



PR No: C3273C

STMicroelectronics Reports 2024 Second Quarter Financial Results

- Q2 net revenues \$3.23 billion; gross margin 40.1%; operating margin 11.6%; net income \$353 million
- H1 net revenues \$6.70 billion; gross margin 40.9 %; operating margin 13.8%; net income \$865 million
- Business outlook at mid-point: Q3 net revenues of \$3.25 billion and gross margin of 38%

Geneva, July 25, 2024 – STMicroelectronics N.V. (“ST”) (NYSE: STM), a global semiconductor leader serving customers across the spectrum of electronics applications, reported U.S. GAAP financial results for the second quarter ended June 29, 2024. This press release also contains non-U.S. GAAP measures (see Appendix for additional information).

ST reported second quarter net revenues of \$3.23 billion, gross margin of 40.1%, operating margin of 11.6%, and net income of \$353 million or \$0.38 diluted earnings per share.

Jean-Marc Chery, ST President & CEO, commented:

- “Q2 net revenues were above the midpoint of our business outlook range driven by higher revenues in Personal Electronics, partially offset by lower than expected revenues in Automotive. Gross margin was in line with expectations.”
- “First half net revenues decreased 21.9% year-over-year, mainly driven by a decrease in Microcontrollers and Power and Discrete segments. Operating margin was 13.8% and net income was \$865 million.”
- “During the quarter, contrary to our prior expectations, customer orders for Industrial did not improve and Automotive demand declined.”
- “Our third quarter business outlook, at the mid-point, is for net revenues of \$3.25 billion, decreasing year-over-year by 26.7% and increasing sequentially by 0.6%; gross margin is expected to be about 38%, impacted by about 350 basis points of unused capacity charges.”
- “We will now drive the Company based on a plan for FY24 revenues in the range of \$13.2 billion to \$13.7 billion. Within this plan, we expect a gross margin of about 40%.”

Quarterly Financial Summary (U.S. GAAP)

(US\$ m, except per share data)	Q2 2024	Q1 2024	Q2 2023	Q/Q	Y/Y
Net Revenues	\$3,232	\$3,465	\$4,326	-6.7%	-25.3%
Gross Profit	\$1,296	\$1,444	\$2,119	-10.2%	-38.9%
Gross Margin	40.1%	41.7%	49.0%	-160 bps	-890 bps
Operating Income	\$375	\$551	\$1,146	-32.0%	-67.3%
Operating Margin	11.6%	15.9%	26.5%	-430 bps	-1,490 bps
Net Income	\$353	\$513	\$1,001	-31.2%	-64.8%
Diluted Earnings Per Share	\$0.38	\$0.54	\$1.06	-29.6%	-64.2%

Second Quarter 2024 Summary Review

Reminder: On January 10, 2024, ST announced a new organization which implied a change in segment reporting starting Q1 2024. Comparative periods have been adjusted accordingly. See Appendix for more detail.

Net Revenues by Reportable Segment (US\$ m)	Q2 2024	Q1 2024	Q2 2023	Q/Q	Y/Y
Analog products, MEMS and Sensors (AM&S) segment	1,165	1,217	1,293	-4.3%	-10.0%
Power and discrete products (P&D) segment	747	820	989	-8.8%	-24.4%
Subtotal: Analog, Power & Discrete, MEMS and Sensors (APMS) Product Group	1,912	2,037	2,282	-6.1%	-16.2%
Microcontrollers (MCU) segment	800	950	1,482	-15.7%	-46.0%
Digital ICs and RF Products (D&RF) segment	516	475	558	8.6%	-7.6%
Subtotal: Microcontrollers, Digital ICs and RF products (MDRF) Product Group	1,316	1,425	2,040	-7.6%	-35.5%
Others	4	3	4	-	-
Total Net Revenues	3,232	3,465	4,326	-6.7%	-25.3%

Net revenues totaled \$3.23 billion, representing a year-over-year decrease of 25.3%. Year-over-year net sales to OEMs and Distribution decreased 14.9% and 43.7%, respectively. On a sequential basis, net revenues decreased 6.7%, 90 basis points better than the mid-point of ST's guidance.

Gross profit totaled \$1.30 billion, representing a year-over-year decrease of 38.9%. **Gross margin** of 40.1%, in line with the mid-point of ST's guidance, decreased 890 basis points year-over-year, mainly due to the combination of product mix and sales price and higher unused capacity charges.

Operating income decreased 67.3% to \$375 million, compared to \$1.15 billion in the year-ago quarter. ST's **operating margin** decreased 1,490 basis points on a year-over-year basis to 11.6% of net revenues, compared to 26.5% in the second quarter of 2023.

By **reportable segment**¹, compared with the year-ago quarter:

In Analog, Power & Discrete, MEMS and Sensors (APMS) Product Group:

Analog products, MEMS and Sensors (AM&S) segment:

- Revenue decreased 10.0% mainly due to a decrease in Imaging.
- Operating profit decreased by 44.5% to \$144 million. Operating margin was 12.4% compared to 20.0%.

Power and Discrete products (P&D) segment:

- Revenue decreased 24.4%.
- Operating profit decreased by 57.9% to \$110 million. Operating margin was 14.7% compared to 26.4%.

In Microcontrollers, Digital ICs and RF products (MDRF) Product Group:

Microcontrollers (MCU) segment:

- Revenue decreased 46.0% mainly due to a decrease in GP MCU.
- Operating profit decreased by 87.1% to \$72 million. Operating margin was 8.9% compared to 37.2%.

Digital ICs and RF products (D&RF) segment:

- Revenue decreased 7.6% due to a decrease in ADAS which more than offset the increase in RF Communications.
- Operating profit decreased by 23.8% to \$150 million. Operating margin was 29.1% compared to 35.2%.

¹ See Appendix for the definition of reportable segments.

Net income and **diluted Earnings Per Share** decreased to \$353 million and \$0.38 respectively compared to \$1.00 billion and \$1.06 respectively in the year-ago quarter.

Cash Flow and Balance Sheet Highlights

(US\$ m)	Q2 2024	Q1 2024	Q2 2023	Trailing 12 Months		
				Q2 2024	Q2 2023	TTM Change
Net cash from operating activities	702	859	1,311	4,922	5,832	-15.6%
Free cash flow (non-U.S. GAAP) ¹	159	(134)	209	1,384	1,694	-18.3%

Net cash from operating activities was \$702 million in the second quarter compared to \$1.31 billion in the year-ago quarter.

Net Capex (non-U.S. GAAP)¹ was \$528 million in the second quarter compared to \$1.07 billion in the year-ago quarter.

Free cash flow (non-U.S. GAAP)¹ was \$159 million in the second quarter, compared to \$209 million in the year-ago quarter.

Inventory at the end of the second quarter was \$2.81 billion, compared to \$2.69 billion in the previous quarter and \$3.05 billion in the year-ago quarter. Days sales of inventory at quarter-end was 130 days compared to 122 days in the previous quarter and 126 days in the year-ago quarter.

In the second quarter, ST paid cash dividends to its stockholders totaling \$73 million and executed a \$88 million share buy-back, completing its \$1,040 million share repurchase program launched on July 1, 2021. On June 21, 2024, ST announced the launch of a new share buy-back plan comprising two programs totalling up to \$1,100 million to be executed within a 3-year period.

ST's net financial position (non-U.S. GAAP)¹ was \$3.20 billion as of June 29, 2024, compared to \$3.13 billion as of March 30, 2024 and reflected total liquidity of \$6.29 billion and total financial debt of \$3.09 billion. Adjusted net financial position (non-U.S. GAAP)¹, taking into consideration the effect on total liquidity of advances from capital grants for which capital expenditures have not been incurred yet, stood at \$2.80 billion as of June 29, 2024.

Business Outlook

ST's guidance, at the mid-point, for the 2024 third quarter is:

- Net revenues are expected to be \$3.25 billion, an increase of 0.6% sequentially, plus or minus 350 basis points.
- Gross margin of 38%, plus or minus 200 basis points.
- This outlook is based on an assumed effective currency exchange rate of approximately \$1.07 = €1.00 for the 2024 third quarter and includes the impact of existing hedging contracts.
- The third quarter will close on September 28, 2024.

Conference Call and Webcast Information

ST will conduct a conference call with analysts, investors and reporters to discuss its second quarter 2024 financial results and current business outlook today at 9:30 a.m. Central European Time (CET) / 3:30 a.m. U.S. Eastern Time (ET). A live webcast (listen-only mode) of the conference call will be accessible at ST's website, <https://investors.st.com>, and will be available for replay until August 9, 2024.

¹ Non-U.S. GAAP. See Appendix for reconciliation to U.S. GAAP and information explaining why ST believes these measures are important.

Use of Supplemental Non-U.S. GAAP Financial Information

This press release contains supplemental non-U.S. GAAP financial information.

Readers are cautioned that these measures are unaudited and not prepared in accordance with U.S. GAAP and should not be considered as a substitute for U.S. GAAP financial measures. In addition, such non-U.S. GAAP financial measures may not be comparable to similarly titled information from other companies. To compensate for these limitations, the supplemental non-U.S. GAAP financial information should not be read in isolation, but only in conjunction with ST's consolidated financial statements prepared in accordance with U.S. GAAP.

See the Appendix of this press release for a reconciliation of ST's non-U.S. GAAP financial measures to their corresponding U.S. GAAP financial measures.

Forward-looking Information

Some of the statements contained in this release that are not historical facts are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated by such statements due to, among other factors:

- *changes in global trade policies, including the adoption and expansion of tariffs and trade barriers, that could affect the macro-economic environment and adversely impact the demand for our products;*
- *uncertain macro-economic and industry trends (such as inflation and fluctuations in supply chains), which may impact production capacity and end-market demand for our products;*
- *customer demand that differs from projections;*
- *the ability to design, manufacture and sell innovative products in a rapidly changing technological environment;*
- *changes in economic, social, public health, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macroeconomic or regional events, geopolitical and military conflicts, social unrest, labor actions, or terrorist activities;*
- *unanticipated events or circumstances, which may impact our ability to execute our plans and/or meet the objectives of our R&D and manufacturing programs, which benefit from public funding;*
- *financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;*
- *the loading, product mix, and manufacturing performance of our production facilities and/or our required volume to fulfill capacity reserved with suppliers or third-party manufacturing providers;*
- *availability and costs of equipment, raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations (including increasing costs resulting from inflation);*
- *the functionalities and performance of our IT systems, which are subject to cybersecurity threats and which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers, suppliers, partners and providers of third-party licensed technology;*
- *theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of data privacy legislation;*
- *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;*
- *changes in our overall tax position as a result of changes in tax rules, new or revised legislation, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*
- *variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;*
- *the outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;*
- *product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;*
- *natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, the effects of climate change, health risks and epidemics or pandemics in locations where we, our customers or our suppliers operate;*
- *increased regulation and initiatives in our industry, including those concerning climate change and sustainability matters and our goal to become carbon neutral by 2027 on scope 1 and 2 and partially scope 3;*

- epidemics or pandemics, which may negatively impact the global economy in a significant manner for an extended period of time, and could also materially adversely affect our business and operating results;
- industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers; and
- the ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third-party components and performance of subcontractors in line with our expectations.

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, 2023 as filed with the Securities and Exchange Commission (“SEC”) on February 22, 2024. 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 press 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.

Unfavorable changes in the above or other factors listed under “Item 3. Key Information — Risk Factors” from time to time in our Securities and Exchange Commission (“SEC”) filings, could have a material adverse effect on our business and/or financial condition.

About STMicroelectronics

At ST, we are over 50,000 creators and makers of semiconductor technologies mastering the semiconductor supply chain with state-of-the-art manufacturing facilities. An integrated device manufacturer, we work with more than 200,000 customers and thousands of partners to design and build products, solutions, and ecosystems that address their challenges and opportunities, and the need to support a more sustainable world. Our technologies enable smarter mobility, more efficient power and energy management, and the wide-scale deployment of cloud-connected autonomous things. We are committed to achieving our goal to become carbon neutral on scope 1 and 2 and partially scope 3 by 2027. Further information can be found at www.st.com.

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STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of U.S. dollars, except per share data (\$))

	Three months ended	
	June 29, 2024	July 1, 2023
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net sales	3,227	4,320
Other revenues	5	6
NET REVENUES	3,232	4,326
Cost of sales	(1,936)	(2,207)
GROSS PROFIT	1,296	2,119
Selling, general and administrative expenses	(419)	(414)
Research and development expenses	(535)	(555)
Other income and expenses, net	33	(4)
Total operating expenses	(921)	(973)
OPERATING INCOME	375	1,146
Interest income, net	51	33
Other components of pension benefit costs	(4)	(5)
Loss on financial instruments, net	(1)	-
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	421	1,174
Income tax expense	(67)	(171)
NET INCOME	354	1,003
Net income attributable to noncontrolling interest	(1)	(2)
NET INCOME ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	353	1,001
EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	0.39	1.11
EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	0.38	1.06
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EPS	941.1	944.5

STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of U.S. dollars, except per share data (\$))

	Six months ended	
	June 29, 2024	July 1, 2023
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net sales	6,670	8,561
Other revenues	27	12
NET REVENUES	6,697	8,573
Cost of sales	(3,958)	(4,344)
GROSS PROFIT	2,739	4,229
Selling, general and administrative expenses	(844)	(808)
Research and development expenses	(1,063)	(1,060)
Other income and expenses, net	93	(14)
Total operating expenses	(1,814)	(1,882)
OPERATING INCOME	925	2,347
Interest income, net	111	70
Other components of pension benefit costs	(8)	(9)
Loss on financial instruments, net	(1)	-
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	1,027	2,408
Income tax expense	(159)	(359)
NET INCOME	868	2,049
Net income attributable to noncontrolling interest	(3)	(4)
NET INCOME ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	865	2,045
EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	0.96	2.27
EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	0.92	2.16
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EPS	941.8	945.0

STMicroelectronics N.V.
CONSOLIDATED BALANCE SHEETS

As at	June 29, 2024	March 30, 2024	December 31, 2023
In millions of U.S. dollars	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Current assets:			
Cash and cash equivalents	3,092	3,133	3,222
Short-term deposits	975	1,226	1,226
Marketable securities	2,218	1,880	1,635
Trade accounts receivable, net	1,708	1,787	1,731
Inventories	2,810	2,685	2,698
Other current assets	1,066	1,183	1,295
Total current assets	11,869	11,894	11,807
Goodwill	296	298	303
Other intangible assets, net	353	366	367
Property, plant and equipment, net	10,869	10,866	10,554
Non-current deferred tax assets	575	585	592
Long-term investments	20	22	22
Other non-current assets	924	942	808
Total assets	24,906	24,973	24,453
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt	236	238	217
Trade accounts payable	1,577	1,642	1,856
Other payables and accrued liabilities	1,344	1,547	1,525
Dividends payable to stockholders	257	6	54
Accrued income tax	131	133	78
Total current liabilities	3,545	3,566	3,730
Long-term debt	2,850	2,875	2,710
Post-employment benefit obligations	375	372	372
Long-term deferred tax liabilities	37	49	54
Other long-term liabilities	951	912	735
Total liabilities	7,758	7,774	7,601
Commitment and contingencies			
Equity			
Parent company stockholders' equity			
Common stock (preferred stock: 540,000,000 shares authorized, not issued; common stock: Euro 1.04 par value, 1,200,000,000 shares authorized, 911,281,920 shares issued, 903,230,622 shares outstanding as of June 29, 2024)	1,157	1,157	1,157
Additional Paid-in Capital	2,985	2,931	2,866
Retained earnings	12,813	12,982	12,470
Accumulated other comprehensive income	421	468	613
Treasury stock	(354)	(463)	(377)
Total parent company stockholders' equity	17,022	17,075	16,729
Noncontrolling interest	126	124	123
Total equity	17,148	17,199	16,852
Total liabilities and equity	24,906	24,973	24,453

STMicroelectronics N.V.**SELECTED CASH FLOW DATA**

Cash Flow Data (in US\$ millions)	Q2 2024	Q1 2024	Q2 2023
Net Cash from operating activities	702	859	1,311
Net Cash used in investing activities	(628)	(1,254)	(1,615)
Net Cash from (used in) financing activities	(112)	308	(158)
Net Cash decrease	(41)	(89)	(461)
Selected Cash Flow Data (in US\$ millions)	Q2 2024	Q1 2024	Q2 2023
Depreciation & amortization	439	430	383
Net payment for Capital expenditures	(546)	(994)	(1,072)
Dividends paid to stockholders	(73)	(48)	(50)
Change in inventories, net	(136)	(12)	(175)

Appendix
ST
New organization

On January 10, 2024, ST announced a new organization to deliver enhanced product development innovation and efficiency, time-to-market as well as customer focus by end market. This new organization implies a change in segment reporting which is applied from January 1, 2024.

ST moved from three reportable segments (ADG, AMS and MDG) to four reportable segments as follows:

- In Analog, Power & Discrete, MEMS and Sensors (APMS) Product Group:
 - Analog products, MEMS and Sensors (AM&S) segment, comprised of ST analog products, MEMS sensors and actuators, and optical sensing solutions.
 - Power and Discrete products (P&D) segment comprised of discrete and power transistor products.

In this Press Release, “Analog” refers to ST analog products, “MEMS” to MEMS sensors and actuators and “Imaging” to optical sensing solutions.

- In Microcontrollers, Digital ICs and RF products (MDRF) Product Group:
 - Microcontrollers (MCU) segment, comprised of general-purpose and automotive microcontrollers, microprocessors and connected security products (including EEPROM).
 - Digital ICs and RF Products (D&RF) segment, comprised of automotive ADAS, infotainment, RF and communications products.

In this Press release, “Auto MCU” refers to Automotive microcontrollers and microprocessors, “GP MCU” to general purpose microcontrollers and microprocessors, “Connected Security” to connected security products (including EEPROM), “ADAS” to automotive ADAS and infotainment, “RF Communications” to RF and communications products.

Prior year quarters comparative information has been adjusted accordingly.

(Appendix – continued)
ST
Supplemental Financial Information

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net Revenues By Market Channel (%)					
Total OEM	73%	70%	70%	67%	64%
Distribution	27%	30%	30%	33%	36%
€/€ Effective Rate	1.08	1.09	1.08	1.09	1.08
Reportable Segment Data (US\$ m)					
Analog products, MEMS and Sensors (AM&S) segment					
- Net Revenues	1,165	1,217	1,418	1,367	1,293
- Operating Income	144	185	300	298	259
Power and Discrete products (P&D) segment					
- Net Revenues	747	820	965	989	989
- Operating Income	110	138	245	262	262
Subtotal: Analog, Power & Discrete, MEMS and Sensors (APMS) Product Group					
- Net Revenues	1,912	2,037	2,383	2,356	2,282
- Operating Income	254	323	545	560	521
Microcontrollers (MCU) segment					
- Net Revenues	800	950	1,272	1,466	1,482
- Operating Income	72	185	378	534	551
Digital ICs and RF Products (D&RF) segment					
- Net Revenues	516	475	623	605	558
- Operating Income	150	150	223	226	196
Subtotal: Microcontrollers, Digital ICs and RF products (MDRF) Product Group					
- Net Revenues	1,316	1,425	1,895	2,071	2,040
- Operating Income	222	335	601	760	747
Others ^(a)					
- Net Revenues	4	3	4	4	4
- Operating Income (Loss)	(101)	(107)	(123)	(79)	(122)
Total					
- Net Revenues	3,232	3,465	4,282	4,431	4,326
- Operating Income	375	551	1,023	1,241	1,146

^(a) Net revenues of Others include revenues from sales assembly services and other revenues. Operating income (loss) of Others include items such as unused capacity charges, including incidents leading to power outage, impairment and restructuring charges, management reorganization costs, start-up and phase out costs, and other unallocated income (expenses) such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to reportable segments, as well as operating earnings of other products. Others includes:

(US\$ m)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Unused capacity charges	84	63	57	46	15

(Appendix – continued)
ST
Supplemental Non-U.S. GAAP Financial Information
U.S. GAAP – Non-U.S. GAAP Reconciliation

The supplemental non-U.S. GAAP information presented in this press release is unaudited and subject to inherent limitations. Such non-U.S. GAAP information is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for U.S. GAAP measurements. Also, our supplemental non-U.S. GAAP financial information may not be comparable to similarly titled non-U.S. GAAP measures used by other companies. Further, specific limitations for individual non-U.S. GAAP measures, and the reasons for presenting non-U.S. GAAP financial information, are set forth in the paragraphs below. To compensate for these limitations, the supplemental non-U.S. GAAP financial information should not be read in isolation, but only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP.

ST believes that these non-U.S. GAAP financial measures provide useful information for investors and management because they offer, when read in conjunction with ST's U.S. GAAP financials, (i) the ability to make more meaningful period-to-period comparisons of ST's on-going operating results, (ii) the ability to better identify trends in ST's business and perform related trend analysis, and (iii) to facilitate a comparison of ST's results of operations against investor and analyst financial models and valuations, which may exclude these items.

Net Financial Position and Adjusted Net Financial Position (non-U.S. GAAP measures)

Net Financial Position, a non-U.S. GAAP measure, represents the difference between our total liquidity and our total financial debt. Our total liquidity includes cash and cash equivalents, restricted cash, if any, short-term deposits, and marketable securities, and our total financial debt includes short-term debt and long-term debt, as reported in our Consolidated Balance Sheets. Starting Q4 2023, ST also presents adjusted net financial position as a non-U.S. GAAP measure, to take into consideration the effect on total liquidity of advances received on capital grants for which capital expenditures have not been incurred yet. Reporting periods prior to Q4 2023 are not impacted.

ST believes its Net Financial Position and Adjusted Net Financial Position provide useful information for investors and management because they give evidence of our global position either in terms of net indebtedness or net cash by measuring our capital resources based on cash and cash equivalents, restricted cash, if any, short-term deposits and marketable securities and the total level of our financial debt. Our definitions of Net Financial Position and Adjusted Net Financial Position may differ from definitions used by other companies, and therefore, comparability may be limited.

(US\$ m)	June 29 2024	Mar 30 2024	Dec 31 2023	Sep 30 2023	July 1 2023
Cash and cash equivalents	3,092	3,133	3,222	3,011	3,111
Short term deposits	975	1,226	1,226	506	106
Marketable securities	2,218	1,880	1,635	1,537	1,346
Total liquidity	6,285	6,239	6,083	5,054	4,563
Short-term debt	(236)	(238)	(217)	(173)	(176)
Long-term debt ^(a)	(2,850)	(2,875)	(2,710)	(2,418)	(2,473)
Total financial debt	(3,086)	(3,113)	(2,927)	(2,591)	(2,649)
Net Financial Position	3,199	3,126	3,156	2,463	1,914
Advances from capital grants	(402)	(351)	(152)	-	-
Adjusted Net Financial Position	2,797	2,775	3,004	2,463	1,914

^(a) Long-term debt contains standard conditions but does not impose minimum financial ratios. Committed credit facilities for \$691 million equivalent, are currently undrawn.

(Appendix – continued)

Net Capex and Free Cash Flow (non-U.S. GAAP measures)

ST presents Net Capex as a non-U.S. GAAP measure, which is reported as part of our Free Cash Flow (non-US GAAP measure), to take into consideration the effect of advances from capital grants received on prior periods allocated to property, plant and equipment in the reporting period.

Net Capex, a non-U.S. GAAP measure, is defined as (i) Payment for purchase of tangible assets, as reported plus (ii) Proceeds from sale of tangible assets, as reported plus (iii) Proceeds from capital grants and other contributions, as reported plus (iv) Advances from capital grants allocated to property, plant and equipment in the reporting period.

ST believes Net Capex provides useful information for investors and management because annual capital expenditures budget includes the effect of capital grants. Our definition of Net Capex may differ from definitions used by other companies.

(US\$ m)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Payment for purchase of tangible assets, as reported	(690)	(1,145)	(1,076)	(1,158)	(1,111)
Proceeds from sale of tangible assets, as reported	1	2	-	1	5
Proceeds from capital grants and other contributions, as reported	143	149	278	5	34
Advances from capital grants allocated to property, plant and equipment	18	27	-	-	-
Net Capex	(528)	(967)	(798)	(1,152)	(1,072)

Free Cash Flow, which is a non-U.S. GAAP measure, is defined as (i) net cash from operating activities plus (ii) Net Capex plus (iii) payment for purchase (and proceeds from sale) of intangible and financial assets and (iv) net cash paid for business acquisitions, if any.

ST believes 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 operations.

Free Cash Flow reconciles with the total cash flow and the net cash increase (decrease) by including the payment for purchases of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits, the net cash from (used in) financing activities and the effect of changes in exchange rates, and by excluding the advances from capital grants received on prior periods allocated to property, plant and equipment in the reporting period. Our definition of Free Cash Flow may differ from definitions used by other companies.

(US\$ m)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net cash from operating activities	702	859	1,480	1,881	1,311
Net Capex	(528)	(967)	(798)	(1,152)	(1,072)
Payment for purchase of intangible assets, net of proceeds from sale	(15)	(26)	(28)	(22)	(22)
Payment for purchase of financial assets, net of proceeds from sale	-	-	(2)	-	(8)
Free Cash Flow	159	(134)	652	707	209