

STMicroelectronics N.V.

Semi-Annual Report 2011

CONTENTS

I. MANAGEMENT REPORT	4
A. CORPORATE INFORMATION	4
B. BUSINESS OVERVIEW	4
C. SEGMENT INFORMATION	5
D. LIQUIDITY	7
E. BUSINESS AND FINANCIAL OUTLOOK.....	9
F. OTHER DEVELOPMENTS.....	10
G. RELATED PARTY TRANSACTIONS.....	11
H. FINANCIAL RISK MANAGEMENT	12
I. BUSINESS RISK INFORMATION	13
II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (“SEMI-ANNUAL FINANCIAL STATEMENTS”).....	15
A. CONSOLIDATED INCOME STATEMENT	16
B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	17
C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION	18
D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	19
E. CONSOLIDATED STATEMENT OF CASH FLOWS	21
F. NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS	22
1. <i>Corporate information</i>	22
2. <i>Basis of preparation</i>	22
3. <i>Significant accounting policies</i>	23

4.	<i>Estimates</i>	23
5.	<i>Operating segment information</i>	23
6.	<i>Investments in associates and jointly controlled entities</i>	27
7.	<i>Business combinations</i>	28
8.	<i>Property, plant and equipment and intangible assets</i>	30
9.	<i>Goodwill</i>	30
10.	<i>Other financial assets and financial liabilities</i>	31
11.	<i>Inventories</i>	41
12.	<i>Cash and cash equivalents</i>	42
13.	<i>Cash generated from operations</i>	42
14.	<i>Equity</i>	43
15.	<i>Provisions for restructuring</i>	45
16.	<i>Contingencies and legal proceedings</i>	46
17.	<i>Expenses by nature</i>	48
18.	<i>Other income / expenses</i>	49
19.	<i>Income taxes</i>	50
20.	<i>Earnings per share</i>	50
21.	<i>Related party</i>	51
III.	SOLE MEMBER OF THE MANAGING BOARD'S STATEMENT	52
IV.	ABOUT STMICROELECTRONICS	53

I. MANAGEMENT REPORT
A. CORPORATE INFORMATION

STMicroelectronics and its subsidiaries (together “the Group”) is a global independent semiconductor group that designs, develops, manufactures and markets a broad range of semiconductor integrated circuits (“ICs”) and discrete devices. The Group offers a diversified product portfolio and develops products for a wide range of market applications, including automotive products, computer peripherals, telecommunications systems, consumer products, industrial automation and control systems. Within its diversified portfolio, the Group has focused on developing products that leverage its technological strengths in creating customized, system-level solutions with digital and mixed-signal content.

STMicroelectronics is a publicly traded company, listed on the New York Stock Exchange, Euronext Paris and Borsa Italiana (Italian Stock Exchange).

In this Semi-Annual Report, references to “we”, “us” and “The Group” are to STMicroelectronics N.V. together with its consolidated subsidiaries.

B. BUSINESS OVERVIEW

The total available market is defined as the “TAM”, while the serviceable available market, the “SAM”, is defined as the market for products produced by us (which consists of the TAM and excludes devices such as Microprocessors (“MPUs”), DRAMs, optoelectronics devices and Flash Memory).

The semiconductor industry in the first half of 2011 continued to experience growth on a year-over-year basis, in particular for the SAM.

Based on published industry data by WSTS, semiconductor industry revenues increased in the first half of 2011 on a year-over-year basis by approximately 3.7% for the TAM and 6.0% for the SAM to reach approximately \$149.6 billion and \$86.4 billion, respectively.

Our effective average exchange rate for the first half of 2011 was \$1.35 for €1.00 compared to \$1.37 for €1.00 for the first half of 2010. In terms of the number of days, our first half of 2011 calendar had 183 days and was 3% longer on a year-over-year basis.

Our first half of 2011 net revenues increased by 5% to \$5.10 billion from \$4.86 billion in the year-ago period, driven by an increase of approximately 8% in volume offset by a decline in average selling prices by approximately 3%. Net revenues increased in all product segments compared to the year-ago period, except in Wireless, mainly reflecting a strong demand in Automotive and Imaging product lines within our Automotive, Consumer, Computer and Communication Infrastructure (“ACCI”) product segment and of our MEMS and Microcontrollers within our Analog, MEMS and Microcontrollers (“AMM”) product segment. Net revenues also benefited from a longer first half in 2011 (183 days versus 177 days).

During our first half of 2011, gross margin reached 34.3% of revenues, decreasing by 30 basis points compared to the prior year period. The main factors contributing to the year-over-year deterioration during the first half of 2011 were a negative price impact and also the impact of amortization of development costs for key wireless products launched during the second half of 2010 and the first half of 2011 for which sales are still ramping up. These negative impacts were partially offset by improvements in the loading of our fabs and by manufacturing efficiencies.

Our total operating expenses, combining the selling, general and administrative (“SG&A”) and research and development (“R&D”) expenses in the first half of 2011 increased by 3% mainly reflecting a longer half year and the unfavorable impact of the U.S. dollar exchange rate, partially offset by the impact of cost savings plans mainly at ST-Ericsson.

The overall year-over-year improvement of our performance in the first half of 2011, in terms of higher revenues combined with the positive impact of improved manufacturing performances led to a solid improvement of our operating income, moving from a profit of \$107 million in the first half of 2010 to a profit of \$294 million in the first half of 2011.

Net income in the first half of 2011 significantly increased to \$444 million, benefiting from the cash payment from Credit Suisse as the full and final settlement of all outstanding litigation concerning Auction Rate Securities, which resulted in recording a \$329 million benefit before taxes.

During this first half of 2011, we have made measurable progress in advancing our product portfolio, clearly gaining shares since net revenues from our wholly owned businesses (including ACCI, AMM, PDP and others, but excluding Wireless, mainly run through ST-Ericsson) increased by 17% compared to the year-ago period. Our product portfolio is gaining further traction, with significant design wins in the growth application areas we are targeting: energy management and savings, trust and data security, healthcare and wellness as well as smart consumer devices. However during this first half of 2011, we also experienced headwinds related to the situation in Japan and currency rates, while continuing to face ST-Ericsson’s ongoing transition. Additionally, in June, we saw weaker demand, and a much weaker than planned outlook for Wireless products from a major customer and we saw signs of softening demand in some of our businesses, such as digital consumer products and microcontrollers.

ST-Ericsson is currently in a transition from legacy to new products. The Group’s innovative product roadmap continues to gain traction with customers. Additionally, ST-Ericsson continues to make progress on their NovaThor™ U8500 platform, although initial volumes will be somewhat lower than initially expected due to reduced demand at certain customers. Lately, the short to midterm uncertainty in the wireless market has increased due to changes in the business environment and has reduced demand for legacy products. In the event of a significant worsening of the current market conditions or a lack of results, the value of ST-Ericsson for ST could decrease to a value lower than the current carrying amount of the investment on our books.

This section should be read in conjunction with the report of the Managing Board included in the 2010 Annual Report filed with the AFM (Autoriteit Financiële Markten) on March 17, 2011 and approved by the shareholders at the Annual Shareholders’ Meeting on May 3, 2011.

C. SEGMENT INFORMATION

We operate in two business areas: Semiconductors and Subsystems.

In the Semiconductors business area, we design, develop, manufacture and market a broad range of products, including discrete and standard commodity components, application-specific integrated circuits (“ASICs”), full-custom devices and semi-custom devices and application-specific standard products (“ASSPs”) for analog, digital and mixed-signal applications. In addition, we further participate in the manufacturing value chain of Smartcard products through our divisions, which include the production and sale of both silicon chips and Smart cards.

As of January 1, 2011 we changed the segment organization structure. The current organization is as follows:

- Automotive, Consumer, Computer and Communication Infrastructure (“ACCI”), comprised of:
 - Automotive Products Group (“APG”);
 - Computer and Communication Infrastructure (“CCI”);
 - Home Entertainment & Displays (“HED”); and
 - Imaging (“IMG”).
- Analog, MEMS and Microcontrollers (“AMM”), comprised of
 - Analog Products and Micro-Electro-Mechanical Systems (“Analog & MEMS”); and
 - Microcontrollers, non-Flash, non-volatile Memory and Smart Card products (“MMS”).
- Power Discrete Products (“PDP”), comprised of Rectifiers, Thyristors & Triacs, Protection, Integrated Passive Active Devices (IPADs) and Transistors.
- Wireless Segment (“Wireless”), comprised of:
 - Entry Solutions and Connectivity (“ESC”) (formerly “2G, EDGE, TD-SCDMA & Connectivity”);
 - Smartphone and Tablet Solutions (“STS”) (formerly “3G Multimedia & Platforms”);
 - Modems (“MOD”) (formerly “LTE & 3G Modem Solutions”);in which since February 3, 2009, we report the portion of sales and operating results of ST-Ericsson JVS as consolidated in our revenue and operating results); and
 - Other Wireless (in which we report manufacturing margin, R&D revenues and other items related to the wireless business but outside of the ST-Ericsson JVS).

In 2011, we restated our results from prior periods for illustrative comparisons of our performance by product segment due to the former Industrial and Multisegment Sector (“IMS”) now being tracked in two separate segments (AMM and PDP). The preparation of segment information based on the current segment structure requires us to make significant estimates, assumptions and judgments in determining the operating income of the segments for the prior reporting periods. The tables set forth in Note 5 of our Unaudited Semi-Annual Financial Statements, also reflect the transfer of the Audio division from ACCI to AMM; accordingly, we have reclassified the prior period’s revenues and operating income results of ACCI and AMM. We believe that the restated 2010 presentation is consistent with that of 2011 and we use these comparatives when managing our company.

Our principal investment and resource allocation decisions in the Semiconductor business area are for expenditures on R&D and capital investments in front-end and back-end manufacturing facilities. These decisions are not made by product segments, but on the basis of the semiconductor business area. All these product segments share common R&D for process technology and manufacturing capacity for most of their products.

In the Subsystems business area, we design, develop, manufacture and market subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality to our business as a whole, the Subsystems segment does not meet the requirements for a reportable segment as defined in the guidance on disclosures about segments of an enterprise and related information.

For details about our revenues by segment, please refer to Note 5 of our Unaudited Semi-Annual Financial Statements for the six months ended July 2, 2011.

D. LIQUIDITY

We maintain a solid financial structure, with a significant cash position and a low debt to equity ratio, which provides us with adequate financial flexibility. As in the past, our cash generated by operations is our primary source of liquidity. Our cash management policy is to finance our investment needs mainly with net cash generated from operating activities.

During the first half of 2011, the evolution of our cash flow produced a net cash increase of \$463 million, generated by net cash from operating activities and the net proceeds from the sale of non-current available-for-sale financial assets, which were partially offset by the payments for purchases of tangible assets and investment in development of new products.

The evolution of our cash flow for each period is as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Net cash from operating activities	752	1,017
Net cash used in investing activities	(189)	(809)
Net cash used in financing activities	(112)	(431)
Effect of change in exchange rates	12	(97)
Net cash increase (decrease)	463	(320)

Net cash from operating activities

Net cash from operating activities is (i) the net result adjusted for certain non-cash items and (ii) changes in assets and liabilities. The net cash from operating activities in the first half of 2011 was \$752 million decreasing compared to the prior-year period. The deterioration in net cash from operating activities in the first half of 2011 was mainly due to a change in assets and liabilities which used cash in 2011 while they generated cash in 2010, and net result adjusted for certain non-cash items improved as follows:

- Net result adjusted for non cash items generated \$890 million of cash in the first half of 2011 compared to \$794 million in the prior year period.
- Changes in assets and liabilities used cash for \$138 million in the first half of 2011 compared to \$223 million cash generated in the prior year period. While in the first half of 2011 negative changes were mainly due to the cash used to build inventory in an amount of \$199 million, in the first half of 2010 the main item contributing to the favorable change was trade payables associated with ramp up of our activities. Furthermore the first half of 2011 also included a favorable net cash impact of \$80 million, deriving from the sales with no recourse, of trade and other receivables, mainly done by ST-Ericsson, while the same impact in 2010 was \$67 million.

Net cash used in investing activities.

Investing activities generated a cash outflow of \$189 million in the first half of 2011. This cash outflow was mainly associated with \$798 million of payments for tangible assets and a \$333 million investment in intangible and financial assets that were partially offset by net proceeds on current and non-current available-for-sale financial assets (including shares received on investment divestiture). Payments for the purchase of tangible assets registered a significant increase from the \$313 million registered in the prior year period as we almost completed the planned upgrading of our production capacity in line with the strong increase in demand for our products. Investing activities generated a cash outflow of \$809 million in the first half of 2010.

Net cash from (used in) financing activities

Net cash used in financing activities was \$112 million in the first half of 2011 compared to the \$431 million used in the first half of 2010 mainly due to the lower amounts used to repurchase parts of our outstanding bonds. Moreover, the first half of 2011 included \$151 million as dividends paid to shareholders and \$158 million as proceeds from interest-bearing loans and borrowings.

Financial resources and financial debt

As at July 2, 2011, our total financial resources amounted to \$2,940 million and were comprised mainly of:

- Cash and cash equivalents for \$2,355 million.
- Restricted cash of \$8 million (included in other current financial assets in the consolidated statement of financial position, as disclosed in Note 10) is cash in an escrow account out of which \$5 million are related to the disposal of the Numonyx investment and \$3 million are related to the sale of our Phoenix plant.
- Short-term deposits of \$151 million (included in other current financial assets in the consolidated statement of financial position as disclosed in Note 10), out of which \$150 million represent a 12-month certificate of deposit, which is readily convertible in cash.
- Current available-for-sale quoted debt instruments of \$426 million (included in other current financial assets in the consolidated statement of financial position as disclosed in Note 10), composed of \$133 million invested in Aa2 Italian Treasury Bills and \$293 million invested in senior debt securities (out of which \$264 million at a floating rate and \$29 million at a fixed rate) issued by primary financial institutions with an average rating of Aa3/A+ from Moody's and S&P. See Note 10 to our Unaudited Semi-Annual Financial Statements.

At July 2, 2011, the aggregate amount of our interest bearing loans and borrowings, including the current portion, was \$1,848 million, which included:

- \$415 million of our 2016 Convertible Bonds for which the holders may exercise a put option in February 2012
- \$585 million of our 2013 Senior Bonds (corresponding to €500 million at issuance),
- \$549 million in European Investment Bank loans (the "EIB Loans"),
- \$223 million of short term borrowings related to ST-Ericsson
- \$13 million in loans from other funding programs, and
- \$63 million of capital leases.



The EIB Loans represent two committed credit facilities as part of R&D funding programs. The first, for R&D in France, was drawn in U.S. dollars, between December 2006 and February 2008, for a total amount of \$341 million, of which \$117 million had been paid back as at July 2, 2011. The second for R&D projects in Italy, was drawn in U.S. dollars, between August and October 2008, for a total amount of \$380 million, out of which \$54 million had been paid back as of July 2, 2011.

Additionally, we had unutilized committed medium term credit facilities with core relationship banks of about \$500 million. At July 2, 2011, the amounts available under the short-term lines of credit were not reduced by any borrowing. On September 27, 2010, we signed with the European Investment Bank a new €350 million loan to support our industrial and R&D programs, which is currently undrawn.

In 2010 we granted, together with Ericsson, a \$200 million committed facility to ST-Ericsson, extended to \$500 million in April 2011, of which \$445 million (\$222.5 million for each parent) was utilized as of July 2, 2011. We and Ericsson intend to extend the committed facility to fund ST-Ericsson. Our Supervisory Board has approved an extension up to an overall amount of \$800 million, out of which \$400 million will be funded by us. Withdrawals on the facility are subject to approval by the parent companies at ST-Ericsson's Board of Directors.

E. BUSINESS AND FINANCIAL OUTLOOK

Entering the second half of 2011, we have moved quickly to lower production levels at certain fabs primarily due to the significant reduction in the demand outlook from a major customer compared to previous expectations.

Overall, we are anticipating net revenues in the third quarter to evolve sequentially in the range of -5% to +2%.

Our financial resources net of financial debt of approximately \$1.1 billion as at July 2, 2011, continue to be solid. In addition, we expect our capital expenditures in the second half to decline significantly as we have largely completed the selected capacity additions for the year. We continue to strengthen our product portfolio and remain committed to support, as well as diversify, our customer base in order to improve our performance.

The increase in demand that we had been facing required the acceleration of our capex spending in order to adapt our supply capability to this increasing level of demand, particularly for MEMS and Automotive applications as well as to support the ramp-up of ST-Ericsson's new products. In order to support our innovative product portfolio and based on expected revenue growth, we expect to invest approximately \$1.1 billion to \$1.5 billion in 2011, of which the largest part (\$798 million) was purchased in the first half of 2011. The most significant of our 2011 capital expenditure projects were and are expected to be: (a) for the front-end facilities: (i) capacity increase on proprietary technologies in our 200-mm fabs in Italy (MEMS, Advanced BCDs and PMOS) to support ramping demand; (ii) in our 300-mm fab in Crolles, mix evolution to support the production ramp-up of the most advanced technologies (45nm) within the 3,200 wafers per week, and activities to prepare the next step to 4,500 wafers per week, planned within the framework of our Crolles Nano 2012 program, together with the completion of the 32nm/28nm R&D capability investment; (iii) the upgrade and partial conversion to 150-mm of our 125-mm fab in Ang-Mo-Kio (Singapore) and the preparation for the conversion to 200-mm of our 150-mm fab already existing in the same plant; (iv) selective programs of mix evolution in our 200-mm fabs, mainly in the fabs of Crolles and Rousset; and (v) quality, safety, security and maintenance in both 150-mm and 200-mm front end fabs; (b) for the back-end facilities, capital expenditures will mainly be dedicated to: (i) capacity growth on strategic package families, mainly in the areas of MEMS and Automotive, to sustain market demand; (ii) further consolidation of our presence in China (Longgang and Shenzhen), in Muar (Malaysia) and in Calamba (Philippines); (iii) modernization of package lines (copper bonding vs. gold bonding); and (iv) specific investments in the

areas of quality, environment and energy saving; and (c) an overall capacity increase in final testing and wafers probing (EWS) for all product lines.

We will continue to monitor our level of capital spending by taking into consideration factors such as trends in the semiconductor industry, capacity utilization and announced additions. We expect to have significant capital requirements in the coming years and in addition we intend to continue to devote a substantial portion of our net revenues to R&D and to continue to support ST-Ericsson towards its expected recovery. We plan to fund our capital requirements from cash provided by operating activities, available funds and available support from third parties, and may have recourse to borrowings under available credit lines and, to the extent necessary or attractive based on market conditions prevailing at the time, the issuing of debt, convertible bonds or additional equity securities. A substantial deterioration of our economic results and consequently of our profitability could generate a deterioration of the cash generated by our operating activities. Therefore, there can be no assurance that, in future periods, we will generate the same level of cash as in the previous years to fund our capital expenditures plans for expending/upgrading our production facilities, our working capital requirements, our R&D and industrialization costs.

On February 23, 2011, holders were able to call for the redemption of our outstanding 2016 Convertible Bonds, which occurred for 41,123 bonds, for an amount of \$44 million. The residual amount outstanding after the exercise was 449,047 bonds, which can be exercised on February 23, 2012 for an amount of \$491 million. Furthermore, there could be possible financial needs for temporary bridge short-term financing by the parent companies of the ST-Ericsson joint venture.

We believe that we have the financial resources needed to meet our business requirements for the next 12 months, including capital expenditures for our manufacturing activities, working capital requirements, dividend payments and the repayment of our debts in line with their maturity dates. We may use some of our available cash to repurchase a portion of our outstanding debt securities, including possibly our 2016 Convertible Bonds and 2013 Senior Bonds, should market conditions permit.

This Outlook is based on an assumed effective currency exchange rate of approximately \$1.41 = €1.00 for the 2011 third quarter and includes the impact of existing hedging contracts. The third quarter will close on October 1, 2011.

These are forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially; in particular, refer to those known risks and uncertainties described in "Business risk information" herein and the Risk Management and Internal Control section of the Report of the Managing Board included in our 2010 Annual Report.

F. OTHER DEVELOPMENTS

On March 15, 2011 we announced new appointments to our executive management team. Fabio Gualandris joined us as Corporate Vice President, Director Product Quality Excellence, reporting directly to our Chief Executive Officer Carlo Bozotti. Gualandris took the position previously held by Georges Auguste, who has been appointed Executive Vice President, Packaging & Test Manufacturing (PTM), reporting to Didier Lamouche, our Chief Operating Officer. Claudia Levo joined us to take up the position of Corporate Vice President, Communication, reporting to Carlo Ferro, our Chief Financial Officer. In addition to the new appointments, we also announced a dedicated organization to investigate new areas of potential strategic interest for our Company, including possible investments in start-up companies that develop emerging technologies, products and services related to our business goals. Loic Lietar, Executive Vice President, New Ventures, will manage this new activity. Philippe Lambinet has taken responsibility for the strategic functions formerly managed by Loic Lietar, including Strategic Planning and Corporate Business Development. Philippe Lambinet will manage these activities in addition to his current role as Senior Executive Vice President and General Manager Home Entertainment & Displays Group, a position he has held since 2007.

On March 30, 2011, Fond Stratégique d'Investissement (FSI) announced that it had completed the acquisition of Areva's indirect interest in our Company, with an indirect stake of 10.9% in our Company. FSI thus substitutes and succeeds Areva as a party to the shareholders' agreement relating to ST Holding NV. In addition, FSI and the Italian Ministry of Economy and Finance have agreed in principle to extend the balance period provided for in the shareholders' agreement, from March 17, 2011 to December 31, 2011.

Our Annual General Meeting of Shareholders was held on May 3, 2011 in Amsterdam and the following decisions were approved by our shareholders:

- The reappointment of Mr. Carlo Bozotti as the sole member of the Managing Board and our President and Chief Executive Officer for a three-year term expiring at the 2014 Annual General Meeting;
- The reappointment for a three-year term, expiring at the 2014 Annual General Meeting, for the following members of the Supervisory Board: Mr. Didier Lombard, Mr. Bruno Steve and Mr. Tom de Waard;
- The appointment of Messrs. Jean d'Arthuys, Jean-Georges Malcor and Alessandro Rivera as new members of the Supervisory Board for a three-year term, expiring at the 2014 Annual General Meeting, in replacement of Messrs. Gerald Arbola and Antonino Turicchi, whose mandates have expired at the 2011 Annual General Meeting, and of Mr. Didier Lamouche, who resigned in October 2010;
- The approval of our 2010 accounts reported in accordance with International Financial Reporting Standards, as adopted in the European Union (IFRS);
- The distribution of a cash dividend of US\$0.40 per share, to be paid in four equal quarterly installments in May, August and December 2011 and February 2012 to shareholders of record in the month of each quarterly payment;
- The reappointment of PricewaterhouseCoopers Accountants N.V. as our external auditors for a three-year term effective as of our 2011 Annual General Meeting to expire at the end of our 2014 Annual General Meeting;

Following the Annual General Meeting, the Supervisory Board appointed Mr. Didier Lombard as the Chairman of the Supervisory Board and Mr. Bruno Steve as the Vice-chairman, respectively, for a 3-year term ending in 2014.

On May 31, 2011, we announced the publication of our 2010 Sustainability Report. The report provides comprehensive information about our sustainability strategy, policies and performance during 2010 and describes how we incorporate sustainability into our business practices to create value for all of our stakeholders. Key commitments and achievements include a record safety performance that puts us among the worldwide leaders in this field and a commitment to have 100% of our products eco-designed by 2015.

On June 9, 2011, we received the cash payment of \$356.8 million from Credit Suisse as the full and final payment for the settlement of all outstanding litigation concerning auction rate securities. This amount fully covers all losses and costs associated with the litigation. We booked a pre-tax profit of approximately \$329 million in the income statement of the first half of 2011 as a result of the transaction.

On July 8, 2011, the photovoltaic panels factory run by 3 Sun, the jointly controlled entity between Enel Green Power, Sharp and us, was inaugurated in Catania.

G. RELATED PARTY TRANSACTIONS

Please refer to Note 21 of the Unaudited Semi-Annual Financial Statements.

H. FINANCIAL RISK MANAGEMENT

The Group is exposed to changes in financial market conditions in the normal course of business due to its operations in different foreign currencies and its ongoing investing and financing activities. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. See note 10 of the Semi-Annual Financial Statements for further information.

Risk management is carried out by a central treasury department (Corporate Treasury) reporting to the Chief Financial Officer. Simultaneously, a Treasury Committee, chaired by the CFO, steers treasury activities and ensures compliance with corporate policies approved by the Supervisory Board. Treasury activities are thus regulated by the Group's policies, which define procedures, objectives and controls. The policies focus on the management of financial risk in terms of exposure to market risk, credit risk and liquidity risk. Treasury controls are subject to internal audits. Most treasury activities are centralized, with any local treasury activities subject to oversight from head treasury office. Corporate Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. It provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The majority of cash and cash equivalent is held in U.S. dollars and Euro and is placed with financial institutions rated at least a single "A" long term rating from two of the major rating agencies, meaning at least A3 from Moody's Investor Service and A- from Standard & Poor's and Fitch Ratings. Marginal amounts are held in other currencies. Foreign currency operations and hedging transactions are performed only to hedge exposures deriving from industrial and commercial activities.

Foreign exchange risk

The Group conducts its business on a global basis in various major international currencies. As a result, the Group is exposed to adverse movements in foreign currency exchange rates, primarily with respect to the Euro and the Swedish-Krona. Foreign exchange risk mainly arises from future commercial transactions and recognized assets and liabilities at the Group's subsidiaries.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, short-term deposits and marketable securities, the availability of funding from committed credit facilities and the ability to close out market positions. The Group's objective is to maintain a significant cash position and a low debt to equity ratio, which ensure adequate financial flexibility. Liquidity management policy is to finance the Group's investments with net cash provided from operating activities.

I. BUSINESS RISK INFORMATION

Some of the statements contained in this report that are not historical facts are statements of future expectations 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 factors:

- changes in demand in the key application markets and 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;
- in periods of reduced demand or visibility on orders our ability to reduce our expenses as required and to operate our manufacturing facilities at sufficient levels to cover fixed operating costs, as well as our ability, in the case of increased demand, to ramp up production efficiently;
- the operations of the ST-Ericsson wireless joint venture, which represent an over \$2 billion investment and risk for our business, are currently in a transition from legacy to new products and facing a dramatic change in their major customer business. Consequently, ST-Ericsson has been incurring significant losses. In the event of a significant worsening of the current market conditions or a lack of results, the value of ST-Ericsson for ST could decrease to a value lower than the current carrying amount of the investment on our books;
- our ability, in an intensively competitive environment, to successfully develop and 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;
- 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, and our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;
- 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;
- 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

- 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, tsunami (in particular, the aftermath of the events in Japan), 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 the Risk Management and Internal Control section of the Report of the Managing Board included in our 2010 Annual Report. 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 Semi-Annual Report 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 report to reflect subsequent events or circumstances.

This management report is dated August 23, 2011.

II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (“SEMI-ANNUAL FINANCIAL STATEMENTS”)

The Interim Condensed Consolidated Financial Statements of STMicroelectronics N.V. and its subsidiaries (“the Group”) for the six months ended July 2, 2011, as presented by the Sole Member of the Managing Board, have not been audited or reviewed by an external auditor.

This chapter includes:

- Interim consolidated income statement for the six months ended July 2, 2011 and June 26, 2010 (unaudited)
- Interim consolidated statement of comprehensive income for the six months ended July 2, 2011 and June 26, 2010 (unaudited)
- Interim consolidated statement of financial position as at July 2, 2011 (unaudited) and December 31, 2010.
- Interim consolidated statement of changes in equity for the six months ended July 2, 2011 and June 26, 2010 (unaudited)
- Interim consolidated statement of cash flows for the six months ended July 2, 2011 and June 26, 2010 (unaudited)
- Notes to the Semi-Annual financial statements (unaudited)

A. CONSOLIDATED INCOME STATEMENT

In millions of USD except per share amount	Notes	(unaudited) Six months ended	
		July 2, 2011	June 26, 2010
Sales		5,068	4,818
Other revenues		33	38
Total revenues	5	5,101	4,856
Cost of sales	17	(3,352)	(3,178)
Gross profit		1,749	1,678
Selling, general and administrative	17	(638)	(584)
Research and development	17	(931)	(940)
Other income	18	138	55
Other expenses	18	(24)	(102)
Operating profit		294	107
Impairment charge and realized gain on financial assets	10	318	-
Finance income		18	46
Finance costs		(44)	(65)
Share of gain / (loss) of associates and jointly controlled entities and gain on investment divestiture	6	(15)	20
Reversal of impairment on investment in associates		-	162
Profit before income tax		571	270
Income tax expense	19	(127)	(56)
Net result		444	214
Attributable to:			
The equity holders of the parent		638	349
Non-controlling interests		(194)	(135)
Net result		444	214
Profit per share attributable to the equity holders of the parent			
Profit per share (Basic)	20	0.72	0.40
Profit per share (Diluted)	20	0.72	0.40

The accompanying notes are an integral part of these Semi-Annual Financial Statements

B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of USD	(unaudited) Six months ended	
	July 2, 2011	June 26, 2010
Net result	444	214
Exchange differences on translation of foreign operations	266	(518)
Net movement on cash flow hedges	50	(68)
Income tax effect	(9)	6
	41	(62)
Net (loss)/gain on available-for-sale financial assets	(28)	77
Income tax effect	1	(1)
	(27)	76
Total Other comprehensive income, net of tax	280	(504)
Total comprehensive income, net of tax	724	(290)
Attributable to:		
The equity holders of the parent	910	(125)
Non-controlling interests	(186)	(165)
Total comprehensive income, net of tax	724	(290)

The accompanying notes are an integral part of these Semi-Annual Financial Statements

C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of USD	Notes	(unaudited) July 2, 2011	(audited) December 31, 2010
Assets			
Non-current assets			
Property, plant and equipment	8	4,566	4,117
Goodwill	9	992	972
Intangible assets	8	2,127	2,060
Investments in associates and jointly controlled entities	6	116	133
Other non-current financial assets	10	60	125
Deferred tax assets		545	548
Other non-current assets		375	326
Total non-current assets		8,781	8,281
Current assets			
Inventories	11	1,755	1,497
Trade accounts receivable, net		1,302	1,230
Other current financial assets	10	667	1,211
Other receivable and assets		662	524
Cash and cash equivalents	12	2,355	1,892
Total current assets		6,741	6,354
Assets held for sale		29	29
Total assets		15,551	14,664
Equity			
Equity attributable to the equity holders of the parent		9,321	8,751
Non-controlling interests		819	996
Total equity	14	10,140	9,747
Non-current liabilities			
Interest-bearing loans and borrowings	10	1,073	1,091
Employee benefits		331	296
Deferred tax liabilities		196	207
Non-current provisions	15	182	135
Other non-current liabilities		114	124
Total non-current liabilities		1,896	1,853
Current liabilities			
Current interest-bearing loans and borrowings		775	655
Trade accounts payable		1,310	1,233
Other payables and accrued liabilities		663	359
Employee benefits – current portion		554	566
Current provisions	15	101	156
Other current financial liabilities	10	2	11
Income tax payable		110	84
Total current liabilities		3,515	3,064
Total equity and liabilities		15,551	14,664

The accompanying notes are an integral part of these Semi-Annual Financial Statements

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended July 2, 2011

In millions of USD	Equity attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Treasury shares	Other reserves	Retained earnings		
As at January 1, 2011 (audited)	1,156	2,433	(304)	1,631	3,835	996	9,747
Net result	-	-	-	-	638	(194)	444
Other comprehensive income, net of tax	-	-	-	272	-	8	280
Total comprehensive income	-	-	-	272	638	(186)	724
Employee share award scheme, net of tax	-	-	27	16	(27)	-	16
Share conversion option of 2016 Convertible Bonds	-	-	-	(3)	-	-	(3)
Non-controlling interests arising on business combinations	-	-	-	-	-	9	9
Dividends	-	-	-	-	(353)	-	(353)
As at July 2, 2011 (unaudited)	1,156	2,433	(277)	1,916	4,093	819	10,140

The accompanying notes are an integral part of these Semi-Annual Financial Statements

For the six months ended June 26, 2010

In millions of USD	Equity attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Treasury shares	Other reserves	Retained earnings		
As at January 1, 2010 (audited)	1,156	2,433	(377)	1,867	3,288	1,263	9,630
Net result	-	-	-	-	349	(135)	214
Other comprehensive income, net of tax	-	-	-	(474)	-	(30)	(504)
Total comprehensive income	-	-	-	(474)	349	(165)	(290)
Employee share award scheme, net of tax	-	-	69	17	(69)	-	17
Share conversion option of 2016 Convertible Bonds	-	-	-	(31)	-	-	(31)
Dividends	-	-	-	-	(247)	-	(247)
At June 26, 2010 (unaudited)	1,156	2,433	(308)	1,379	3,321	1,098	9,079

The accompanying notes are an integral part of these Semi-Annual Financial Statements



E. CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of USD	Note	(unaudited)	
		Six months ended	
		July 2, 2011	June 26, 2010
Cash flows from operating activities			
Cash generated from operations	13	811	911
Interests paid		(9)	(8)
Income tax (paid) refunded		(50)	114
Net cash from operating activities		752	1,017
Cash flows from investing activities			
Payments for purchases of tangible assets		(798)	(313)
Payments for purchases of available-for-sale financial assets		(154)	(770)
Proceeds from sales of available-for-sale financial assets		638	653
Proceeds from settlement of non-current available-for-sale financial assets		350	-
Restricted cash		(95)	-
Release of restricted cash		87	-
Investment in short-term deposits		(150)	(62)
Proceeds from matured short-term deposits		72	-
Investments in intangible and financial assets		(333)	(330)
Net proceeds from sale of shares received on investment divestiture		196	-
Payments for business combinations, net of cash and cash equivalents received		(10)	-
Interests received		8	13
Net cash used in investing activities		(189)	(809)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		158	1
Repurchase of convertible debt and senior bonds		(74)	(267)
Repayment of interest-bearing loans and borrowings		(30)	(73)
Dividends paid to equity holders of the parent company		(151)	(88)
Payment for other financing activities		(15)	(4)
Net cash used in financing activities		(112)	(431)
Effect of changes in exchange rates		12	(97)
Net cash increase (decrease)		463	(320)
Cash and cash equivalents at the beginning of the period		1,892	1,588
Cash and cash equivalents at the end of the period		2,355	1,268

The accompanying notes are an integral part of these Semi-Annual Financial Statements

F. NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

STMicroelectronics N.V. (the “Company”) is registered in the Netherlands with its statutory domicile in 265, Schiphol Boulevard, Amsterdam and its corporate headquarters located in Geneva, Switzerland.

STMicroelectronics and its subsidiaries (together “the Group”) is a global independent semiconductor group that designs, develops, manufactures and markets a broad range of semiconductor integrated circuits (“ICs”) and discrete devices. The Group offers a diversified product portfolio and develops products for a wide range of market applications, including automotive products, computer peripherals, telecommunications systems, consumer products, industrial automation and control systems. Within its diversified portfolio, the Group has focused on developing products that leverage its technological strengths in creating customized, system-level solutions with digital and mixed-signal content.

STMicroelectronics is a publicly traded company, listed on the New York Stock Exchange, Euronext Paris and Borsa Italiana (Italian Stock Exchange).

The Group’s fiscal year ends on December 31. Interim periods are established for accounting purposes on a thirteen-week basis. The Group’s first quarter ended on April 2, 2011. Its first half ended on July 2, 2011, its third quarter will end on October 1, 2011 and its fourth quarter will end on December 31, 2011.

These unaudited Semi-Annual Financial Statements have been approved on August 23, 2011 for issue by the Supervisory Board.

2. BASIS OF PREPARATION

These unaudited Semi-Annual Financial Statements for the six months ended July 2, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted in the European Union.

The unaudited Semi-Annual Financial Statements do not include all the information and disclosures required in the annual financial statements. They should be read in conjunction with the annual financial statements for the year ended December 31, 2010, prepared in accordance with IFRS, as adopted in the European Union, filed with the AFM (Autoriteit Financiële Markten) on March 17, 2011 and approved by the shareholders at the Annual Shareholders’ Meeting on May 3, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Semi-Annual Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2010, except for the adoption of new Standards and amendments to Standards effective from January 1, 2011. The adoption of new standards and interpretations effective from January 1, 2011 were not relevant or did not have a material impact on the Group's Semi-Annual Financial Statements.

4. ESTIMATES

The preparation of the Semi-Annual Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Semi-Annual Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated Financial Statements for the year ended December 31, 2010, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exceptional items.

5. OPERATING SEGMENT INFORMATION

We operate in two business areas: Semiconductors and Subsystems.

In the Semiconductors business area, we design, develop, manufacture and market a broad range of products, including discrete and standard commodity components, application-specific integrated circuits ("ASICs"), full-custom devices and semi-custom devices and application-specific standard products ("ASSPs") for analog, digital and mixed-signal applications. In addition, we further participate in the manufacturing value chain of Smartcard products through our divisions, which include the production and sale of both silicon chips and Smart cards.

As of January 1, 2011 we changed the segment organization structure. The current organization is as follows:

- Automotive, Consumer, Computer and Communication Infrastructure ("ACCI"), comprised of:
 - Automotive Products Group ("APG");
 - Computer and Communication Infrastructure ("CCI");
 - Home Entertainment & Displays ("HED"); and
 - Imaging ("IMG").
- Analog, MEMS and Microcontrollers ("AMM"), comprised of
 - Analog Products and Micro-Electro-Mechanical Systems ("Analog & MEMS"); and
 - Microcontrollers, non-Flash, non-volatile Memory and Smart Card products ("MMS").
- Power Discrete Products ("PDP"), comprised of Rectifiers, Thyristors & Triacs, Protection, Integrated Passive Active Devices (IPADs) and Transistors.
- Wireless Segment ("Wireless"), comprised of:
 - Entry Solutions and Connectivity ("ESC") (formerly "2G, EDGE, TD-SCDMA & Connectivity");
 - Smartphone and Tablet Solutions ("STS") (formerly "3G Multimedia & Platforms");
 - Modems ("MOD") (formerly "LTE & 3G Modem Solutions");in which since February 3, 2009, we report the portion of sales and operating results of ST-Ericsson JVS as consolidated in our revenue and operating results); and
 - Other Wireless (in which we report manufacturing margin, R&D revenues and other items related to the wireless business but outside of the ST-Ericsson JVS).



In 2011, we restated our results from prior period for illustrative comparisons of our performance by product segment due to the former Industrial and Multisegment Sector (“IMS”) now being tracked in two separate segments (“AMM” and “PDP”). The preparation of segment information based on the current segment structure requires us to make significant estimates, assumptions and judgments in determining the operating income of the segments for the prior reporting period. The tables set forth below also reflect the transfer of the Audio division from ACCI to AMM; accordingly, we have reclassified the prior period’s revenues and operating income results of ACCI and AMM. We believe that the restated 2010 presentation is consistent with that of 2011 and we use these comparatives when managing our Group.

Our principal investment and resource allocation decisions in the Semiconductor business area are for expenditures on R&D and capital investments in front-end and back-end manufacturing facilities. These decisions are not made by product segments, but on the basis of the semiconductor business area. All these product segments share common R&D for process technology and manufacturing capacity for most of their products.

In the Subsystems business area, we design, develop, manufacture and market subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality to our business as a whole, the Subsystems segment does not meet the requirements for a reportable segment as defined in the guidance on disclosures about segments of an enterprise and related information.

The following tables present our consolidated net revenues and consolidated operating income by product segment. For the computation of the segments’ internal financial measurements, we use certain internal rules of allocation for the costs not directly chargeable to the segments, including cost of sales, selling, general and administrative expenses and a significant part of research and development expenses. Additionally, in compliance with our internal policies, certain cost items are not charged to the segments, including unused capacity charges, impairment, restructuring charges and other related closure costs, start-up and phase out costs of certain manufacturing facilities, strategic and special R&D programs or other corporate-sponsored initiatives, including certain corporate level operating expenses and certain other miscellaneous charges.

The tables below set forth information on our net revenues by product segment, product line and location of order shipment:

In millions of USD	(unaudited) Six months ended	
	July 2, 2011	June 26, 2010
Net revenues by product segments		
Automotive Consumer Computer and Communication Infrastructure (“ACCI”) ¹	2,170	1,915
Analog, MEMS and Microcontrollers (“AMM”)	1,505	1,183
Power Discrete Products (“PDP”)	670	612
Wireless	731	1,112
Others ²	25	34
Total consolidated net revenues	5,101	4,856

In millions of USD	(unaudited) Six months ended	
	July 2, 2011	June 26, 2010
Automotive products Group (“APG”)	891	651
Computer and Communication Infrastructure (“CCI”)	534	539
Home Entertainment & Displays (“HED”)	412	452
Imaging (“IMG”)	323	250
Others	10	23
Automotive Consumer Computer and Communication Infrastructure (ACCI)	2,170	1,915
Analog and Micro-Electro-Mechanical Systems (“Analog and MEMS”)	872	651
Microcontrollers, non-Flash, non-volatile Memory and Smartcard products (“MMS”)	632	530
Others	1	2
Analog, MEMS and Microcontrollers (“AMM”)	1,505	1,183
Power Discrete Products (“PDP”)	670	612
Entry Solutions and Connectivity (“ESC”)	357	453
Smartphones and Tablet Solutions (“STS”)	317	645
Modems (“MOD”)	55	13
Others	2	1
Wireless	731	1,112
Others³	25	34
Total consolidated net revenues	5,101	4,856

¹ Reflecting the transfer of a small business unit from ACCI to AMM, we have reclassified prior period revenues.

² In the first half of 2011, “Others” includes revenues from the sales of Subsystems and sales of materials and other products not allocated to product segments.

³ Includes revenues from sales of subsystems and other products not allocated to product segments



In millions of USD	(unaudited) Six months ended	
	July 2, 2011	June 26, 2010
Net revenues by location of order shipment⁴		
EMEA	1,263	1,277
Americas	692	633
Greater China and South Asia	2,287	2,061
Japan and Korea	859	885
Total consolidated net revenues	5,101	4,856

The operating income by product segment and reconciliation to operating income can be detailed as follows:

In millions of USD	(unaudited) Six months ended	
	July 2, 2011	June 26, 2010
Automotive Consumer Computer and Communication Infrastructure ("ACCI")	237	149
Analog, MEMS and Microcontrollers ("AMM")	325	164
Power Discrete Products ("PDP")	90	62
Wireless	(386)	(253)
Sub-total operating income of product segments	266	122
Strategic R&D and other R&D programs	(6)	(7)
Phase-out and start-up costs	(8)	(5)
Impairment and restructuring charges	(55)	(45)
Unused capacity charges	(8)	(1)
Sales of materials	13	11
Other non-allocated income and costs ⁵	(1)	(4)
Sub-total operating loss Others	(65)	(51)
Adjustments on past business combinations	(24)	(23)
Net impact of capitalized development costs	107	133
Derivative instruments not designated as hedge instruments under IFRS	15	(72)
Other non-allocated expenses and IFRS/US GAAP adjustments	(5)	(2)
Sub-total IFRS/US GAAP impact on operating income	93	36
Total operating income	294	107

⁴ Net revenues by location of order shipment are classified by location of customer invoiced. For example, products ordered by U.S.-based companies to be invoiced to Greater China and South Asia affiliates are classified as Greater China and South Asia revenues. Furthermore, the comparison among the different periods may be affected by shifts in order shipment from one location to another, as requested by our customers.

⁵ Includes unallocated expenses such as certain corporate level operating expenses and other costs

6. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Investments in associates and jointly controlled entities as at July 2, 2011 and December 31, 2010 were as follows:

In millions of USD	(unaudited)		(audited)	
	July 2, 2011		December 31, 2010	
	Carrying amount	% of interests	Carrying amount	% of interests
3Sun	89	33.3%	83	33.3%
ST-Ericsson AT SA ("JVD")	27	49.9%	39	49.9%
Others	-		11	
Total	116		133	

3Sun Srl ("3Sun")

3Sun is a joint initiative between Enel Green Power, Sharp and the Group for the manufacture of triple-junction thin film photovoltaic panels in Catania, Italy. Each partner owns a third of the common shares of the entity. The Group exercises joint-control over 3Sun and consequently accounts for its investment in 3Sun under the equity method.

As part of the transaction with Micron, the Group exercised its right to indirectly purchase the Numonyx M6 facility in Catania, Italy. On July 1, 2010, Numonyx contributed the M6 going concern and facility to 3Sun and immediately transferred the newly issued shares of 3Sun to the Group against the redemption of the \$78 million subordinated notes due by Numonyx to the Group. Since the investment in 3Sun is denominated in euro, the investment is revalued at each reporting date closing, the exchange difference being recorded as currency translation adjustment in other comprehensive income. The Group's current maximum exposure to loss as a result of its involvement with 3Sun is limited to its equity investment that amounted to \$89 million as at July 2, 2011.

ST-Ericsson AT SA ("JVD")

On February 3, 2009, the Group announced the closing of a transaction to combine the businesses of Ericsson Mobile Platforms ("EMP") and ST-NXP Wireless into a new venture, named ST-Ericsson. As part of the transaction, the Group received an interest in ST-Ericsson AT Holding AG that was valued at \$99 million. In 2010, ST-Ericsson AT Holding AG was merged into ST-Ericsson AT SA. JVD, in which the Group owns 50% less a controlling share held by Ericsson, is the parent company of a group of entities that perform fundamental R&D activities for the ST-Ericsson venture. The Group has a significant influence and therefore accounts for JVD under the equity method.

The following table illustrates summarized financial information of the Group's investment in JVD:

In millions of USD	July 2, 2011	December 31, 2010
Share of JVD's unaudited IFRS statement of financial position:		
Non-current assets	26	24
Current assets	37	28
Equity	12	8
Non-current liabilities	5	6
Current liabilities	46	38
Share of JVD's unaudited IFRS revenue and profit (loss):		
Revenue	57	107
Profits	3	(1)
Carrying amount of the investment	27	39
Initial value of investment	99	99
Cumulated share of profit or loss	(6)	(9)
Amortization of basis difference	(66)	(51)

7. BUSINESS COMBINATIONS

Until April 15, 2011, the Group accounted for its 41.2% equity investment in Veredus Laboratories Pte ("Veredus") under the equity method. Veredus is a life science company based in Singapore that develops, commercializes and manufactures diagnostic tools that are marketed worldwide. Veredus offers highly sensitive and user-friendly molecular diagnostic tools that include gel based detection kits and the latest cutting edge Lab-on-Chip technology. These diagnostic tools can be used in field conditions as well as in medical labs and hospitals.

On April 15, 2011, the Group exercised a call option and purchased shares from Veredus' founders to increase its ownership in Veredus to 63.7%. This provides the Group control over Veredus which has been a subsidiary of the Group from this date.

The acquired business made an immaterial contribution to the Group's consolidated revenue and net result for the period from April 15, 2011 to July 2, 2011.



The following table summarizes the consideration transferred to acquire Veredus and the amounts of the identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in Veredus at the acquisition date.

In millions of U.S. dollars

Fair value of consideration transferred:	
Cash consideration paid to Veredus' founders	7
Fair value of the Group's investment in Veredus held before the business combination	9
Fair value of the non-controlling interest in Veredus	9
	25
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1
Inventories	1
Buy-out option	5
Property, Plant and Equipment, net	1
In-Process R&D	12
Patents and Intellectual Property	3
Deferred tax assets	1
Deferred tax liabilities	(3)
Other current liabilities	(1)
Total identifiable net assets	20
Goodwill	5

As a result of the Group obtaining control over Veredus, the Group's previously held 41.2% was remeasured to fair value; however this did not result in any gain or loss.

As part of the transaction, the Group received a buy-out option that allows the Group to buy out the remaining 33% of Veredus' shares still owned by its founders at a price per share depending on level of sales achieved in 2012. The option will be exercisable by the Group in 2013. The fair value of the option at acquisition-date was determined using a Black & Scholes valuation model.

The goodwill is attributable to the workforce of the acquired business and to the increased footprint of the Group in the healthcare business. The goodwill is not expected to be deductible for tax purposes. All of the \$5 million was allocated to the Group's Automotive, Consumer, Computer and Communication Infrastructure ("ACCI") segment.

Immediately after this acquisition, the Group increased its ownership in Veredus to 67% by acquiring new shares of the Company for a cash amount of \$1 million. This transaction did not result in a change of control of Veredus and therefore has been accounted for as an equity transaction.

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Changes in the net carrying amount of property, plant and equipment and intangible assets are detailed as follows:

In millions of USD	Property, plant and equipment	Intangible assets
Net book value as at January 1, 2011 (audited)	4,117	2,060
Additions	813	354
Business combination	1	15
Disposals	(23)	-
Impairment	(7)	(50)
Amortization / Depreciation expense	(548)	(252)
Foreign currency translation	213	-
Net book value as at July 2, 2011 (unaudited)	4,566	2,127

9. GOODWILL

Goodwill split by operating segment are as follows:

In millions of USD	Automotive Consumer Computer and Communi- cation Infrastructure ("ACCI")	Wireless sector ("Wireless")	Analog, MEMS and Micro- controllers ("AMM")	Industrial and Multi segment Sector ("IMS")	Total
Balance at January 1, 2011 (audited)	25	877	70	-	972
Business combination	5	-	-	-	5
Foreign currency translation	-	10	5	-	15
Balance at July 2, 2011 (unaudited)	30	887	75	-	992

Due to the significant decline in the Wireless business' results, the Group performed an impairment review during the first half of 2011, solely for this cash generating unit. According to such review, the fair value of the Wireless business still exceeds its carrying value by 39%. If there continue to be further declines in demand for certain products or if the Group's results fall short of its projected revenue, operating income and cash flow forecasts for the remainder of 2011 or if the Group is unable to meet future expectations or rebuild its technology and product leadership while driving new product future revenue growth, the Group's goodwill, intangible assets and other long lived assets may be impaired. An impairment could also be necessary on the ST-Ericsson related deferred tax assets if the tax planning strategies would not be sufficient. If the Group were to record an impairment, the charges might be material to the results of operations and its financial position

10. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) OTHER FINANCIAL ASSETS

In millions of USD	(unaudited) July 2, 2011	(audited) December 31, 2010
Other financial assets (including derivatives)		
Other financial assets		
Available-for-sale investments – quoted debt and equity securities	438	1,063
Available-for-sale investments – unquoted debt securities	-	72
Available-for-sale investments – unquoted equity securities	29	28
Restricted cash	8	7
Short-term deposits	151	67
Other	8	8
Total other financial assets	634	1,245
<i>Current</i>	580	1,126
<i>Non-current</i>	54	119
Derivative financial instruments		
Cash flow hedges		
Forward foreign exchange contracts	30	24
Currency collars	12	2
Purchased currency options	2	-
Contingent zero-cost collar	-	27
Derivatives not designated as hedges		
Veredus Buyout option	5	-
Forward foreign exchange contracts	33	35
Currency collars	9	3
Purchased currency options	2	-
Total derivatives financial instruments	93	91
<i>Current</i>	87	85
<i>Non-current</i>	6	6
Total other financial assets (including derivatives)	727	1,336
<i>Total current</i>	667	1,211
<i>Total non-current</i>	60	125

Movements in other financial assets (excluding derivatives) recorded in the first six months of 2011 are summarized as follows:

In millions of USD	Jan 1, 2011 (audited)	Change in fair value included in OCI*	Change in fair value included in income statement	Purchase / Increase	Sale / Settlement	Foreign exchange result recognized in OCI*	Realized gain	July 2, 2011 (un-audited)
Government bonds issued by the U.S. Treasury	350	-	-	-	(350)	-	-	-
Government bonds issued by foreign governments	213	-	-	127	(218)	11	-	133
Fixed rate debt securities issued by financial institutions	-	-	-	27	-	2	-	29
Senior debt floating rate note issued by financial institutions	328	2	(5)	-	(70)	9	-	264
Quoted equity instruments	172	15	14	-	(189)	-	-	12
Sub-total Available-for-sale investments – quoted debt and equity securities	1,063	17	9	154	(827)	22	-	438
Auction rate securities	72	5	(50)	-	(350)	-	323	-
Sub-total Available-for-sale investments – unquoted debt securities	72	5	(50)	-	(350)	-	323	-
Available-for-sale investments – unquoted equity securities	28	1	-	-	-	-	-	29
Restricted cash	7	-	-	95	(94)	-	-	8
Short-term deposits	67	-	-	150	(73)	7	-	151
Other current financial assets	8	-	-	-	-	-	-	8
Total other financial assets (excluding derivatives)	1,245	23	(41)	399	(1,344)	29	323	634

*OCI: Other comprehensive income

Available-for-sale investments – quoted debt and equity instruments

The change in fair value of the \$133 million government debt securities classified as available-for-sale was not material as at July 2, 2011. The Group estimated the fair value of these financial assets based on publicly quoted market prices. The duration of the government bonds portfolio is less than eleven months on average and the securities are rated Aa2 by Moody's.

Out of the 9 investment positions in floating-rate notes, 7 securities are in an unrealized loss position, which has been considered as not prolonged and not significant, with the only exception of a senior floating rate note of Euro 15 million issued by Lehman Brothers. For all investments, except the Lehman Brothers senior unsecured bonds described below, the Group expects to recover the debt securities' entire amortized cost basis. Since the duration of the portfolio is 1.4 years on average and the securities have a minimum Moody's rating of A2 (with the only exception of the Lehman Brothers senior unsecured bonds), the Group expects the value of the securities to return to par as the final maturity is approaching; as such, no credit loss has been identified on these instruments.

For the Lehman Brothers senior unsecured bonds, the Group has been measuring fair value since Lehman Brothers Chapter 11 filing on September 15, 2008 based on information received from a major credit rating entity. Such fair value information relied on historical recovery rates. At the date of Lehman Brothers Chapter 11 filing, the Group did not expect to recover the entire amortized cost basis of the securities and recorded an impairment charge representing 50% of the face value of the debt securities. During the first half of 2011, following values observed on the open market and direct unbinding quotations, the Group assessed that it expected to recover the impaired amortized cost basis of the Lehman Brothers debt securities amounting to \$5 million. As a result, an impairment charge of \$5 million was recorded during the first half of 2011.

On May 7, 2010 the Group disposed of its investment in Numonyx in exchange of 67 million shares in Micron Technology Inc. During November and December 2010, the Group sold around 47 million of those shares, together with the related hedging instruments. The remaining 20 million shares and related hedging instruments were sold during January 2011. The \$189 million proceeds from the sale of the remaining shares together with the unwinding of the related derivative instruments generated a non-operating loss of \$4 million reported in the line "Finance income". This loss was offset by an income of \$6 million corresponding to the ineffective portion of the contingent collars designated as cash flow hedges.

Available-for-sale investments – unquoted debt instruments

The Group's legal action to recover from Credit Suisse the amount invested in unauthorized auction rate securities against the Group's instructions was settled on June 9, 2011 with net proceeds of \$350 million. Upon receipt of the funds, the ownership of the portfolio was transferred to Credit Suisse and the Group derecognized the \$77 million of auction rate securities reported at fair value as non-current assets on the line "Other non-current financial assets" on the statement of financial position as at December 31, 2010 and recognized a pre-tax gain of \$329 million, out of which \$6 million in SG&A and \$323 million as a realized gain on financial assets. This settlement is further described in note 16.

b) OTHER FINANCIAL LIABILITIES

In millions of USD	(unaudited) July 2, 2011	(audited) December 31, 2010
Derivative financial instruments		
Cash flow hedges		
Forward foreign exchange contracts	-	2
Currency collars	-	1
Derivatives not designated as hedges		
Forward foreign exchange contracts	2	7
Currency collars	-	1
Total derivatives financial instruments	2	11
<i>Current</i>	2	11
<i>Non-current</i>	-	-
Total other financial liabilities (including derivatives)	2	11
<i>Total current</i>	2	11
<i>Total non-current</i>	-	-

c) INTEREST-BEARING LOANS AND BORROWINGS

In millions of USD	(unaudited)	(audited)
	July 2, 2011	December 31, 2010
ST-Ericsson's parent financing	223	75
Funding program loans from European Investment Bank		
0.26% (w.a.*), floating interest rate at LIBOR + 0.017%	80	80
0.30% (w.a.*), floating interest rate at LIBOR + 0.026%	47	47
0.33% (w.a.*), floating interest rate at LIBOR + 0.052%	96	116
0.56% (w.a.*), floating interest rate at LIBOR + 0.317%	155	155
0.49% (w.a.*), floating interest rate at LIBOR + 0.213%	171	170
Other Funding program loans		
0.45% (w.a.*), due 2012, fixed interest rate	2	2
0.50% (w.a.*), due 2013, fixed interest rate	4	3
0.49% (w.a.*), due 2014, fixed interest rate	3	3
0.50% (w.a.*), due 2016, fixed interest rate	1	1
0.50% (w.a.*), due 2017, fixed interest rate	1	1
0.74% (w.a.*), due 2018, fixed interest rate	2	2
Finance leases:		
6.48% (w.a.*), due 2011, fixed interest rate	-	2
5.00% (w.a.*), due 2013, fixed interest rate	54	68
6.00% (w.a.*), due 2014, fixed interest rate	7	7
5.29% (w.a.*), due 2017, fixed interest rate	2	2
Senior Bonds		
1.89%, due 2013, floating interest rate Euribor + 0.40%	585	569
Convertible Bonds		
4.92% convertible bonds due 2016	415	443
Total interest-bearing loans and borrowings	1,848	1,746
<i>Total current</i>	<i>775</i>	<i>655</i>
<i>Total non-current</i>	<i>1,073</i>	<i>1,091</i>

* Weighted average

Convertible debt

In February 2006, the Group issued \$1,131 million principal amount at maturity of zero coupon senior convertible bonds due in February 2016. The bonds were issued at 100% of principal with a yield to maturity of 1.5% and resulted in net proceeds to the Group of \$974 million less transaction fees. The bonds are convertible by the holder at any time prior to maturity at the adjusted conversion rate of 43.833898 shares per one thousand dollar face value of the bonds corresponding to 42,694,216 equivalent shares. The holders could redeem the convertible bonds on February 23, 2011 at a price of \$1,077.58 and for those who did not exercise the option, they will be able to redeem the convertible bonds on February 23, 2012 at a price of \$1,093.81 and on February 24, 2014 at a price of \$1,126.99 per one thousand dollar face value of the bonds.

In February 2011, certain bond holders exercised their option to put the convertible bonds to the Group. The result of this transaction is summarized in the table below:

In millions of USD	February 2011
Principal amount redeemed	41
Decrease in value of liability component of 2016 convertible bonds	37
Decrease in value of equity component of 2016 convertible bonds	3
Loss on extinguishment of 2016 convertible bonds	4
Cash consideration	44

d) HEDGING ACTIVITIES AND DERIVATIVES

Derivative instruments not designated as hedges

The Group conducts its business on a global basis in various major international currencies. As a result, the Group is exposed to adverse movements in foreign currency exchange rates, primarily with respect to the Euro. Foreign exchange risk mainly arises from future commercial transactions and recognized assets and liabilities at the Group's subsidiaries. The Group enters into currency forward contracts and currency options to reduce its exposure to changes in exchange rates and the associated risk arising from the denomination of certain assets and liabilities in foreign currencies at the Group's subsidiaries. These instruments do not qualify as hedging instruments and are marked-to-market at each period-end with the associated changes in fair value recognized in "Other income" or "Other expenses" in the consolidated income statement.

To reduce its exposure to U.S. dollar exchange rate fluctuations, the Group hedges certain Euro-denominated forecasted transactions that cover at reporting date a large part of its research and development, selling, general and administrative expenses through the use of currency forward contracts and currency options, including collars. The Group also hedges certain Swedish Krona-denominated forecasted transactions that cover at reporting date a large part of its future research and development expenses through the use of currency forward contracts. These instruments do not qualify as hedging instruments and are marked-to-market at each period-end with the associated changes in fair value recognized in "Other income" or "Other expenses" in the consolidated income statement.

The main currencies covered are the Euro, the Swedish Krona and to a lesser extent, the Singapore Dollar, the Japanese Yen, the Swiss Franc, the British Pound and the Malaysian Ringgit.

Derivative instruments designated as cash flow hedges

To reduce its exposure to U.S. dollar exchange rate fluctuations, the Group hedges certain Euro-denominated forecasted transactions that cover at reporting date a portion of its front-end manufacturing costs of semi-finished goods through the use of currency forward contracts and currency options, including collars.

The principles regulating the hedging strategy for derivatives designated as cash flow hedge is to hedge up to 70% of the total forecasted transactions for manufacturing costs. The maximum length of time over which the Group hedges its exposure to the variability of cash flows for forecasted transactions is 24 months.

These derivative instruments are designated and qualified as cash flow hedges. They are reflected at their fair value in the consolidated statement of position. The gain or loss from the effective portion of the hedge is reported in the statement of comprehensive income and is reclassified into earnings in the same period in which the hedged transaction affects earnings, and within the same consolidated income statement line item as the impact of the hedged transaction.

As at July 2, 2011, the Group had the following outstanding derivative instruments that were entered into to hedge Euro-denominated forecasted transactions:

In millions of Euros	Notional amount for hedge on forecasted manufacturing costs transactions
Forward contracts	236
Currency options	101
Currency collars	389

Interest rate risk

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate risk arises mainly from long-term borrowings at fixed rates. The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Since almost all the liquidity of the Group is invested in floating rate instruments, the Group's interest rate risk arises from the mismatch of fixed rate liabilities and floating rate assets.

e) FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

In millions of USD	Carrying amount		Fair value	
	(unaudited) July 2, 2011	(audited) December 31, 2010	(unaudited) July 2, 2011	(audited) December 31, 2010
Financial assets				
Trade receivables	1,302	1,230	1,302	1,230
Other receivables and assets	662	524	662	524
Available for sale financial investments	467	1,163	467	1,163
Restricted cash	8	7	8	7
Other financial assets	603	452	603	452
Cash and cash equivalents	2,355	1,892	2,355	1,892
Financial liabilities				
Interest-bearing loans and borrowings (including current portion)	1,848	1,751	1,886	1,802
Trade accounts payable	1,310	1,233	1,310	1,233
Other payables and accrued liabilities	663	359	663	359
Other current financial liabilities	2	11	2	11

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Trade receivables, cash and cash equivalents, trade accounts payable, other payables and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Other receivable and assets approximate their carrying amounts due either to their short-term maturities or to the fact that they are recorded at their net discounted present value.
- Available for sale financial investments:
 - The fair value of government bonds, quoted equity securities and floating rate notes, with the exception of the floating rate notes issued by Lehman Brothers, is determined based upon quoted market prices for the identical instruments. Since 2008, the fair value of the floating rate notes issued by Lehman Brothers relies on information received from a major credit rating entity based on historical recovery rates. During the first half of 2011, the Group was able to assess fair value of the Lehman Brothers notes based on values observed on the open market and direct unbinding quotation.
 - Since 2008, the fair value of auction-rate securities was based on a theoretical model using yields obtainable for comparable assets. The value inputs for the evaluation of these securities were publicly available indexes of securities with the same rating, similar duration and comparable/similar underlying collaterals or industries exposure (such as ABX for the collateralized debt obligation, ITraxx and IBoxx for the credit-linked notes), which the Group believed approximated the orderly exit value in the current market.
 - The fair value of unquoted equity securities is estimated based on the valuation of the underlying investments on a new round of third party financing or upon liquidation.
 - The fair value of quoted equity securities is based on the quoted price per share adjusted to reflect any applicable restrictions.
- The fair value of restricted cash is its carrying amount
- The fair value of interest-bearing loans and borrowings is determined based on quoted market prices, and by estimating future cash flows on a borrowing-by-borrowing basis and discounting these future cash flows using the Group's borrowing rates for similar types of borrowing arrangements.
- The fair value of derivatives instruments is determined based upon quoted market prices for identical instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 2, 2011 the Group held the following financial instruments measured at fair value:

In millions of USD	July 2, 2011 (unaudited)	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	33	-	33	-
Currency collars	9	-	9	-
Purchased currency options	2	-	2	-
Veredus buy-out option	5	-	-	5
Cash flow hedges				
Forward foreign exchange contracts	30	-	30	-
Currency collars	12	-	12	-
Purchased currency options	2	-	2	-
Available-for-sale financial assets				
Available-for-sale investments – quoted debt and equity securities	438	433	5	-
Available-for-sale investments – unquoted equity securities	29	-	-	29
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	2	-	2	-

During the reporting period ending July 2, 2011, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into Level 3 fair value measurements. However, the fair value measurement of the Lehman Brothers notes was considered until December 2010 as a level 3 measurement. Since the first half of 2011, the fair value measurement of the Lehman Brothers notes is based on values observed on the open market and on direct unbinding quotation. This corresponds to a level 2 fair value measurement. The transfer of the Lehman Brothers notes out of the Level 3 category was made just after the recognition of the impairment charge.

For assets measured at fair value using significant unobservable inputs (Level 3), the reconciliation between January 1, 2011 and July 2, 2011 is presented as follows:

In millions of USD	Fair value measurements using significant unobservable inputs (Level 3)
As at January 1, 2011 (audited)	111
Impairment charge on Senior debt Floating rate note issued by Lehman Brothers	(5)
Settlement on Auction Rate Securities	(72)
Transfer of Senior debt Floating rate note issued by Lehman Brothers to level 2 fair value hierarchy	(5)
Veredus buy-out option	5
As at July 2, 2011 (unaudited)	34
Amount of total losses for the period included in the income statement attributable to assets still held at the reporting date	(5)

11. INVENTORIES

Inventories consisted of the following:

In millions of USD	(unaudited) July 2, 2011	(audited) December 31, 2010
Raw materials	106	80
Work-in-process	1,130	976
Finished products	519	441
Total	1,755	1,497

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

In millions of USD	(unaudited)	(audited)
	July 2, 2011	December 31, 2010
Cash at bank and in hand	492	220
Deposits at call with banks	1,863	1,672
Total	2,355	1,892

13. CASH GENERATED FROM OPERATIONS

Cash generated from operations is detailed as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Net result	444	214
Depreciation and amortization	800	745
Impairment charge and realized gain on financial assets	(318)	-
Interest expense on convertible debt	10	15
Gain on financial assets	(21)	(4)
Loss on convertible debt repurchase	4	17
Stock-based compensation	16	17
Other non-cash items	(6)	(10)
Deferred income tax	(4)	1
Share of (gain) / loss of associates and jointly controlled entities, impairments or reversal of impairments on investments in associates	15	(182)
Impairment, restructuring and other related closure costs, net of cash payments	(50)	(19)
Changes in assets and liabilities:		
Trade receivables, net	(65)	(88)
Inventories, net	(199)	(103)
Trade payables	31	417
Other assets and liabilities net	154	(109)
Cash generated from operations	811	911

14. EQUITY
a) OUTSTANDING SHARES

The authorized share capital of STMicroelectronics is EUR 1,810 million consisting of 1,200,000,000 common shares and 540,000,000 preference shares, each with a nominal value of EUR 1.04. As at July 2, 2011, the number of common shares issued was 910,544,805 shares (December 31, 2010: 910,420,305 shares).

As at July 2, 2011, the number of common shares outstanding was 884,345,239 shares (December 31, 2010: 881,686,303 shares).

b) PREFERENCE SHARES

The 540,000,000 preference shares, when issued, will entitle a holder to full voting rights and to a preferential right to dividends and distributions upon liquidation.

On January 22, 2008, an option agreement was concluded between the Company and Stichting Continuïteit ST. This option agreement provides for the issuance of 540,000,000 preference shares. Any such shares should be issued by the Company to the Foundation, upon its request and in its sole discretion, upon payment of at least 25% of the par value of the preference shares to be issued. The issuing of the preference shares is conditional upon (i) the Company receiving an unsolicited offer or there being the threat of such an offer; (ii) the Company's Managing and Supervisory Boards deciding not to support such an offer and; (iii) the Board of the Foundation determining that such an offer or acquisition would be contrary to the interests of the Company and its stakeholders. The preference shares may remain outstanding for no longer than two years. There was no preference share issued as at July 2, 2011.

c) TREASURY SHARES

The treasury shares have been designated for allocation under the Group's share based remuneration programs of non-vested shares including such plans as approved by the 2005, 2006, 2007, 2008, 2009 and 2010 Annual General Meeting of Shareholders. As of July 2, 2011, 16,720,654 of these treasury shares were transferred to employees under the Group's share based remuneration programs of which 2,534,436 in the first half of 2011.

As of July 2, 2011, the Group owned a number of treasury shares equivalent to 26,199,566.

d) OTHER RESERVES

Other reserves include the following components as at July 2, 2011:

In millions of USD	2016 Share conversion option reserve	Share-based compensation reserve	Available-for-sale (AFS) reserve	Cash Flow Hedge (CFH) reserve	Foreign currency translation reserve	Total other reserves
As at January 1, 2011 (audited)	221	466	26	31	887	1,631
2016 Convertible bond: exercise of put option by bond holders	(3)	-	-	-	-	(3)
Share-based compensation expense for the period	-	16	-	-	-	16
Net movement recognized in the statement of comprehensive income	-	-	(27)	38	261	272
As at July 2, 2011 (unaudited)	218	482	(1)	69	1,148	1,916

2016 Share conversion option

The 2016 Share conversion option reserve is used to recognize the equity component of the 2016 Convertible bond.

Share-based compensation reserve

The share-based compensation reserve is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Cash Flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationship incurred as at the reporting date.

Available-for-sale (AFS) reserve

This reserve records fair value changes on available-for-sale financial assets.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

e) DIVIDENDS

At the Company's Annual General Meeting of Shareholders held on May 25, 2010, the distribution of a cash dividend of \$0.28 per common share to be paid in four equal installments was adopted by the Company's shareholders. Through December 31, 2010, three installments were paid for an amount of \$186 million including withholding tax. The remaining \$0.07 per share cash dividend totaling \$62 million was paid in the first half of 2011.

At the Company's Annual General Meeting of Shareholders held on May 3, 2011, the distribution of a cash dividend of \$0.40 per common share to be paid in four equal installments was approved by the Company's shareholders. The first installment of \$0.10 per share cash dividend totaling \$89 million was paid in the first half of 2011.

15. PROVISIONS FOR RESTRUCTURING

As at July 2, 2011, provisions for restructuring amounted to \$94 million (of which \$74 million was included in Current Provision on the consolidated statement of financial position and \$20 million in Non-current provisions). Movements during the first half of 2011 are detailed as follows:

In millions of USD	Manufacturing Restructuring plan	ST-Ericsson restructuring plan	ST-Ericsson cost savings plan	Other restructuring initiatives	Restructuring provision
As at January 1, 2011 (audited)	59	60	-	19	138
Expense recognized during the period	29	5	22	1	57
Amounts paid	(70)	(31)	-	(5)	(106)
Currency translation effect	-	4	-	1	5
As at July 2, 2011 (unaudited)	18	38	22	16	94

Pursuant to its commitment to a restructuring plan aimed at improving its manufacturing competitiveness announced in 2007, the Group recorded in the first half of 2011 a total restructuring charge amounting to \$29 million. These restructuring charges primarily related to lease contract termination costs and other closure costs and one-time termination benefits to be paid to employees who rendered services until the complete closure of Carrollton and Phoenix fabs, which was almost substantially finalized.

The Group recorded in the first half of 2011 restructuring charges totaling \$5 million, pursuant to the STE restructuring plan announced and expanded in 2009, which was substantially completed during the first half of 2011. These restructuring charges primarily related to lease contract termination costs and other closure costs pursuant to the closure of certain locations.

Pursuant to its commitment of ST-Ericsson to a new restructuring plan announced in June 2011 aimed at achieving savings, the Group recorded in the first half of 2011 \$22 million restructuring charges. These restructuring charges related to ongoing termination benefits accrued up front at commitment date in certain locations and to lease contract termination costs.

16. CONTINGENCIES AND LEGAL PROCEEDINGS

Contingencies

The Group is subject to possible loss contingencies arising in the ordinary course of business. These include but are not limited to: warranty cost on the products of the Group, breach of contract claims, claims for unauthorized use of third-party intellectual property, tax claims beyond assessed uncertain tax positions as well as claims for environmental damages. In determining loss contingencies, the Group considers the likelihood of impairing an asset or the incurrence of a liability at the date of the financial statements as well as the ability to reasonably estimate the amount of such loss. The Group records a provision for a loss contingency when information available before the financial statements are issued or are available to be issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The Group regularly reevaluates claims to determine whether provisions need to be readjusted based on the most current information available to the Group. Changes in these evaluations could result in an adverse material impact on the Group's results of operations, cash flows or its financial position for the period in which they occur.

Claims and legal proceedings

The Group has received and may in the future receive communications alleging possible infringements, in particular in the case of patents and similar intellectual property rights of others. Furthermore, the Group periodically conducts broad patent cross license discussions with other industry participants which may or not be successfully concluded. The Group may become involved in costly litigation brought against the Group regarding patents, mask works, copy-rights, trademarks or trade secrets. In the event that the outcome of any litigation would be unfavorable to the Group, the Group may be required to license patents and/or other intellectual property rights at economically unfavorable terms and conditions, and possibly pay damages for prior use and/or face an injunction, all of which individually or in the aggregate could have a material adverse effect on the Group's results of operations, cash flows, financial position and/or ability to compete.

The Group is otherwise also involved in various lawsuits, claims, investigations and proceedings incidental to its business and operations.

On April 17, 2007, Tessera Technologies, Inc. filed a complaint against the Group and numerous other semiconductor manufacturers before the International Trade Commission (ITC) requesting the ITC to enter an injunction barring the importation of any product containing a device that infringes two identified patents related to ball grid array (BGA) packaging technology. On May 20, 2009 the ITC issued a final order finding that all the respondents infringe on Tessera's asserted patents, and granted Tessera's request for a Limited Exclusion Order prohibiting the importation of respondents' infringing products. On December 21, 2010, the Federal Circuit Court of Appeals issued an opinion upholding the ITC's final order. Respondents have requested that the Federal Circuit re-hear the appeal before the entire panel of justices. The appeals concerning the ITC decision of May 20, 2009 are still pending. In September 2010, the asserted patents have all expired, thus nullifying the Limited Exclusion Order. The filing of the ITC proceedings on April 17, 2007 resulted in the stay of an earlier lawsuit filed by Tessera in January 2006 against the Group and other manufacturers in the U.S. District Court for the Northern District of California, pursuant to which Tessera was claiming an injunction as well as an unspecified amount of monetary damages for breach of a 1997 License Agreement by the Group. The Group expects that once the appellate process concerning the ITC ruling is completed, Tessera will seek to lift the

stay on the pending proceedings in the Federal Court for the Northern District of California. The Group continues to assess the merits of all ongoing litigation with Tessera.

On December 1, 2010, Rambus Inc. filed a complaint with the ITC against the Group and numerous other parties, asserting that it engaged in unfair trade practices by importing certain memory controllers and devices using certain accused interface technologies that allegedly infringe six patents. The complaint seeks an exclusion order to bar importation into the United States of all semiconductor chips that include memory controllers and/or peripheral interfaces that are manufactured, imported, or sold for importation and that infringe any claim of the asserted patents, and all products incorporating the same. The complaint further seeks a cease and desist order directing the Group and other parties to cease and desist from importing, marketing, advertising, demonstrating, sampling, warehousing inventory for distribution, offering for sale, selling, distributing, licensing, or using any semiconductor chips that include memory controllers and/or peripheral interfaces, and products containing such semiconductor chips, that infringe any claim of the asserted patents. On December 29, 2010, the ITC voted to institute an investigation based on Rambus' complaint. The Group filed its response to the complaint on February 1, 2011. The deadline for fact discovery in the case has now passed, and expert discovery is in process. A pre-trial hearing is scheduled before the ITC on October 11, 2011, trial is scheduled to commence on October 12, 2011, and the target date for a Final Determination by the ITC is currently May 4, 2012.

Also on December 1, 2010, Rambus filed a lawsuit against the Group in the U.S. District Court for the Northern District of California alleging infringement of nineteen Rambus patents. On June 13, 2011, the District Court issued an order granting in part and denying in part defendants' motion to stay the action concerning Rambus patent infringement claims pending completion of the aforementioned ITC proceedings. The case will be stayed as to nine of the asserted patents, and will move forward as to the remaining patents. No trial date has yet been set. The Group intends to vigorously defend its position in these matters.

On December 4, 2009, the Group received from the International Chamber of Commerce the notification of a request for arbitration filed by NXP Semiconductors Netherlands BV "NXP" against the Group, claiming compensation for so called underloading costs of approximately \$59 million pursuant to a Manufacturing Services Agreement entered into between NXP and ST-NXP Wireless, at the time of the creation of ST-NXP Wireless, the Group's wireless semiconductor products joint venture with NXP. During the second quarter of 2011, an arbitration hearing was held in Paris regarding this claim and the Group is now awaiting the decision from the arbitral panel. The Group remains confident in the strength of its legal position regarding this claim.

As a result of a settlement agreement with Credit Suisse, the Group received a cash payment on June 9, 2011, of \$356.8 million from Credit Suisse as the full and final payment for the settlement of all outstanding litigation concerning auction rate securities. This amount was slightly higher than the full amount initially invested plus lost interest and expenses. The Group recorded a pre-tax profit of approximately \$329 million in the income statement of the second quarter of 2011 as a result of the settlement.

The pending proceedings which the Group faces involve complex questions of fact and law. The results of legal proceedings are uncertain and material adverse outcomes are possible.

The Group regularly evaluates claims and legal proceedings together with their related probable losses to determine whether they need to be adjusted based on the current information available to the Group. There can be no assurance that its recorded reserves will be sufficient to cover the extent of its potential liabilities. Legal costs associated with claims are expensed as incurred. In the event of litigation which is adversely determined with respect to the Group's interests, or in the event the Group needs to change its evaluation of a potential third-party claim, based on new evidence or communications, a material adverse effect could impact its operations or financial condition at the time it were to materialize. As of July 2, 2011, provisions for estimated losses with respect to legal proceedings were not

considered material. Additionally, at this time and on the basis of available information, the Group believes that the possible loss contingencies in aggregate, as they can be reasonably estimated, do not represent a material amount to the financial statements as a whole, including results of operations, cash flows and financial position.

17. EXPENSES BY NATURE

Expenses recorded as cost of sales and research and development and selling, general and administrative are detailed as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Depreciation and amortization	800	745
Employee benefit expenses	1,780	1,602
Purchase of materials and subcontracting services	2,067	1,892
Changes in inventories	(199)	(103)
Transportation	70	63
Royalties and patents	56	57
Advertising costs	6	6
Other expenses	341	440
Total cost of sales, research and development, and selling, general and administrative	4,921	4,702

Employee benefit expenses are detailed as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Wages and salaries	1,337	1,211
Social security costs	358	310
Share-based compensation expense	16	14
Pension costs	69	67
Total employee benefit expenses	1,780	1,602
Of which included in:		
Cost of sales	710	638
Selling, general and administrative	411	358
Research and development	659	606

18. OTHER INCOME / EXPENSES

Other income consisted of the following:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Research and development funding	63	49
Foreign exchange forward contracts	56	-
Net foreign exchange gain	5	3
Gain on sale of non-current assets	14	2
Other	-	1
Total other income	138	55

Other expenses consisted of the following:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Start-up / Phase out costs	8	5
Patent litigation costs	13	5
Foreign exchange forward contracts	-	90
Other expenses	3	2
Total other expenses	24	102

The Group receives significant public funding from governmental agencies in several jurisdictions. Public funding for research and development is recognized ratably as the related costs are incurred once the agreement with the respective governmental agency has been signed and all applicable conditions have been met. In the first half of 2011, Research and development funding of approximately \$63 million included a catch-up of grants related to certain 2010 activities for which contracts were signed in 2011.

Start-up costs represent costs incurred in the start-up and testing of the Group's new manufacturing facilities, before reaching the earlier of a minimum level of production or six months after the fabrication line's quality certification. Phase-out costs for facilities during the closing stage are treated in the same manner.

Patent costs include legal and attorney fees and payment for claims, patent pre-litigation consultancy and legal fees, netted against settlements, which primarily includes reimbursements of prior patent litigation costs.

19. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. This resulted in an approximately 22% tax rate which is the combination of (i) a favorable tax rate on the \$323 million gain on financial assets, (ii) income tax expense estimated at about 16% rate on the ST entities income, and (iii) an income tax benefit computed with a much lower tax rate applicable to the losses on the ST-Ericsson entities.

20. EARNINGS PER SHARE

For the period ended July 2, 2011 and June 26, 2010, earnings per share ("EPS") were calculated as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Basic EPS		
Net result	638	349
Weighted average shares outstanding	882,347,342	879,115,791
Basic EPS	0.72	0.40
Diluted EPS		
Net result	638	349
Net result adjusted	648	349
Weighted average shares outstanding	882,347,342	879,115,791
Dilutive effect of stock options	-	-
Dilutive effect of non-vested shares	3,603,210	2,507,804
Dilutive effect of convertible debt	20,221,013	5,624
Number of shares used for diluted EPS	906,171,566	881,629,219
Diluted EPS	0.72	0.40

As of July 2, 2011, the Group excluded 27,091,223 outstanding stock options from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market value of the common shares. There was also the equivalent of 19,689,104 common shares outstanding for convertible debt, out of which 5,624 for the 2013 bonds and 19,683,480 for the 2016 bonds. None of these bonds have been converted to shares during the first half of 2011.

21. RELATED PARTY

Transactions with significant shareholders, their affiliates and other related parties were as follows:

In millions of USD	(unaudited)	
	July 2, 2011	June 26, 2010
Sales and other services	119	154
Research and development expenses	(145)	(129)
Other purchases	(18)	(18)
Other income and expenses	-	(3)
Accounts receivable	52	71
Accounts payable	(56)	(50)

For the periods ended July 2, 2011 and June 26, 2010, the related party transactions were primarily with significant shareholders of the Group, or their subsidiaries and companies in which management of the Group perform similar policymaking functions. One of the members of the Group's Supervisory Board was managing director of Areva SA, which is a controlled subsidiary of CEA. On March 30, 2011, Fond Stratégique d'Investissement ("FSI") completed the acquisition of Areva's indirect interest in us. Following this transaction, during the Annual Shareholders' Meeting held on May 3, 2011, the managing director of Areva stepped down from his position at the Group's Supervisory Board following the expiry of his mandate. One of the members of our Supervisory Board is a member of the Board of Directors of Technicolor (formerly known as Thomson), another is the non-executive Chairman of the Board of Directors of ARM Holdings PLC ("ARM"), one of our Supervisory Board members is a member of the Supervisory Board of Soitec, two of the members of the Supervisory Board are also members of the Supervisory Board of BESI and one of the members of our Supervisory Board is a director of Oracle Corporation ("Oracle") and Flextronics International. France Telecom and its subsidiaries Equant and Orange, as well as Oracle's new subsidiary PeopleSoft supply certain services to our Group. One of our executive officers is a member of the Board of Directors of Soitec and Adecco. We have a long-term joint R&D partnership agreement with LETI, a wholly-owned subsidiary of CEA. We have certain licensing agreements with ARM, and have conducted transactions with Soitec, Adecco and BESI as well as with Technicolor and Flextronics. Each of the aforementioned arrangements and transactions are negotiated without the personal involvement of our Supervisory Board members and we believe that they are made on an arm's-length basis in line with market practices and conditions. The related party transactions presented in the table above also include transactions between the Group and its associates and jointly controlled entities as listed in Note 6.

In 2010 the Group granted, together with Ericsson, a \$200 million committed facility to ST-Ericsson, extended to \$500 million in April 2011, of which \$445 million (\$222.5 million for each parent) was utilized as of July 2, 2011. The Group and Ericsson intend to extend the committed facility to fund ST-Ericsson. The Group's Supervisory Board has approved an extension up to an overall amount of \$800 million, out of which \$400 million will be funded by the Group. Withdrawals on the facility are subject to approval by the parent companies at ST-Ericsson's Board of Directors.



III. SOLE MEMBER OF THE MANAGING BOARD’S STATEMENT

The Sole Member of the Managing Board hereby declares that, to the best of his knowledge, the Semi-Annual Financial Statements, which have been prepared in accordance with the applicable financial reporting standards for interim reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of STMicroelectronics N.V., and the undertakings included in the consolidation as a whole, and the Semi-Annual Management Report includes a fair review of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het Financieel toezicht).

Date: August 23, 2011

By: /s/ Carlo Bozotti

Name: Carlo Bozotti

Title: President and Chief Executive Officer and
Sole Member of the Managing Board

IV. ABOUT STMICROELECTRONICS

STMicroelectronics is a global leader serving customers across the spectrum of electronics applications with innovative semiconductor solutions. ST aims to be the undisputed leader in multimedia convergence and power applications leveraging its vast array of technologies, design expertise and combination of intellectual property portfolio, strategic partnerships and manufacturing strength. In 2010, the Group's net revenues were \$10.3 billion. Further information on ST can be found at www.st.com.

All of STMicroelectronics' press releases are available at:
http://www.st.com/internet/com/press/st_press_releases.jsp

All of ST-Ericsson's press releases are available at:
http://www.stericsson.com/press/press_releases.jsp.

For further information, please contact:

INVESTOR RELATIONS:

Tait Sorensen
Director, Investor Relations
Tel: +1 602 485 2064
tait.sorensen@st.com

MEDIA RELATIONS:

Maria Grazia Prestini
Group VP, Corporate Media and Public Relations
STMicroelectronics
Tel: + 41 22 929 6945
mariagrazia.prestini@st.com