STMicroelectronics
4Q&FY 2015 Financial Results

January 27, 2016
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.
Welcome

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

Questions & Answers

End

Speakers

Carlo Bozotti
President & CEO

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

- 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

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

Dedicated Automotive ICs
Discrete & Power Transistors
Analog, Industrial & Power Conversion ICs
MEMS & Specialized Imaging Sensors
Digital ASICs
General Purpose & Secure MCUs EEPROM
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 **cities** to make more of available resources

Enabling the evolution of **industry** towards smarter, safer and more efficient factories and workplaces
Q4 & FY15 Business and Financial Performance

Plan for Set-Top Box business

2016 Focus
FY15 Highlights

Operating Margin = 2.5%

Free Cash Flow* = $327M

*Non-GAAP measures – see Appendix
ST Revenues

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

**APG***

**DPG***

**AMS***

**IPD***

**MMS***

*Y-o-y revenues are reported at constant currency for comparability purpose.*
## Customer Base

### FY15

**Top 10 OEMs***:
- Apple
- Bosch
- Cisco
- Conti
- Delta
- HP
- Huawei
- Samsung
- Seagate
- Western Digital

**Top 5 Distributors***:
- Arrow Electronics
- Avnet
- Edom
- Wintech
- Yosun

*Listed alphabetically

### FY15

**Distribution (as % of total revenues)**

- Top 10 OEMs
- Other OEMs

- FY13
- FY14
- FY15
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

13
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
**Financial Flexibility**

### Free Cash Flow* (US$M)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>-200</td>
<td>200</td>
<td>300</td>
</tr>
</tbody>
</table>

### End of period (US$M)

<table>
<thead>
<tr>
<th>End of period</th>
<th>Dec 31 2015</th>
<th>Sept 26 2015</th>
<th>Dec 31 2014</th>
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<tbody>
<tr>
<td>Total Liquidity</td>
<td>2,106</td>
<td>2,207</td>
<td>2,351</td>
</tr>
<tr>
<td>Total Financial Debt</td>
<td>(1,612)</td>
<td>(1,748)</td>
<td>(1,801)</td>
</tr>
<tr>
<td>Net Financial Position*</td>
<td>494</td>
<td>459</td>
<td>550</td>
</tr>
</tbody>
</table>

*Non-GAAP measures – see Appendix
SP&A and EPS Results

**Sense, Power & Automotive**

FY15 Operating Margin = 6.5%

US$M

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>4500</td>
<td>4700</td>
<td>4000</td>
</tr>
</tbody>
</table>

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

**Embedded Processing Solutions**

FY15 Operating Margin = (4.5%)

US$M

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>4200</td>
<td>3500</td>
<td>3000</td>
</tr>
</tbody>
</table>

- 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

Preliminary numbers based on FY15 Revenues

- **Automotive & Discrete Group (ADG):** $2.73B (40%)
- **Microcontrollers & Digital ICs Group (MDG)*:** $2.02B (29%)
- **Analog & MEMS Group (AMG):** $1.67B (24%)

**Discontinued Businesses**

- **Imaging:** 3%
- **Smart Industry:**
  - **Smart Driving:**
  - **Smart Home & City:**
  - **Smart Things:**

**Smart Driving**

- 3% Preliminary numbers based on FY15 Revenues

**Discontinued Businesses**

- 4%

*MDG excludes Set-Top Box business*
New Groups Profitability
2015 Pro-Forma\(^{(a)}\)

(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
Agenda

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

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
ST Digital Business

FY15
Digital ICs Revenues: $2.8B

- Digital ASICs
- Specialized Imaging
- EEPROM Memories
- Digital Automotive
- Microcontrollers & Secure solutions
Q4 & FY15 Business and Financial Performance
Plan for Set-Top Box business
2016 Focus
Focus areas are highest growth in our SAM

Automotive
1. Automotive
2. Safety
3. High-Tier Smartphone
4. Building & Home Control
5. Smart Watches & Glasses
6. Power & Energy
7. Powertrain
8. HD/UHD LCD & OLED TV
9. Driver Info
10. Medical Electronics

Smart Industry
11. Fitness & Wellness Wearable Electronics
12. Body
13. Aerospace
14. SAN Switches
15. Barebones Entry-Level PC Servers
16. Other Consumer Electronics
17. Ethernet Switches
18. Enterprise Routers
19. Other Wireless Communications
20. Barebones Deskbound PCs

Source: IHS & Strategy Analytics for Automotive
Smart Driving

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powertrain</td>
<td>6.3</td>
<td>7.6</td>
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<tr>
<td>Chassis</td>
<td>4.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Safety</td>
<td>5.9</td>
<td>7.9</td>
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<tr>
<td>Body</td>
<td>6.7</td>
<td>7.5</td>
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<tr>
<td>Infotainment</td>
<td>5.2</td>
<td>6.2</td>
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</table>

Source: Strategy Analytics
Smart Industry

Market

ST SAM $B

<table>
<thead>
<tr>
<th>Application</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Medical</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Aerospace</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Office/Commercial Lighting</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: IHS

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
Smart Home & City

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

Sources: IHS, ABI Research
**Smart Things**

### Market

- **2015**
  - 21 Billion Nodes
  - Hubs (incl. Smartphones) and Gateways

- **2020**
  - 45 Billion

**Source:** IHS

### 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
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

Addressing a Serviceable Available Market (SAM) of around $150B
## Financial Performance

### In US$M, except EPS

<table>
<thead>
<tr>
<th></th>
<th>4Q14</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>FY14*</th>
<th>FY15</th>
</tr>
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<tbody>
<tr>
<td><strong>Net Revenues</strong></td>
<td>1,829</td>
<td>1,705</td>
<td>1,760</td>
<td>1,764</td>
<td>1,668</td>
<td>7,404</td>
<td>6,897</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>33.8%</td>
<td>33.2%</td>
<td>33.8%</td>
<td>34.8%</td>
<td>33.5%</td>
<td>33.7%*</td>
<td>33.8%</td>
</tr>
<tr>
<td><strong>Operating Income (Loss) before impairment, restructuring</strong></td>
<td>58</td>
<td>10</td>
<td>33</td>
<td>102</td>
<td>29</td>
<td>258*</td>
<td>174</td>
</tr>
<tr>
<td>Operating Margin before impairment, restructuring**</td>
<td>3.1%</td>
<td>0.6%</td>
<td>1.9%</td>
<td>5.8%</td>
<td>1.7%</td>
<td>3.5%</td>
<td>2.5%</td>
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<tr>
<td><strong>Net Income – Reported</strong></td>
<td>43</td>
<td>(22)</td>
<td>35</td>
<td>90</td>
<td>2</td>
<td>128*</td>
<td>104</td>
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<tr>
<td>EPS Diluted</td>
<td>0.05</td>
<td>(0.03)</td>
<td>0.04</td>
<td>0.10</td>
<td>0.00</td>
<td>0.14</td>
<td>0.12</td>
</tr>
<tr>
<td>Adjusted EPS Diluted**</td>
<td>0.07</td>
<td>0.01</td>
<td>0.06</td>
<td>0.12</td>
<td>0.00</td>
<td>0.29</td>
<td>0.19</td>
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<tr>
<td><strong>Free Cash Flow</strong></td>
<td>208</td>
<td>41</td>
<td>53</td>
<td>85</td>
<td>148</td>
<td>197</td>
<td>327</td>
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<td>Net Financial Position</td>
<td>550</td>
<td>512</td>
<td>459</td>
<td>459</td>
<td>494</td>
<td>550</td>
<td>494</td>
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<tr>
<td><strong>Effective Exchange Rate €/$</strong></td>
<td>1.29</td>
<td>1.23</td>
<td>1.17</td>
<td>1.16</td>
<td>1.11</td>
<td>1.34</td>
<td>1.17</td>
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</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, FY14 include a pre-tax profit of $97 million for grants related to FY13 (including 18 bps impact in gross margin)*

**See appendix**
1Q16 Outlook

• 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*

<table>
<thead>
<tr>
<th>OPERATING RESULT</th>
<th>4Q14</th>
<th>3Q15</th>
<th>4Q15</th>
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</thead>
<tbody>
<tr>
<td><strong>In US$M</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. GAAP Net Earnings</td>
<td>43</td>
<td>90</td>
<td>2</td>
</tr>
<tr>
<td>Impairment &amp; Restructuring</td>
<td>20</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Estimated Income Tax Effect</td>
<td>(2)</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Adjusted Net Earnings</strong>*</td>
<td>61</td>
<td>101</td>
<td>2</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 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)**.