



# STMicroelectronics Q1 2013 Financial Results

April 22, 2013

# 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 anticipated by such statements, due to, among other factors:*

- uncertain macro-economic and industry trends;*
- customer demand and acceptance for the products which we design, manufacture and sell;*
- unanticipated events or circumstances which may delay implementation as planned of the recently announced split up of ST-Ericsson as agreed with Ericsson;*
- our ability to execute the planned reductions in our net operating expenses;*
- the loading and the manufacturing performances of our production facilities;*
- variations in the foreign exchange markets and, more particularly, in the rate of the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;*
- the impact of intellectual property ("IP") claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;*
- restructuring charges and associated cost savings that differ in amount or timing from our estimates;*
- changes in our overall tax position as a result of changes in tax laws, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*
- the outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;*
- natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, health risks and epidemics in locations where we, our customers or our suppliers operate;*
- changes in economic, social, political or infrastructure conditions in the locations where we, our customers or our suppliers operate including as a result of macro-economic or regional events, military conflict, social unrest or terrorist activities;*
- availability and costs of raw materials, utilities, third-party manufacturing services, or other supplies required by our operations;*

*Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as "believes," "expects," "may," "are expected to," "should," "would be," "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.*

*Some of these risk factors are set forth and are discussed in more detail in "Item 3. Key Information — Risk Factors" included in our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the SEC on March 4, 2013. 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.*



- 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

# Q113 Highlights

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- Net revenues of \$2.01 billion, in line with guidance
  - Sequentially down 3% excluding ST-Ericsson, better than normal seasonality
- Gross margin of 31.3%, also in line with guidance
  - Down 100 basis points sequentially
  - No revenue from licensing, usual beginning of the year price pressure partially offset by lower unsaturation charges
- Signed agreement with Ericsson to exit the ST-Ericsson joint venture
  - Agreement to transfer certain ST-Ericsson employees and assets to the respective parent companies
  - Wind-down of the remaining joint venture
- Solid attributable net financial position of \$1.10 billion at March 30, 2013

Q113 in line with our expectations  
Significant steps towards our new strategic plan with announcement  
of split up of ST-Ericsson

# 2013 Product Segments

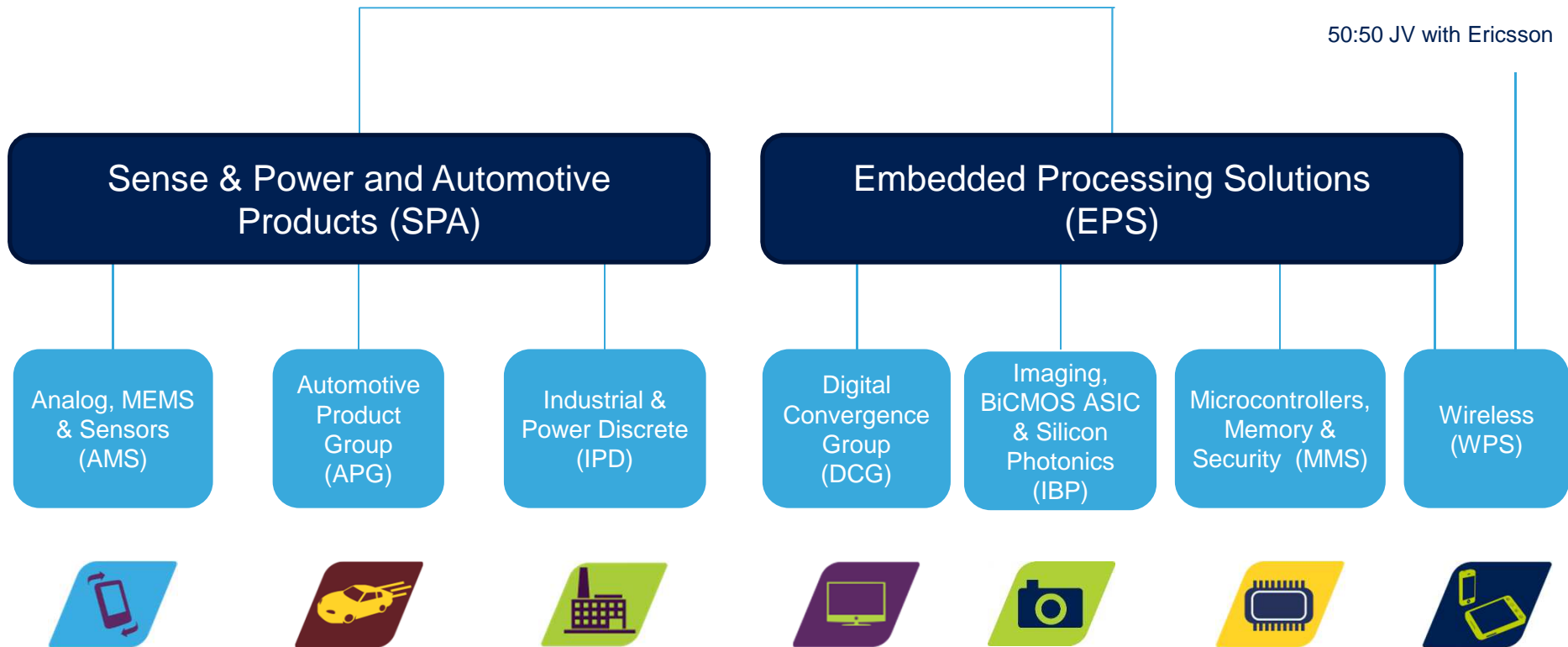
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ST-Ericsson\*

50:50 JV with Ericsson



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\*Exit to be completed by Q3 2013

# 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

## 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

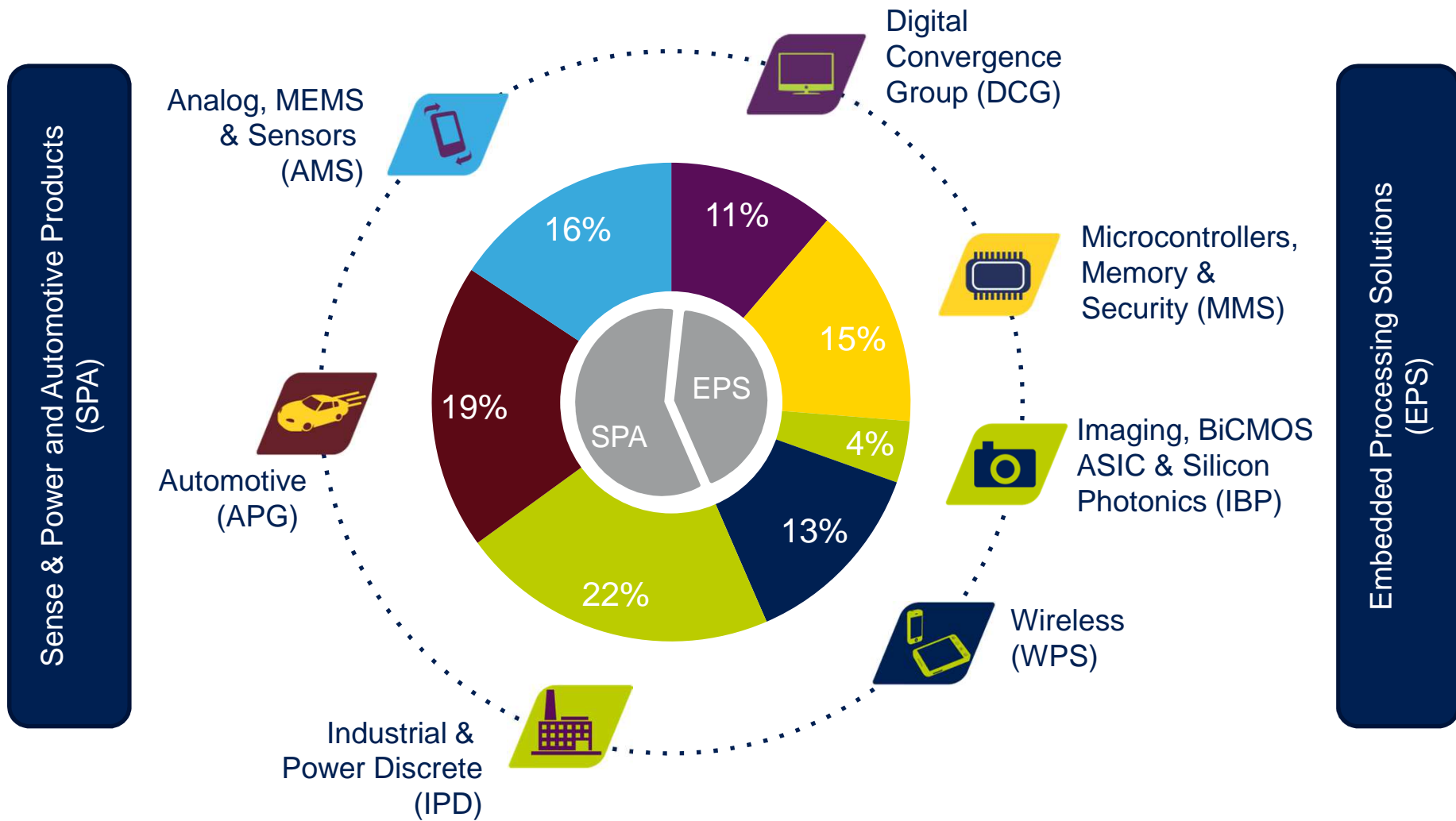
## Ericsson

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

*Formal transfer of the relevant parts of ST-Ericsson to the parents expected to be completed during Q313, subject to regulatory approvals*

# Q113 Revenues by Product Groups



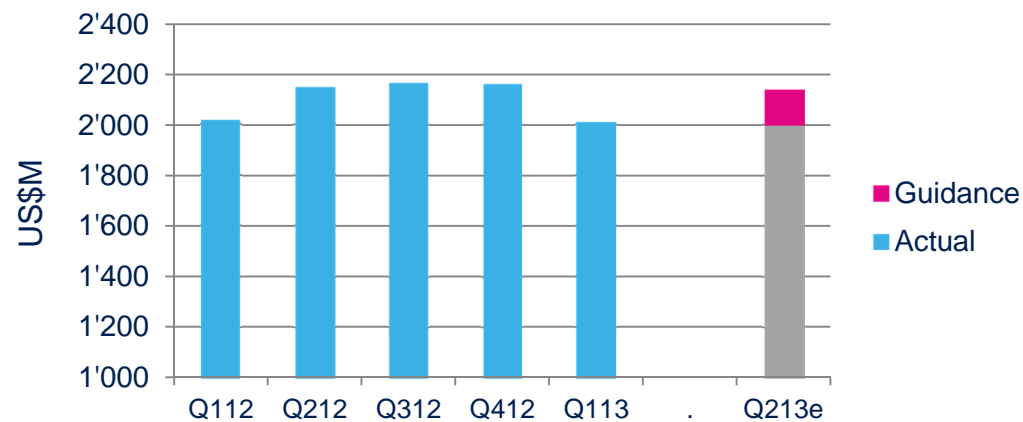
# ST Q113 Revenues

**Q113 Revenues = \$2.01B**  
**-0.4% vs Q112**

- Excluding Wireless Product Line:
  - Up 1.3% y-o-y
  - Down 3.4% sequentially, better than seasonal
- Wireless Product Line down 26% sequentially

Q213 revenue expected to be up 3% sequentially (+/- 3.5 percentage points)

- Up 7% at mid-point excluding Wireless Product Line

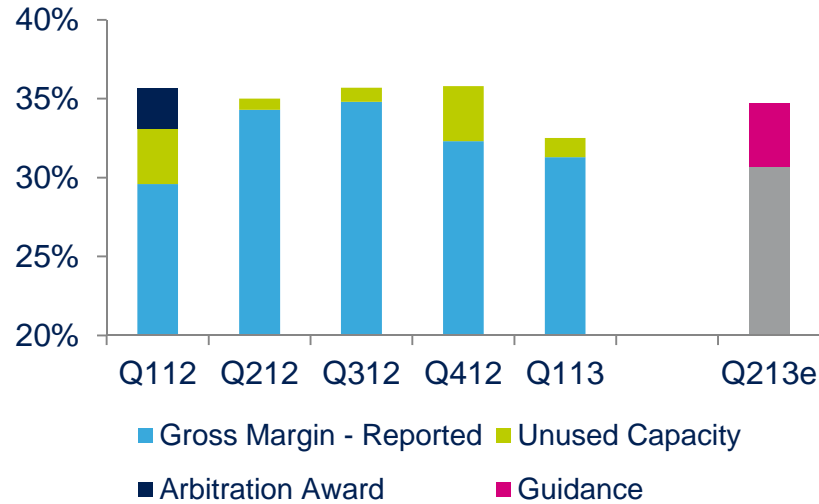




# Financial Performance

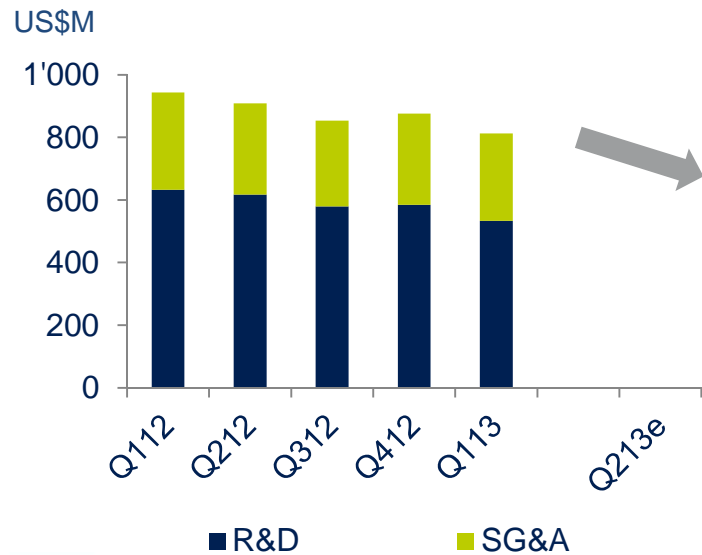
<i>In US\$M, except EPS</i>	Q112	Q412	Q113
<b>Net Revenues</b>	2,017	2,162	2,009
<b>Gross Margin</b>	29.6%	32.3%	31.3%
<b>Operating Income (Loss) before impairment, restructuring &amp; one-time items*</b>	(280)	(142)	(180)
Operating Margin before impairment, restructuring & one-time items attributable to ST*	(6.5%)	(3.3%)	(5.3%)
<b>Net Income – Reported</b>	(176)	(428)	(171)
<b>EPS Diluted</b>	(0.20)	(0.48)	(0.19)
<b>Adjusted EPS Diluted*</b>	(0.14)	(0.11)	(0.13)
<b>Free Cash Flow*</b>	98	145	(65)
<b>Net Financial Position, adjusted for 50% investment in ST-Ericsson*</b>	1,267	1,192	1,096
<b>Effective Exchange Rate €/\$</b>	1.33	1.30	1.31

# ST Gross Margin & Opex Evolution



## Gross Margin

Down 100 basis points q-o-q, mainly driven by no revenues from licensing and usual beginning of the year price pressure



## Operating Expenses Evolution

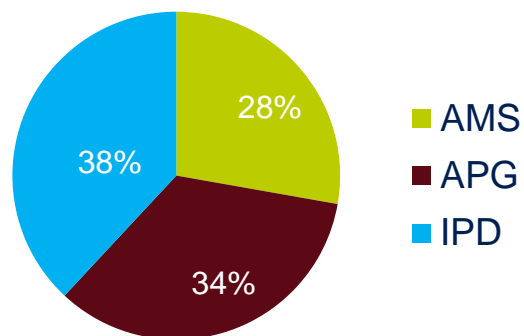
**Significantly reducing operating cost**  
 Combined Q113 SG&A and R&D down \$131M y-o-y and \$64M sequentially

**Announcement to exit ST-Ericsson**  
 A significant step towards our quarterly net operating expenses goal of \$600-\$650M

# Sense & Power and Automotive

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## Q113 Revenues



## Q113 Revenues = \$1,127M

- Up 1.8% y-o-y driven by growth in MEMS and Industrial & Power Discrete products while Automotive decreased
- Down 4.8% q-o-q, mainly due to, as expected, lower sales of MEMS products partially offset by growth in Automotive and Industrial & Power Discrete



## Q113 Operating Margin = 5.1%

- Sequential decrease reflecting several factors including price pressure on MEMS and Automotive, expected lower sales volumes and additional R&D resources for the Analog and MEMS businesses

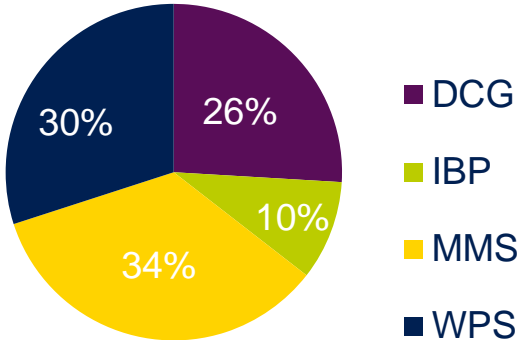
Revenue Operating Margin \*



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

# Embedded Processing Solutions

## Q113 Revenues



### Q113 Revenues = \$867M

- Down 3.8% y-o-y and 10.0% q-o-q
- In both cases due to decrease in Wireless and Imaging partially offset by growth of Microcontrollers and Digital Convergence



### Q113 Operating Losses = \$210M

- Mainly due to ST-Ericsson



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

# Sense & Power and Automotive

## Q113 Product Highlights

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### MEMS AND SENSORS



- Started production of a **6-axis MEMS device** for the flagship model of an **Asian Smartphone** manufacturer
- In Automotive, started production of an **accelerometer for airbag**
- Started production of the **active noise-cancellation chip** developed with SoundChip for an important **Asian gaming manufacturer**

### POWER AND SMARTPOWER



- Earned sockets for our **high-voltage products** in several large and small **appliances** with major European manufacturers and in Asia
- **Intelligent power modules** scored several design wins from home-appliance leaders in the US and Europe
- Ramping production for a **new LED lighting platform** for a major US manufacturer
- Ramping production of the **newest AMOLED driver** for a market-leading Korean manufacturer

### AUTOMOTIVE



- **Reinforced strong position in braking applications** with two important wins with two global Tier 1s
- Awarded a full chipset for a **gasoline direct-injection engine controller** with an important Chinese OEM
- Landed a **win for an injector driver** for a gasoline direct-injection engine controller-- the first resulting **from a collaboration with a strategic Asian customer**
- **In Navigation and Infotainment**, started production of a Teseo II-based antenna for navigation systems for a Japanese OEM, began production of an advanced telematics systems of Teseo II for a major European car maker, and ramped the new power-amplifier ICs for the newest model at Alpine and other major Japanese car-audio makers

# Embedded Processing Solutions

## Q113 Product Highlights

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### MICROCONTROLLERS



- **Increased design-in momentum for the STM32**, including wins for an automotive voice-recognition system at a Japanese OEM and in a display card at a world leader in digital security
- Growing adoption of the ST31, **our secure 32-bit MCU, in contact and contactless banking applications**
- Ramped production of **an embedded ST33 Secure Element for a high-end Smartphone** at a key OEM

### IMAGING, BI-CMOS ASIC AND SILICON PHOTONICS



- Ramping in volumes innovative image sensors using ST's proprietary **backside-illumination (BSI) technology** to camera integrators
- Shipping high-performance **digital-imaging-processing chip** to a leading smart-phone manufacturer to support the unique imaging capabilities of some of their handsets

### DIGITAL CONVERGENCE



- **Important design-wins in FD-SOI**, the next-generation process technology pioneered by ST
- **Significant design win for Orly** in a home-gateway application for a large European manufacturer
- **Sumitomo Electric Networks selected Orly** for its Advanced Generation of Smart IPTV Set-Top Boxes

# 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>
<b>Net Financial Position, adjusted to account for 50% investment in ST-Ericsson</b>	<b>1,096</b>	<b>1,192</b>	<b>1,267</b>

## Maintain Strong Financial Position

- Repaying \$455M at maturity of outstanding 2013 Senior bonds
- Funding \$83M under the ST-Ericsson parent facility
- Funding Q113 Capex of \$111M



\* See appendix

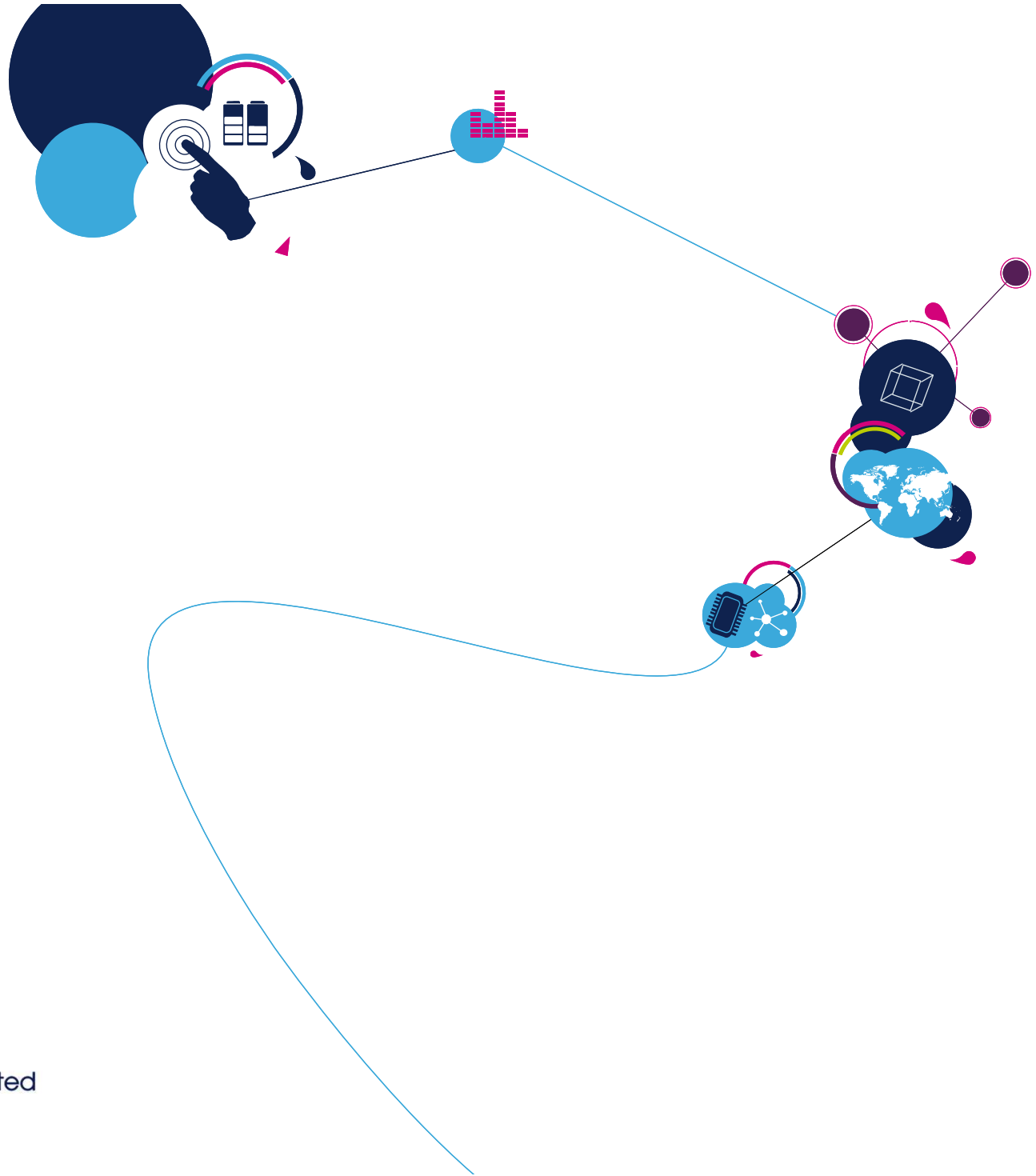
\*\* Includes ST-Ericsson debt to Ericsson of \$83M March 30, 2013, \$0M December 31, 2012, \$489M March 31, 2012.

- Q213 revenues are expected to increase sequentially in the range of about 3%, plus or minus 3.5 percentage points. Excluding Wireless, we expect broad-based growth in our businesses, driven by Imaging, Microcontrollers, Analog & MEMS products and leading again to better than seasonal revenue performance, with a sequential increase of about 7% at the midpoint.
- Q213 gross margin is expected to be about 32.7%, plus or minus 2.0 percentage points, and assumes an improvement from the first quarter due to fab loading and manufacturing performance.
- **While there is still a high level of market volatility and macro-economic uncertainties, bookings excluding Wireless, have continued to improve during the course of the first quarter. We are encouraged by this trend although we believe it is too early to assume this improvement is sustainable. In any case, we believe we are well positioned to outperform the market based on our new products within our five key growth drivers.**
- **We again expect significant reductions in operating expenses to be visible in the second quarter as we make continued progress towards the completion of the exit of the ST-Ericsson joint venture**

Outlook based on an assumed effective currency exchange rate of approximately \$1.29= €1.00 for the 2013 second quarter and includes the impact of existing hedging contracts.  
The second quarter will close on June 29, 2013.



# Appendix



# Pre-Tax Items to Adjusted Earnings\*

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OPERATING RESULT	<i>In US\$M</i>	Q112	Q412	Q113
	NET EARNINGS	<b>U.S. GAAP Net Earnings</b>	(176)	(428)
Impairment & Restructuring Charges (attributable to Parent Company's shareholders)**		13	307	58
NXP Arbitration Award		56	N/A	N/A
Estimated Income Tax effect of Adjustment		(13)	25	(3)
<b>Adjusted Net Earnings*</b>		(120)	(96)	(116)



\* See appendix

\*\* Total Impairment & Restructuring Charges were \$18M in Q112, \$588M in Q412, and \$101M in Q113

- **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**