

STMicroelectronics 4Q&FY 2015 Financial Results

January 27, 2016



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.



Agenda

Welcome

- Q4 & FY15 Business & Financial performance
- Plan for Set-Top Box business
- 2016 Focus

Questions & Answers

End

Speakers



Carlo Bozotti
President & CEO

Supported by



Jean-Marc Chery
Chief Operating Officer



Carlo Ferro
Chief Financial Officer



Georges Penalver
Chief Strategy Officer

Who We Are

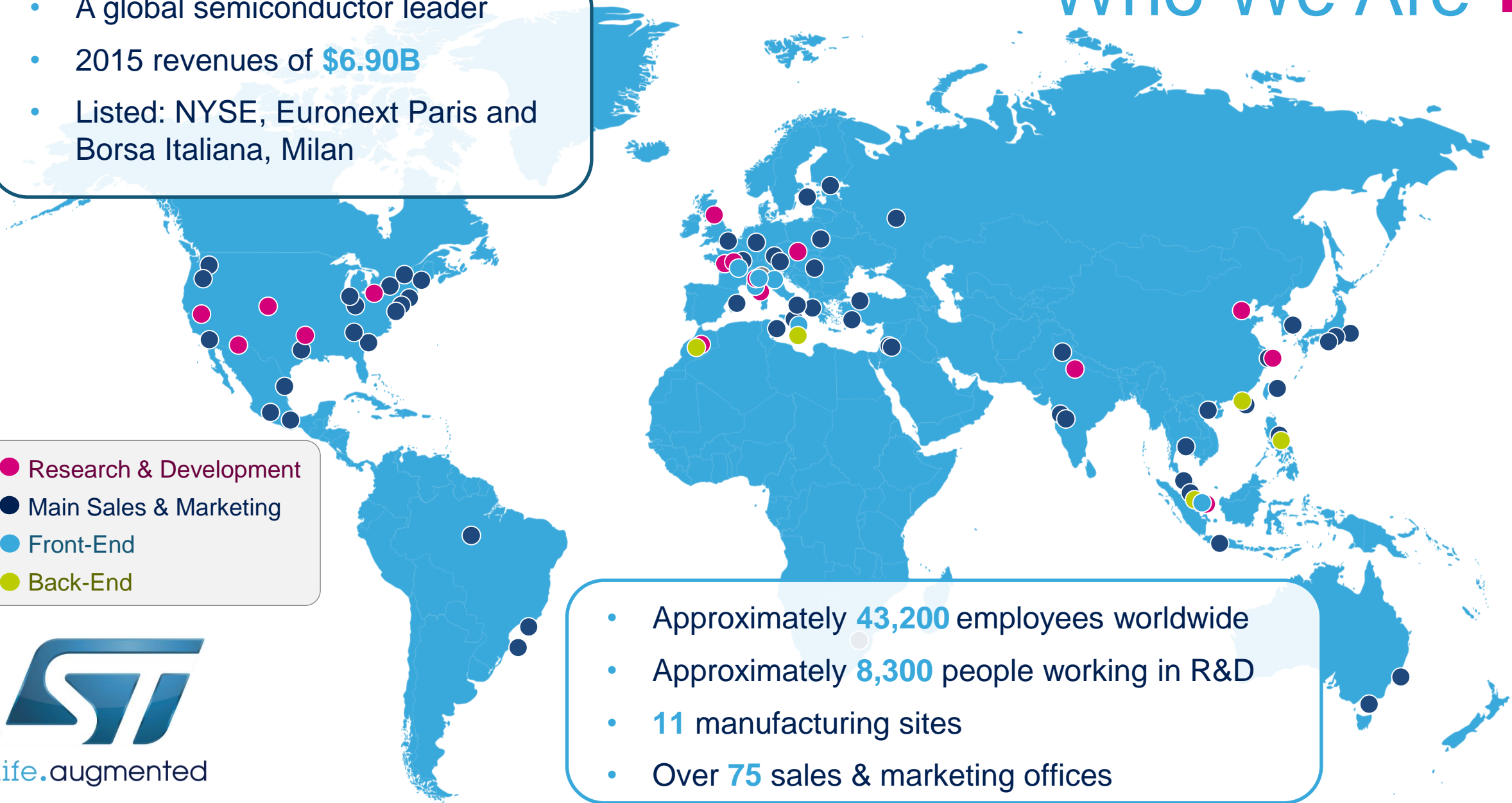
- A global semiconductor leader
- 2015 revenues of **\$6.90B**
- Listed: NYSE, Euronext Paris and Borsa Italiana, Milan

- Research & Development
- Main Sales & Marketing
- Front-End
- Back-End



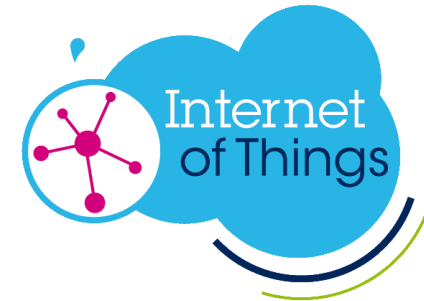
life.augmented

- Approximately **43,200** employees worldwide
- Approximately **8,300** people working in R&D
- **11** manufacturing sites
- Over **75** sales & marketing offices



Application Strategic Focus

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



Safer		More connected
	Greener	

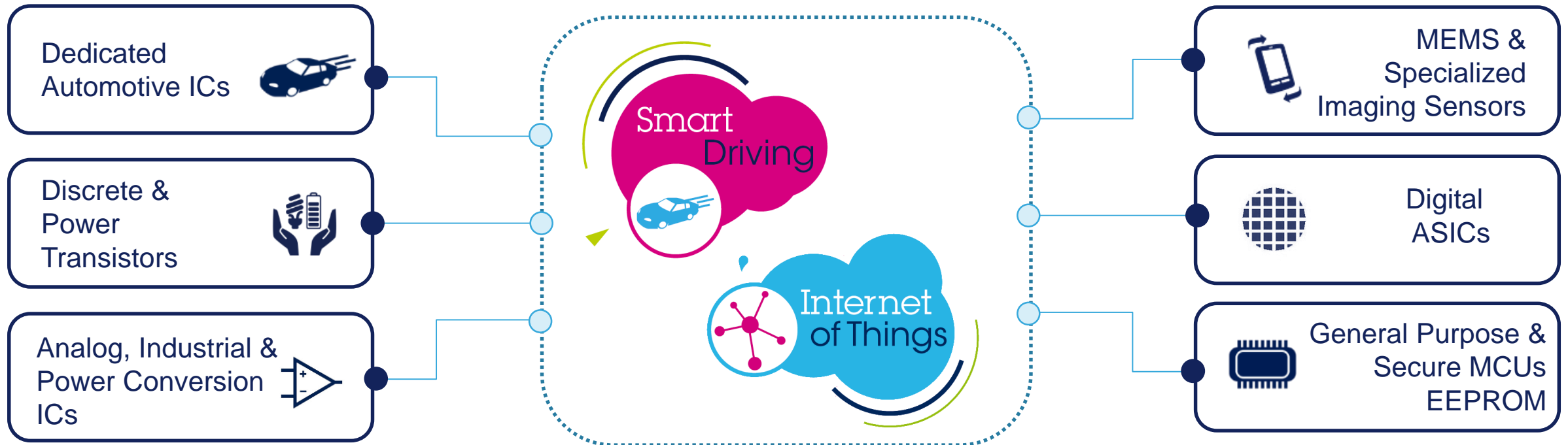
Smart Industry		Smart Home	
	Smart City		Smart Things

Addressing a Serviceable Available Market (SAM) of around \$150B

Product Family Focus

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



Portfolio delivering complementarity for target end markets, and synergies in R&D and manufacturing

Where you find us



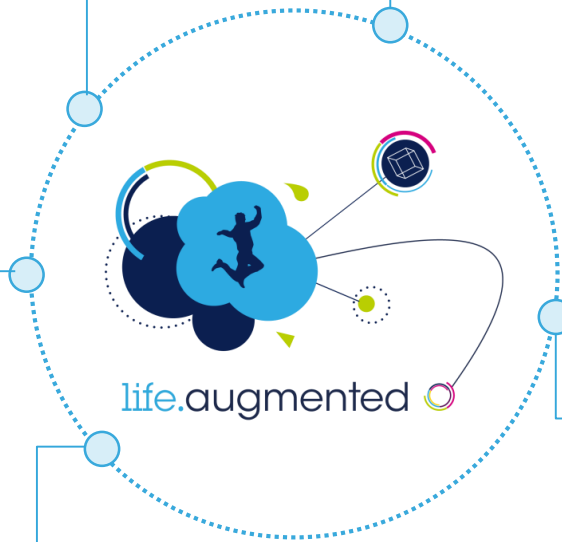
Making **driving** safer, greener and more connected



Making **homes** smarter, for better living, higher security, and less waste



Making everyday **things** smarter, connected and more aware of their surroundings



Enabling the evolution of **industry** towards smarter, safer and more efficient factories and workplaces



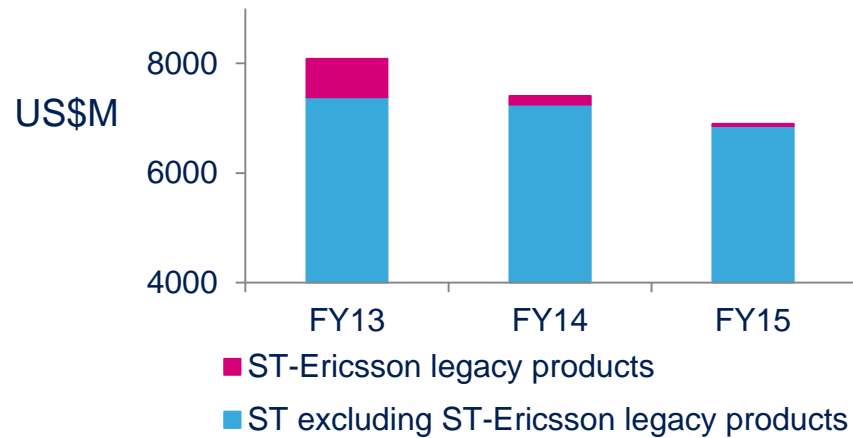
Enabling **cities** to make more of available resources



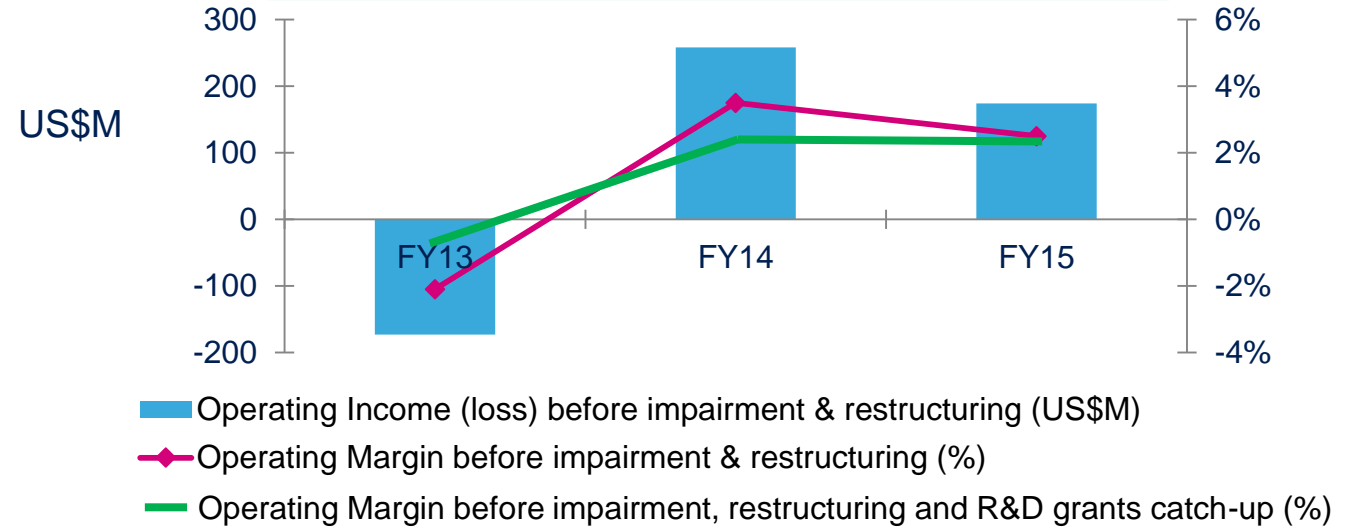
- Q4 & FY15 Business and Financial Performance
- Plan for Set-Top Box business
- 2016 Focus

FY15 Highlights

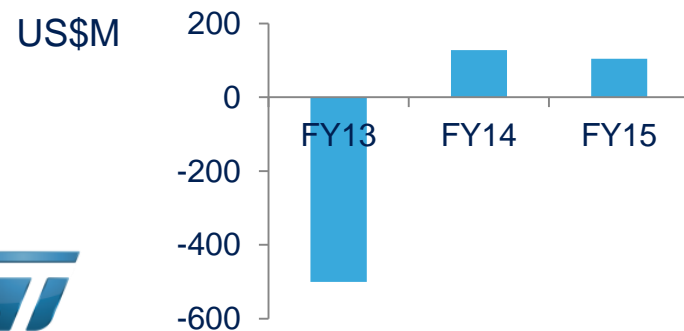
Revenues = \$6.90B



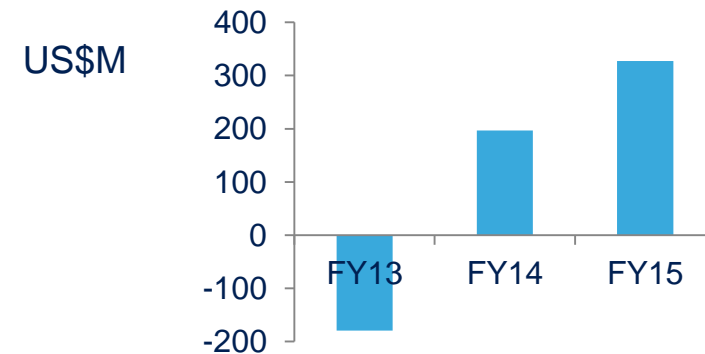
Operating Margin = 2.5%



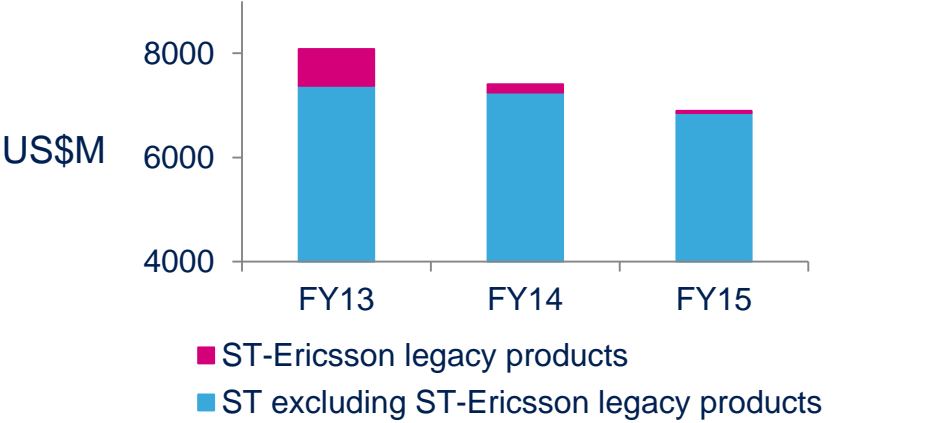
Net Income = \$104M



Free Cash Flow* = \$327M

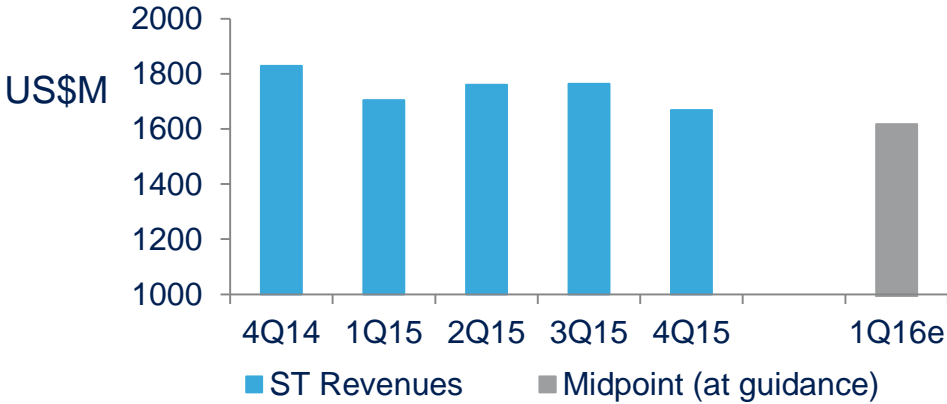


FY15 Revenues = \$6.90B



FY15 down 6.8% y-o-y

- Down 3.3% excluding unfavorable currency effects and mobile legacy products
- MMS up 9%, APG substantially flat and all other groups declining (all excluding unfavorable currency effects)



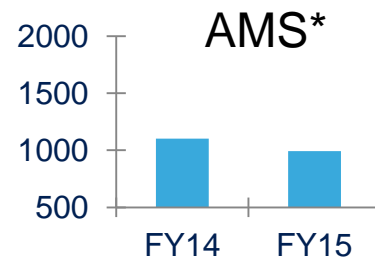
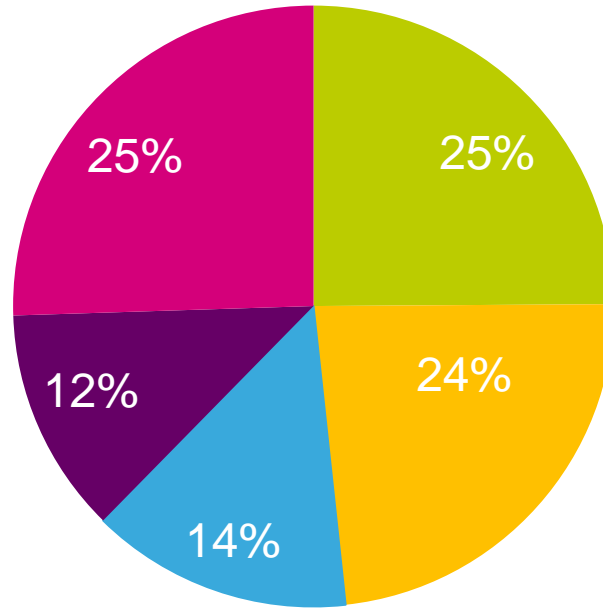
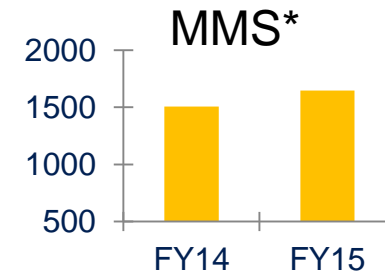
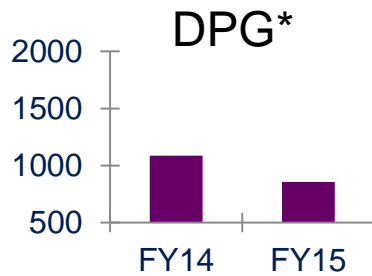
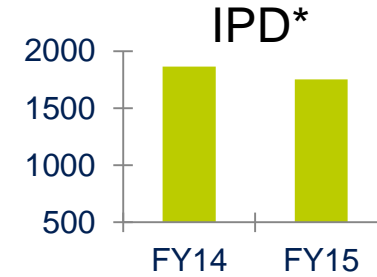
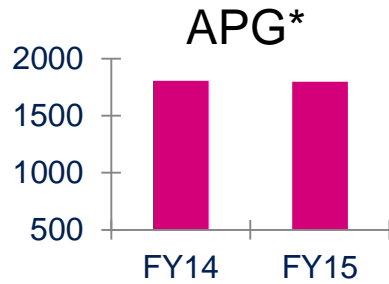
4Q15 down 5.5% sequentially

- Slightly better than the midpoint of guidance at -6%
- Distribution down 6% due to inventory correction

1Q16 revenue outlook

- Expected to decrease sequentially by about 3% (+/- 3.5 percentage points)

2015 Revenues by Product Group



FY15

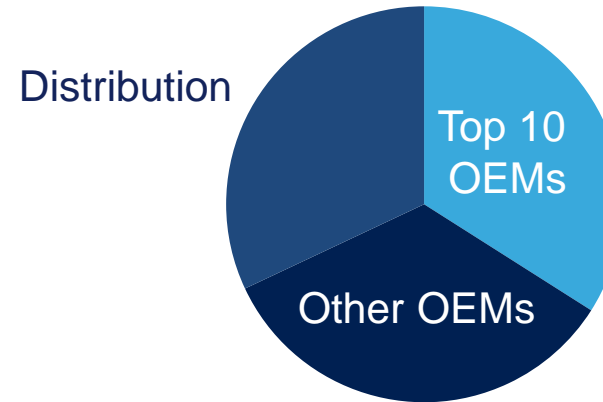
Top 10 OEMs*:

- Apple
- Bosch
- Cisco
- Conti
- Delta
- HP
- Huawei
- Samsung
- Seagate
- Western Digital

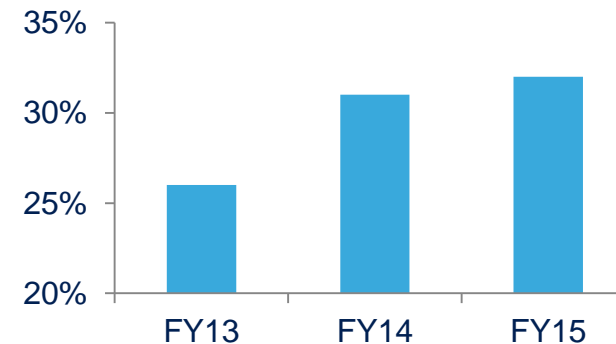
Top 5 Distributors*:

- Arrow Electronics
- Avnet
- Edom
- Wintech
- Yosun

FY15



Distribution (as % of total revenues)



*Listed alphabetically

Gross Margin Evolution

4Q15 Gross Margin = 33.5%

Down 130 basis points sequentially

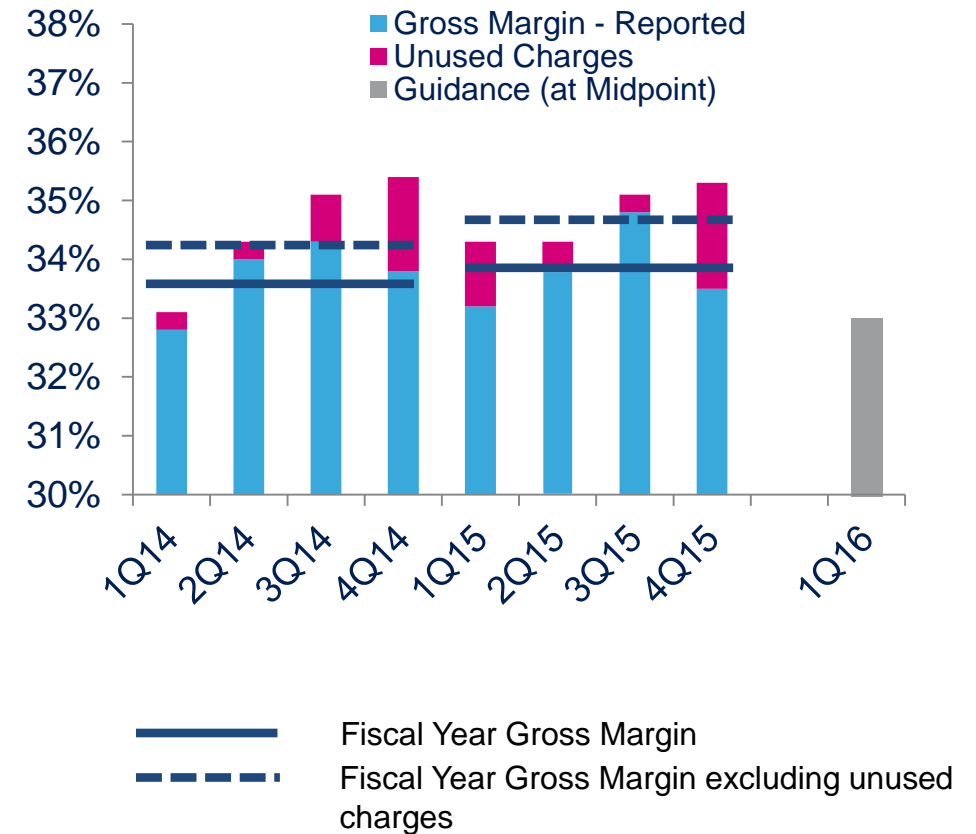
- Reflecting the impact of unused capacity charges and price pressure, partially offset by favorable currency effect, manufacturing efficiencies and favorable product mix
- About 180 bps impact of unused capacity charges in both EPS and SP&A
- Estimated benefit of 80 basis points from currency, assuming Euro / US\$ rate at 1.08, not reflected yet

Down 30 basis points year-over-year

- Mainly due to price pressure and lower sales of license partially offset by favorable currency effect, manufacturing efficiencies and favorable product mix

1Q16 outlook

- About 33.0% +/- 2.0%
- Continues to be impacted by unused capacity charges as our manufacturing capacity in digital technology is not yet fully utilized



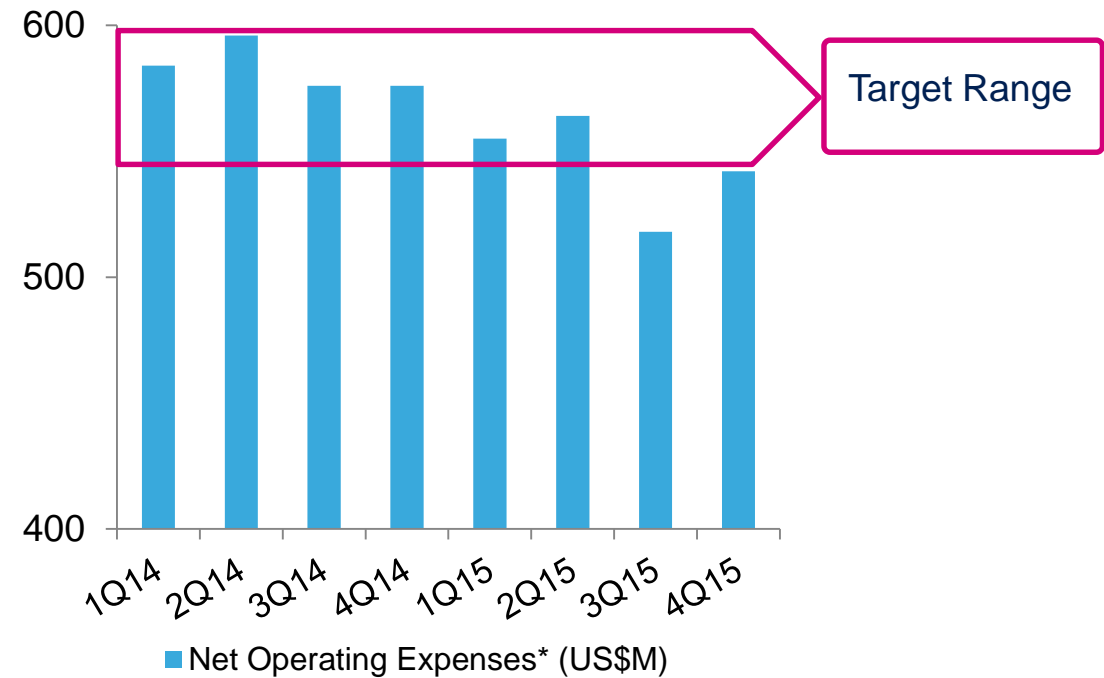
Net Operating Expenses

Net Operating Expenses*

4Q15 combined SG&A and R&D at \$583M

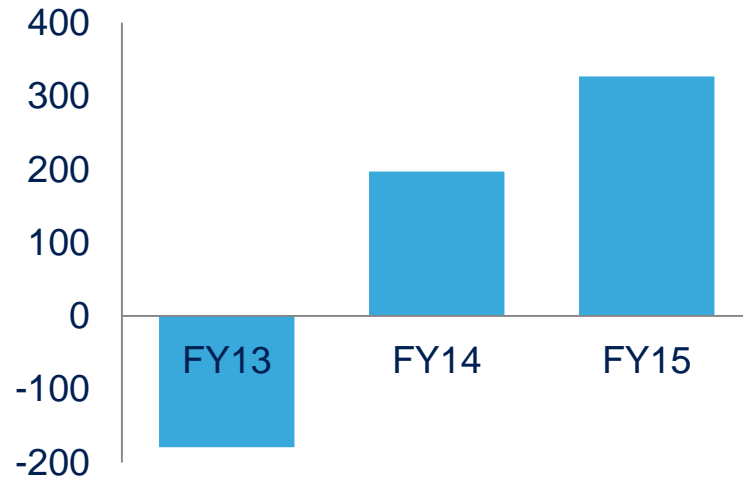
- Up \$34M sequentially, principally due to seasonality and a longer calendar, partially offset by favorable currency effect
- Down \$28M y-o-y mainly due to favorable currency effect and savings from the EPS restructuring plan
- \$542M net of R&D grants

Net operating expenses well on target
Average in 2015 \$545M per quarter

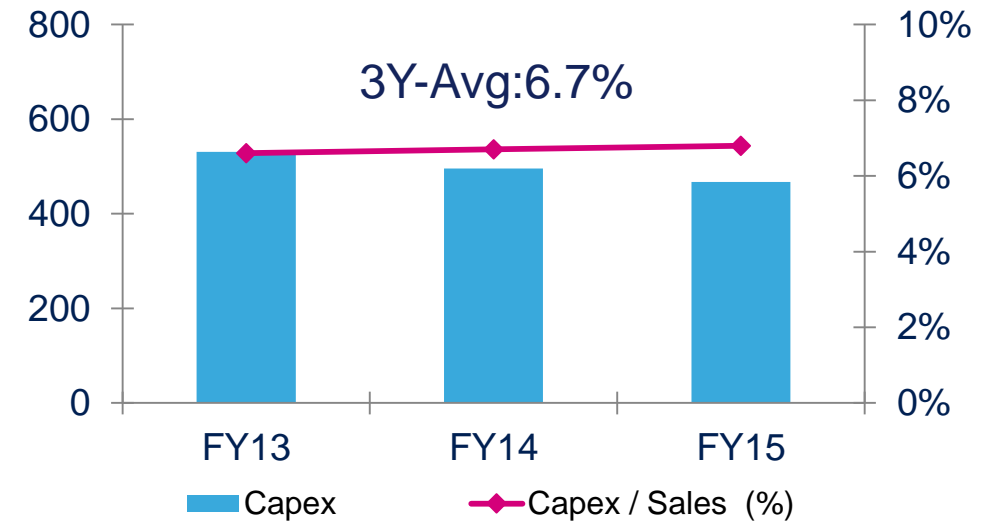


* Net Operating Expenses: R&D + SG&A – recurring R&D grants

Free Cash Flow* (US\$M)

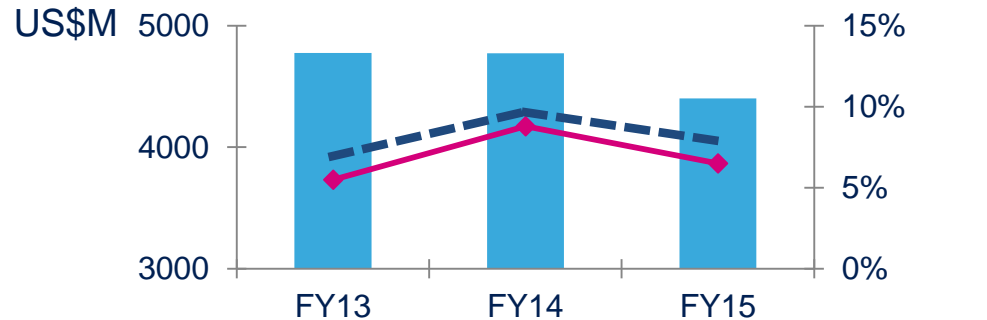


Capital Expenditures (US\$M)



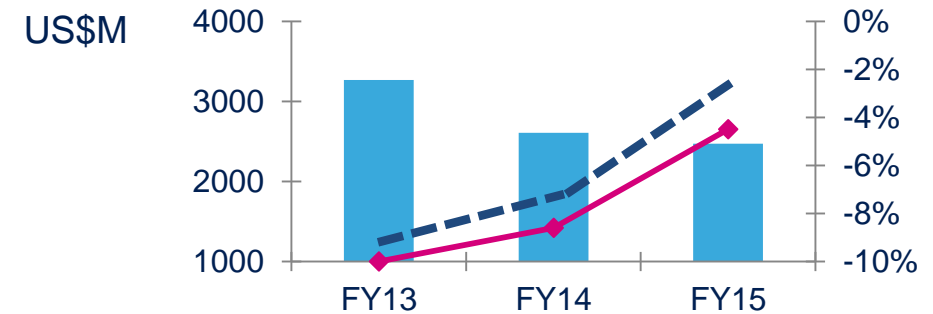
End of period (US\$M)	Dec 31 2015	Sept 26 2015	Dec 31 2014
Total Liquidity	2,106	2,207	2,351
Total Financial Debt	(1,612)	(1,748)	(1,801)
Net Financial Position*	494	459	550

Sense, Power & Automotive FY15 Operating Margin = 6.5%



■ Revenue ◆ Operating Margin*
- - - - Operating margin* excluding unused charges

Embedded Processing Solutions FY15 Operating Margin = (4.5%)

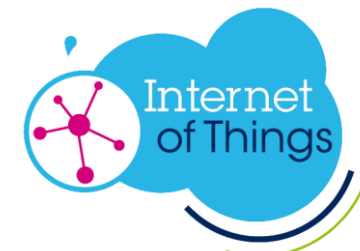
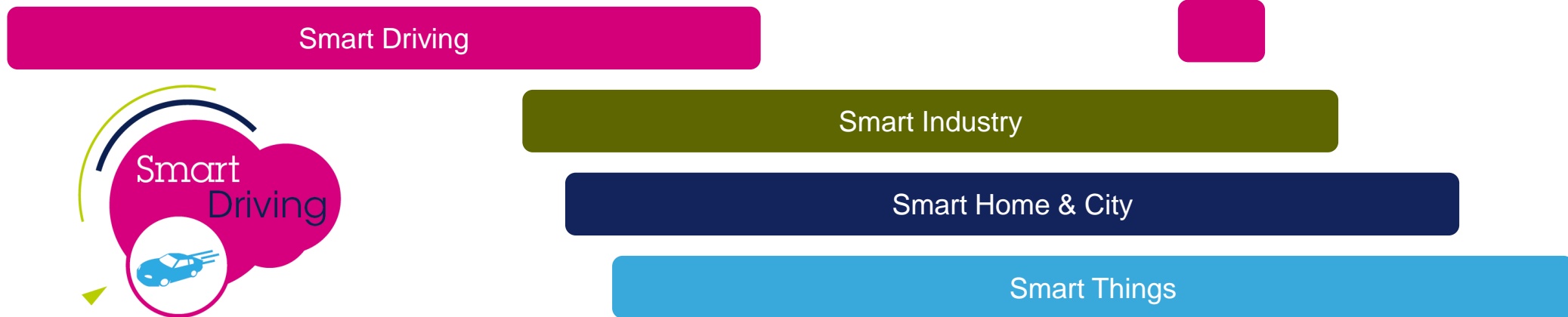


■ Revenue ◆ Operating Margin*
- - - - Operating margin* excluding unused charges

*Excludes the \$97 million catch-up of grants recorded in 2014

Note: From January 1, 2015, unused capacity charges have been allocated to the associated product segments. Prior periods have been restated accordingly.

Organization aligned to strategic Focus

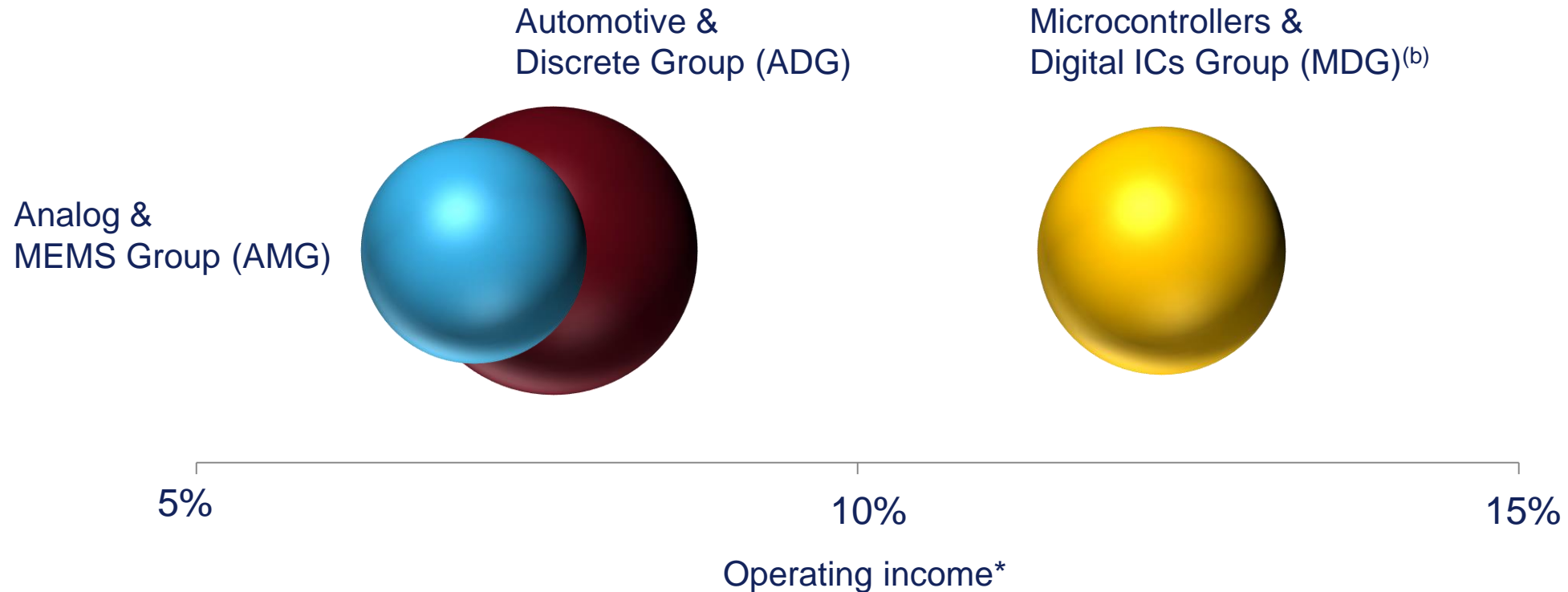


*MDG excludes Set-Top Box business

New Groups Profitability

2015 Pro-Forma^(a)

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- (a) Preliminary analysis – 2015 restated results on the new reporting segments will be released with Q1 2016 earning release. Size of bubble is proportional to revenue
- (b) Pro-forma analysis; MDG excludes Set-Top Box business
- (c) Operating income before impairment and restructuring as a percentage of sales, excluding allocation of unused capacity charges

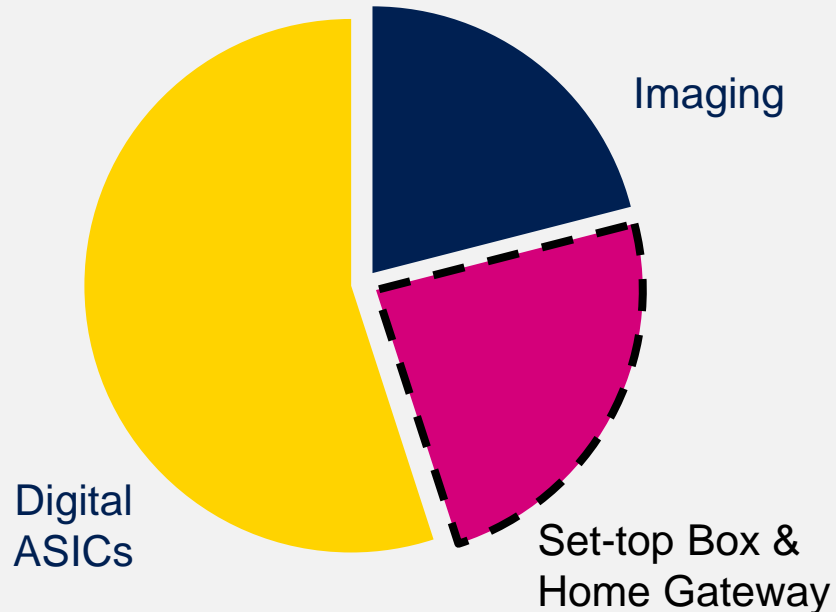


- Q4 & FY15 Business and Financial Performance
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Plan for Set-Top Box Business

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DPG Revenues 2015: \$857M



Set-top Box & Home Gateway

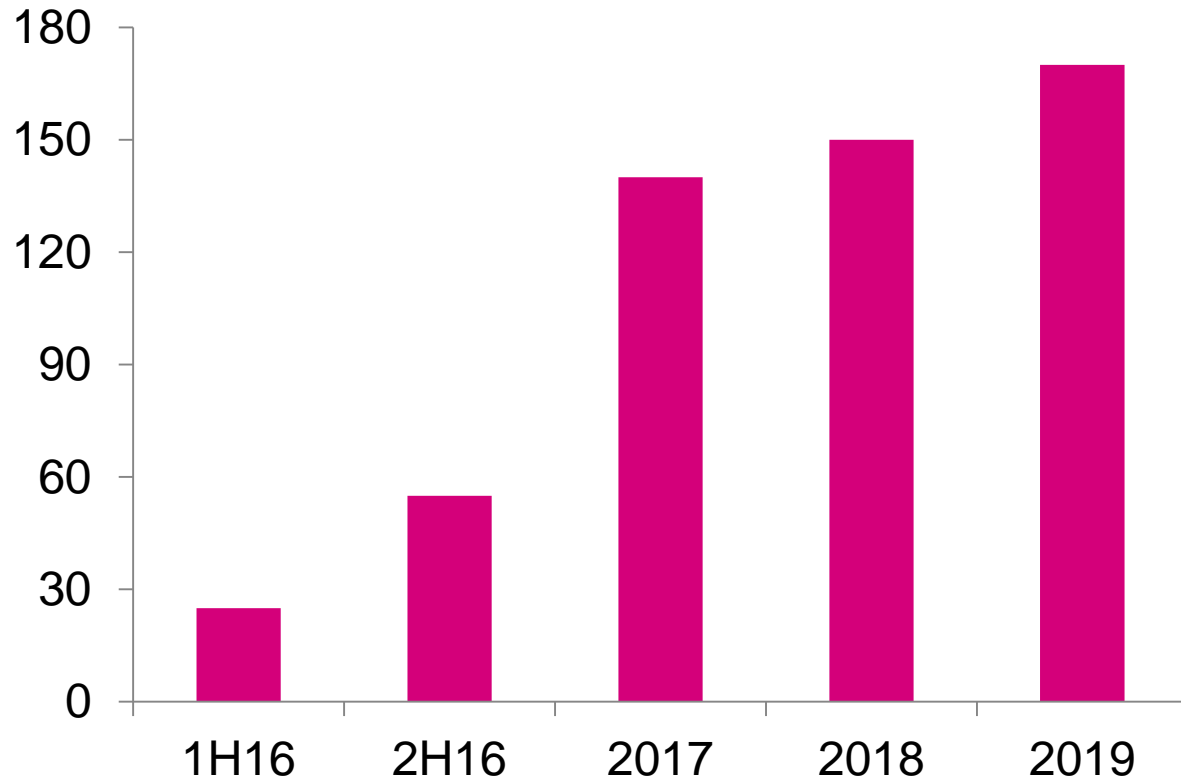
- \$209M revenues
- -36.9% y-o-y
- \$250M loss

Discontinue development of new platforms and standard products for set-top box and home gateway

- Global workforce review:
 - Redeploy ~600 to accelerate product development principally in digital automotive and microcontrollers
 - Restructure ~1,400 including:
 - ~670 in Asia
 - ~430 in France, through voluntary departure plan
 - ~120 in US
 - Annualized savings estimated at \$170M
 - Majority of savings recognized by end of 2017
 - Restructuring costs estimated at \$170M

Set-Top Box Plan Savings

**Estimated Savings
(US\$M per period)**



Annualized savings at completion of plan estimated at \$170M per year

- ~60% expected to be achieved by end of 2016
- ~85% expected to be achieved by end of 2017
- Remaining savings depend on the lifespan of the residual products

FD-SEI

Digital ASICs



Specialized Imaging



EEPROM Memories



Digital Automotive



Microcontrollers & Secure solutions



FY15
Digital ICs Revenues: \$2.8B



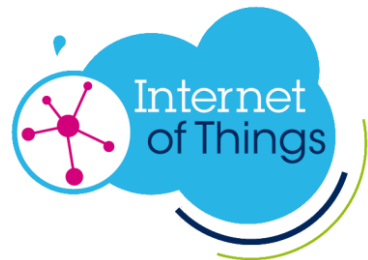
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Focus areas are highest growth in our SAM



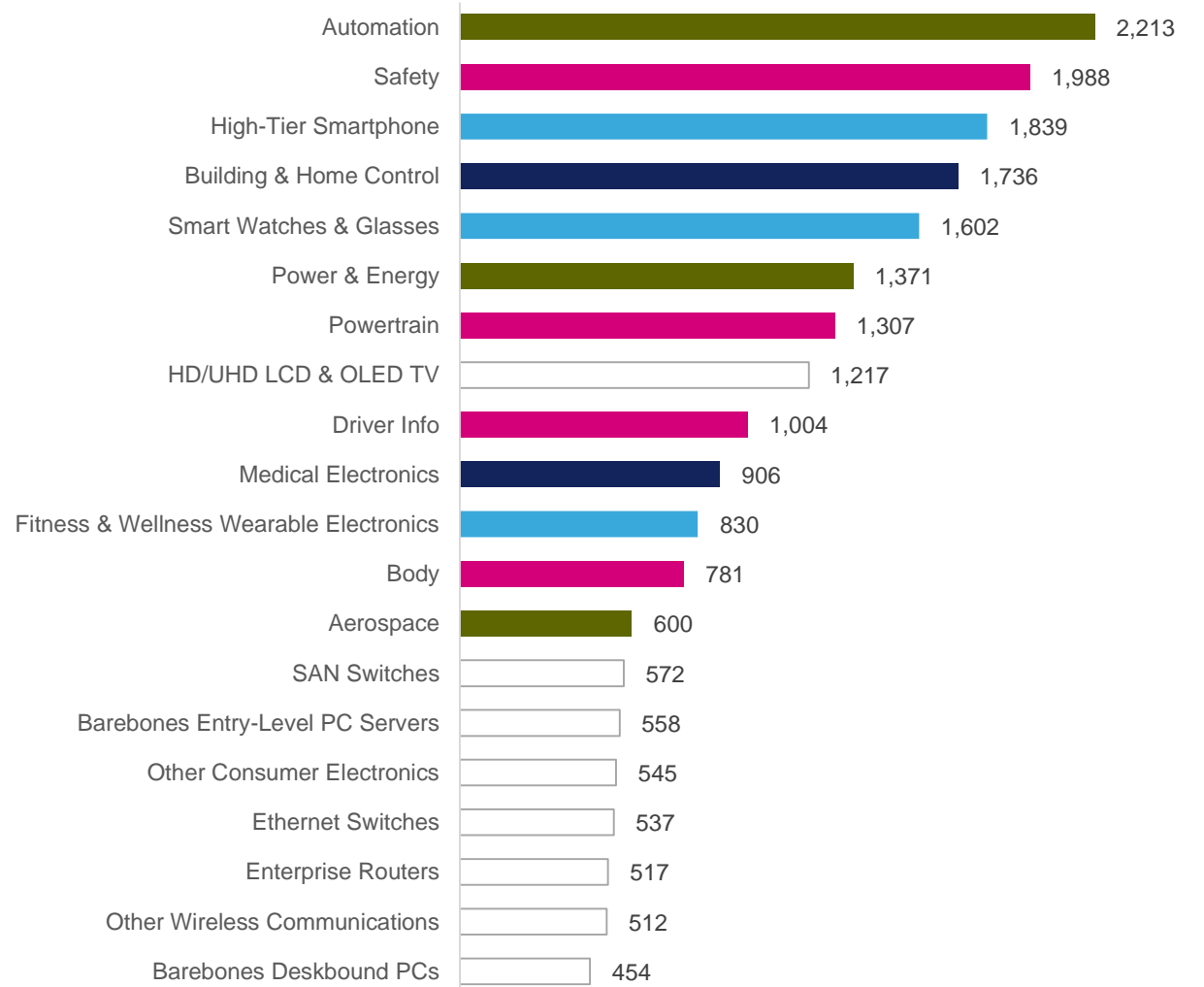
Automotive

Smart Industry



Smart Home & City

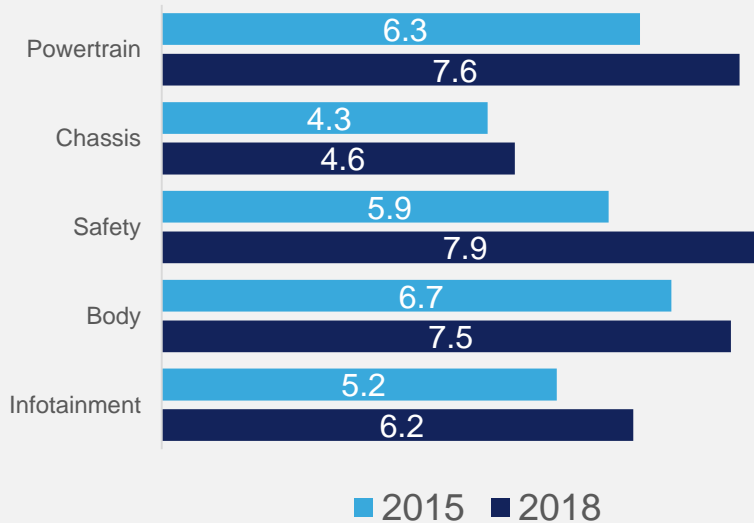
Smart Things





Market

ST SAM \$B



Key Applications

- Active Safety
- Passive Safety
- Electric & Hybrid vehicle Electrification
- Infotainment
- Telematics
- Powertrain
- Direct Injection Engine
- Automatic Gearbox
- Braking
- Steering

ST Offering

Radio/GNSS/V2X

Power & Smart Power

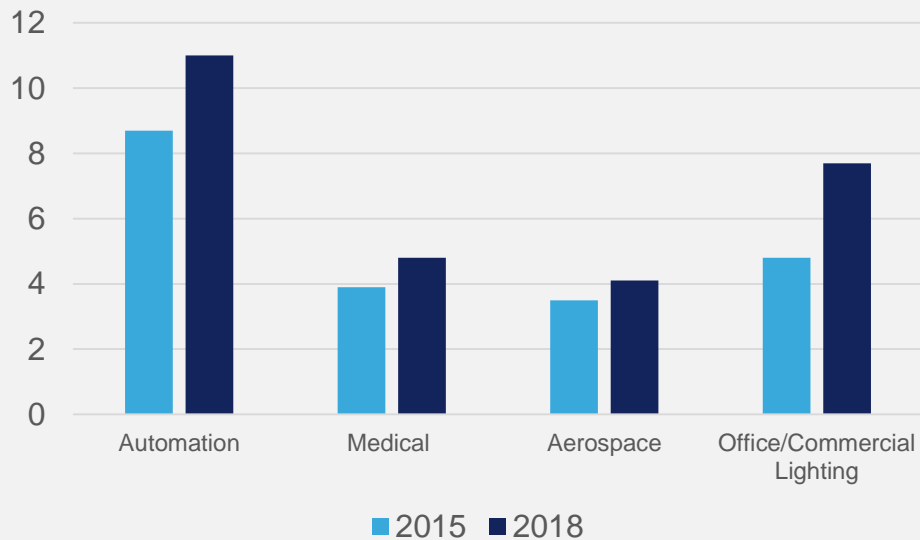
Vision-based ASSP/Radar

Digital processing
8/32-bit MCU & Multicore

Sensors
Motion MEMS, Camera

Market

ST SAM \$B



Key Applications

- Smart Manufacturing
- Factory Automation
- Smart Motion Control
- Industrial Robots
- Industrial Lighting
- Sensors for Industrial, Medical, Aerospace & Defense

ST Offering

Smart Power

Intelligent Power Modules

Power Discrete

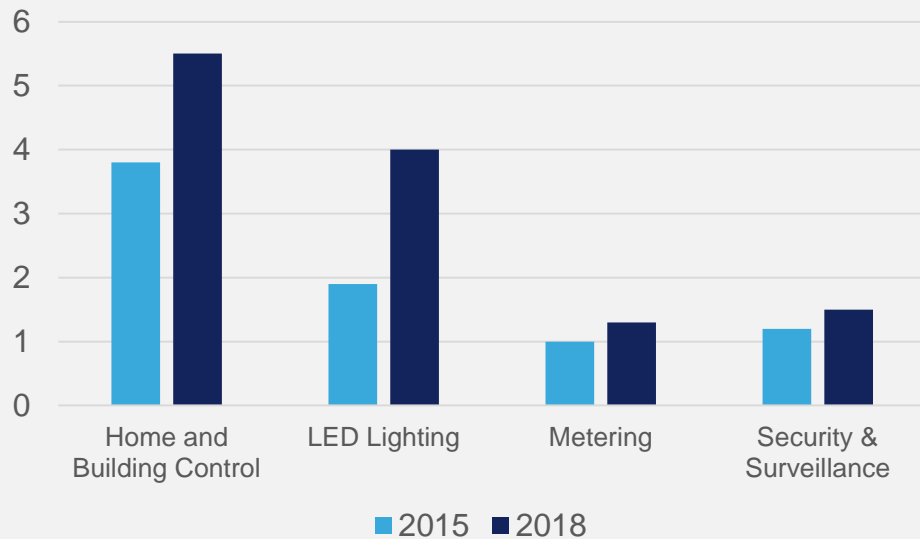
Power Line connectivity

Microcontrollers & Secure solutions

Sensors
Motion, environment, light

Market

ST SAM \$B



Key Applications

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

ST Offering

Smart Power

Power Discrete
Intelligent Power Modules

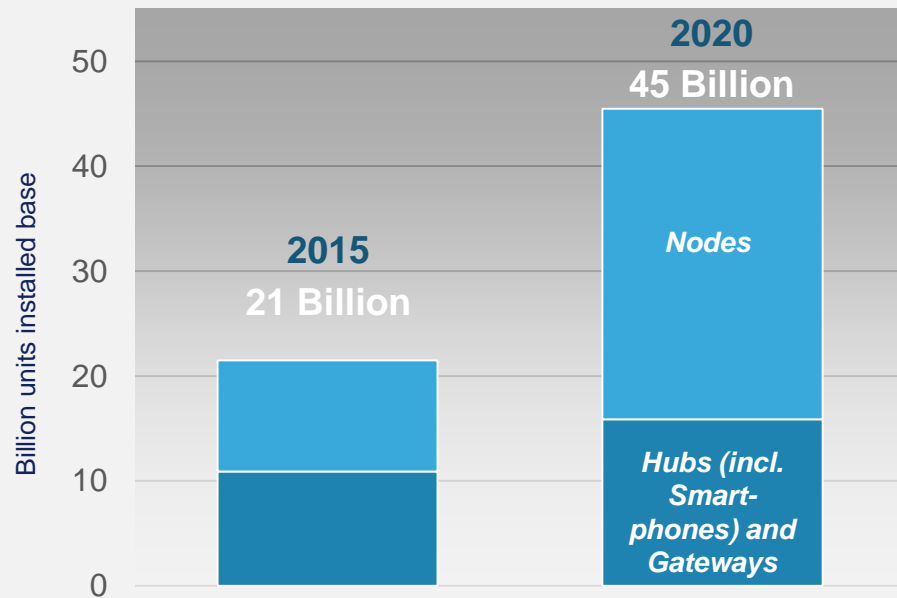
Power Line connectivity

Microcontrollers
& Secure solutions

Sensors
Motion, environment, light



Market



Key Applications

- Smartphones
- Tablets
- Wearable
- Smart Things

ST Offering

Sensors

Motion, environment, light

Microcontrollers

Memories & Security

Ultra-low power (ULP) connectivity

Analog and mixed signal components

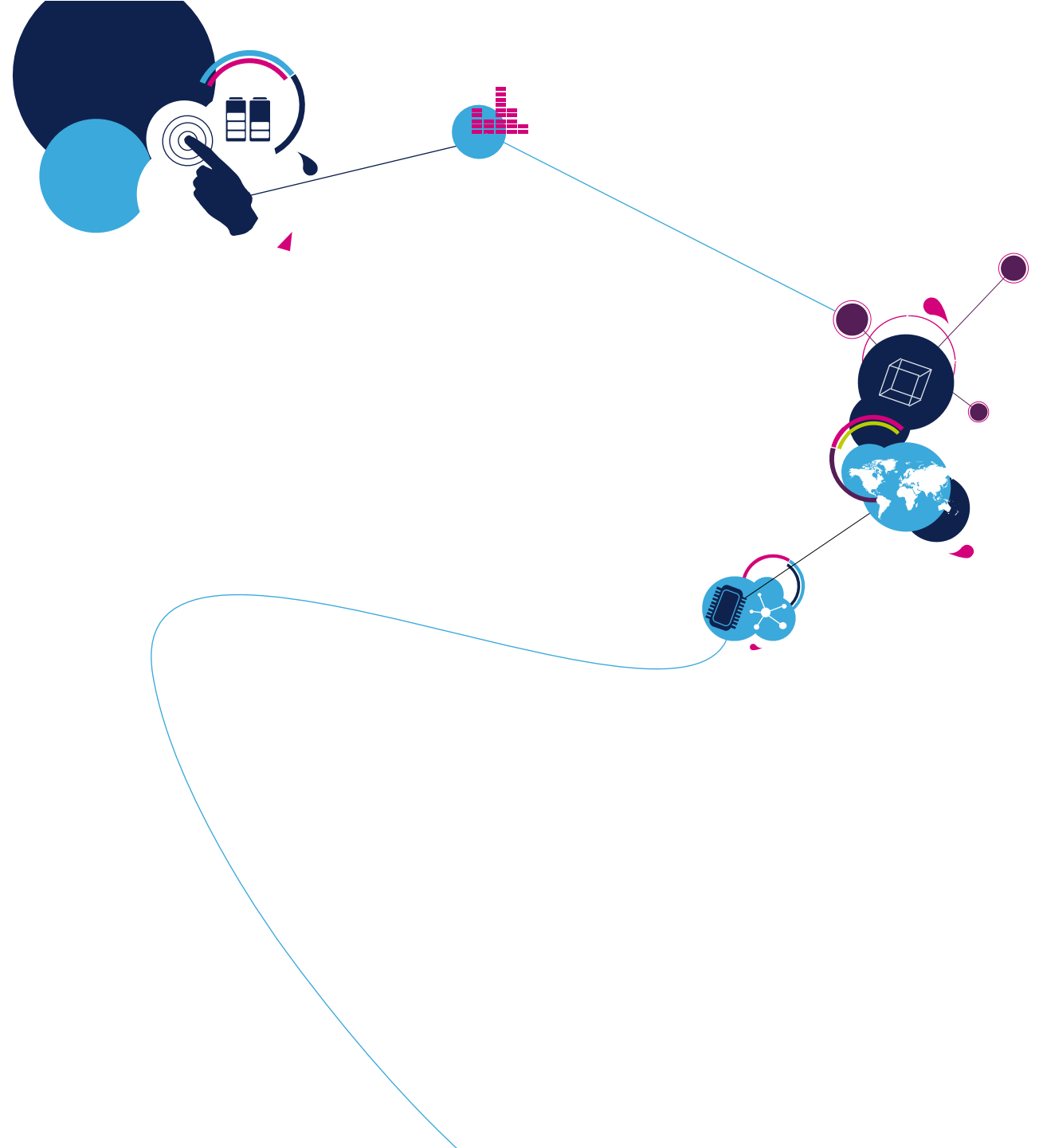
Power and energy management



STM32 Open Development Environment

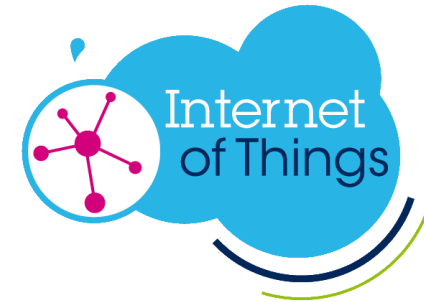
Closing Remarks

Carlo Bozotti
President and CEO



Application Strategic Focus

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

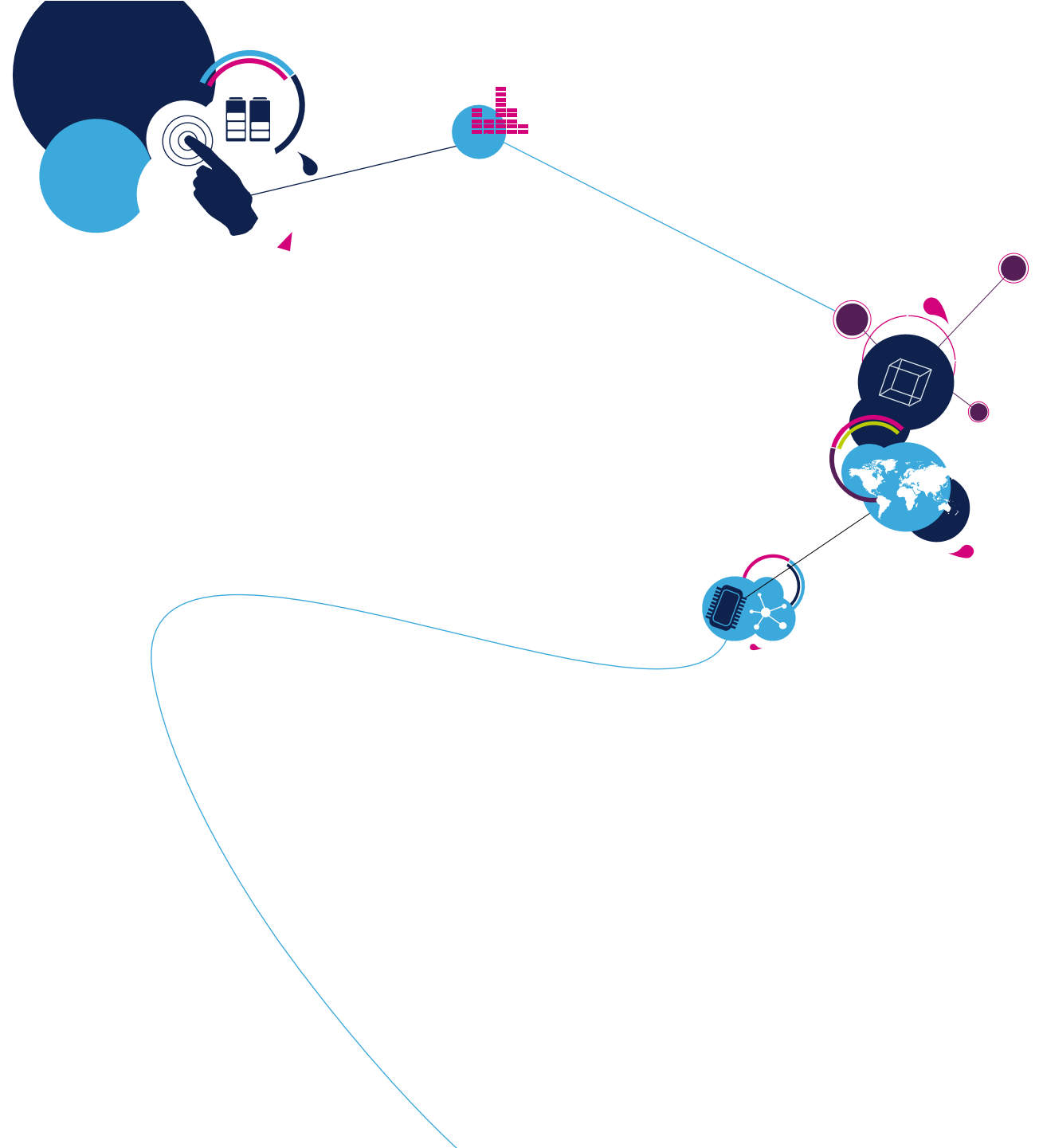


Safer		More connected
	Greener	

Smart Industry		Smart Home	
	Smart City		Smart Things

Addressing a Serviceable Available Market (SAM) of around \$150B

Appendix



Financial Performance

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<i>In US\$M, except EPS</i>	4Q14	1Q15	2Q15	3Q15	4Q15	FY14*	FY15
Net Revenues	1,829	1,705	1,760	1,764	1,668	7,404	6,897
Gross Margin	33.8%	33.2%	33.8%	34.8%	33.5%	33.7%*	33.8%
Operating Income (Loss) before impairment, restructuring** Operating Margin before impairment, restructuring**	58 3.1%	10 0.6%	33 1.9%	102 5.8%	29 1.7%	258* 3.5%	174 2.5%
Net Income – Reported	43	(22)	35	90	2	128*	104
EPS Diluted	0.05	(0.03)	0.04	0.10	0.00	0.14	0.12
Adjusted EPS Diluted**	0.07	0.01	0.06	0.12	0.00	0.29	0.19
Free Cash Flow**	208	41	53	85	148	197	327
Net Financial Position	550	512	459	459	494	550	494
Effective Exchange Rate €/€	1.29	1.23	1.17	1.16	1.11	1.34	1.17

* 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

- **We expect in the first quarter, revenues to decrease sequentially by about 3% at the mid-point, and the gross margin to be about 33.0% at the mid-point. The mid-point of the gross margin outlook continues to be impacted by unused capacity charges as our manufacturing capacity in digital technology is not yet fully utilized**
- **Over the next years, the main growth contributors to the semiconductor market will be Automotive, Industrial and Internet of Things applications. We are deeply focused on winning in these markets and on capturing the opportunities they represent to fuel growth for ST, starting from 2016**
- 1Q16 revenues is expected to decrease about 3% on a sequential basis, plus or minus 3.5 percentage points
- 1Q16 gross margin is expected to be about 33.0% plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately \$1.10= €1.00 for 1Q16 and includes the impact of existing hedging contracts. 1Q16 will close on April 2, 2016

Pre-Tax Items to Adjusted Earnings*

OPERATING RESULT	<i>In US\$M</i>	4Q14	3Q15	4Q15
	NET EARNINGS	U.S. GAAP Net Earnings	43	90
Impairment & Restructuring		20	11	4
Estimated Income Tax Effect		(2)	-	(4)
Adjusted Net Earnings*		61	101	2

- **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.
- 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)**