



## ***Q3 2009 Financial Results***

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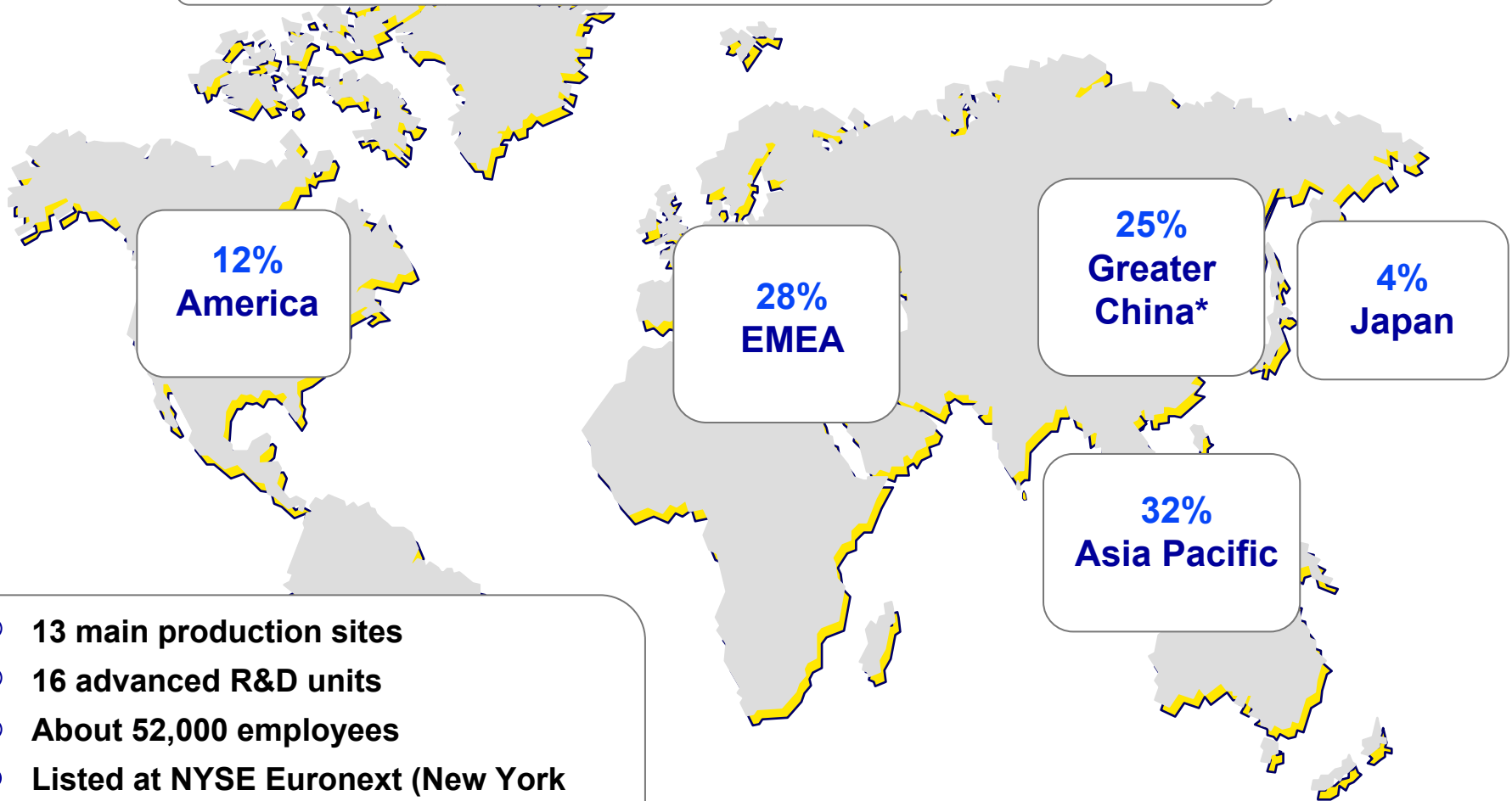
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# STMicroelectronics:

A Global Semiconductor Company



**Q309 revenues by location of order shipment: \$2.28B**



- 13 main production sites
- 16 advanced R&D units
- About 52,000 employees
- Listed at NYSE Euronext (New York & Paris) and Milan stock exchanges

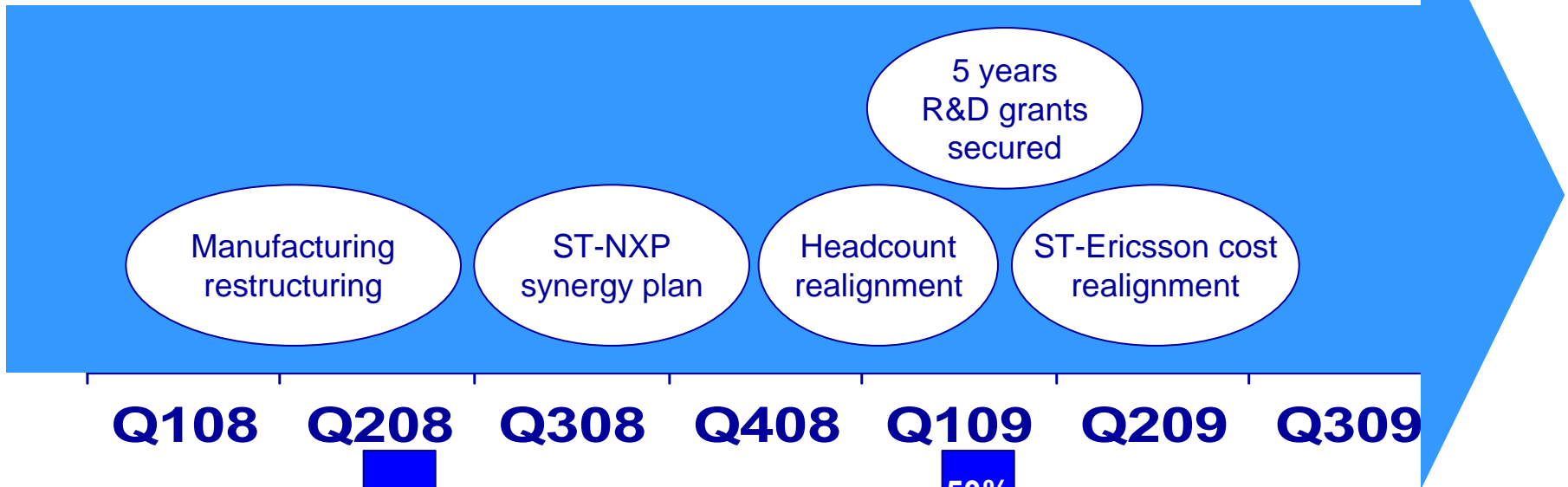
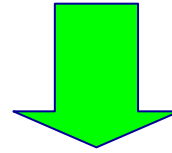
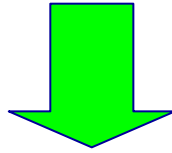
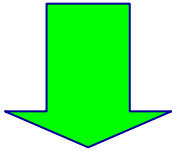
\* China, Taiwan, Hong Kong

# Q309 Highlights



- Revenue of \$2,275 million, up 14% sequentially and at high-end of guidance
  - All market segments contributed to the growth
  - Computer and Automotive being key contributors
  
- Gross margin of 31.3%, up 5 percentage point sequentially
  - Mainly driven by improved volumes, increased fab loading and cost reduction measures
  - Still negatively impacted by wafer fab underloading consequences
  
- Inventory further reduced by \$150 million
  - Inventory turns improved to 4.8 from 4.1 sequentially
  
- Net Operating Cash Flow of \$100 million excluding M&A
  - Significant increase to 4% of sales in the third quarter of 2009

# Reshaping ST's Product Portfolio



# Business Segments



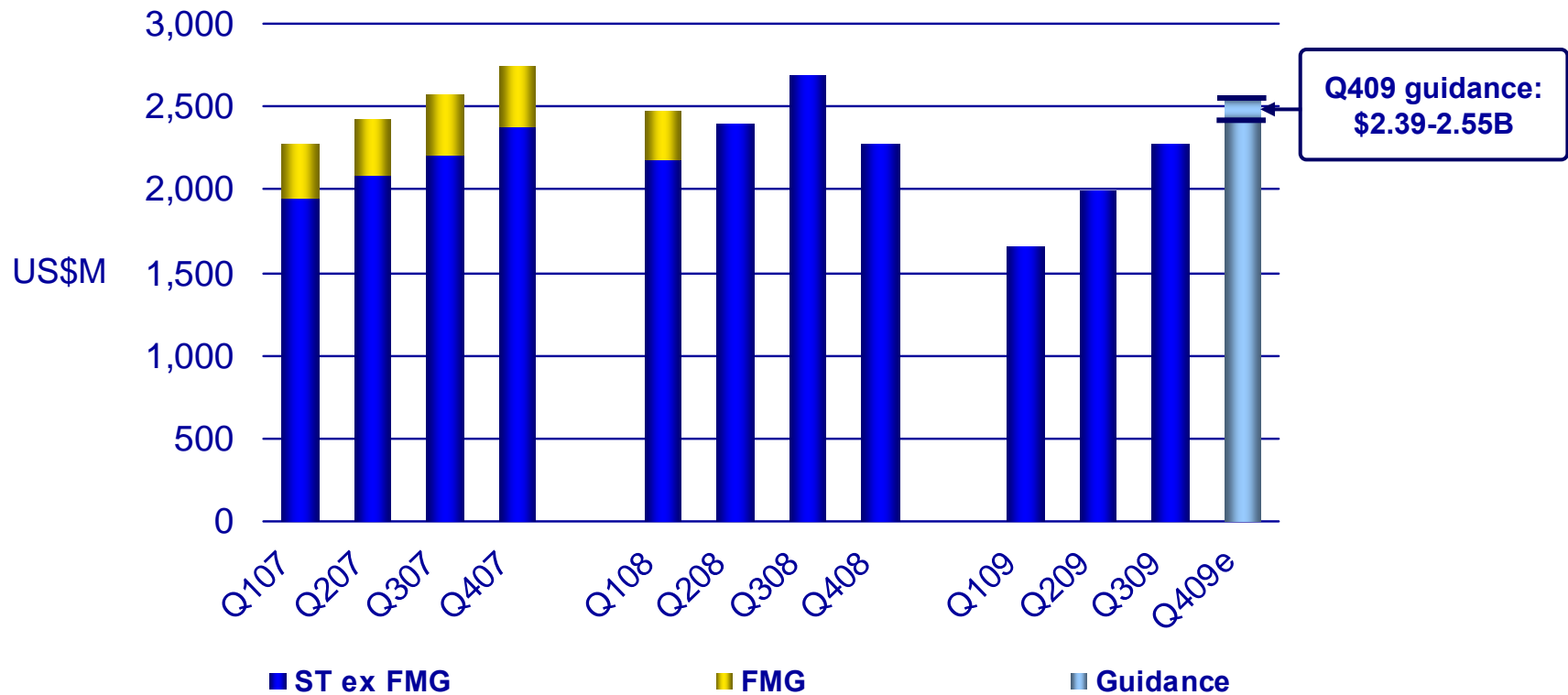
\* Source: iSuppli, March 2009, ST and ST-Ericsson, the 50/50 joint venture with Ericsson

# ST Total Revenues



## Q309 Revenues = \$2.28B

- +14.1% sequentially, driven by all market segments and regions with particular strength in China and Asia Pacific
- -15.6% y-o-y, due to weak industry conditions
- Mid-point of Q4 guidance: +9%



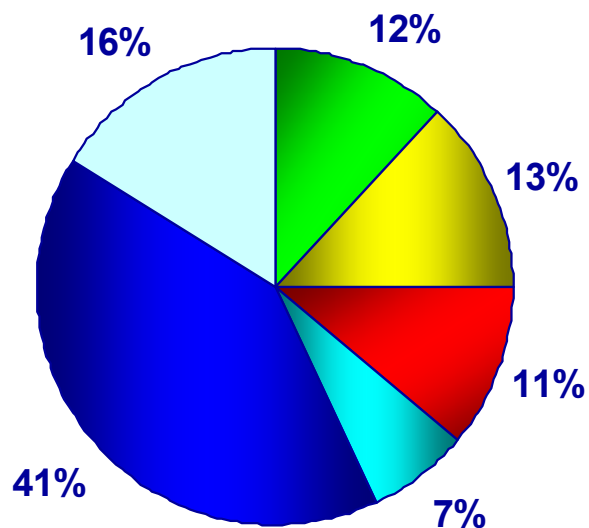
Note: FMG (Flash Memories Group) deconsolidated on March 30, 2008, NXP Wireless contribution starting August 2, 2008, EMP contribution starting February 2, 2009

# Revenues by Market Segment / Channel\*



**Q309 Sales: \$2.28B**

**Q309 Sequential:**



- **Computer** +21%
- **Automotive** +18%
- **Telecom** +14%
- **Industrial** +9%
- **Consumer** +11%
  
- **Distribution** +20%

(\* Sales recorded by ST-Ericsson and consolidated by ST are included in Telecom and Distribution)

# New Products



## Digital Consumer

- Design wins at several top-tier operators in Europe for their deployment of **HDTV set-top box**
- ST completed a demonstrator platform based on the **HbbTV** (Hybrid Broadcast and Broadband TV) **European standard for next generation Set-top box.**



## Automotive

- Memorandum of understanding with **Magneti Marelli, part of Fiat group**, for an agreement to develop power electronics for **hybrid and electric vehicles energy-conversion systems**
- ST received an **Automotive Supplier of the Year 2008 Award from Continental**, one of the world leading car-equipment makers.
- Introduction of **Cartesio+**, new application processor with embedded GPS for next-generation in-car and portable navigation systems.



## Healthcare

- **ST's partner, Veredus, launched VereFlu™**, the first commercial product based on ST's lab-on-chip In-Check platform

## Computer Peripherals

- Design win from a two leading HDD manufacturer for a next-generation motor controller IC for enterprise-computing applications





## Industrial

- Siemens named ST as one of its three best suppliers worldwide for 2009 and most innovative supplier .

## MEMS

- Important design-in for **gyroscopes** with a top-tier **game console maker**
- Design wins for motion-sensing **accelerometers** in **TV and STB remote control** and also for a **tablet PC** application



## Smartcard & Microcontrollers

- **Extention of the 32-bit MCU portfolio** with the STM32W family to deliver a System-on-Chip platform supporting embedded wireless sensor-network design



## Power & Advanced Analog

- In advanced analog, introduction of an **over-voltage protection IC** for use in battery-powered rechargeable **portable devices**
- In power applications, Key design win for **power management ICs** in active-matrix **organic-LED display application** from a leading manufacturer in Korea
- In power conversion ICs, an ST **ultra-high-efficiency power-management IC** was chosen by a major Taiwanese company as a **companion chip for the integrated-graphics processing in notebook PCs**



# New Products: ST-Ericsson



- **U8500 platform selected by an additional top tier manufacturer** for smart phone
- **Strategic relationship agreement with Dell to bring high-speed mobility to the Chinese computing market.** Cooperation will be extended to other devices based on the next generation TD-SCDMA platform solutions from ST-Ericsson.
- **Cooperation also extended with Hojy Wireless**, which selected ST-Ericsson's dual-mode TD-HSPA/EDGE flexible modem, M6718, to develop their next generation of high-speed mobile broadband modules to power data cards, USB dongles, notebooks and smartphones in China
- **Industry's first TD-HSPA modem chip samples in 65nm**
- **World's smallest combo solution for connectivity on mobile handset launched** CG2900, the world's first 45 nm single-chip solution for Bluetooth, FM and GPS
- New highly integrated ultra-low power Wireless LAN device introduced : CW1100



# Financial Performance



<i>In US\$M, except EPS</i>	<b>Q308</b>	<b>Q209</b>	<b>Q309</b>
<b>Net Revenues</b>	<b>2,696</b>	<b>1,993</b>	<b>2,275</b>
<b>Gross Margin</b>	<b>37.7%*</b>	<b>26.1%</b>	<b>31.3%</b>
<b>Adjusted Operating Profit*</b>	<b>210</b>	<b>(342)</b>	<b>(143)</b>
Adjusted Operating Margin*	7.8%	-17.2%	-6.3%
<b>Net Income – Reported</b>	<b>(289)</b>	<b>(318)</b>	<b>(201)</b>
EPS Diluted	(0.32)	(0.36)	(0.23)
<b>Adjusted EPS Diluted*</b>	<b>0.15</b>	<b>(0.28)</b>	<b>(0.17)</b>
<b>Net Operating Cash Flow before M&amp;A**</b>	<b>140</b>	<b>45</b>	<b>100</b>
<b>Effective Exchange Rate €/\$</b>	<b>1.54</b>	<b>1.34</b>	<b>1.38</b>

\*See next slide

\*\*Net operating cash flow is defined as net cash from operating activities minus net cash 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 net operating 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. Net operating 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 net operating cash flow may differ from definitions used by other companies.

# Pre-Tax Items to Adjusted Earnings\*



OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	Q308	Q209	Q309
	<b>U.S. GAAP Net Earnings</b>	<b>(289)</b>	<b>(318)</b>	<b>(201)</b>
	NXP Wireless Inventory Step-up	57		
	NXP Wireless In Process R&D	76		
	Impairment & Restructuring Charges (attributable to Parent Company's shareholders)**	22	74	45
	Other-than-Temporary Impairment	14	13	
	Numonyx Impairment	300		
Estimated Income Tax effect of Adj.	(46)	(12)	3	
<b>Adjusted Net Earnings*</b>	<b>134</b>	<b>(243)</b>	<b>(153)</b>	

\* Adjusted Net Earnings is a non-GAAP measure and is used by the Company's management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items. Non-GAAP earnings excludes impairment, restructuring charges and other related closure costs attributable to Parent Company's shareholders, the impact of purchase accounting (such as in-process R&D costs and inventory step-up charges), other-than-temporary impairment charges on financial assets and impairment related to equity investments, net of the relevant tax impact.

\*\* Total Impairment & Restructuring Charges were \$86 mln for Q209 and \$56 mln for Q309.

# Currency Exposure



## Quarterly Currency Effect

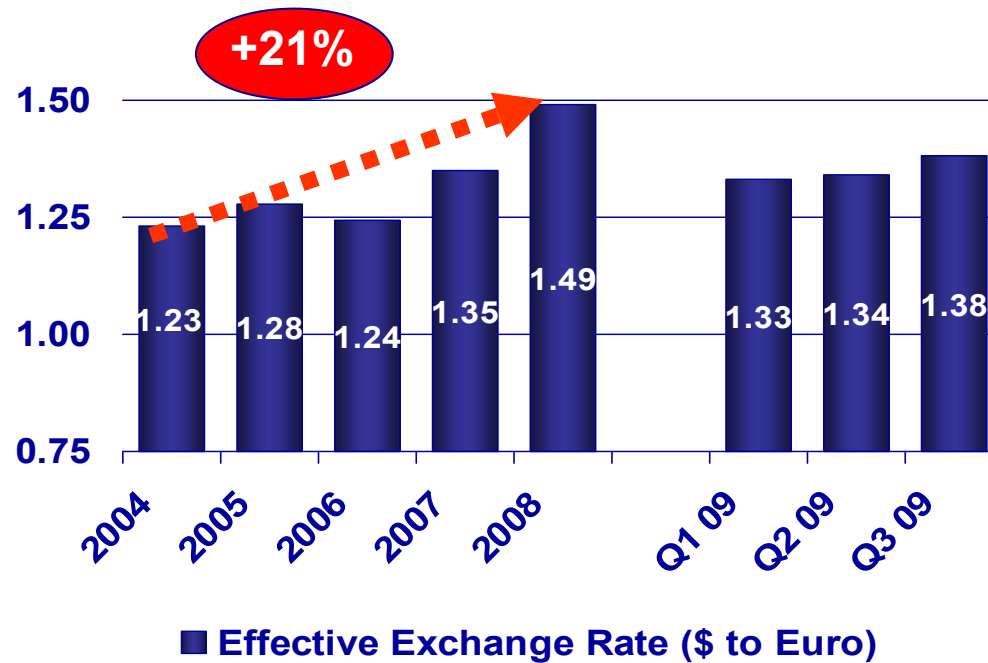
+1% change (€ vs. \$) =

-\$4M to -\$5M on gross profit  
Further -\$4M to -\$5M on OpEx

Total EBIT impact is ~ -\$8M to -\$10M

## Current Exposure to the Euro\*

COGS: Q309 ~ 40%  
OpEx: Q309 ~ 60%  
Fixed Assets: Q309 ~ 62%

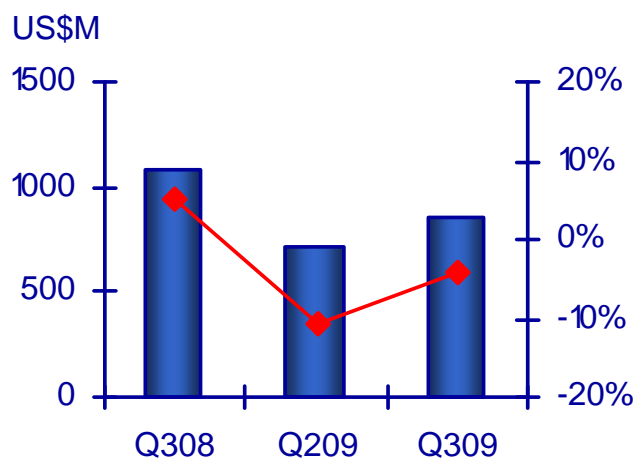


\*Euro (€) includes currencies such as GBP, CHF, MAD Morocco.

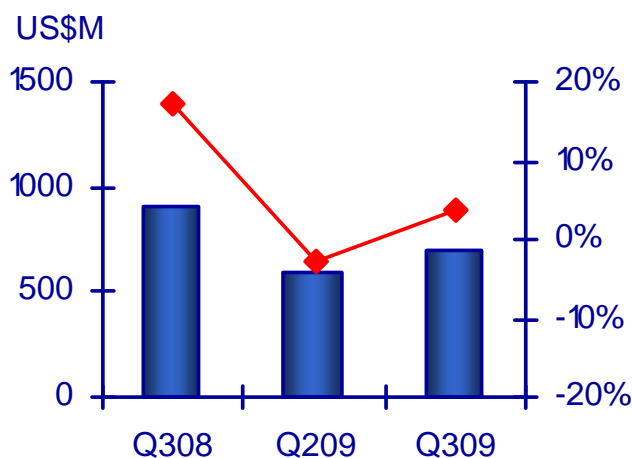
# Product Segments: Revenue & Operating Margin Trends



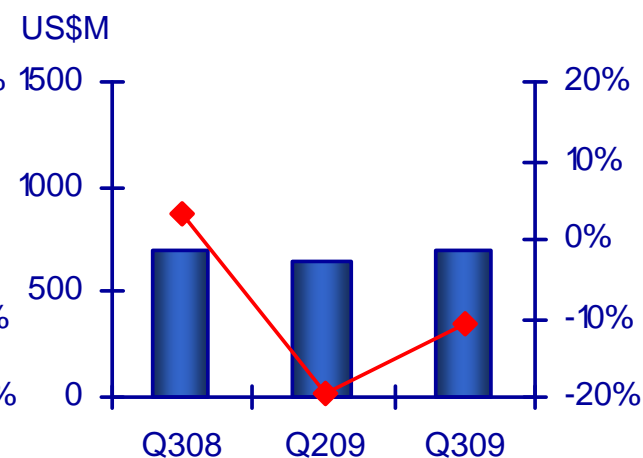
## ACCI



## IMS



## Wireless (1)



Revenue  
 Operating Margin<sup>(2)</sup>

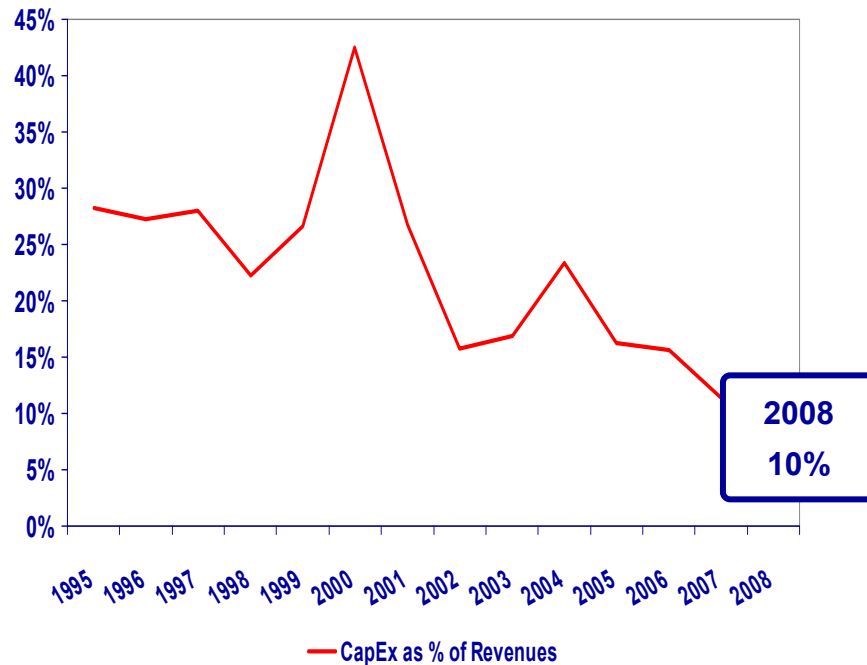
- (1) As of February 3, 2009, "Wireless" includes the portion of sales and operating results of the 50/50 ST-Ericsson joint venture as consolidated in the Company's revenues and operating results, as well as other items affecting operating results related to the wireless business.
- (2) Segment operating results exclude, among others, unsaturation charges.

# Management of Assets: CapEx

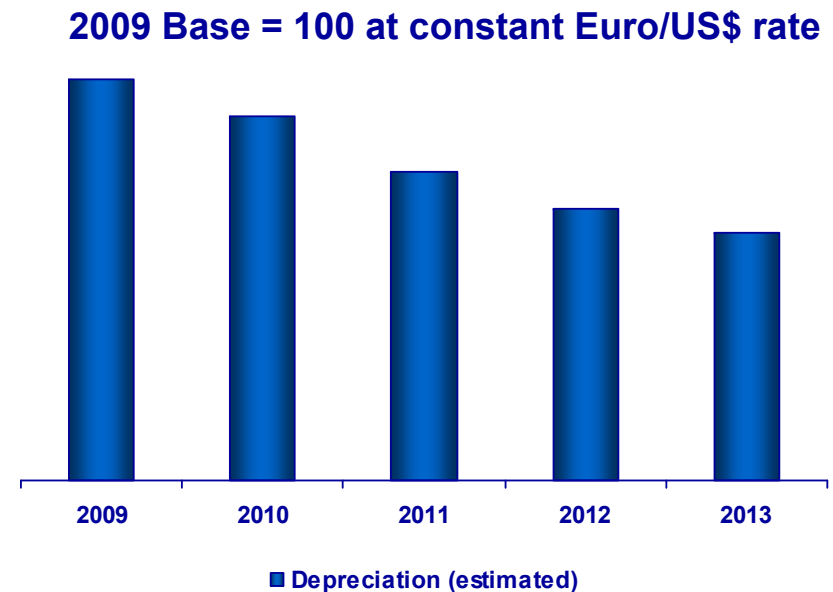


- **\$261M Capex in first 9 months of 2009**
  - Capex plan for 2009  $\leq$  \$500M
  - 50% reduction compared to \$981M in FY08
  - Sustainable 5% to 7% capex-to-sales ratio

## CapEx to Sales Ratio



## Depreciation

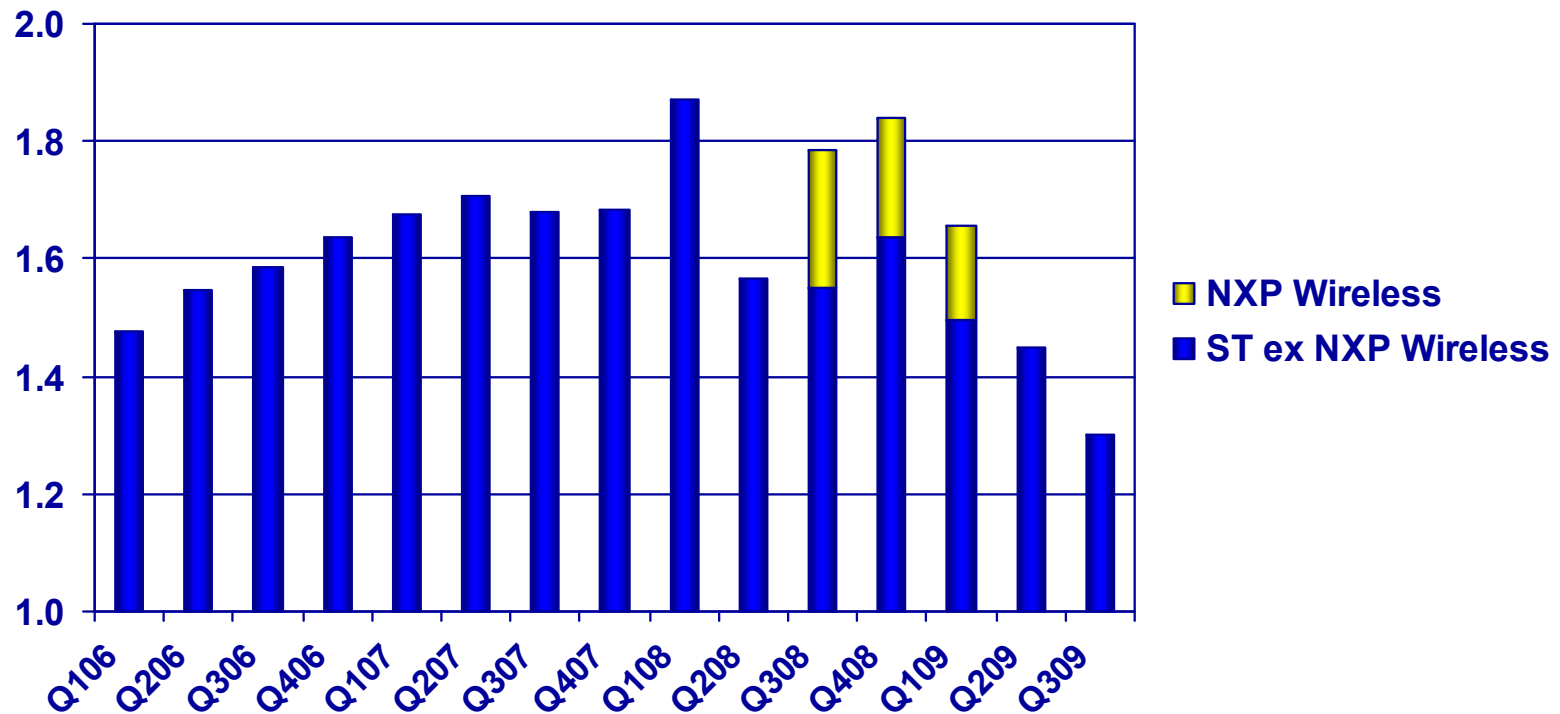


# Management of Assets: Inventory



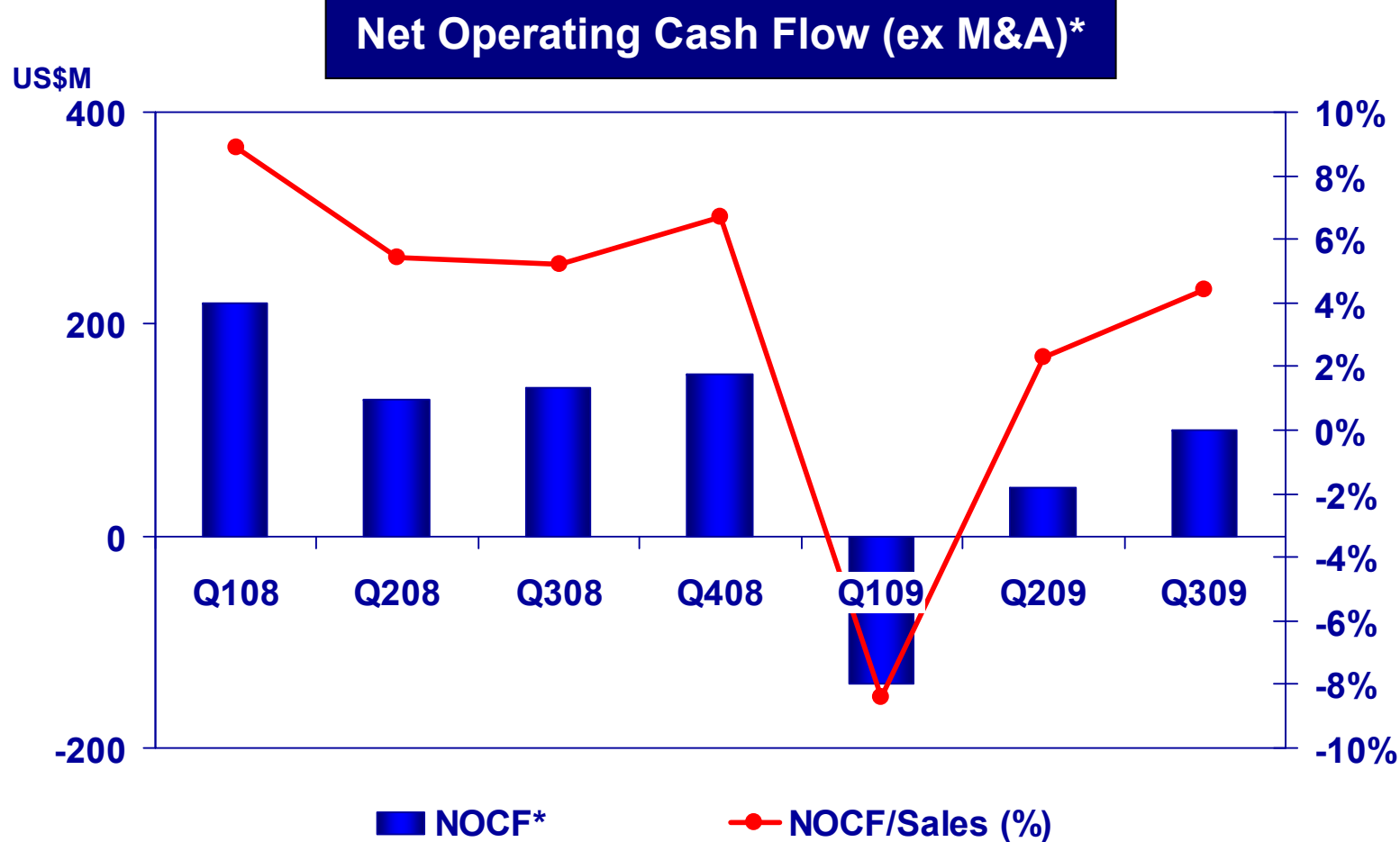
- Inventory further reduced by \$150M in Q309, by \$541M in first 9 months of 2009
- Turns improved to 4.8x in Q309 from 4.1x in Q209

**Inventory Level (US\$B)**





# Net Operating Cash Flow



\*Net operating cash flow is defined as net cash from operating activities minus net cash 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

# Balance Sheet Highlights



<b>End of period In US\$M</b>	<b>December 31, 2008</b>	<b>June 27, 2009</b>	<b>September 26, 2009</b>
<b>Total Assets</b>	<b>13,913</b>	<b>14,210</b>	<b>14,202</b>
<b>Total Equity</b>	<b>8,432</b>	<b>8,666</b>	<b>8,570</b>
<b>Total Cash Position (*)</b>	<b>2,152</b>	<b>2,864</b>	<b>2,951</b>
<b>Net Financial (Debt)/Cash Position</b>	<b>(545)</b>	<b>205</b>	<b>266</b>
<b>Inventory Turns</b>	<b>3.1x</b>	<b>4.1x</b>	<b>4.8x</b>

(\*) Including non-current marketable securities and cash restricted at JV

# Net Financial Position



<b>Net financial position (US\$ and in millions)</b>	<b>Q408</b>	<b>Q109</b>	<b>Q209</b>	<b>Q309</b>
Cash and cash equivalents, net of bank overdrafts	989	1,477	1,685	1,576
Marketable securities, current	651	988	759	955
Restricted cash	250	250	250	250
Marketable securities, non current	242	184	170	170
<b>Total financial resources</b>	<b>2,132</b>	<b>2,899</b>	<b>2,864</b>	<b>2,951</b>
Current portion of long-term debt	(123)	(159)	(174)	(230)
Long-term debt	(2,554)	(2,486)	(2,485)	(2,455)
<b>Total financial debt</b>	<b>(2,677)</b>	<b>(2,645)</b>	<b>(2,659)</b>	<b>(2,685)</b>
<b>Net financial position</b>	<b>(545)</b>	<b>254</b>	<b>205</b>	<b>266</b>

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, current and non-current marketable securities, short-term deposits and restricted cash, and our total financial debt include bank overdrafts, the current portion of long-term debt and long-term debt, all as represented 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 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.



- Revenue: up sequentially between about 5% and 12%
- Gross Margin: about 36.5%, plus or minus 1.5 percentage points

*This outlook is based on an assumed effective currency exchange rate of approximately  $\$1.43 = \text{€}1.00$  for the 2009 fourth quarter, which reflects an assumed exchange rate of  $\$1.49 = \text{€}1.00$  combined with the impact of existing hedging contracts averaging a hedged rate of about  $\$1.38 = \text{€}1.00$ .*

# 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:**
  - **Effect of the current economic conditions impacting on demand in the key application markets and from key customers served by our products, and changes in customer order patterns, including order cancellations, all of which generate uncertainties and make it extremely difficult to accurately forecast and plan our future business activities;**
  - **our ability to adequately utilize and operate our manufacturing facilities at sufficient levels to cover fixed operating costs, as well as the financial impact of obsolete or excess inventories if actual demand differs from our anticipations;**
  - **the impact of intellectual-property claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;**
  - **the outcome of ongoing litigation as well as any new litigation to which we may become a defendant;**
  - **our ability to successfully integrate the acquisitions we pursue, in particular the successful integration and operation of ST-Ericsson in the current difficult economic environment;**
  - **we hold significant non-marketable equity investments in Numonyx, our joint venture in the flash-memory market segment, and in ST-Ericsson, our joint venture in the wireless segment. Additionally, we are a guarantor for certain Numonyx debts. Therefore, declines in these market segments could result in significant impairment charges, restructuring charges and gains/losses on equity investments;**
  - **our ability to manage in an intensely competitive and cyclical industry, where a high percentage of our costs are fixed and are incurred in currencies other than U.S. dollars, especially in light of the recent weakening of the U.S. dollar and volatility in the foreign exchange markets;**
  - **our ability to execute our restructuring initiatives in accordance with our plans if unforeseen events require adjustments or delays in implementation;**
  - **our ability, in an intensively competitive environment, to secure customer acceptance and to achieve our pricing expectations for high-volume supplies of new products in whose development we have been, or are currently, investing;**
  - **the ability to maintain solid, viable relationships with our suppliers and customers in the event they are unable to maintain a competitive market presence due, in particular, to the effects of the current economic environment;**
  - **changes in the political, social or economic 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 (including the potential impact of swine flu on our operations or those of our customers) or earthquakes in the countries in which we, our key customers or our suppliers, operate; and**
  - **changes in our overall tax position as a result of changes in tax laws or the outcome of tax audits, and our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets.**
- **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," "will," "will continue," "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, 2008, as filed with the SEC on May 13, 2009. 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.**