



STMicroelectronics

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- **STMicroelectronics and Market Overview**
- **Strong Positions in Targeted Markets**
- **Driving Profitable Growth**
- **Financial Performance and Capital Structure**
- **Conclusion : ST Highlights**

STMicroelectronics and Market Overview

- A global semiconductor leader,
 - The largest European semiconductor company
 - Number 3 in Served Market
- 2010 revenues of \$10.35B⁽¹⁾
- Approx. 53,000 employees worldwide⁽¹⁾,
 - 12,000 people working in R&D
- 12 manufacturing sites
- Listed on New York Stock Exchange, Euronext Paris and Borsa Italiana, Milano

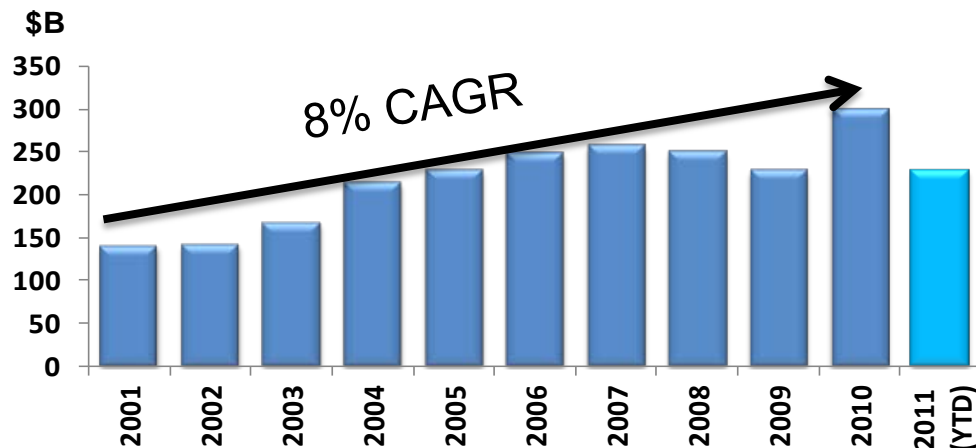


(1) Including ST-Ericsson, a 50:50 joint venture with Ericsson

Semiconductors: The Industry of Industries



Total Available Market



Serviceable Available Market
~ \$171B

- Growth sustained by:
 - Baseline development
 - New applications
 - Pervasion
- Cyclical Industry
- Actual Growth:
 - 2010: +26%
 - 9M 2011: +5%

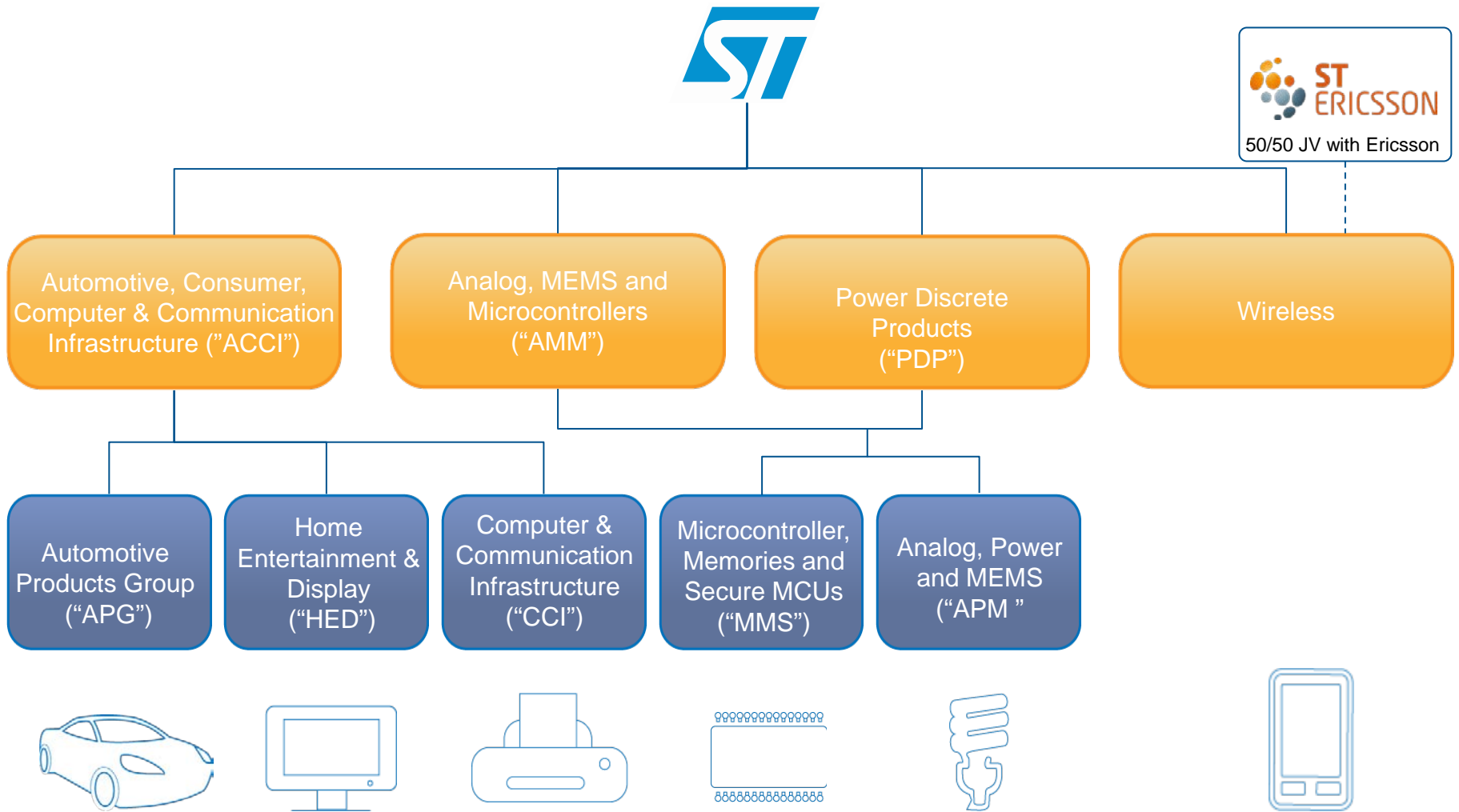
From Enterprise
driven demand ...



... to End-user /
Consumer driven
demand

Source: WSTS

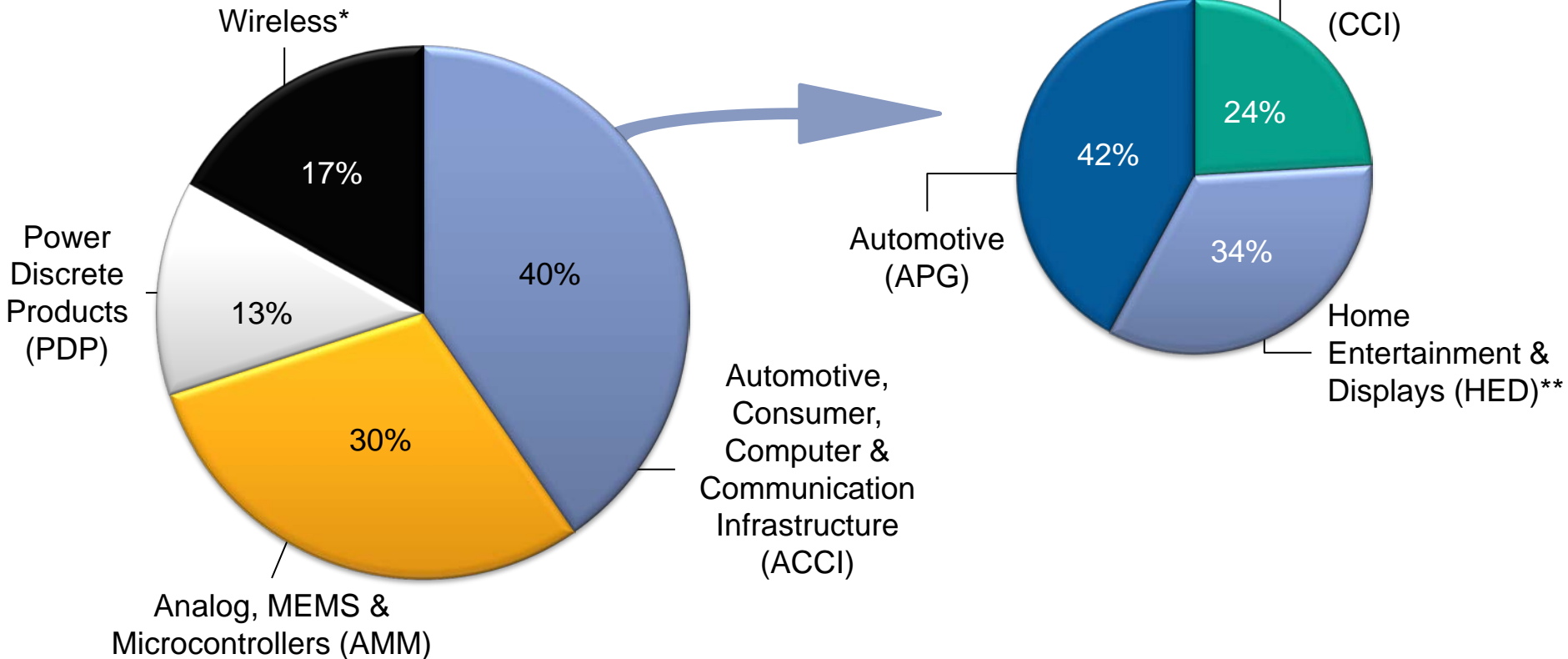
Business Segments



Revenues by Product Segment



Q311 Revenues: \$2,442M



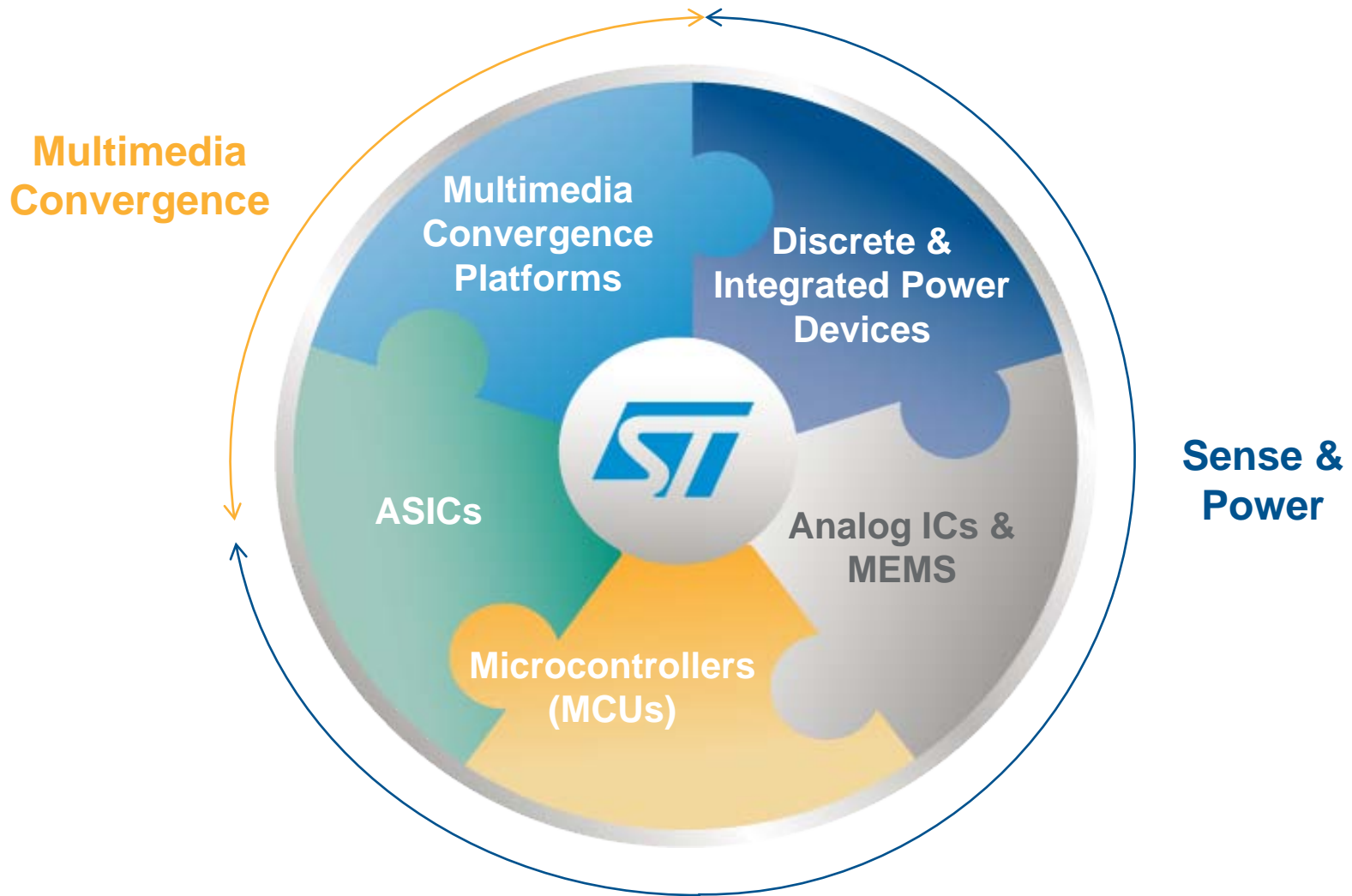
ST's exposure to the Wireless segment at the earnings level is ~9%

* See appendix

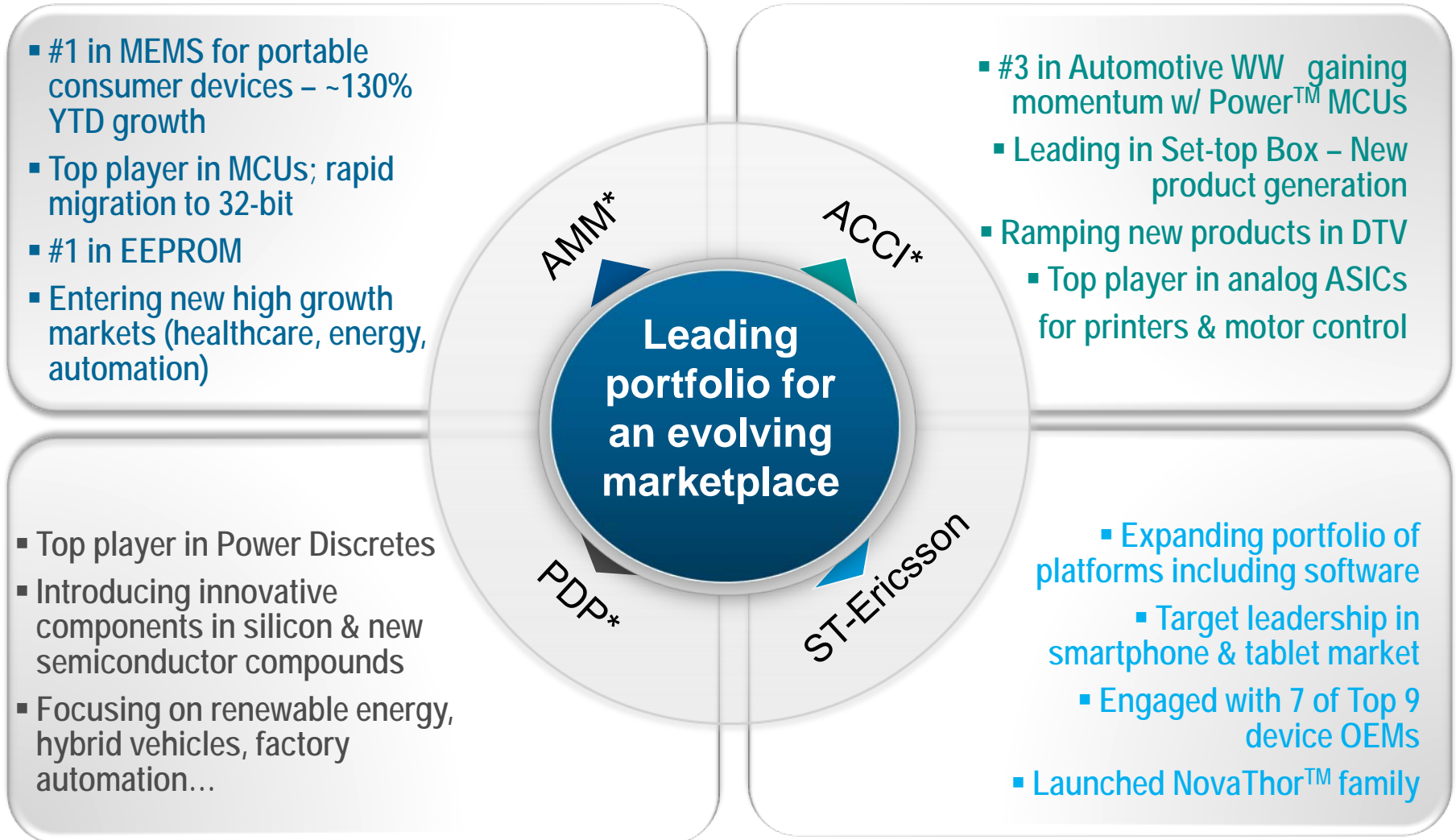
** Includes Imaging business

Strong Positions in Targeted Markets

Product Portfolio Strategy



Key Targeted Products & Applications



*ACCI: Automotive, Consumer, Computer & Communication Infrastructure; AMM : Analog, MEMS & Microcontrollers; PDP: Power Discrete Products

Strong Geographical Balance



Driving Profitable Growth

Key Marketing Initiatives

TARGET 20 NEW TOP ACCOUNTS

- +40% yoy growth in 2010
- +29% yoy growth in 9 months 2011

MASS MARKET

- +51% yoy growth in 2010
- +17% yoy growth in 9 months 2011

Top 10 OEM Customers First 9 Months 2011 (listed alphabetically)

Apple



Bosch



Cisco/Scientific Atlanta



Continental



HP



Nokia



Research in Motion



Samsung



Seagate



Sony Ericsson



Solving Challenges, Driving Growth



Energy
Management
& Saving



Trust &
Data
Security

Healthcare
&
Wellness



Smart
Consumer
Devices

Value Priorities



**Grow revenues
faster than the
market**

- Further penetrate new key accounts
- Marketing initiatives deployed
- Growth of MEMS & Automotive
- Ramp of Wireless platforms

**Improve / protect
margin**

- Increase sales of new products
- Increase mix of Analog, MEMS and MCUs
- ST-Ericsson proliferation of new platforms
- Manufacturing flexibility

**Assets
management**

- Silicon fabs reduced from 17 to 8
- Capex model: ~10% thru a cycle
- Return to inventory turns target of 4.5 to 5.0
- Improve front-end manufacturing cycle time

**Mid-Term
Target**

**16-22%
Attributable
RONA**

Financial Performance

9M 2011 Highlights



- Challenging market environment
 - Ongoing cyclical downturn
 - Weak business at a major customer
 - Ongoing inventory adjustments
- All ST wholly-owned businesses* increased revenue and expanded profits in spite of the changing market environment over the first 9 months of 2011
 - ST wholly-owned businesses revenue: +9.3%
 - Served Available Market ex.wireless: +2.4%
- RONA Attributable to ST is 11%
 - Still substantial losses at ST-Ericsson
 - Wholly-owned business operating margin before restructuring at 9.9%
- Net income of \$661 million
 - 73 cents per diluted share, 43 cents adjusted**
- Net cash position: \$827 million at October 1, 2011
 - \$239 million in dividends paid to shareholders

Continued weak market conditions amid macro-economic uncertainty

* ST's wholly-owned businesses include ACCI, AMM and PDP and Others .

** See appendix

Financial Performance



In US\$M, except EPS	Q310	Q311		9M11		FY10	FY09
Net Revenues	2,657	2,442		7,543		10,346	8,510
Gross Margin	39.2%	35.8%		37.7%		38.8%	30.9%
Operating Income Before Restructuring*	220	(13)		243		580	(732)
Operating Margin Before Restructuring Attributable to ST*	11.6%	4.3%		7.8%		9.2%	-6.8%
Net Income – Reported	198	71		661		830	(1,131)
EPS Diluted	0.22	0.08		0.73		0.92	(1.29)
Adjusted EPS Diluted*	0.23	0.09		0.43		0.75	(0.72)
Free Cash Flow**	224	(136)		(335)		961	1,363
Net Financial Position*	878	827		827		1,152	420
Effective Exchange Rate €/\$	1.34	1.40		1.37		1.36	1.37

*See appendix

** Including M&A, main amount being \$1,145M in Q109

Financial Performance



Wholly-owned businesses *

Wireless **

In US\$M	Q310	Q311	9 months 2011		Q310	Q311	9 months 2011
Revenues	2,111	2,030	6,400		546	412	1,143
Operating Income (loss) before restructuring	314	202	844		(94)	(215)	(601)
Operating Margin	14.9%	9.9%	13.2%		na	na	na
Minority Interests	na	na	na		62	102	304

* ST's wholly-owned businesses include ACCI, AMM and PDP and Others .

** 100% of ST-Ericsson's results (out of which 50% from the competence of ST) as consolidated by ST plus other margins of ST related to ST-Ericsson's business

Net Financial Position*



End of period (US\$M)	Sep. 25, 2010 **	Oct. 1, 2011
Available cash and Marketable Securities	2,692	2,507
Restricted Cash and Non-current Marketable Securities***	88	29
Total Liquidity	2,780	2,536
Total Financial Debt****	(1,902)	(1,709)
Net Financial Position	878	827

Over the first 9 months of 2011, ST:

- Paid \$239M of dividends
- Redeemed \$116M of 2016 Convertible Bond and repurchased \$107M of 2013 Eurobonds

* See appendix

** Excluding Micron shares held at period end

*** Includes cash of JV, restricted cash and non-current marketable securities

**** Includes ST-Ericsson short-term debt to Ericsson of \$307M as of Oct.1, 2011 and \$25M as of Sept. 25, 2010

Conclusion: ST Highlights



A worldwide semiconductor leader positioned to capture higher value from mid-term industry growth, facing short-term headwinds

- Beyond the current temporary slowdown, the **semiconductor industry** is well positioned to grow in future years
- ST value driven by two major **strategic transformations**
 - Product portfolio
 - Technology and Manufacturing towards an asset-lighter company
- **Investment in wireless to translate into value driver**
- **Expanded customer base & innovative products**
- ... supported by a **strong capital structure** and ...
- **...value distribution = current 5.5% dividend yield**

Forward Looking Statements



- *Some of the statements contained in this release that are not historical facts are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in such statements due to, among other factors:*
 - *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;*
 - *our ability in periods of reduced demand or visibility on orders to reduce our expenses as required and to operate our manufacturing facilities at sufficient levels to cover fixed operating costs;*
 - *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 in a rapidly evolving market environment and facing a dramatic change in their major customer business. Consequently, ST-Ericsson is incurring significant losses. In the event of non-acceptance by customers of new products, 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 identify and allocate necessary design resources to successfully develop and secure customer acceptance for new products meeting their expectations as well as our ability to achieve our pricing expectations for high-volume supplies of new products in whose development we have been, or are currently, investing;*
 - *the financial impact of obsolete or excess inventories if actual demand differs from our expectations;*
 - *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, changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*
 - *the impact of intellectual property ("IP") claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;*
 - *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 current flooding in Thailand which impact the operations of our customers), 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 "Item 3. Key Information — Risk Factors" included in our Annual Report on Form 20-F for the year ended December 31, 2010, as filed with the SEC on March 7, 2011. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.*

- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding payment for purchases of and proceeds from the sale of marketable securities (both current and non-current), short-term deposits and restricted cash. We believe free cash flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operating activities. Free cash flow is not a U.S. GAAP measure and does not represent total cash flow since it does not include the cash flows generated by or used in financing activities. In addition, our definition of free cash flow may differ from definitions used by other companies.
- **Net financial position:** resources (debt), represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, net of bank overdrafts, if any, current and non-current marketable securities excluding Micron shares received in connection with the sales of Numonyx, short-term deposits and non-current restricted cash, and our total financial debt includes short term borrowings, current portion of long-term debt and long-term debt, all as reported in our consolidated balance sheet. We believe our net financial position provides useful information for investors because it gives evidence of our global position either in terms of net indebtedness or net cash position by measuring our capital resources based on cash, cash equivalents and marketable securities and the total level of our financial indebtedness. Net financial position is not a U.S. GAAP measure.
- **Return on Net Assets (RONA)** is the ratio of operating income before impairment and restructuring charges divided by average net assets used during the period. ST defines average net assets as average total assets net of total liabilities as reported in our consolidated balance sheet excluding all items related to our financial position such as cash and cash equivalents, marketable securities, short term deposits, restricted cash, bank overdrafts, current portion of long term debt and long term debt.
- **Operating income** before restructuring excludes impairment, restructuring charges and other related closure costs.
- **Operating income before restructuring attributable to ST** is calculated as operating income before restructuring excluding 50% of ST-Ericsson operating loss before restructuring as consolidated by ST. **Operating margin before restructuring attributable to ST** is calculated as operating income before restructuring attributable to ST divided by reported revenues excluding 50% of ST-Ericsson revenues as consolidated by ST. **Return on Net Assets (RONA) attributable to ST** is calculated as annualized operating income before restructuring attributable to ST divided by reported net assets excluding 50% of ST-Ericsson net assets as consolidated by ST.
- **Adjusted net earnings and earnings per share (EPS)** are used by our management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items. Adjusted earnings excludes impairment, restructuring charges and other related closure costs attributable to ST, the impact of equity investment divestiture and subsequent sale of Micron shares, other-than-temporary impairment (OTTI) charges and realized gain on financial assets, net of the relevant tax impact.
- **Consolidation of ST-Ericsson:** ST-Ericsson, a joint venture owned 50% by ST, began operations on February 3, 2009 and is consolidated into ST's operating results as of that date. ST-Ericsson is led by a development and marketing company consolidated by ST. A separate platform design company providing platform designs mostly to the development and marketing company is accounted for by ST using the equity method.
- **Wireless Segment:** As of February 3, 2009, "Wireless" includes the portion of sales and operating results of the 50/50 ST-Ericsson joint venture as consolidated in the Company's revenues and operating results, as well as other items affecting operating results related to the wireless business.
- **Sales recorded by ST-Ericsson and consolidated by ST are included in Telecom and Distribution**

Pre-Tax Items to Adjusted Earnings*



OPERATING RESULT NET EARNINGS	<i>In US\$M</i>	Q310	Q211		Q311
	U.S. GAAP Net Earnings	198	420		71
	Impairment & Restructuring (attributable to Parent Company's shareholders)**	18	24		7
	Realized Gain on Financial Assets		(323)		
	Estimated Income Tax effect of Adjustment	(5)	5		7
	Adjusted Net Earnings*	211	126		85

* See appendix

** Total Impairment & Restructuring Charges were \$27M in Q310, \$31M in Q211, \$10M in Q311