




# Business and Financial Roadmap

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Executive Vice President  
Corporate Strategy Officer



## Agenda 2

- 
- ST Strategy
  - Financials
  - Market and Growth Drivers
  - Conclusion



# Agenda 3



- ST Strategy
- Financials
- Market and Growth Drivers
- Conclusion



# Who We Are 4



- A global semiconductor leader
- The largest European semiconductor company
- 2012 revenues of **\$8.49B**<sup>(1)</sup>
- Approximately **48,000** employees worldwide<sup>(1)</sup>
- Approximately **11,500**<sup>(1)</sup> people working in R&D
- **12** manufacturing sites
- Listed on New York Stock Exchange, Euronext Paris and Borsa Italiana, Milano

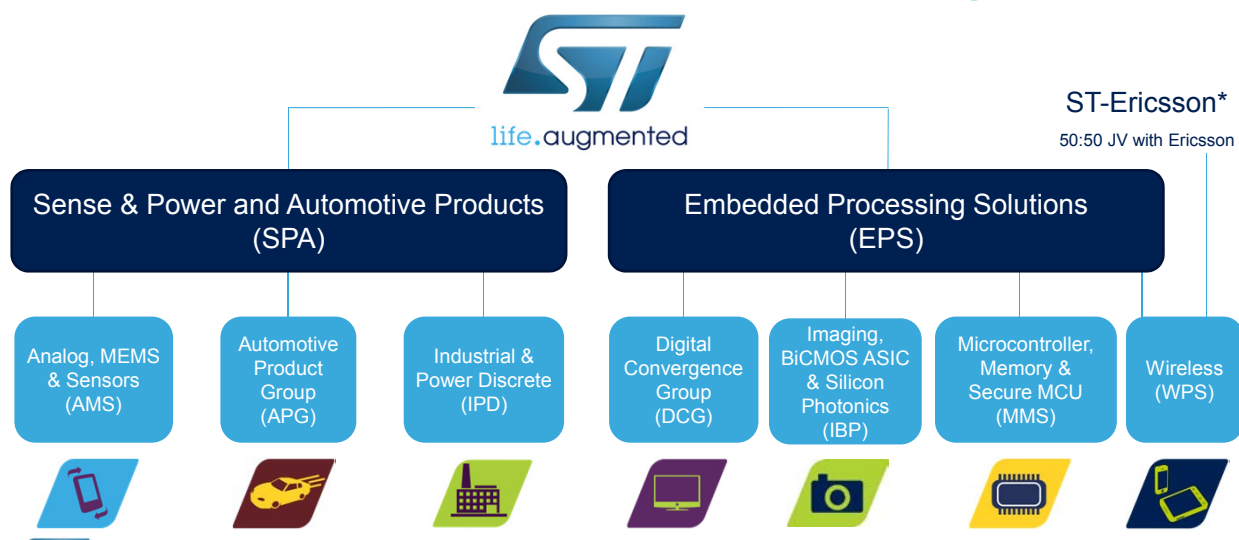


(1) As of December 31, 2012, including ST-Ericsson, a 50:50 joint venture with Ericsson

# ST's vision and strategy



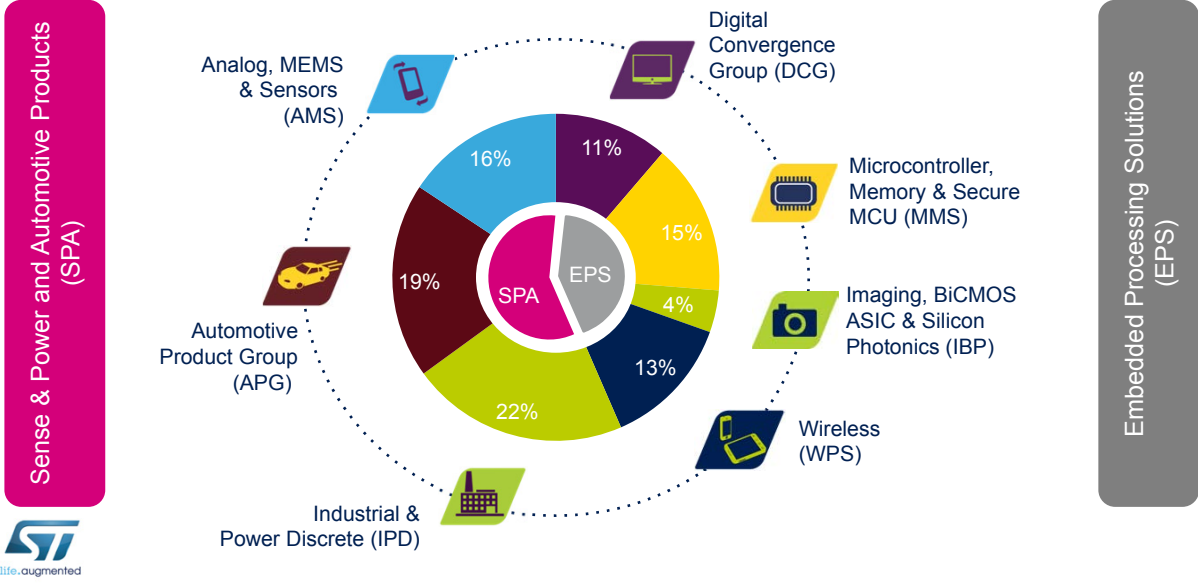
# Product Segments



\*Exit to be completed by 3Q 2013

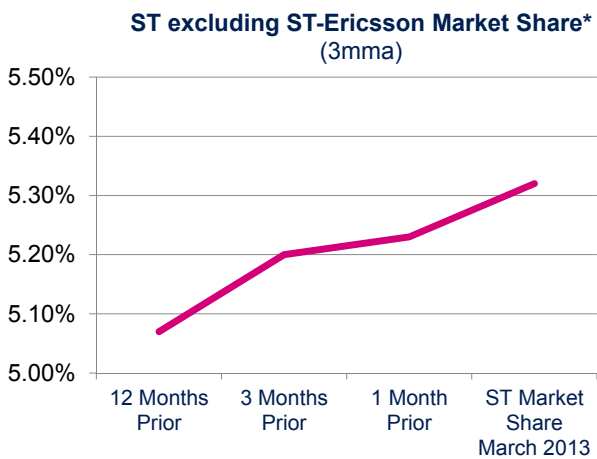
# 1Q13 Revenues by Product Groups

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# ST Market Share Gains

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## Market share gains driven by:

- Innovation / new products
- Mass market efforts
- New major customer focus
- Manufacturing / flexibility
- Product quality



\*WSTS – March 2013, SAM including Image Sensor Market, ST

# ST-Ericsson Split Up

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## STMicroelectronics

Existing ST-Ericsson products\* and related business as well as certain assembly and test facilities

- About 950 employees
- Main sites: France and Italy
- ST financially responsible from March 2, 2013

## Ericsson

Design, development and sales of the LTE multimode thin modem products

- About 1,800 employees and contractors
- Main sites: Sweden, Germany, India and China
- Ericsson financially responsible from March 2, 2013

## ST-Ericsson

Starting the close down of the remaining parts of the JV

- About 1,600 employees and contractors
- Includes about 200 employees and contractors in connectivity business which is for sale
- Joint financial responsibility from March 2, 2013

Formal transfer of the parts of ST-Ericsson to the parents expected to be completed during 3Q13, subject to regulatory approvals



\*Other than LTE multimode thin modem

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## Two-product Segments Organization

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Starting 2Q13 reported financials for each product segment:

Revenues  
Operating Income  
Free Cash Flow\*



\*Non-US GAAP measure

## ST Financial Model\*

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Targeting 10% or more operating margin

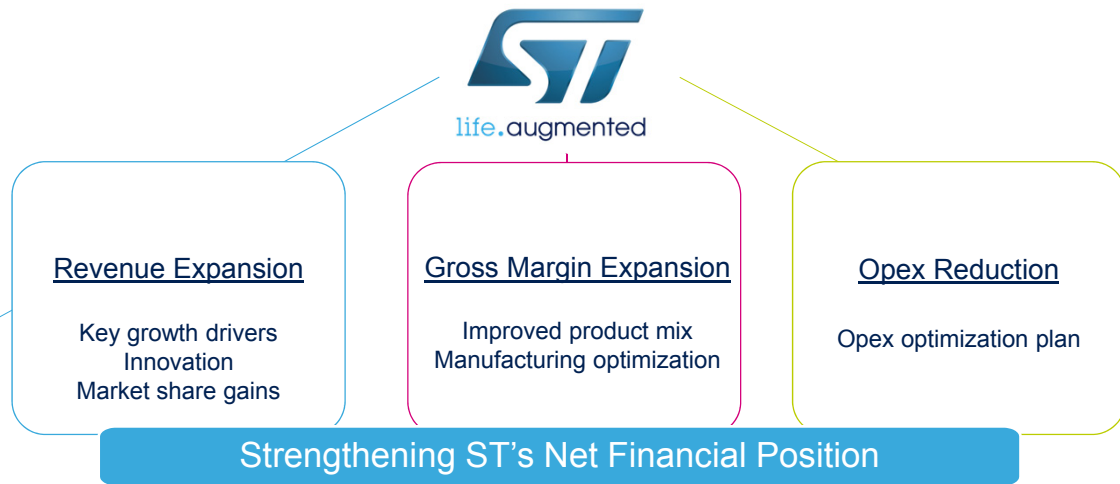
Net operating expenses average quarterly rate  
in the range of \$600 million to \$650 million\*\*



\*Based on an average effective exchange rate of 1.30 Euro/dollar  
\*\*By the beginning of 2014, excluding restructuring charges

## Three-axis Plan to Achieve Financial Model

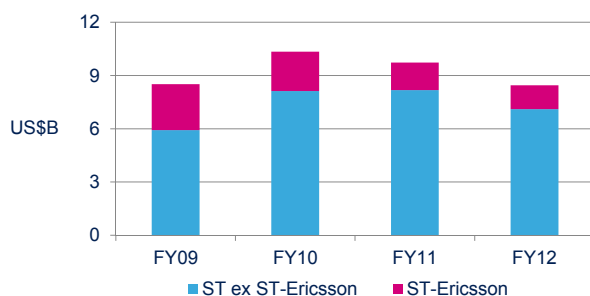
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## ST Revenue Dynamics

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- Semiconductor market expected to improve in 2013
- ST, excluding ST-Ericsson, expects to outperform the serviceable available market (SAM) in 2013
  - Outperformance driven by: **sales organization, mass market and new products**



### Highest contributors to 2013 revenue performance

- Imaging
- Microcontrollers
- Analog & MEMS
- Power Discrete



# ST Quarterly Revenues

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**1Q13 Revenues = \$2.01B**  
-0.4% vs 1Q12

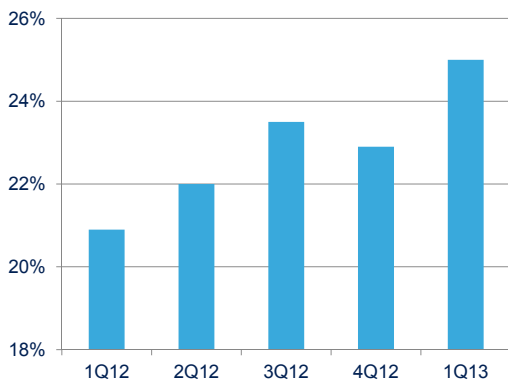
- 1Q13 Revenues excluding Wireless Product Line:
  - Up 1.3% y-o-y
  - Down 3.4% q-o-q, better than seasonal
  - Wireless Product Line down 26% q-o-q
- 2Q13 Revenue Guidance:
  - Up about 3% q-o-q (+/- 3.5 percentage points)
  - Up about 7% q-o-q at mid-point excluding Wireless Product Line



# Addressing the Mass Market

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



## New Sales & Marketing Organization

- Global account responsibility
- Continued focus on new major accounts
- Increased geographical customer and distribution branch coverage

## Key marketing initiatives delivering results

- Revenues from distribution
  - Up 18.7% y-o-y
  - Up 3.5% q-o-q

## Top Distributors\*

Arrow	Tomen
Avnet	Wintech
Future	Yosun

\*Listed alphabetically





## Financial Performance

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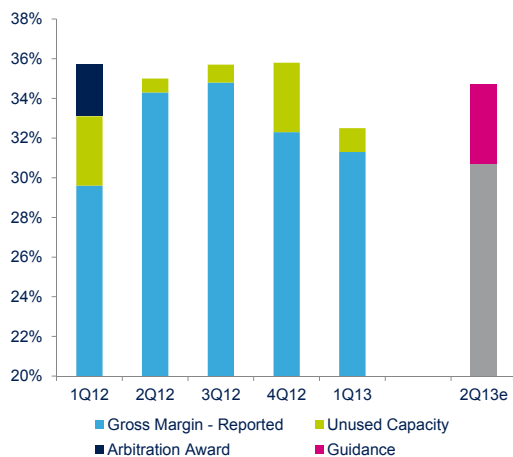
<i>In US\$M, except EPS</i>	1Q12	2Q12	3Q12	4Q12	1Q13	FY11	FY12
<b>Net Revenues</b>	2,017	2,148	2,166	2,162	2,009	9,735	8,493
<b>Gross Margin</b>	29.6%	34.3%	34.8%	32.3%	31.3%	36.7%	32.8%
<b>Operating Income (Loss) before impairment, restructuring &amp; one-time items*</b>	(280)	(151)	(79)	(142)	(180)	121	(652)
<b>Operating Margin before impairment, restructuring &amp; one-time items attributable to ST*</b>	(6.5%)	(1.3%)	0.3%	(3.3%)	(5.3%)	6%	(6.5%)
<b>Net Income – Reported</b>	(176)	(75)	(478)	(428)	(171)	650	(1,158)
<b>EPS Diluted</b>	(0.20)	(0.08)	(0.54)	(0.48)	(0.19)	0.72	(1.31)
<b>Adjusted EPS Diluted*</b>	(0.14)	(0.05)	(0.03)	(0.11)	(0.13)	0.41	(0.33)
<b>Free Cash Flow*</b>	98	(129)	(80)	145	(65)	(288)	33
<b>Net Financial Position, adjusted for 50% investment in ST-Ericsson*</b>	1,267	1,153	1,064	1,192	1,096	1,167	1,192
<b>Effective Exchange Rate €/€</b>	1.33	1.32	1.29	1.30	1.31	1.37	1.31



\*See appendix

## Gross Margin Evolution

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- 1Q13 gross margin down 100 basis points q-o-q, mainly driven by no revenues from licensing and usual beginning of the year price pressure. On a y-o-y basis gross margin was up 170 basis points.
- 2Q13 expected q-o-q improvement driven by increased volumes, reduced unused capacity charges and improved manufacturing efficiencies as fab utilization rates are expected to be ~85%



# Gross Margin Expansion

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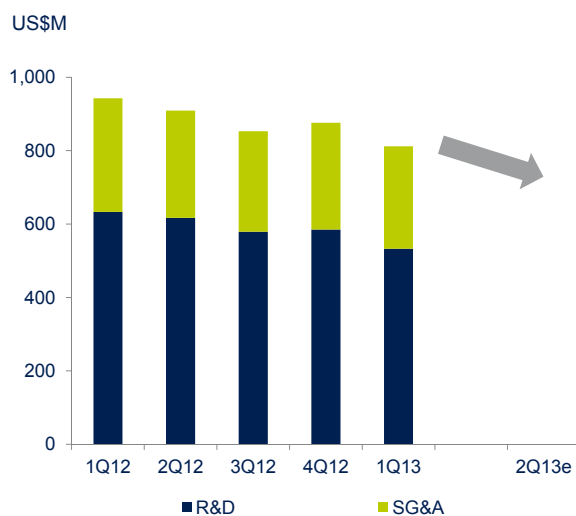
## Key drivers for gross margin expansion

- Product mix evolution toward higher margin products
- ST-Ericsson business decrease; currently significantly dilutive to ST consolidated gross margin
- Manufacturing optimization towards utilization rate of about 90% and loading stability.



# ST Operating Expenses Evolution

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## Resizing ST's Cost Base

### Significantly reducing operating costs

Combined 1Q13 SG&A and R&D:

- Down \$131M y-o-y
- Down \$64M q-o-q

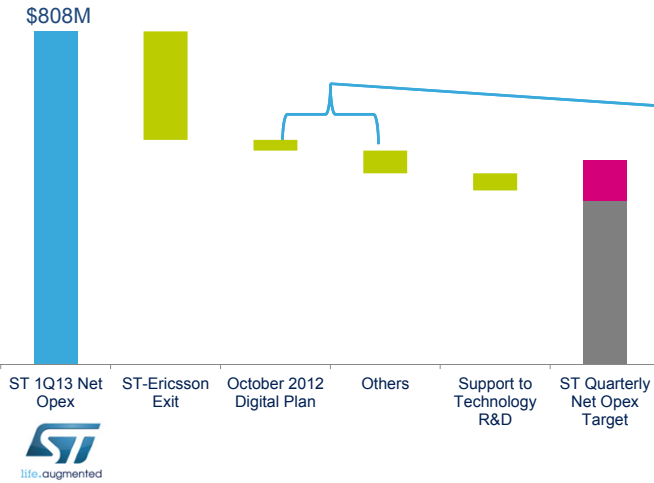
### Announcement to exit ST-Ericsson

A significant step towards our quarterly net operating expenses goal of \$600-\$650M



# Reaching our Quarterly Expense Target

Steps to Achieve Net Operating Expense Target of \$600-\$650M

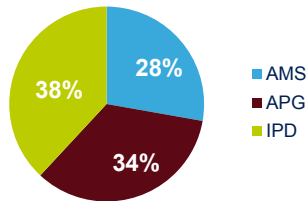


All ST organizations will contribute to achieve a \$35M quarterly expense reduction target, especially Embedded Processing Solutions and Staff and Support Functions



# Sense & Power and Automotive

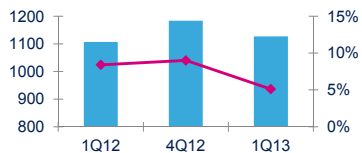
1Q13 Revenues: \$1,127M



Revenue Growth Drivers: 2013 - 15

- High volume motion MEMS & Sensors, touch screen controllers, Op Amps and Microphones
- Expansion of LV MOSFET and IGBT
- Growth in power management for portable equipment
- 32-bit microcontrollers for Automotive
- New products in Smart Power and e-flash

1Q13 Operating Margin: 5.1%



Operating Margin Mid-term Target: 10-15%

- Improve product mix and time to market
- Manufacturing flexibility / efficiency
- Mass market efforts

1Q14 Net Operating Expense Target

- About 50% of target \$600-\$650M range

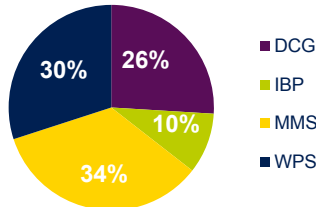


\* Operating margin before impairment, restructuring charges. Unused capacity charges are reported in the Group "Others"

# Embedded Processing Solutions

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1Q13 Revenues: \$867M



1Q13 Operating Losses: \$210M



Revenue (US\$M) Operating Loss \*



\*Operating Income (loss) before impairment, restructuring charges. Unused capacity charges are reported in the Group "Others"

Revenue Growth Drivers: 2013 - 15

- Rapid growth in 32-bit general purpose & secure MCUs
- Major turnaround in Imaging
- ASICs for networking
- Gain share in home gateway and connected clients
- Deploy 40nm Set-Top-Box families in emerging countries

Operating Margin Mid-term Target: 5-10%

- Improve product mix and time to market
- Exit of ST-Ericsson
- ST-Ericsson competencies to be redeployed
- Customer / application diversification

1Q14 Net Operating Expense Target

- About 50% of target \$600-\$650M range

# Net Financial Position\*

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End of period (US\$M)	Mar. 30, 2013	Dec. 31, 2012	Mar. 31, 2012
Available Cash and Marketable Securities	1,906	2,489	2,213
Restricted Cash	4	4	7
<b>Total Liquidity</b>	<b>1,910</b>	<b>2,493</b>	<b>2,220</b>
<b>Total Financial Debt</b>	<b>(897)</b>	<b>(1,301)</b>	<b>(1,442)</b>
<b>Net Financial Position</b>	<b>1,013</b>	<b>1,192</b>	<b>778</b>
ST-Ericsson Net Debt to Ericsson	83	-	489
<b>ST Net Financial Position</b>	<b>1,096</b>	<b>1,192</b>	<b>1,267</b>

## Maintain Strong Financial Position

- In 1Q13, ST:
  - Repaid \$455M at maturity of outstanding 2013 Senior bonds
  - Funded \$83M under the ST-Ericsson parent facility
  - Funded capex of \$111M
  - Signed new €350M European Investment Bank loan
- In first half of 2013, ST's capex expected to be about \$300M
  - Significantly below 10% of revenues

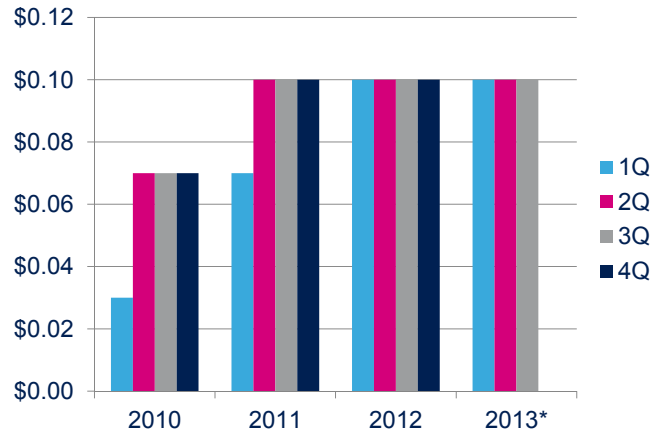


\*See appendix

## Dividend Evolution

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- Quarterly dividend distribution to be decided semi-annually instead of annually
  - US\$0.10 in 2Q and 3Q of 2013, per common share, to be paid in June and September of 2013, respectively
  - 4Q 2013 and 1Q 2014 dividends will be decided at a Shareholders' Meeting to be held during the fourth quarter of 2013



\*2Q13 and 3Q13 dividend as submitted to the 2013 Annual General Meeting

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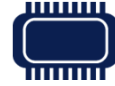


# Key Industry Trends

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Smart energy usage



Embedded intelligence



# Our Growth Drivers

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MEMS and Sensors



Smart Power



Automotive



Microcontrollers



Application Processors and Digital Consumer



Targeting areas where ST leads or will lead

# Growth Driver: MEMS and Sensors

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**MEMS and Sensors**

**ST #1 MEMS Player in 2012**

**Application Processors and Digital Consumer**



Targeting areas where ST leads or will lead

Source: Yole Developpement, April 2013



# MEMS Sensors in Portable Devices

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## Target Markets

- Mobile & Consumer
  - HUBS
    - Motion
    - Environmental
    - Acoustic
  - Expanding use of sensors
  - FingerTip revolution
  - Personal projection



**\$5.6B TAM in 2016**  
**CAGR 2013-16: +18%**

## ST Strengths

- #1 in revenue for MEMS for mobile and consumer
- Enlarging product portfolio to cover existing and new applications with a complete portfolio for motion, environment, audio and touchscreen controllers
- Internal dual-source manufacturing on 200mm
- Wide and flexible technology portfolio
- ST's iNEMO family: unrivalled ability to integrate sensors with ARM-based MCU



Source: IHS iSuppli, January 2013



# MEMS Sensors: Expanding to New Markets

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## Target Markets

- **Automotive**
  - Addressing a new market for Assisted guidance, Personal safety & Comfort
- **Emerging new markets**
  - Fitness & Wearable
  - Internet of Things



>\$23B TAM in 2016  
CAGR 2013-16: +10%  
Automotive Sensor TAM

## ST Strengths

- #1 in revenue for accelerometers and gyroscopes in 2012 for all markets
- Entering production for Automotive MEMS now; internal manufacturing is key for automotive customers
- Numerous flagship product wins in fitness and wearable
  - ST MEMS complimented by ST's Ultra-Low Power RF and Ultra-Low Power MCUs
  - As smartphones dissolve into devices around the body ST captures opportunities
- Providing smallest Smart Systems to enable Internet of Things



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Source: Strategy Analytics, January 2013



# Sensing: Imaging

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## Target Markets

- Camera phones
- DSC
- Automotive, gaming, medical
- Proximity detection



\$26B TAM in 2016  
CAGR 2013-16: +17%

## ST Strengths

- Unique, comprehensive and flexible Imaging solutions offering
- Product portfolio repositioned to serve new applications including Automotive, Digital Still Camera, Gaming and Medical in addition to Wireless
- Global, state-of-the-art IP portfolio and technologies:
  - Image processing algorithms & FD-SOI for ISP, high performance pixel, FSI and BSI Imager processes, FlightSense™ for sensors, camera modules
- Design, manufacturing and packaging verticalization



life.augmented

Source: ST



# Growth Driver: Smart Power

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MEMS and Sensors

Smart Power

**ST #2 Industrial Electronics in 2012**



Targeting areas where ST leads or will lead

Source: IHS iSuppli, May 2013



# Smart Environments

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## Target Markets

- Renewable energy generation
- Smart metering
- Power conversion



**\$6B TAM in 2016**  
**CAGR 2013-16: +14.2%**  
 Smart Grid TAM

## ST Strengths

- >80% market share in Smart Metering powerline modem
- Complete solution for smart energy management
- Mdmesh II Plus: leading position in superjunction transistors
- Leading technologies for Smart Grid
  - STarGrid™ platform for Power Line Communication
  - High voltage power discrete and Smart Power for energy management



Source: IHS iSuppli, Semicast, ST



# Power Management for Portable

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## Target Markets

- Mobile
- Tablet
- Handheld consumer



\$9B TAM in 2016  
CAGR 2013-16: +7.4%

New growth driven by Power Management portfolio and competencies from ST-Ericsson

## ST Strengths

- Leading positions in select target markets
  - >75% market share of AMOLED display ICs
- Complete application know-how and broad IP portfolio
- New business model: power management competencies from ST-Ericsson will address all portable platforms
- Entering Smart RF Antenna tuners



Source: IHS iSuppli, Semicast, ST



# Power Management in Automation

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## Target Markets

- Factory automation
- Home and building automation
- Industrial motor drives



\$8B TAM in 2016  
CAGR 2013-16: +7.5%

## ST Strengths

- #2 in revenue in Industrial Electronics
  - Motion control ICs, electrostatic discharge (ESD) protection, IGBT/MOSFET, etc.
- Leading 9th generation BCD technology for Smart Power
  - New platforms with Micro-stepping and multi-motor drivers
- Silicon Carbide (SiC) already in mass production



Source: IHS iSuppli, Semicast, ST

# Growth Driver: Automotive

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MEMS and Sensors



Smart Power



Automotive



**ST #3 Automotive Player in 2012**







Targeting areas where ST leads or will lead

Source: IHS iSuppli, April 2013



# Car Efficiency & Safety

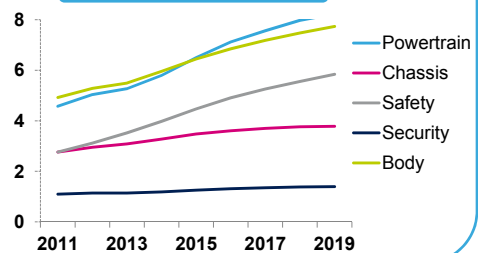
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## Target Markets

- Engine control
- Braking, steering
- Airbag
- Active safety systems



Semiconductor Demand (\$B)



## ST Strengths

- #1 in revenue in Smart Power, ASIC and Active Safety
- 32-bit MCU portfolio growing fast
  - \$2.4B in design-wins collected; 60 new part numbers already available
- Cooperation agreements with leading OEMs: Audi and Hyundai Autron
- Fully controlled automotive-qualified supply chain
- New intelligent switches: 7<sup>th</sup> generation of VIPower family deliver improvements for reliability and precision



Source: Strategy Analytics; IHS iSuppli, April 2013



# Car Infotainment

## Target Markets

- Audio
- Positioning and telematics
- Tuners for terrestrial & satellite



>\$3.5B TAM in 2012  
CAGR 2012-17: +8%

## ST Strengths

- #2 in revenue in car infotainment
- #1 in revenue in Audio Power Amplifiers
  - >45% market share; 6 new products to be launched in 2013 to address the fast growing market of Digital Audio Amplifiers
- First to market: Multi-constellation autonomous receiver covering GPS/USA, GALILEO/EU and GLONASS/Russia. COMPASS support to be introduced in 2013 to address the Chinese high volume market



Source: Strategy Analytics; IHS iSuppli, April 2013

# Growth Driver: Microcontrollers



MEMS  
Sensors



**ST #4 Microcontrollers  
Player in 2012\***



Microcontrollers

Application  
Processors  
and Digital  
Consumer



Targeting areas where ST leads or will lead

\*Excluding Automotive: IHS iSuppli, March 2013; WSTS, February 2013



# General Purpose Microcontrollers

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## Target Markets

- General purpose MCUs
- Everywhere intelligence is needed!
  - Consumer
  - Appliances
  - Industrial
  - Healthcare



\$7B TAM in 2015  
 CAGR 2012-15: >3%  
 WW TAM GP MCUs (excluding automotive)

## ST Strengths

- #6 by revenue in General Purpose MCUs in 2012 from #10 in 2007
- ST mass market customer base driving revenue growth
- Advanced e-NVM technology platform
- ARM Cortex M 32-bit architecture
- >400 part numbers addressing all market requirements



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Source: IHS iSuppli March 2013; WSTS, February 2013



# Secure Microcontrollers

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## Target Markets

- Mobility, Contactless and Turnkey solutions
- Personal security
  - Banking, ID
  - Pay TV, Transport
- Embedded Security
  - NFC & Mobile payment
  - Secure authentication



\$3B TAM in 2015  
 CAGR 2012-15: >4%  
 WW TAM Secure MCUs

## ST Strengths

- #3 by revenue in Secure MCU in 2012 from #5 in 2007
- #1 by revenue in secure element in 2012
- Strong portfolio driven by:
  - Full NFC solution including Secure Element and Contactless transceiver
  - Advanced contactless platform
  - 40nm embedded non-volatile FLASH technology



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Source: WSTS 2013

# Growth Driver: AP and Digital Consumer

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Targeting areas where ST leads or will lead

Source: ABI Research, April 2013



# Growth from the Smart Home

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## Target Markets

- Home Gateway – next wave in Set-Top-Box
- High growth in connected clients
- High-end multi-screen environments



Internet Enabled Clients  
CAGR 2012-15: 18.5%

## ST Strengths

- #2 in set top box worldwide, #1 outside US
- Expanding in cable and rapidly growing connected clients markets
- High performance application processor "Orly"; key design wins in 32/28nm
- Diversified solutions including:
  - New Class 2 – 40nm product family addressing legacy STB
  - Alicante – 28nm DOCSIS 3.0, addressing data and headless gateway
  - Orly – multimedia headed gateway, with best-in-class performance and integration



Source: ABI Research, April 2013, IHS Screen Digest, January 2013, ST



# Growth from Digital ASICs

## Target Markets

- ASICs for Networking driven by dramatic increase in Internet traffic
- Expanding ASICs in new markets such as gaming
- Exploiting FD-SOI technology



## Market Trends

- Internet and Video Traffic
  - X2 every 18 months
  - Emerging Countries
- Smart Home and Gateways
  - Multiple Services
  - Developed Countries
- Growth Opportunity
  - Multiscreen Environment
  - Network Infrastructure

## ST Strengths

- Expanding share in ASICs through FD-SOI technology in consumer and communications infrastructure
- World-class IP portfolio
- Strong customer relationships in key applications such as Networking



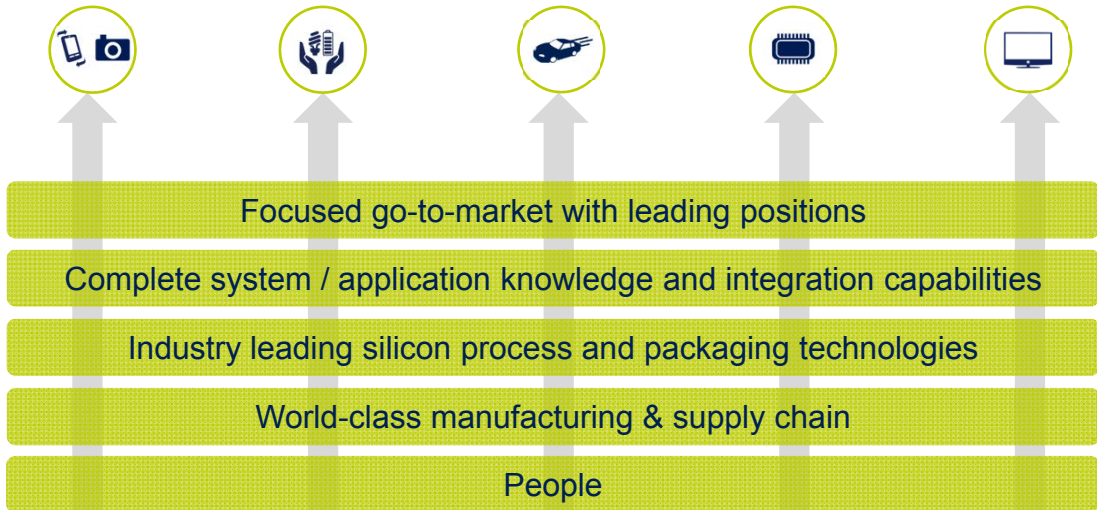
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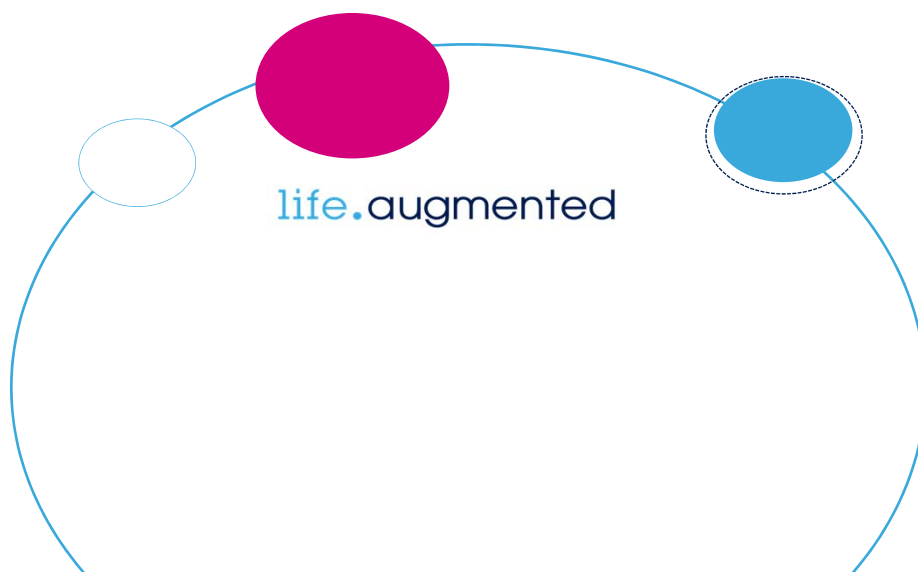
## Why ST will Win

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## Appendix

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- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding proceeds from the sale of marketable securities. We believe free cash flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operating activities. Free cash flow is not a U.S. GAAP measure and does not represent total cash flow since it does not include the cash flows generated by or used in financing activities. In addition, our definition of free cash flow may differ from definitions used by other companies.
- **Net financial position:** resources (debt), represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, short-term deposits and restricted cash, and our total financial debt includes short term borrowings, current portion of long-term debt and long-term debt, all as reported in our consolidated balance sheet. We believe our net financial position provides useful information for investors because it gives evidence of our global position either in terms of net indebtedness or net cash position by measuring our capital resources based on cash, cash equivalents and marketable securities and the total level of our financial indebtedness. Net financial position is not a U.S. GAAP measure.
- **Operating income** before impairment, restructuring and one time item excludes impairment, restructuring charges and other related closure costs and NXP Arbitration award.
- **Operating income before impairment, restructuring and one-time item attributable to ST** is calculated as operating income before impairment, restructuring and one time item excluding 50% of ST-Ericsson operating loss before impairment and restructuring as consolidated by ST. **Operating margin before impairment restructuring and one time item attributable to ST** is calculated as operating income before impairment, restructuring and one time item attributable to ST divided by reported revenues excluding 50% of ST-Ericsson revenues 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 like impairment, restructuring charges and other related closure costs attributable to ST, and one-time items, 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 OEM and Distribution**

