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;
- Customer demand and acceptance for the products which we design, manufacture and sell;
- Unanticipated events or circumstances, which may either 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;
- 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 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;
- 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 conflict, social unrest, labor actions, or terrorist activities;
- Availability and costs of raw materials, utilities, third-party manufacturing services, or other supplies required by our operations.

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, 2014, as filed with the SEC on March 3, 2015. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.
Who We Are

- A global semiconductor leader
- 2014 revenues of $7.40B
- Listed: NYSE, Euronext Paris and Borsa Italiana, Milan

- Approximately 43,600 employees worldwide
- Approximately 8,700 people working in R&D
- 11 manufacturing sites
- Over 75 sales & marketing offices
3Q15 Highlights

- Net revenues of $1.76 billion, up 0.3% sequentially
  - Revenue growth limited and lower than expected
  - Softer demand as we progressed through the quarter
  - Manufacturing issue at a subcontractor which affected our sales of microphones
- Gross margin 34.8%
  - Up 100 basis points sequentially
- Net Income of $90 million
  - Compared to $35 million in 2Q15
- Free cash flow of $179 million for 9M15
  - Compared to negative $11 million in 9M14
- During the third quarter, the market progressively deteriorated
  - Lower consumer spending in China is impacting the dynamics of the distribution channel in the region and the industry more globally, particularly in automotive
Product Segments

Sense & Power and Automotive Products (SP&A)
- Analog, MEMS & Sensors (AMS)
- Automotive Product Group (APG)
- Industrial & Power Discrete Group (IPD)

Embedded Processing Solutions (EPS)
- Digital Product Group (DPG)
- Microcontroller, Memory & Secure MCU (MMS)
3Q15 Revenues by Product Group

- **Sense & Power and Automotive Products (SP&A)**: 25%
- **Analog, MEMS & Sensors (AMS)**: 13%
- **Automotive Product Group (APG)**: 25%
- **Digital Product Group (DPG)**: 13%
- **Microcontroller, Memory & Secure MCU (MMS)**: 23%
- **Industrial & Power Discrete (IPD)**: 25%
- **Embedded Processing Solutions (EPS)**: 13%
Revenue Evolution

3Q15 Revenues = $1.76B

3Q15 up 0.3% sequentially
- MMS up 6.1%, APG up 1.9%, DPG up $23M
- IPD down 2.5%, AMS down 14.4%

3Q15 down 6.5% y-o-y
- Americas up 1.1%
- Japan & Korea down 10.9%, EMEA down 10%, Greater China & South Asia down 5.7%

Down 3.8% y-o-y, excluding negative currency effect and revenues from mobile legacy products
- MMS up 11.7%, APG up 0.3%
- DPG down 19.7%, AMS down 10.4%, IPD down 7.7%
## Financial Performance

<table>
<thead>
<tr>
<th>In US$M, except EPS</th>
<th>3Q14</th>
<th>2Q15</th>
<th>3Q15</th>
<th>9M14*</th>
<th>9M15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues</td>
<td>1,886</td>
<td>1,760</td>
<td>1,764</td>
<td>5,575</td>
<td>5,229</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>34.3%</td>
<td>33.8%</td>
<td>34.8%</td>
<td>33.7%*</td>
<td>33.9%</td>
</tr>
<tr>
<td>Operating Income (Loss) before impairment, restructuring**</td>
<td>75</td>
<td>33</td>
<td>102</td>
<td>201*</td>
<td>145</td>
</tr>
<tr>
<td>Operating Margin before impairment, restructuring**</td>
<td>4.0%</td>
<td>1.9%</td>
<td>5.8%</td>
<td>3.6%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Net Income – Reported</td>
<td>72</td>
<td>35</td>
<td>90</td>
<td>85*</td>
<td>102</td>
</tr>
<tr>
<td>EPS Diluted</td>
<td>0.08</td>
<td>0.04</td>
<td>0.10</td>
<td>0.10</td>
<td>0.12</td>
</tr>
<tr>
<td>Adjusted EPS Diluted**</td>
<td>0.13</td>
<td>0.06</td>
<td>0.12</td>
<td>0.23</td>
<td>0.18</td>
</tr>
<tr>
<td>Free Cash Flow**</td>
<td>140</td>
<td>53</td>
<td>85</td>
<td>(11)</td>
<td>179</td>
</tr>
<tr>
<td>Net Financial Position</td>
<td>494</td>
<td>459</td>
<td>459</td>
<td>494</td>
<td>459</td>
</tr>
<tr>
<td>Effective Exchange Rate €/$</td>
<td>1.34</td>
<td>1.17</td>
<td>1.16</td>
<td>1.35</td>
<td>1.19</td>
</tr>
</tbody>
</table>

* 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, 9M14 include a pre-tax profit of $97 million for grants related to FY13 (including 23 bps impact in gross margin)

**See appendix
Gross Margin Evolution

3Q15 Gross Margin = 34.8%

Up 100 basis points sequentially
- Mostly reflecting manufacturing efficiencies, product mix, and favorable currency effects, net of hedging
- Largely offset by price pressure

Up 50 basis points year-over-year
- Mainly due to favorable currency effects, net of hedging, manufacturing efficiencies and lower unused capacity charges
- Largely offset by price pressure

3Q15 unused capacity charges: ~30 basis points

4Q15 guidance includes ~200 basis points negative impact of unused capacity charges
Net Operating Expenses on Target

**Net Operating Expenses**

3Q15 combined SG&A and R&D at $549M

- Down $50M sequentially, mainly due to seasonality, favorable currency effects, net of hedging, and savings from the EPS restructuring plan
- Down $54M y-o-y
- $518M net of R&D grants
- EPS cost reduction plan announced in October 2014 completed end of July

Quarterly net operating expenses target in the range of about $550M to $600M

*Net Operating Expenses: R&D + SG&A – recurring R&D grants*
### Financial Flexibility

#### End of period (US$M)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liquidity</strong></td>
<td>2,207</td>
<td>2,241</td>
<td>2,460</td>
</tr>
<tr>
<td>Short term debt</td>
<td>(191)</td>
<td>(201)</td>
<td>(203)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(1,557)</td>
<td>(1,581)</td>
<td>(1,743)</td>
</tr>
<tr>
<td><strong>Total Financial Debt</strong></td>
<td>(1,748)</td>
<td>(1,782)</td>
<td>(1,966)</td>
</tr>
<tr>
<td><strong>Net Financial Position</strong></td>
<td>459</td>
<td>459</td>
<td>494</td>
</tr>
</tbody>
</table>

#### Maintaining a Strong Capital Structure

- $85M Free Cash Flow after $128M Capital Expenditures in 3Q15
- $83M dividends paid in 3Q15
- $568M available credit facilities undrawn

*See appendix*
Sense, Power and Automotive  
3Q15 Product Highlights (1/2)

**AUTOMOTIVE**
- Started shipments of 32-bit Power Architecture technology microcontroller for the power-conversion unit in a hybrid vehicle
- Progress in radar-based ADAS applications, winning the next-generation platform at 24GHz for a global leader
- Award for chip set that includes smart-power actuators, analog signal processing, and a 32-bit microcontroller for an engine-management application that is compliant to the next-generation Chinese pollution regulation from a major Chinese tier 1
- Began ramping production of Accordo car-radio-processor family for OEM and aftermarket applications with leading Chinese and Japanese car infotainment makers and received a major additional award with a leading Korean infotainment manufacturer

**POWER AND SMARTPOWER**
- Design wins for on-board chargers in electric vehicles from leading manufacturers with our power rectifiers products
- Gained several design win for low-voltage MOSFETs for automotive door modules application with a European manufacturer
- Earned win with a display power-management solution for a tablet platform by a major US market leader
- Secured sockets for AMOLED converters for Samsung Galaxy smartphones
- Maintained growth of protection products within the smartphones, laptops, tablets, and IoT applications of numerous industry leaders
- Gained design-wins for digital controllers for digital-power-supply applications from several Asian manufacturers
- Unveiled 650V IGBTs that increase the efficiency of HVAC motor drives, Uninterruptible Power Supplies, solar power converters
MEMS AND SENSORS

- Revealed that the flagship OnePlus 2 smartphone is using an ST gyroscope for optical image stabilization
- Continued to ship large volume of Fingertip, Pressure Sensor, and 6-axis ultra-low-power MEMS accelerometer and gyroscope for the latest flagship model of Samsung Galaxy smartphones
- Confirmed presence of low-noise Gyro in a market-leading tablet from a top maker

- Ramped additional shipments of MEMS micro-mirrors for Perceptual Computing Initiatives with multiple computer manufacturers

- Captured a design-win from a major automotive tier one with a high-g accelerometer for airbag applications in China
- Completed airbag-electronics kit with the release of a pair of automotive central-airbag crash sensors suited for mounting in the airbag control unit to evaluate sensor data and trigger the appropriate restraint system

- Started volume shipment of BlueNRG-MS for the enablement of data connection/exchange for automotive telematics services in China and for wearable devices from a leading activity-monitoring company

- Expanded our presence with a top global brand with the start of shipments of high-end microphones and analog ICs for a TV remote controller
Embedded Processing Solutions
3Q15 Product Highlights

MICROCONTROLLERS
- Launch of STM32L4 ultra-low-power MCU in the mass market and began production ramp for a wearable band at a major OEM
- Began production of STM32F0 and STM32F4 MCU for several consumer drones for a major Asian OEM
- Qualified and certified the ST31H320 contact secure MCU for banking, ID, and pay-TV smartcards
- Joined Entrust Datacard’s Card Validation Program for STPay EMV smart-card solutions

DIGITAL
- Continued to expand Time-of-Flight photonic sensor business in Asia, with now more than 20 phone models available from several leading Asian smart-phone manufacturers
3Q15 Revenues = $1,117M

- Down 3.6% sequentially: growth in APG offset by IPD, reflecting market conditions and AMS, also due to a manufacturing issue at a subcontractor which affected sales of microphones
- Down 8.3% y-o-y: mainly due to weaker market conditions, lower revenues in AMS and IPD and unfavorable currency effects specifically impacting APG

3Q15 Operating Margin = 9.2%

- Despite lower revenues, up compared to 6.6% in 2Q15 and 9.1% in 3Q14

Operating Margin Mid-term Targets

SP&A about 10-15%

- IPD from about 10% to mid-teens
- APG from about 10% to mid-teens
- AMS from a few points to high single-digit
3Q15 Revenues = $641M

- Up 7.8% sequentially driven by general purpose microcontrollers in MMS and imaging proximity sensors in DPG
- Down 3.2% y-o-y mainly due to DPG down 19.6% reflecting the decline in the former ST-Ericsson and set-top box legacy products as well as commodity camera modules, while MMS posted revenue growth of 9.1%

3Q15 Operating Result = break-even

- Improved from $42M losses in 2Q15 and $38M losses in 3Q14 driven by improved product mix, lower operating expenses and favorable currency effects

Operating Margin Mid-term Targets
EPS about 5%
MMS maintaining mid/high-teens
DPG to fix current losses
Currency Impact Net of Hedging
(Estimated at €/$ rate of ~1.11)

Gross Margin
- Q315 to Q415 evolution*: ~80 basis points
- Full impact**:~120 basis points

Operating Margin
- Q315 to Q415 evolution*: ~120 basis points
- Full impact**:~180 basis points

* 4Q15 estimation includes hedging in 4Q15
** Base 3Q15 - Full impact will be visible in 2016 after roll-over of hedging
4Q15 Outlook

• The softer market demand during the third quarter has led us to adjust down our manufacturing plan for the fourth quarter

• We expect in the fourth quarter, revenues to decrease sequentially by about 6% at the mid-point, and the gross margin to be about 33.5% at the mid-point. The mid-point of the gross margin outlook incorporates an estimated 2 percentage points from fab under-loading, and further progress on the underlying gross margin

• With respect to our Digital Product Group, we are making progress in narrowing the options and we have the objective to announce a final decision in early 2016

• 4Q15 revenues are expected to decrease about 6% on a sequential basis, plus or minus 3.5 percentage points

• 4Q15 gross margin is expected to be about 33.5%, plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately $1.13= €1.00 for 4Q15 and includes the impact of existing hedging contracts. 4Q15 will close on December 31, 2015
Appendix
# Pre-Tax Items to Adjusted Earnings*

<table>
<thead>
<tr>
<th>NET EARNINGS</th>
<th>OPERATING RESULT</th>
<th>3Q14</th>
<th>2Q15</th>
<th>3Q15</th>
</tr>
</thead>
<tbody>
<tr>
<td>In US$M</td>
<td>U.S. GAAP Net Earnings</td>
<td>72</td>
<td>35</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Impairment &amp; Restructuring</td>
<td>38</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Estimated Income Tax Effect</td>
<td>7</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Adjusted Net Earnings*</td>
<td>117</td>
<td>55</td>
<td>101</td>
</tr>
</tbody>
</table>

* See appendix
- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding 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.

- From January 1, 2015, **unused capacity charges** have been allocated to the associated product segments. Comparative numbers have been restated accordingly.

- From January 1, 2015, the Digital Convergence Group (DCG) and the Imaging, Bi-CMOS and Silicon Photonics Group (IBP) were combined under one single organization, **Digital Product Group (DPG)**.