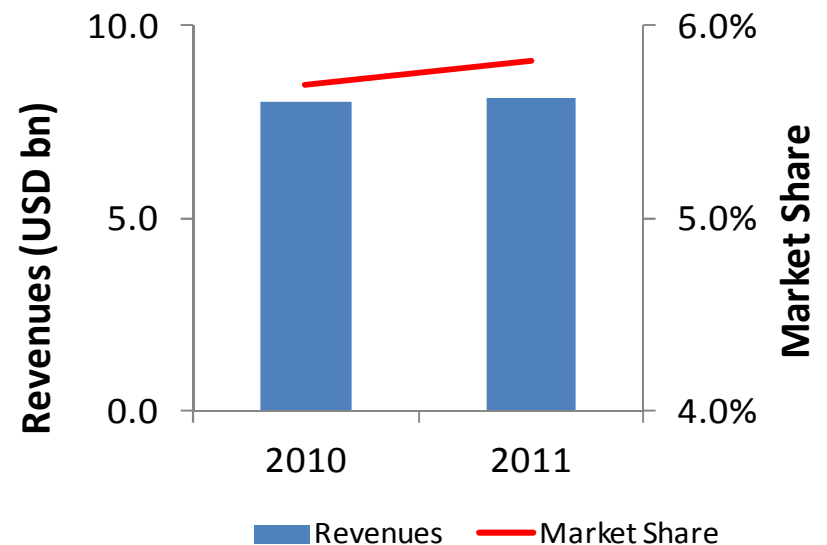


Wholly-Owned Business Performance

ST's wholly-owned businesses outgrew its SAM by +220bps during 2011...



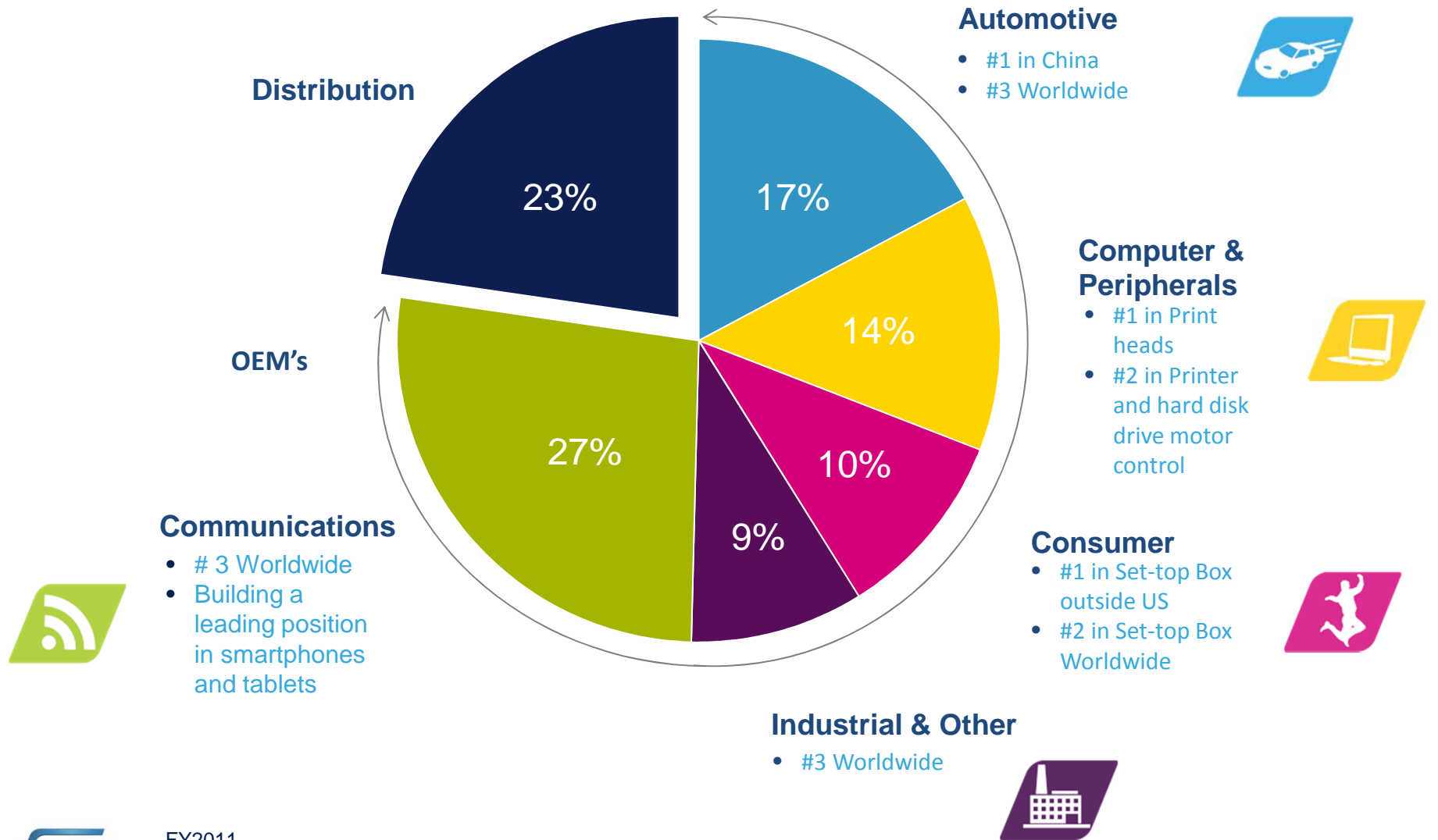
...expanding its market share to 5.8% from 5.7%



- SAM = Serviceable Available Market
 - SAM wholly owned businesses = SAM excl. Wireless SAM
 - ST wholly-owned businesses are comprised of ACCI and IMS
- Source: WSTS, Company



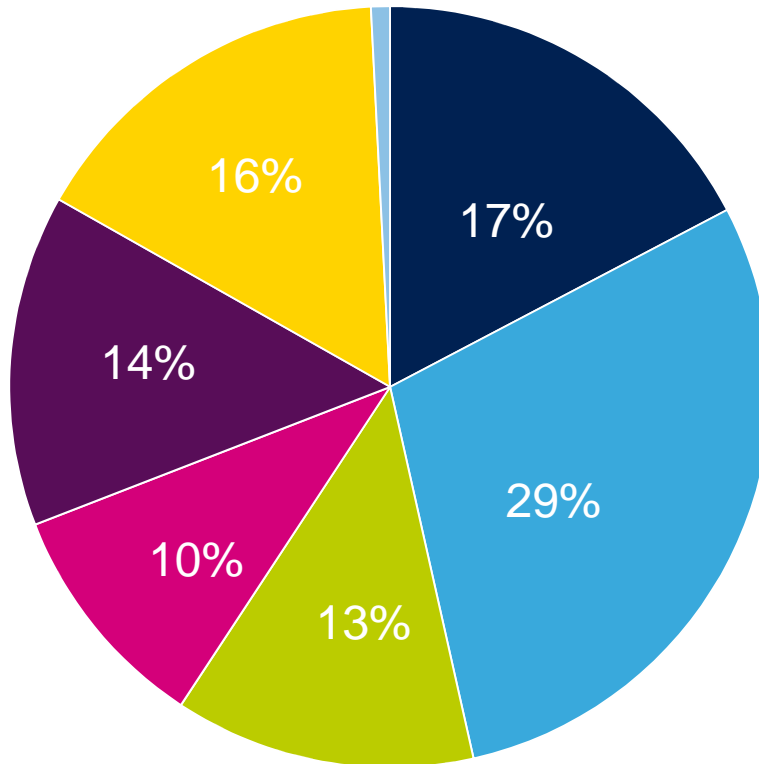
Leading Positions in our Markets



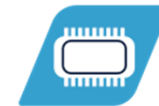
FY2011
 Source: IHS iSuppli, 2010 rankings by segment include sales via distribution

Revenues by Product Segments

FY11 vs. FY10



Automotive: +18%



Analog, MEMS & Microcontrollers: +8%



Power Discrete Products: -6%



Computer & Communication Infrastructure: -15%



Home Entertainment & Displays* : -9%



Wireless: -30%

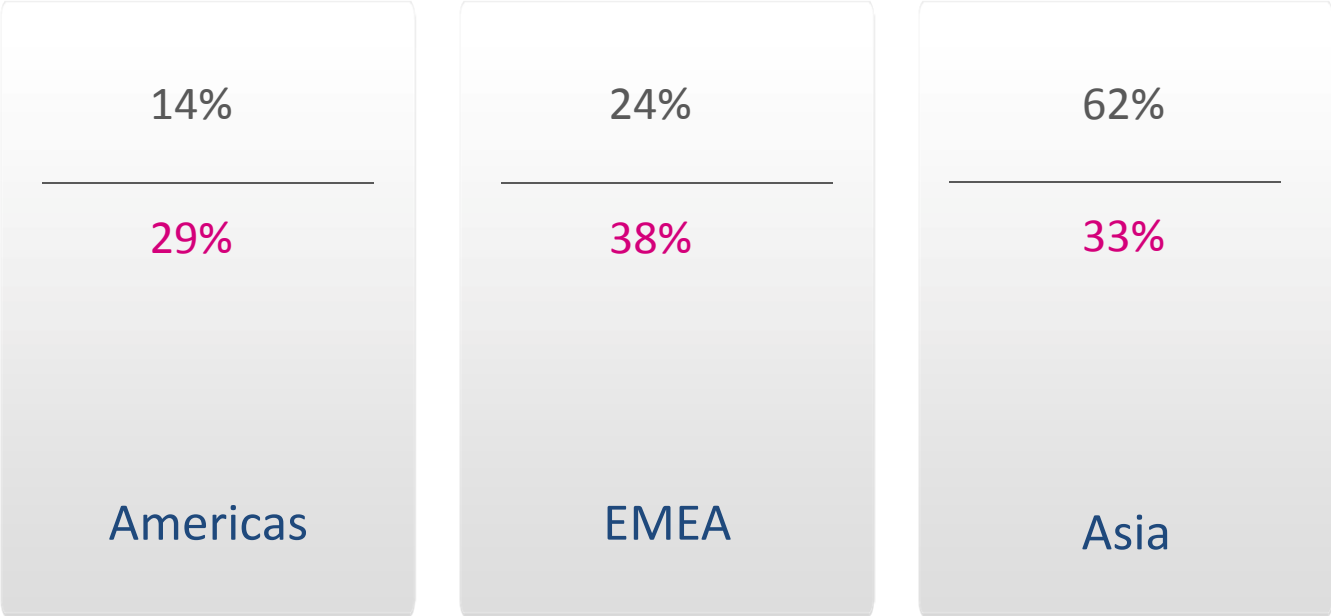
ST's exposure to the Wireless segment* at the earnings level is 9%



* See appendix

** Includes Imaging business

Global Presence



Gaining Share through Focused Sales Initiatives

Key Marketing Initiatives

TARGET 20 NEW TOP ACCOUNTS

- +19% yoy growth in 2011
- +40% yoy growth in 2010

MASS MARKET

- +6% yoy growth in 2011
- +51% yoy growth in 2010

Top 10 OEM Customers 2011 (listed alphabetically)

Apple

Bosch

Cisco

Continental

HP

Nokia

Research in Motion

Samsung

Seagate

Sony / Sony Ericsson



Achievements Amid a Volatile Environment

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Front-end Manufacturing / R&D:

- **MEMS** capacity 2X in Agrate
- Singapore conversions and **Auto/Power discretes** growth
- **Wireless** mix improvement at Crolles and Rousset
- Crolles 300mm **32/28nm** capability
- **Analog 300mm** production ramp in Crolles
- Completed Phoenix fab restructuring

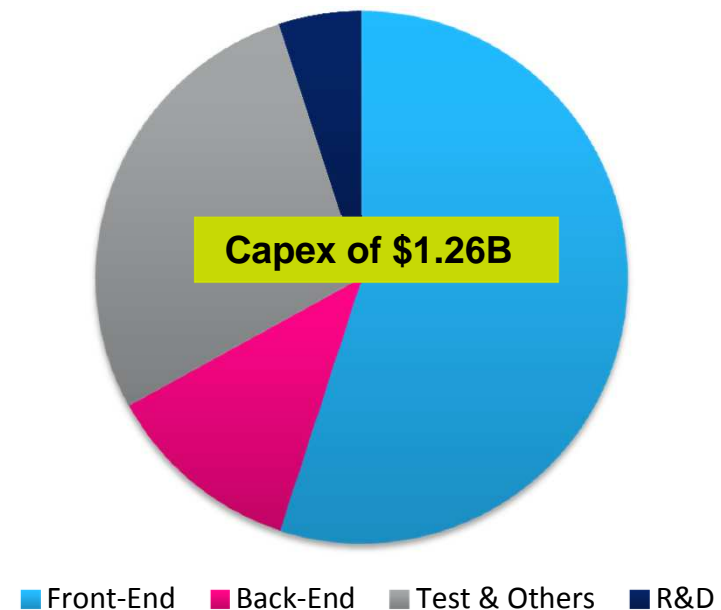
Back-end Manufacturing:

- Capacity increase and mix evolution at **Asian** plants
- **MEMS** growth at Malta
- Improvements in Testing efficiency
- Leading the industry in conversion of gold to copper

Investments focused on:

- Strategic growth businesses and key product ramps
- Proprietary manufacturing

2011 Capital Expenditures



Manufacturing Priorities for 2012

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**Improve
flexibility!**

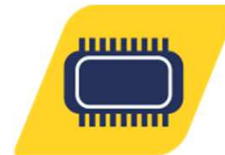
- Committed to asset lighter model
 - Capex to sales ratio <10% through a cycle
 - Anticipate to maintain low spending in first half 2012
 - FY 2012 capex will be lower than 2011
 - Continue to utilize outsourcing
- Fully load existing capacity
 - Targeting:
 - ~80% internal / 20% external
 - Advanced CMOS 2/3 external
- Conversion of Ang-Mo-Kio to larger diameter
- Focus on back end

Leading in Sense & Power

Analog



MCUs



MEMS/Sensors



Power Management



Key Enablers

- Leading position in key products
- Broad portfolio of technologies
- Broad system know-how

Supporting our target markets



Automotive



Communications



Computer
& Peripherals



Consumer



Industrial
& Other

Driving Multimedia Convergence

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Digital TV
& Monitor



Digital
Set-Top Box



Automotive
Infotainment



Imaging



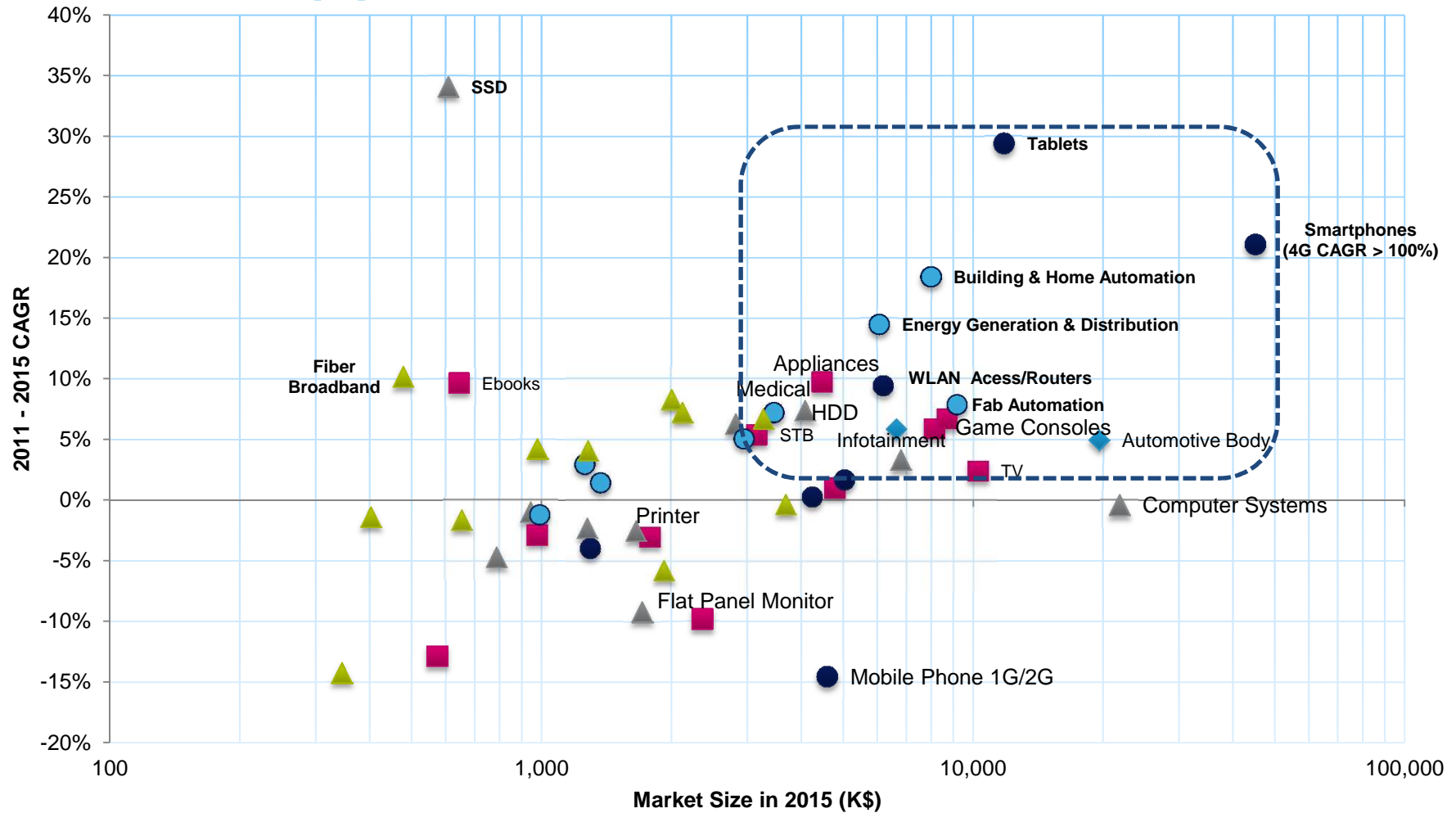
Key Enablers

- Low-power CMOS process Roadmap
- Leading position in all converging markets
- Broad system know-how

Smartphones
& Tablets



Application Drivers towards 2015



- ◆ Automotive Electronics Categories
- Industrial Electronics Categories
- Consumer Electronics Categories
- ▲ Wired Communications Categories
- ▲ Data Processing Categories
- Wireless Communications Categories



Source : IHS iSuppli
(SAM, i.e. excl DRAM, Flash, MPUs, Opto)

Financial Performance

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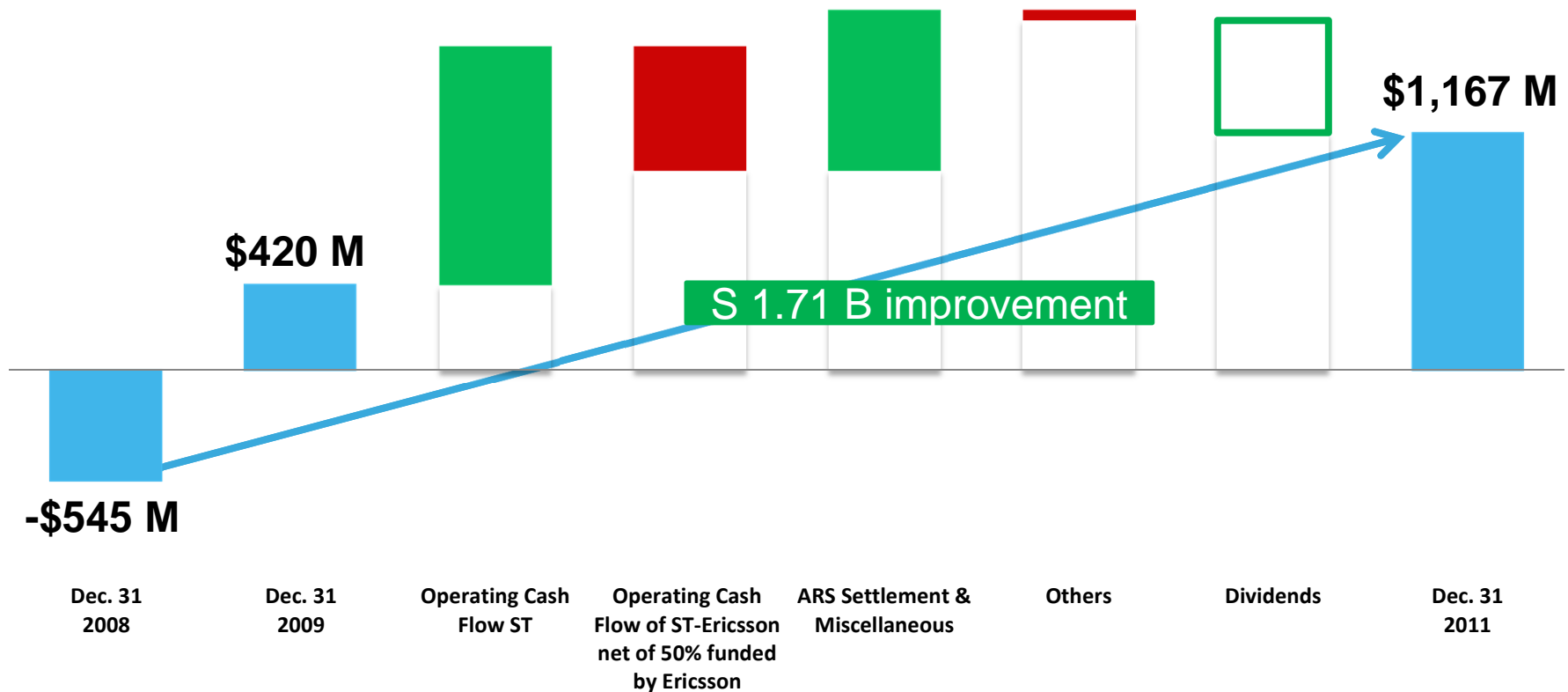
In US\$M, except EPS	Q111	Q211	Q311	Q411		FY11	FY10
Net Revenues	2,535	2,567	2,442	2,191		9,735	10,346
Gross Margin	39.1%	38.1%	35.8%	33.4%		36.7%	38.8%
Operating Income Before Restructuring*	142	114	(13)	(123)		121	580
Operating Margin Before Restructuring Attributable to ST*	9.9%	9.1%	4.3%	(0.2%)		6%	9.2%
Net Income – Reported	170	420	71	(11)		650	830
EPS Diluted	0.19	0.46	0.08	(0.01)		0.72	0.92
Adjusted EPS Diluted*	0.20	0.14	0.09	(0.01)		0.41	0.75
Free Cash Flow*	51	(250)	(136)	47		(288)	961
Net Financial Position, adjusted for 50% investment in ST-Ericsson*	1,255	1,293	1,134	1,167		1,167	1,127
Effective Exchange Rate €/\$	1.33	1.37	1.40	1.36		1.37	1.36



* See appendix

Strengthening a Strong Capital Structure

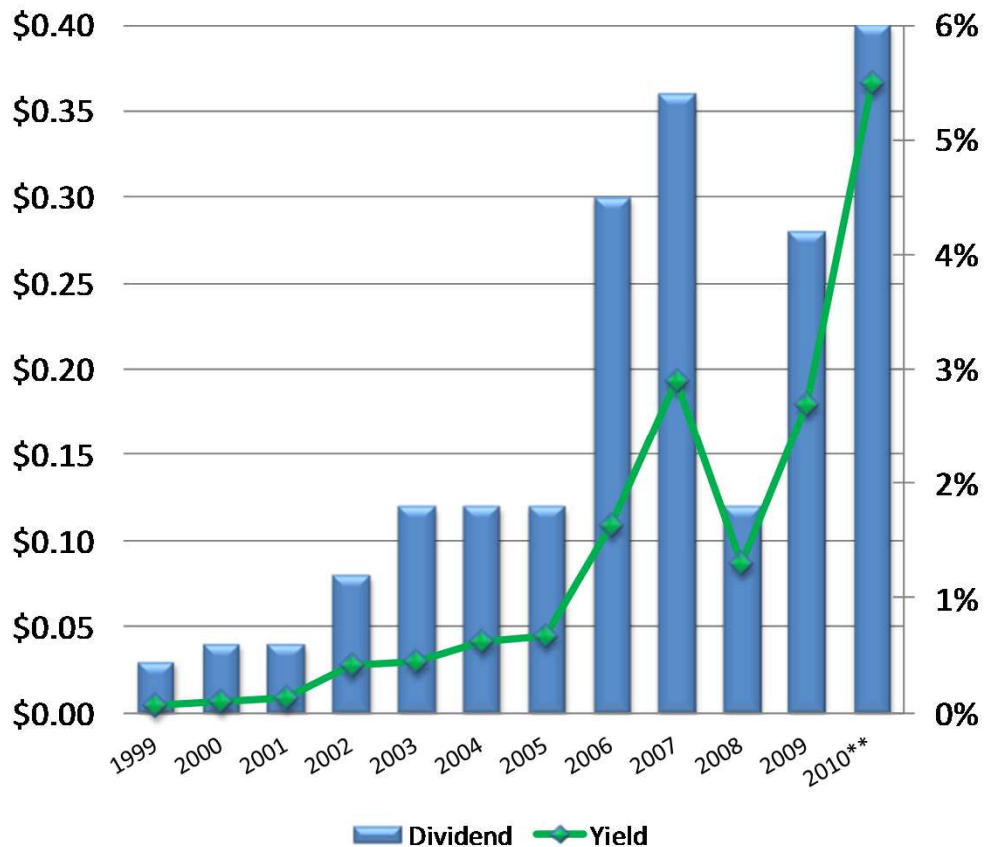
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- Invested \$2.27B in Capex in the last two years
- Absorbed our portion of ST-Ericsson R&D investment
- Strong dividend yield throughout the period

Dividend Evolution

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- **STM dividend yield of ~5.5%**
 - Semiconductor HOLDERS ETF (SMH) dividend yield ~1.9%*
 - SOX dividend yield ~1.3%*
 - 10-year US Treasury Bills yield ~2.0%*
- **ST cumulative dividends over the past 5 years (including the \$0.40 per share declared for 2011) have been > \$1.2B**
- **Quarterly dividend offers a steady income with limited risk, in addition to stock price revaluation**



*Source: Bloomberg (March 2012)

** 2010 annualized dividend was paid in equal installments: May, August and November 2011 and February 2012.

Value Drivers in 2012

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- Focus on sustainable turnaround of ST-Ericsson
- Revenue growth driven by expanded base of customers and new products
- Continued mix improvements towards “extreme analog” high margin products
- Synergies from the re-organization of Digital business at ST
- Volume and manufacturing flexibility to benefit fab utilization and efficiency
- Reduced Capital Expenditures and acceleration of Cash Conversion Cycle = Positive Free Cash Flow

Q&A



Pre-Tax Items to Adjusted Earnings*

OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	Q111	Q211	Q311	Q411	FY11	FY10
	U.S. GAAP Net Earnings		170	420	71	(11)	650
Impairment & Restructuring Charges (attributable to Parent Company's shareholders)**		22	24	7	5	58	66
Equity Investment Divestiture							(265)
Other-than-Temporary Impairment		5				5	
Gain on sale of Micron shares		(21)				(21)	(13)
Realized gain on financial assets			(323)			(323)	
Estimated Income Tax effect of Adj.		(1)	5	7	(2)	(3)	31
Adjusted Net Earnings*		175	126	85	(8)	366	675

- **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 restructuring excludes impairment, restructuring charges and other related closure costs.
- **Operating income before restructuring attributable to ST** is calculated as operating income before restructuring excluding 50% of ST-Ericsson operating loss before restructuring as consolidated by ST. **Operating margin before restructuring attributable to ST** is calculated as operating income before restructuring 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 restructuring 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, 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**

