



STMicroelectronics 3Q 2013 Financial Results

October 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 either impact our ability to execute the planned reductions in our net operating expenses and / or meet the objectives of our R&D Programs which benefit from public funding;*
- Future events or circumstances which may require us to reassess our current plans concerning the wind down of our ST-Ericsson joint venture;*
- The loading and the manufacturing performances of our production facilities;*
- The functionalities and performance of our IT systems, which support our critical operational activities including manufacturing, finance and sales;*
- 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; and*
- The possibility of widespread financial and business disruption on account of a default by the U.S. on U.S. government financial obligations.*

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**⁽¹⁾
- Approximately **48,000** employees worldwide⁽¹⁾
- Approximately **11,500**⁽¹⁾ people working in R&D
- **12** manufacturing sites
- Listed on New York Stock Exchange, Euronext Paris and Borsa Italiana, Milano

3Q13 Highlights

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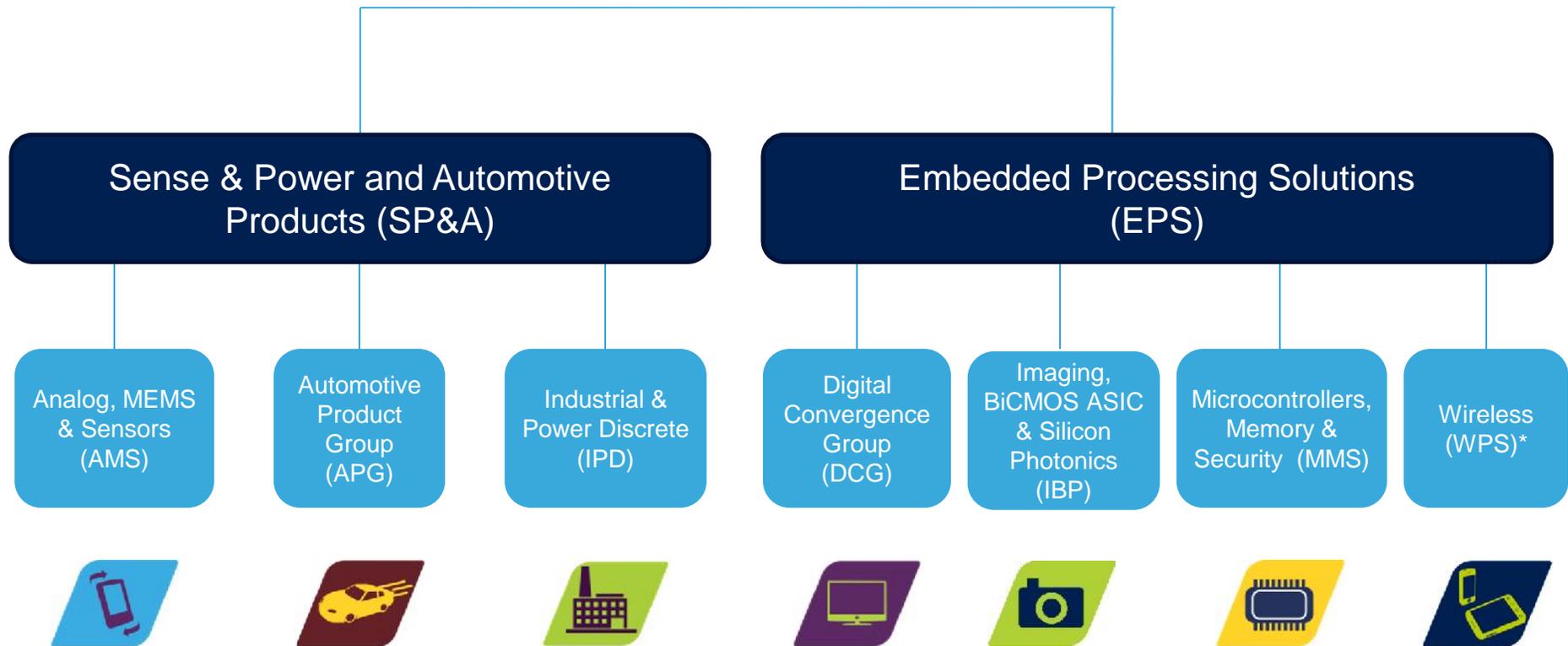
- Net revenues of \$2.01 billion
 - Up 3.9% year-over-year and 0.5% sequentially, excluding Wireless product line
 - Growth milder than expected due to a muted order pattern during the quarter
 - On-going decline of the Wireless product line revenues
- Gross margin of 32.4%,
 - Down 40 basis points sequentially
 - Below the mid-point of our 3Q13 guidance range primarily due to the higher than expected weight of wireless legacy products
- Operating income of \$54 million before impairment and restructuring
 - \$118 million sequential improvement
 - Mainly driven by the sale of ST-Ericsson's Global Navigation Satellite System business along with lower operating expenses
- Transaction to split up ST-Ericsson completed in a timely manner, with lower exit costs than anticipated and with a minimized social impact

Mixed financial performance during the third quarter
but ongoing progress toward our goals

2013 Product Segments



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* Former ST-Ericsson legacy products

ST-Ericsson Split Up Completed

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Transaction completion

Transaction to transfer the activities to the parents completed on August 2, 2013

- About 1,000 employees have joined ST
- ST has taken on the existing ST-Ericsson products other than LTE multimode thin modems and the GNSS (Global Navigation Satellite System) connectivity solution sold to a third party, and related business as well as certain assembly and test facilities
- The wind down of the remaining parts of the ST-Ericsson is ongoing, both parents assuming equal funding of the wind-down activities

Deconsolidation of the JV

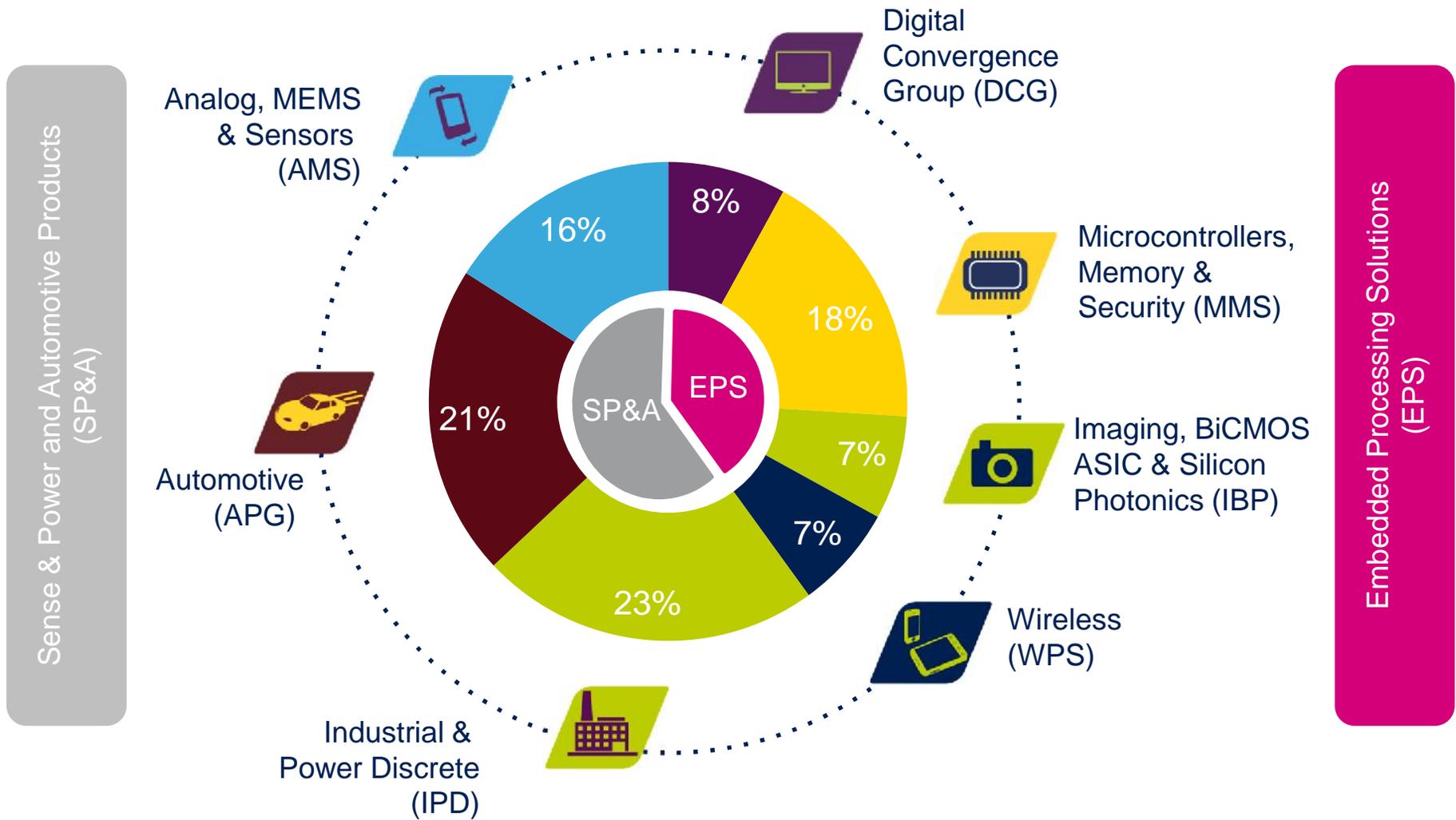
Deconsolidation of ST-Ericsson effective as of September 1, 2013

- Consolidation of the wind-down activities by equity method
- Former ST-Ericsson legacy product revenues and margins registered in the ST EPS Segment under DCG



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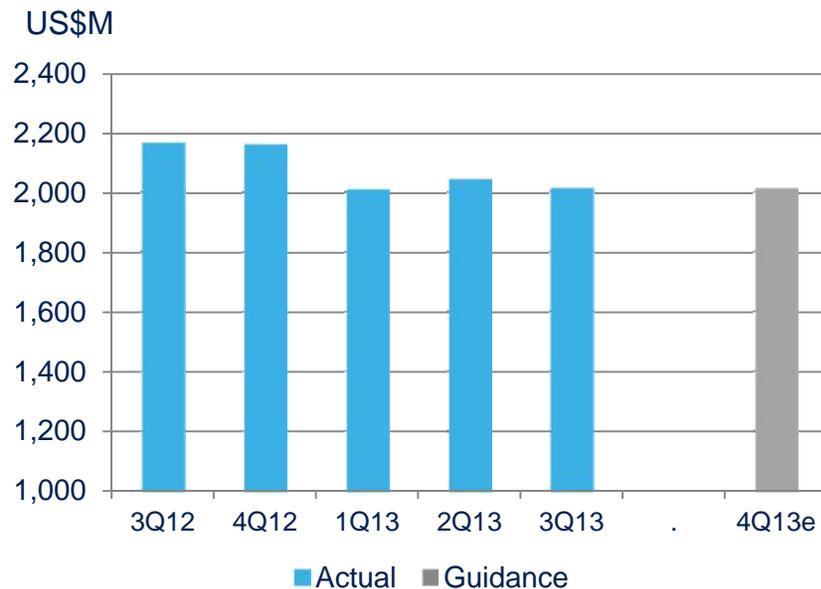
3Q13 Revenues by Product Groups



ST 3Q13 Revenues

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3Q13 Revenues = \$2.01B
-1.6% vs 2Q13



Excluding Wireless product line:

- Up 3.9% y-o-y and 0.5% q-o-q
- Softness in the high-end smartphone in Asia and mass market in Asia, including the cable set-top box market in certain countries
- Sequential growth in Imaging, Microcontrollers, MEMS and Automotive

Wireless product line down 23% sequentially

4Q13 revenue expected to be about flat sequentially (+/- 3.5 percentage points)

Financial Performance

<i>In US\$M, except EPS</i>	3Q12	2Q13	3Q13
Net Revenues	2,166	2,045	2,013
Gross Margin	34.8%	32.8%	32.4%
Operating Income (Loss) before impairment and restructuring* Operating Margin before impairment and restructuring*	(79) (3.6%)	(64) (3.1%)	54 2.7%
Impairment and restructuring charges	(713)	(43)	(120)
Net Income – Reported	(478)	(152)	(142)
EPS Diluted	(0.54)	(0.17)	(0.16)
Adjusted EPS Diluted*	(0.03)	(0.06)	(0.03)
Free Cash Flow*	(80)	(134)	(72)
Net Financial Position, adjusted for 50% investment in ST-Ericsson*	1,064	954	739
Effective Exchange Rate €/\$	1.29	1.30	1.31

*See appendix

ST Gross Margin Evolution

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3Q13 Gross Margin : 32.4%

Down 40 basis points sequentially

- Below the mid-point of 3Q13 guidance range primarily due to the higher than expected weight of wireless legacy products as well as negative currency effect

Focus on progressive improvement in gross margin

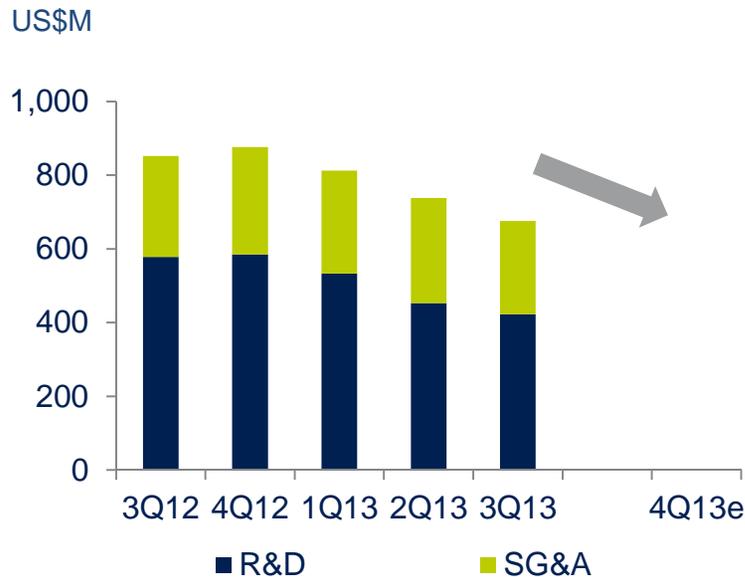
- Structural changes to our manufacturing footprint ongoing: AMJ9 and LongGang



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ST Opex Evolution

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3Q13 Operating Expenses

Further progress toward our target

Combined 3Q13 SG&A and R&D at \$676M

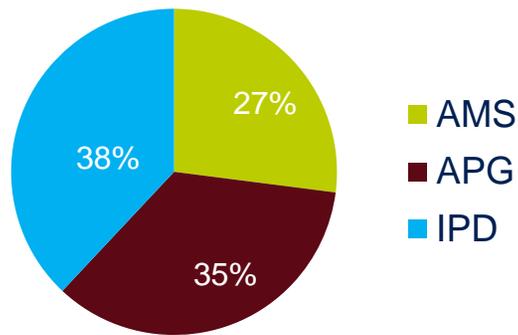
- Down \$62M sequentially
- Benefitting principally from the wind-down of the ST-Ericsson joint venture and seasonality

On track to achieve our net operating expenses target range in 1Q14

- *Net operating expenses target in the range of \$600M to \$650M average per quarter*
- *Includes SG&A and R&D expenses including R&D grants*

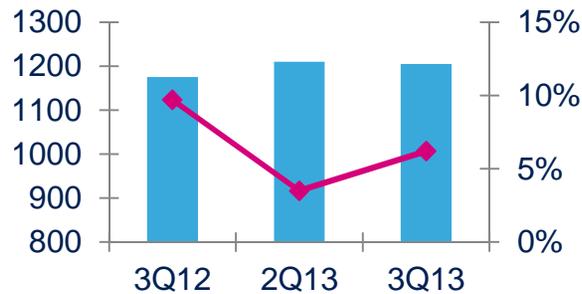
Sense & Power and Automotive

3Q13 Revenues



3Q13 Revenues = \$1,205M

- Down 0.4% q-o-q due to lower volumes in Industrial and Power products (IPD)
- Partially offset by slight growth in Analog and MEMS (AMS) and Automotive (APG)
- Up 2.6% y-o-y driven by APG



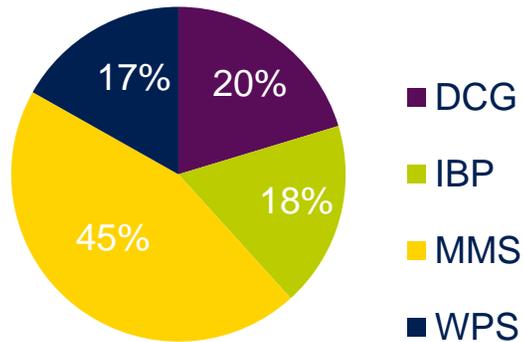
3Q13 Operating Margin = 6.2%

- Sequential increase principally driven by lower operating expenses



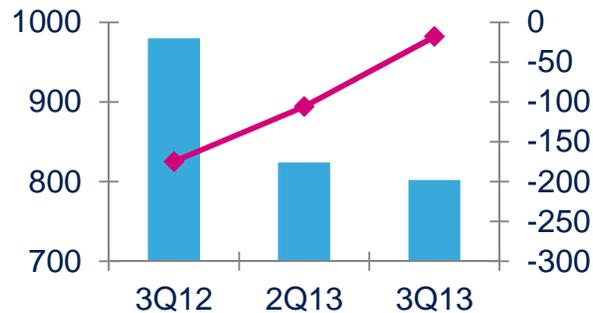
* Operating Income before impairment, restructuring charges. Unused capacity charges are reported in the Group "Others"

3Q13 Revenues



3Q13 Revenues = \$802M

- Down 2.7% q-o-q and 18.2% y-o-y
- Significant decrease in Wireless Product Segment (WPS) sales and to a lesser extent, Digital Convergence (DCG)
- Growth in IBP and MMS
- Microcontrollers posted record quarterly billings driven by general purpose MCUs



3Q13 Operating Losses = \$18M

- Operating margin improved to negative 2.2% from negative 12.8% in 2Q13 and negative 17.8% in 3Q12
- Benefit mainly due to a significant reduction in expenses and \$75 million gain from the sale of businesses

Revenue █ Operating Margin * ◆



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

Sense, Power and Automotive

3Q13 Product Highlights

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MEMS AND SENSORS

- Began **high-volume production of the-4th generation 3-axis gyroscope** for a major consumer electronics manufacturer.
- Captured a design win for a **new environmental sensor** from a leading **Chinese smartphone** manufacturer
- Launched **mass production of a Smart iNemo module**, containing an accelerometer, gyro and brain for a handheld gaming system from a major manufacturer



POWER AND SMARTPOWER

- In the industrial space, we won significant business with **two new ASICs** with extended lifetimes from **major EMEA automation companies** as well as another for a dedicated power supply for utilities metering



AUTOMOTIVE

- Earned an **important award for a 32-bit 40nm microcontroller family** for body gateway and body control modules from a major European Tier 1
- **Reinforced success in automotive lighting** with major awards from multiple suppliers in Europe and Korea
- Leveraged its record of success with Sirius/XM to win **the new-generation 40nm BaseBand chip for Digital Satellite Broadcasting**



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Embedded Processing 3Q13 Product Highlights

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MICROCONTROLLERS

- Ramped production of STM32 controllers for **Samsung's latest wearable device and smartphone**
- **Expanded STM32 family** of microcontrollers with Value-line devices while also increasing the ecosystem at the high-end of the family with new STM32 F4 Discovery Kits
- **Achieved Bank-Card Test Center certification** for our secure microcontroller for Dual Interface Banking in China
- Succeeded in placing a secure microcontrollers in a **new generation of Secure Element**



IMAGING, BI-CMOS ASIC AND SILICON PHOTONICS

- Started deliveries of new high-value dedicated Image Signal Processor to a leading consumer brand
- Sampled and demonstrated to automotive market leaders a new high-performance Image Signal Processor and image-sensor chipset with advanced feature for automotive and security applications



DIGITAL CONVERGENCE

- Launched system-on-chip devices that support Ultra-HD and HEVC video-decoding and are ideally suited for server, gateway and client-box applications
- **FD-SOI:** Addressing significant customer interest with major European and US operators as well as network infrastructure providers and device makers

Net Financial Position*

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End of period (US\$M)	Sep. 28, 2013	Jun. 29, 2013	Mar. 30, 2013
Available Cash and Marketable Securities	1,526	1,773	1,906
Non-Current Restricted Cash	-	-	4
Total Liquidity	1,526	1,773	1,910
Total Financial Debt**	(787)	(964)	(897)
Net Financial Position	739	809	1,013

Maintaining a Strong Financial Position

In 3Q13:

- Capex paid were \$166M
- Dividends paid to stockholders were \$93M

Resolution to distribute a cash dividend of \$0.10 per outstanding common share in Q413 and Q114 submitted to the forthcoming Extraordinary General Meeting of Shareholders (December 2, 2013)



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* See appendix

** Includes ST-Ericsson debt to Ericsson of \$145M at June 29, 2013, and \$83M at March 30, 2013.

- In the third quarter we began to experience a softening of bookings with the exception of automotive. We believe this is a reflection of a demand correction in the semiconductor industry. For the fourth quarter, we anticipate a relatively flat sequential revenue performance. Nevertheless, we anticipate seeing a return to positive cash flow generation as a result of the wind-down of ST-Ericsson.
- We are confident in our ability to turn our significant business opportunities into revenue. Our innovative products and technologies in MEMS and Sensors, Smart Power, Automotive, Microcontrollers and Set-top box/Home Gateway, are gaining greater traction with customers and will enable us to further expand our customer base.
- 4Q13 revenues are expected to be about flat on a sequential basis, plus or minus 3.5 percentage points.
- 4Q13 gross margin is expected to be about 33%, plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately \$1.34= €1.00 for the 2013 fourth quarter and includes the impact of existing hedging contracts.
The fourth quarter will close on December 31, 2013.

Reaching the Model*

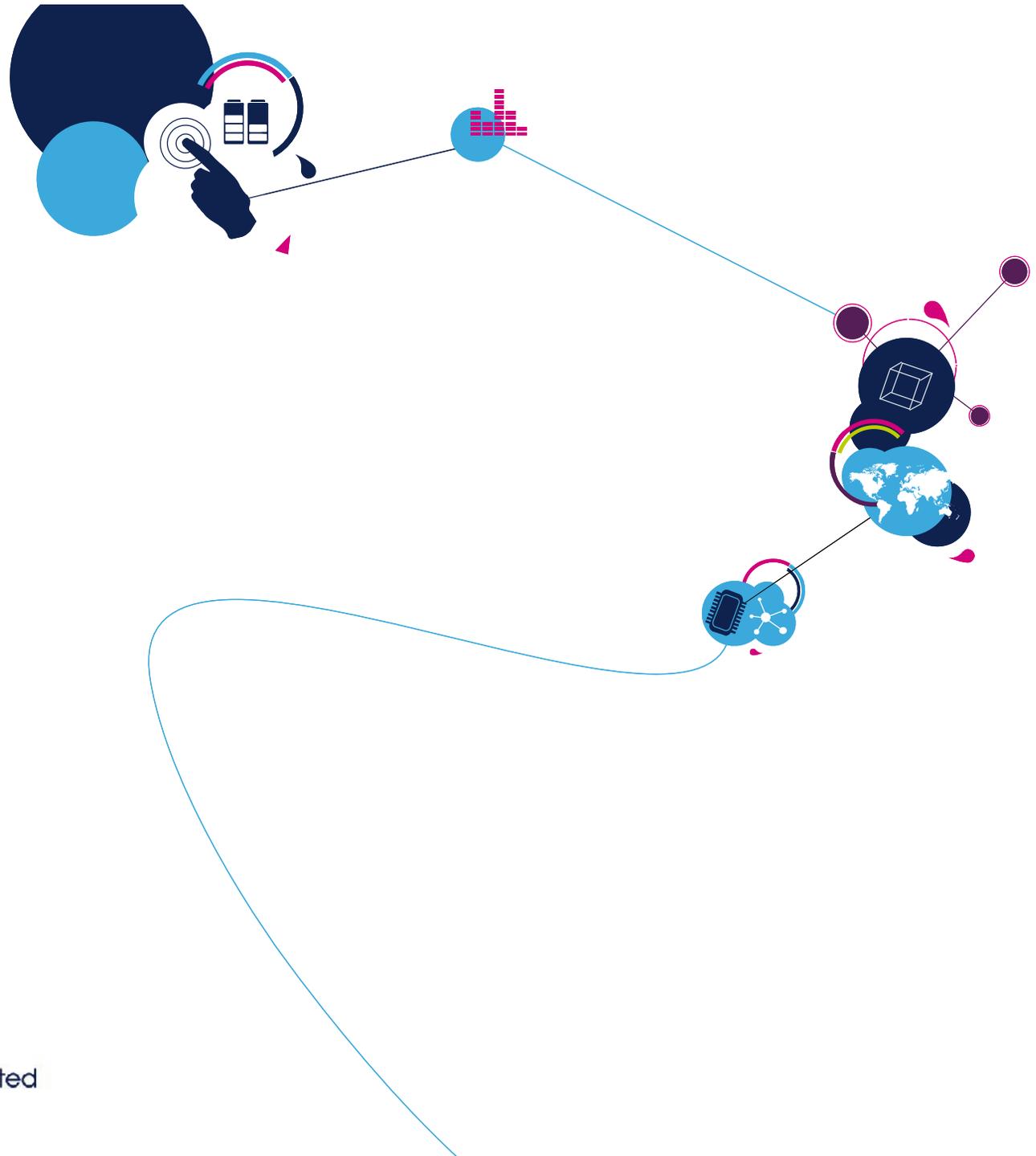
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We continue to aggressively pursue our objective to reach an operating margin of about 10 percent

- Our initiatives to reduce costs, such as achieving our net operating expenses target, and improving our manufacturing, are on track
- The timing for us to achieve our operating margin target will depend greatly on our level of revenues
- Based on current visibility including market conditions, reaching this operating margin target is now expected in mid-2015



Appendix



Pre-Tax Items to Adjusted Earnings*

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OPERATING RESULT	<i>In US\$M</i>	3Q12	2Q13	3Q13
	NET EARNINGS	U.S. GAAP Net Earnings	(478)	(152)
Impairment & Restructuring Charges (attributable to Parent Company's shareholders)**		456	41	117
Loss on equity-method investments (3Sun)			69	
Loss on equity-method investments (MicroOLED)				4
Estimated Income Tax effect of Adjustment		(7)	(11)	(2)
Adjusted Net Earnings*			(29)	(53)



* See appendix

** Total Impairment & Restructuring Charges were \$713M in 3Q12, \$43M in 2Q13 and \$120M in 3Q13.

- **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 excludes impairment, restructuring charges and other related closure costs
- **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.